ANNEX 1

BURUNDI

CONTENTS

CHARTS

TABLES

Page

APPENDIX TABLES

I. ECONOMIC ENVIRONMENT

(1) MAIN FEATURES OF THE ECONOMY

1. The Republic of Burundi is a landlocked country straddling Central and East Africa. It covers a total area of 27,834 km², of which 23,500 km² (or about 84.5 per cent) is agricultural or potentially agricultural (arable) land. In 2010 its total population was 8,444,102, that is, a density of 326 inhabitants/km², making Burundi one of Africa's most densely populated countries. Almost 90 per cent of the population live in rural areas.

2. A decade-long sociopolitical crisis (Chapters II and V) has had a serious impact on Burundi's economic fundamentals and social indicators. According to the authorities' most recent estimates, made in 2010, the crude death rate (15.1 per thousand) and crude birth rate (38.5 per thousand) are rising. The acute malnutrition rate exceeds 10 per cent, the per capita daily caloric intake is well below the required standards (1,650 calories compared with the recommended 2,250 calories), and 85 per cent of households face food insecurity every day.[1] With a per capita GDP of US$175.9 in 2010 and life expectancy at birth of 49.6 years, Burundi is one of the world's poorest least developed countries. The majority of socio-economic indicators are notably lower than the average for sub-Saharan Africa, and the HIV/AIDS pandemic has also helped to lower standards of living.[2] The proportion of households living below the poverty threshold has almost doubled in the space of 20 years, standing at 67 per cent in 2010 compared with 35 per cent in 1990; in the UNDP Human Development Index (HDI), Burundi is ranked 185th out of 187 countries.

3. Burundi remains a primarily agricultural nation. Agriculture (encompassing subsistence farming, livestock raising, fisheries and forestry) occupies 90 per cent of the total population, produces on average around 45 per cent of GDP, provides 95 per cent of the food supply and accounts for 95 per cent of export earnings. Coffee is the principal export, followed by tea. Small farmers account for most of the production of these commodities, as a subsistence activity. A prominent feature is the presence, in most branches of commercial agriculture, of semi-public enterprises and entities involved in processing and marketing activities. Since the beginning of the 1990s, State involvement has been reduced somewhat as a result of various reforms; nevertheless it remains significant, particularly through the fixing of prices for producers of coffee, tea, cotton and sugar, and the dominant position of the semi-public enterprises. In general these sectors are in difficulty, as the presence of numerous intermediaries is inflating post-production prices to levels in excess of those found on the international market.

4. The secondary sector, accounting for about 15.8 per cent of GDP in 2010, is rudimentary and mainly serves the domestic market. The tertiary sector (services), representing around 35 per cent of GDP, has displayed burgeoning growth since 2000, particularly in the mobile telephony segment. Burundi relies heavily on the external sector, and the value of its trade in goods and services is approaching 60 per cent of GDP. It has had a balance-of-payments deficit since 2000, which grew from US$5.7 million in 2005 to US$300.9 million in 2010, corresponding to around 20 per cent of GDP.

5. Burundi has a certain amount of mineral wealth, including nickel, vanadium, cassiterite, colombo-tantalite and gold. Its climate and its fertile soil give Burundi a comparative advantage in certain agricultural subsectors. In the past, Burundi's geographical situation was used to advantage to make the country a trade hub in the subregion. This potential has been under-exploited since

[1] Ministry of Agriculture and Livestock (2008a).
[2] UNDP (2010); World Bank (2010); and International Monetary Fund (2011a).

the 1990s, mainly because of the country's chronic instability, which makes it difficult to implement policies to encourage development and means that investment in Burundi is not very attractive to nationals or foreigners.

6. Burundi is emerging from a long period of war, civil unrest and economic crises, the huge consequences of which are visible in all aspects of the country's social, cultural, political and economic life. The infrastructure deficit, particularly in the areas of energy and transport, is hampering the development of several sectors, particularly agriculture, industry and mining. Only about 3 per cent and 2 per cent of the population have access to electricity and telephony (fixed and mobile) respectively. However, this rate rises to 13.72 per cent for mobile telephony. The authorities have made efforts in the areas of infrastructure construction and improvement of the legal and regulatory framework (Chapters II and IV). Thus, 2011 saw substantial progress which enabled Burundi to climb to 169th place in the World Bank's *Doing Business 2012* report, having been ranked 174th out of 183 countries in 2010. Burundi is listed as one of the global top ten reformers for 2012.

7. The national currency is the Burundi franc (FBu). Burundi accepted Article VIII of the IMF's Articles of Agreement in 1963, and adopted a floating exchange-rate system with effect from 1 April 1992. The freezing of international financial cooperation and the drop in export earnings following the sociopolitical crisis which erupted in 1993 drove the foreign exchange reserves down to very low levels and led to the introduction of a dual exchange-rate regime. The Bank of the Republic of Burundi therefore decided to set up a second desk for the sale and purchase of foreign currency by commercial banks. On 4 July 2000, a foreign exchange auction market was introduced with the aim of correcting the distortions caused by the multiple exchange-rate system and unifying the three exchange rates (1st and 2nd desk rates, and parallel market rate). The participants in this market are the BRB as seller, and the commercial banks and foreign-exchange offices as buyers.

(2) RECENT ECONOMIC DEVELOPMENTS

8. Following a long decade of economic stagnation in the 1990s and the early 2000s, Burundi's GDP growth rate has improved considerably since 2006, increasing from 3.8 per cent in 2007 to 4.5 per cent in 2008, thus outpacing population growth at around 4.1 per cent (Table I.1). These positive results are attributable to the easing of the sociopolitical crisis, improved security and a combination of the reforms undertaken since 2005 and favourable commodity-price trends. However, Burundi's economic performance over the past two years has been weakened by the global financial and economic crisis. Growth has decelerated, dropping from 4.3 per cent in 2008 to 3.9 per cent in 2010, primarily as a result of a decline in private transfers and foreign direct investment. The fall in international prices for petroleum and food products brought end-period headline inflation down from 24.1 per cent in 2008 to 10.5 per cent in 2009, then to around 6.4 per cent in 2010. In 2011 the authorities announced an inflation rate of 9.5 per cent. Thanks to donor support and the allocation of SDRs, gross official reserves remained stable at 6.5 import months in 2009-2010.

9. Following the signing of the Arusha Peace and Reconciliation Agreement in 2000, to bring peace to the country, the Government moved forward with the consolidation of the macroeconomic framework by signing up to IMF programmes. The objectives of these programmes include the sound management of public finances and of the national currency, and the improvement of the business climate (Chapter II), through the following reforms in particular: (i) operationalization of the Burundi Revenue Office (OBR); (ii) better allocation of public spending to priority sectors; and (iii) establishment of a single treasury account, census of government employees, etc. These reforms have led to an increase in the level of own resources, as well as greater mobilization of external

financing. They have also helped to curb the growth of current expenditure and increase the fiscal space for the financing of investments. In the budgetary area, the reforms have made it possible to increase total public income to around 20 per cent of GDP through, in particular, better collection of income tax and indirect taxes. Total expenditure, including the wage bill, has essentially been contained within the budgetary limits. However the low level of income, when set against expenditure, poses a problem in terms of Burundi's actual capacity to finance its development. Overall, the budget deficit (excluding grants) worsened in 2010 and 2011, reaching 25.6 per cent and 28.7 per cent of GDP respectively (Table I.1).

10. An analysis of Burundi's external debt by economic sector reveals that most of the debt is owed directly by the State to multilateral and bilateral creditors (94 per cent in 2010, compared with 80 per cent in 2009). The remainder consists of on-lent debt, i.e. amounts borrowed by the State for public beneficiaries. In January 2009 Burundi attained the completion point under the HIPC Initiative, reducing its public debt by more than 90 per cent of its net present value and cutting the debt burden by around 30 to 40 million per year over the next 30 years. The country has also been granted additional debt relief in the framework of the Multilateral Debt Relief Initiative (MDRI). The level of its external debt went down from 144.6 per cent of GDP in 2005 to 22 per cent in 2010.[3] However, since 2010 the State's direct external debt has been rising again. This debt is absorbed firstly by public amenities, where almost three quarters of expenditure is accounted for by transport (roads, airport and port), followed by the balance of payments, technical assistance, the management of State-owned enterprises, and project studies, *inter alia*; the debt for the productive and social sectors represents only about 11.5 per cent and 9.6 per cent, respectively, for the period under review.

11. The Government has embarked upon a number of reforms with a view to reducing its deficit. The main objective of the budgetary policy is to maintain a prudent position in order to control the debt and ensure debt sustainability in a context of great vulnerability in the medium term, particularly given the decline in budgetary assistance and donors' increased preference for project support rather than budgetary support. This involves reducing the share of current public expenditure in GDP and reallocating resources towards strategic investments (particularly in the energy sector, with a major investment in the construction of an electric power plant - KABU 16 - representing 0.5 per cent of GDP in 2012), and towards poverty reduction spending. In the medium term, one key assumption of the strategy is that civil service salaries will be contained: the 2012 budget assumes strict maintenance of public sector staffing levels in all sectors except healthcare, and basic and secondary education, as well as the strict control of nominal salaries, so that the share of public sector remunerations in GDP falls by 0.4 per cent. In the longer term the objective is to strengthen domestic resources through the activities of the OBR, and by means of a new fiscal reform whose main focus is on: aligning income taxes and excise duties on the harmonization guidelines of the East African Community (EAC); reducing existing tax exemptions in order to broaden the tax base; continuing the public finance reforms heralded by the adoption in 2008 of the new Organic Law on Public Finance (LOFP), by means of a new strategy for the reform of public finances which was due to be finalized during the first quarter of 2012 following validation of the Public Expenditure and Financial Accountability report (PEFA); adopting programme budgeting with effect from 2014; decentralizing payment authorization in the sectoral ministries; the gradual adoption of risk-based controls; and switching to the accrual basis of accounting. A decree ushering in these reforms

[3] International Monetary Fund (2011b).

(General Regulations on Public Budget Management (RGGBP)) was adopted at the end of 2011. A text on budget governance is under preparation.[4]

Table I.1
Economic indicators, 2005-2010

	2005	2006	2007	2008	2009	2010
GDP at market prices (FBu million)	860,900	946,402	1,060,132	1,386,199	1,637,111	1,843,893
GDP at market prices (US$ million)	796	920	980	1,169	1,331	1,498
Real GDP, growth rate (%)	0.9	5.1	3.2	4.3	3.4	3.9
Population (million)	7.4	7.6	7.8	8.1	8.3	8.5
Nominal GDP per capita (US$)	107.9	121.0	125.0	144.8	160.3	175.9
			(Percentage of GDP)			
Sectoral distribution of GDP						
Primary sector	45.2	45.1	43.7	43.5	42.8	42.9
Food crops[a]	44.2	42.2	42.6	41.9	41.9	41.3
including subsistence farming	37.1	35.3	35.5	34.9	34.7	34.1
Export-oriented agriculture	1.1	2.9	1.1	1.6	1.0	1.6
Secondary sector	15.4	15.3	15.3	15.4	15.7	15.8
Industry, mining and energy[b]	10.6	10.4	10.3	10.2	10.2	10.3
Construction	4.8	4.9	5.1	5.2	5.4	5.5
Tertiary sector	32.5	32.8	34.3	34.5	35.0	35.0
Tradable services	11.5	11.5	12.5	12.5	12.8	12.8
Non-tradable services	21.0	21.2	21.9	22.0	22.2	22.2
GDP at factor cost	93.1	93.2	93.3	93.4	93.5	93.6
Indirect taxes, minus subsidies	6.9	6.8	6.7	6.6	6.5	6.4
			(Percentage of GDP)			
National accounts						
Private final consumption	92.0	94.9	95.1	87.0	81.8	80.0
Public final consumption	26.5	27.3	27.1	41.6	36.7	39.2
Gross fixed capital formation	10.5	16.3	17.5	22.3	22.1	20.6
Variation in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Net exports	-29.1	-38.5	-39.8	-50.9	-40.7	-39.7
Exports of goods and services	11.5	10.1	8.6	9.0	7.3	9.1
Imports of goods and services	40.6	48.6	48.3	59.9	48.0	48.8
Prices and interest rates						
Inflation (CPI, % change)	13.5	2.8	8.3	24.1	11.0	6.4
Deposit rate (interest rate)	9.6	8.9	8.3	8.1	7.6	7.3
Lending rate (long term)	19.2	16.6	17.1	15.1	13.1	10.2
Exchange rates						
FBu/US$ (annual average)	1,082	1,029	1,082	1,186	1,230	1,231
Real effective exchange rate (end of period, % change)	..	..	-6.2	28.5	9.5	6.2
Nominal effective exchange rate (end of period, % change)	..	..	-10.2	33.3	1.2	2.1
Public finances [c]						
Revenue and grants	32.5	30.4	34.3	28.7	25.9	39.4
Revenue	20.5	19.3	19.0	18.8	18.9	19.9
Tax revenue	18.5	17.3	17.5	17.1	17.0	18.6
Non-tax revenue	2.0	2.0	1.5	1.7	1.4	1.3
Special revenue (COMESA)	0.0	0.0	0.0	0.0	0.5	0.1

[4] PEFA (2012).

	2005	2006	2007	2008	2009	2010
Grants	12.0	11.1	15.2	9.9	6.5	19.3
Expenditure	34.7	33.7	37.1	31.6	32.8	46.8
Current expenditure	25.7	24.0	25.0	26.1	26.4	27.5
Expenditure on goods and services	16.1	17.4	17.3	18.6	17.3	16.8
Wages	8.5	9.5	10.5	11.2	11.0	11.5
Purchases of goods and other services	7.6	7.9	6.7	7.5	6.3	5.3
Subsidies and other transfers	3.5	3.8	4.4	5.2	6.9	8.5
Interest payments	3.7	2.1	2.8	1.9	1.6	1.6
Special fund expenditure	2.4	0.7	0.5	0.4	0.5	0.6
Current account balance, excluding grants	-5.2	-4.7	-6.0	-7.3	-7.5	-7.6
Current account balance, including grants	6.8	6.4	9.3	2.6	-0.5	11.9
Capital expenditure	9.0	9.7	12.1	5.5	6.4	19.3
Overall balance, excluding grants (accrual basis)	-14.2	-14.3	-18.1	-12.8	-13.9	-26.9
Overall balance, including grants (accrual basis)	-2.3	-3.3	-2.8	-2.9	-6.9	-7.4
Financing	2.3	3.3	2.8	2.9	6.9	7.4
External financing	1.6	2.1	0.9	1.0	4.7	6.1
Net domestic financing	0.4	3.9	0.4	2.4	5.2	1.3
Errors and omissions	0.2	-2.7	1.6	-0.5	-3.1	0.0
Public debt						
Domestic debt (end of year) / GDP	22.4	24.4	22.7	19.7	22.4	23.2
External debt (end of year) / GDP	144.6	140.0	144.4	113.1	34.3	28.6
Memorandum items						
Inward FDI stock (% of GDP)	4.4	3.9	3.7	5.0	5.7	6.1
Outward FDI stock (% of GDP)	0.2	0.2	0.2	0.2	0.2	0.2

.. Not available.
a Current subsistence agriculture, livestock raising, fisheries and forestry.
b Including handicrafts.
c Provisional 2010.

Source: Bank of the Republic of Burundi. Viewed at: http://www.brb.bi; IMF, IFS database. Viewed at: http://elibrary-data.imf.org; and UNCTAD statistical data. Viewed at: http://unctadstat.unctad.org.

12. The establishment, in 2009, of the OBR has helped to increase revenue and, as a result of the automation of the expenditure chain, the integrated public finance management system has improved the monitoring of expenditure execution and enhanced transparency in public finances. The structure of Burundi's budget still contains a very large proportion of current expenditure (wages, operating expenses, interest payments, and transfers and subsidies) in relation to capital expenditure. Between 2005 and 2010, annual average current expenditure accounted for around 29 per cent of GDP, compared with around 8 per cent of GDP for capital expenditure (Table I.1).

13. Monetary policy is in the hands of the Bank of the Republic of Burundi (BRB), whose key objective is to ensure price stability (with an inflation rate of less than 10 per cent) through management of the national currency. In addition to this main mission, the BRB is responsible for: management of the country's official reserves; regulation of foreign-currency transactions; participation in the negotiation of international agreements on payment modalities; regulation and control of lending establishments and financial intermediaries; and promotion of the proper functioning of money and capital markets. The BRB's intervention tools are the refinancing rate and the required reserves of 3 per cent of deposits in local and foreign currencies. The implementation of these instruments is decided on by the Monetary Policy Committee.

14. The BRB also offers a marginal lending facility to commercial banks experiencing temporary difficulties. This facility, granted subject to the lodging of sufficient security with the central bank, is a refinancing window lasting no more than one day. At present the marginal lending rate is dissuasive, being set at the weighted average rate for the previous issue of treasury bonds, increased by three percentage points. The BRB has decided to set a floor for net foreign assets and a ceiling for net domestic assets in order to restrict the growth of money supply to a level compatible with nominal GDP growth. Money supply showed a continuous upward trend between 2004 and 2010, and was estimated at FBu 638.1 billion in 2010, compared with FBu 530.77 billion in 2009. Over the same period, net foreign assets, which had also been rising, fell from FBu 168.8 billion in 2009 to FBu 139.9 billion in 2010. Domestic credit also rose steadily, and was estimated at FBu 669.8 billion in 2010 compared with FBu 364.7 billion in 2006. The State's difficulties in financing its budget deficit are evidenced by the increase in net debts owed by the State over the period.

15. Where exchange rate policy is concerned, the BRB adopted new regulations in July 2010 to replace those which had been in force since 2006. These new regulations are intended to further the policy of liberalizing international current account transactions. In 2010 the BRB continued with the policy of determining the exchange rate by means of the symmetrical foreign exchange auction market introduced in April 2009. The policy allows both the central bank and the commercial banks to sell and buy foreign currency on this market. On an annual average, the Burundi franc (FBu) has depreciated significantly against the Japanese yen (7.1 per cent) and the Swiss franc (5.2 per cent), and slightly against the US dollar (0.05 per cent). On the other hand, it has appreciated against the euro (-4.1 per cent) and the British pound (-0.7 per cent).

16. The exchange rate of the FBu relative to the US dollar has not fluctuated greatly over the period. BRB authorization is required for certain major capital account transactions (by both natural and legal persons).

17. Inflation in Burundi is driven essentially by the level of the budget deficit, the production growth rate and the increase in money supply.[5] The combination of prudent monetary and budgetary policies, implemented following reforms supported by the IMF and the World Bank since 2005, made it possible to reduce the cumulative inflation rate from 13.5 per cent in 2005 to 6.4 per cent in 2010, before it climbed to 9.5 per cent in 2011 (Table I.1). Burundi recorded a very high inflation rate in 2008 (24.1 per cent), primarily as a result of the surge in global food prices. On the other hand, the global financial crisis did not have serious consequences for Burundi's banking system. Nevertheless, a concentration risk has been identified by the Financial Sector Assessment Program (FSAP) as one of the banking system's main vulnerability factors. Despite the oil and food shock and the global financial crisis, the country's external position has been supported by the debt relief obtained under the HIPC and MDRI Initiatives, and by the allocation of SDRs. Despite the impact of the food and oil crisis on the trade balance, the external current account deficit fell in 2008 as a result of substantial transfers, before worsening in 2009 because of a drop in donor assistance.

[5] Burundi's Economic Development Institute (IDEC, 2008).

(3) TRADE AND INVESTMENT PERFORMANCE

(i) Trade in goods and services

(a) Trade in goods

18. The structure of Burundi's trade has not changed significantly since the previous review of the country's trade policy (TPR) in 2003 (Tables AI.1 and AI.2, and Chart I.2). Burundi's balance of payments shows a chronic current account deficit, due in particular to a low rate of cover of imports by exports and a relatively large deficit in the services account. In 2010, exports and imports of goods accounted for 9.1 per cent and 48.8 per cent of GDP, respectively. The exports/GDP ratio fell during the second half of the 2000s, whereas the imports/GDP ratio grew rapidly, giving rise to an ongoing trade deficit which reached US$300.9 million in 2010, corresponding to 20 per cent of GDP. The resulting current account deficit has been partially financed by the increase in foreign aid flows, which averaged around 17.7 per cent of GDP between 2008 and 2010.

Table I.2
Balance of payments, 2005-2011
(US$ million)

	2005	2006	2007	2008	2009	2010	2011
Current account	**-5.7**	**-133.5**	**-108.0**	**-259.4**	**-163.6**	**-300.9**	**-283.6**
Goods	-128.1	-186.0	-195.3	-265.8	-277.0	-337.2	-428.6
Credit	60.8	58.7	58.8	69.6	66.0	101.2	123.9
Debit	-188.9	-244.7	-254.1	-335.5	-343.0	-438.4	-552.5
Services	-99.3	-167.7	-148.1	-175.5	-126.7	-88.7	-101.2
Credit	34.8	34.5	30.8	83.3	49.9	79.5	111.7
Debit	-134.1	-202.2	-178.9	-258.8	-176.6	-168.2	-212.9
Income	-17.8	-8.8	-5.9	-4.3	-17.0	-10.9	-17.4
Credit	3.2	4.6	8.7	10.9	1.4	1.1	7.5
Debit	-20.9	-13.4	-14.6	-15.2	-18.4	-12.0	-24.9
Current transfers	239.5	229.0	241.2	186.2	257.1	135.9	263.6
Credit	242.8	231.8	241.7	188.2	260.4	149.5	277.1
Debit	-3.3	-2.7	-0.5	-2.0	-3.2	-13.6	-13.5
Capital account	**31.8**	**62.0**	**128.0**	**140.7**	**1,025.3**	**77.9**	**96.5**
Credit	32.7	63.1	129.3	146.2	1,028.7	86.5	..
Debit	-0.9	-1.1	-1.3	-5.5	-3.3	-8.6	..
Financial operations account	**58.2**	**67.7**	**6.1**	**60.9**	**-758.1**	**214.9**	**181.8**
Direct investment	0.6	0.0	0.5	3.3	0.3	0.8	3.4
Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	91.5	85.8	68.7	166.2	-701.4	234.1	162.5
Reserve assets	-33.9	-18.2	-63.1	-108.5	-57.0	-20.0	15.9
Errors and omissions	**-84.3**	**3.8**	**-26.1**	**57.8**	**-103.6**	**8.1**	**5.4**
Indicators (%)							
Balance of goods/GDP	-16.1	-20.2	-19.9	-22.7	-20.8	-22.5	..
Current account balance/GDP	-0.7	-14.5	-11.4	-22.2	-12.3	-20.1	..

.. Not available.

Source: IMF, Balance of payments. Viewed at: http://elibrary-data.imf.org (accessed: June 2012); and Bank of the Republic of Burundi, Annual Report 2011.

19. Burundi's export base remains particularly narrow and is highly concentrated on a small number of products, including coffee, tea, sugar, beer and cigarettes (Table AI.2 and Chart I.1). Compared to other countries, Burundi remains over-reliant on coffee exports (Chart I.2). Most of the

major gold exports reported in recent years are not corroborated by the mining production statistics, and appear more likely to be re-exports (*Global Witness 2009*).[6]

20. Exports have grown more slowly than GDP over the past decade, hence the drop in the share of exports of goods in GDP from around 10 per cent on average between 2005 and 2007 to less than 5 per cent in 2010. The exports to GDP ratio almost doubles when services are included, primarily because of the spectacular increase in exports of "Government services".[7] These ratios are far below the averages for sub-Saharan Africa (SSA) and the least developed countries (LDCs), and are also weaker than the performances of all the other EAC member countries (Table I.3).

21. The European countries continue to dominate Burundi's export markets, but their relative importance is declining (Chart I.2 and Table AI.3). These countries received around 78 per cent of Burundi's exports in 2004, compared with 59 per cent in 2010 - a contraction of almost 20 percentage points. Certain developing countries have become relatively important destinations for Burundi's products. For example, in 2010 exports to Singapore and the Democratic Republic of the Congo accounted for around 6.1 per cent and 6.2 per cent of the total, respectively. Exports to the United States declined during the decade, indicating that Burundi has not really been able to take advantage of its admission to the AGOA since 2006. Exports to African markets rose from 11.1 per cent to 22.8 per cent between 2004 and 2010 (Chart I.1). These markets are currently the main importers of Burundian manufactures.

22. The EAC has become an increasingly important region for Burundi's exports since 2001, i.e. well before Burundi joined the Community. Exports to and imports from the EAC have increased rapidly over the past decade (Charts I.2 and I.3). This evaluation is based on the official statistics, which do not record informal cross-border flows and are therefore likely to underestimate the importance of the subregion. The shares of total exports going to Rwanda (5.6 per cent) and Kenya (9 per cent) have been stable, but the shares going to Uganda and Tanzania have increased during the decade (from 0.9 per cent and 0.3 per cent respectively in 2004, to 2.4 per cent and 1.5 per cent in 2010). The main exports from Burundi to the EAC include hides and skins (around 25 per cent), raw cane sugar (20 per cent), ferrous scrap (17 per cent), coffee and tea (8 per cent), and soap (5 per cent).[8]

23. The structure of imports has changed somewhat since 2001. They consist essentially of manufactured goods, capital goods, food products, chemicals and petroleum products. Burundi's integration in the subregional and global economy has changed the geographical distribution of its trade. A small shift in the country's trade flows has been observed since 2003. Burundi's main traditional sources of imports have seen their shares in the country's total imports decrease slightly (Chart I.3 and Table AI.4). The European Union and the EAC member countries are major import markets for Burundi, but their shares have declined (from 34.2 per cent to 28.2 per cent, and from 29 per cent to 26 per cent, respectively). At the same time, imports from other countries have increased: Saudi Arabia (averaging 12 per cent in recent years, mainly oil, with a peak in 2007) and China (from 3.3 per cent in 2004 to 12 per cent in 2010).

---

[6] World Trade Organization (2003a); and World Bank (2011).

[7] Governmental services include goods and services transactions by international organizations, embassies, or military units and their personnel in the host countries and correspond to mode 2 in the case of services. For details, see IMF (undated).

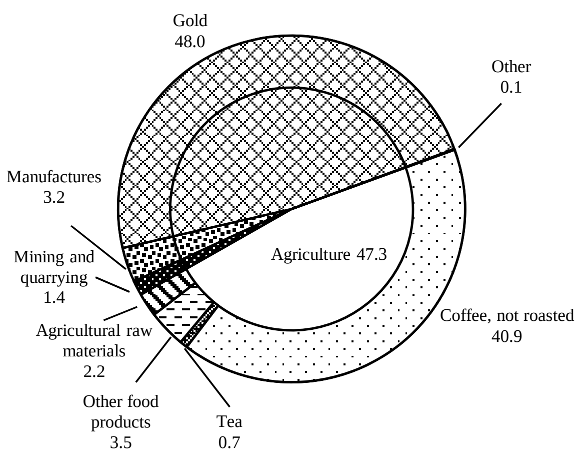
[8] Burundi's gross exports to the EAC also include the various re-exports of manufactures. See "East African Community Secretariat" report (2010).

Chart I.1
Structure of merchandise trade, 2005 and 2010

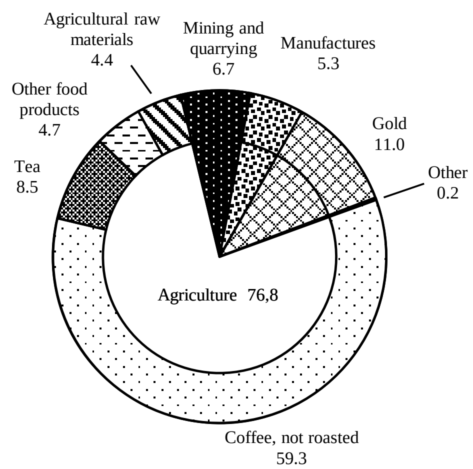
Per cent

2005 **2010**

(a) Exports (f.o.b.)

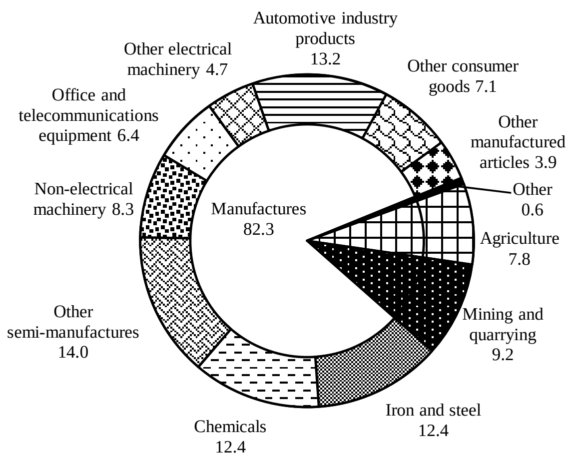


Total: US$113.8 millon

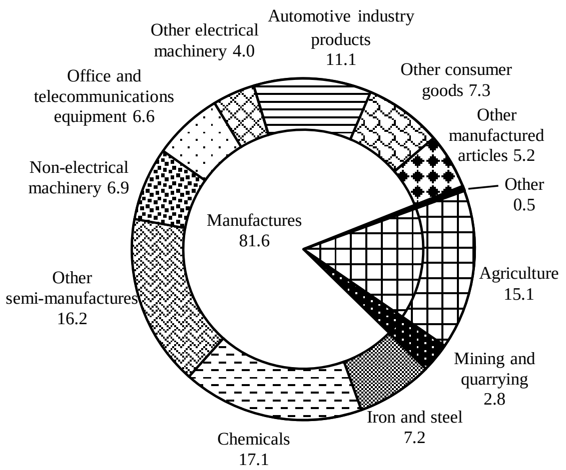


Total: US$118.2 millon

(b) Imports (c.i.f.)



Total: US$258.2 millons



Total: US$404.1 millon

Source: **WTO Secretariat calculations, based on data from the UNSD Comtrade database (SITC Rev.3).**

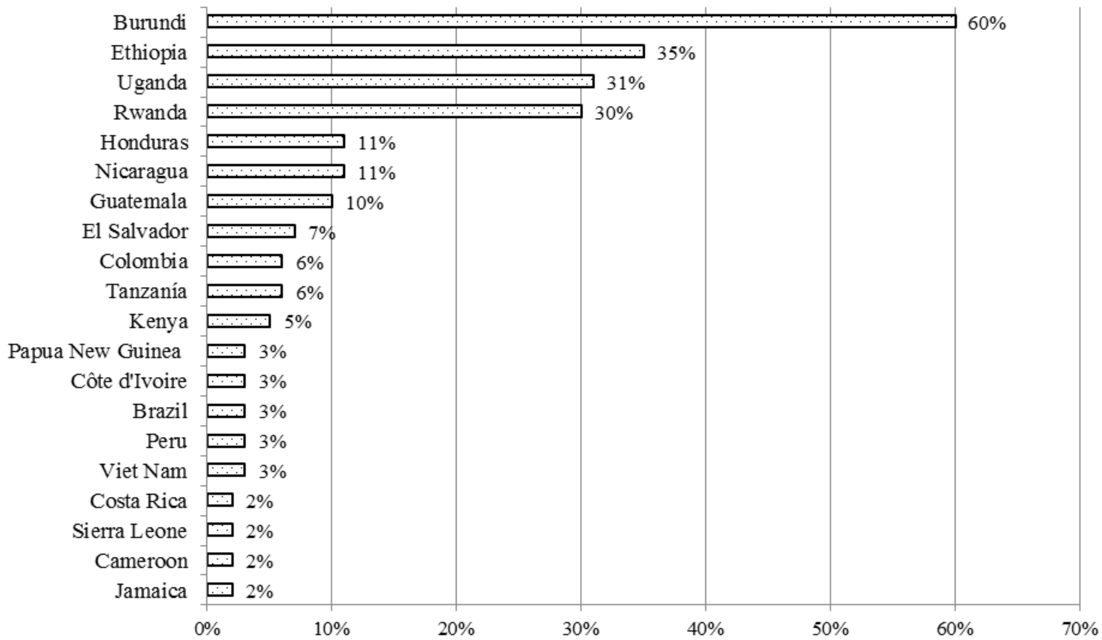
Table I.3
Share of exports in GDP, 2010
(Per cent)

Country	Exports of goods	Exports of goods and services
Burundi	4.6	9.7
Kenya	13.4	25.1
LDCs	25.3	28.7
Rwanda	3.6	10.2
SSA	29.0	32.9
Tanzania	12.0	21.0
Uganda	6.2	13.9

Source: Burundi Diagnostic Trade Integration Study (DTIS) 2012, data from Comtrade/WITS (goods exports, mirror data) and UNCTADstat (services exports), p.16.

24. The African countries' share in Burundi's imports has grown steadily since Burundi's previous TPR in 2003. Tanzania, Kenya, Uganda and Zambia have been the leading African exporters to Burundi. The African continent is now the top exporter to Burundi, with 34.5 per cent of the market in 2010. The share of imports from the COMESA countries stood at 22.5 per cent in 2010. The Asian countries, including Japan, China and India, were the second largest source of imports, with 29.3 per cent in 2010.

Chart I.2
Average share of coffee exports in total export earnings, 2008-2010



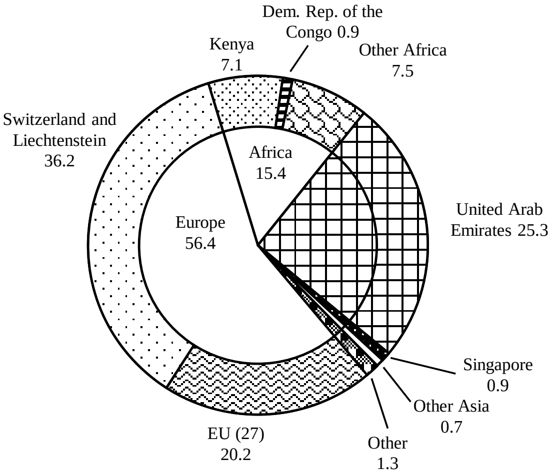
***Source*: Comtrade/WITS, SITC Rev.3, Mirror statistics.**

Chart I.3
Direction of merchandise trade, 2005 and 2010

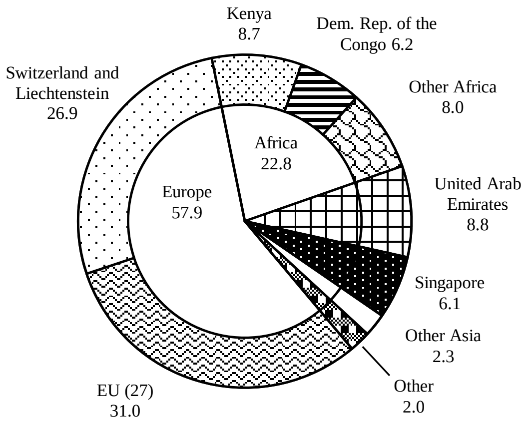
Per cent

2005	2010

(a) Exports (f.o.b.)

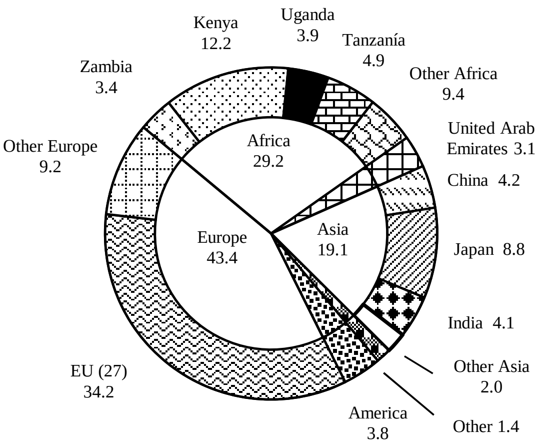


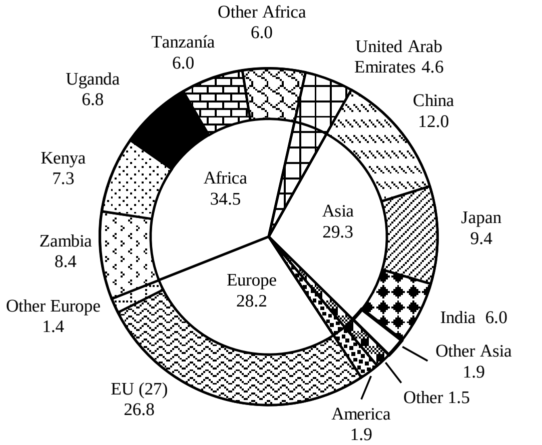
Total: US$113.8 millon



Total: US$118.2 millon

(b) Imports (c.i.f.)





Total: US$258.2 millon **Total: US$404.1 millon**

***Source*: WTO Secretariat calculations, based on data provided by the authorities.**

25. The other four EAC member countries' relative shares in Burundi's imports varied between 2004 and 2010: Uganda's share rose from 5.7 per cent to 6.8 per cent, with peaks approaching 10 per cent of total imports between 2007 and 2008, whereas Kenya and Tanzania saw their shares decline from 14.9 per cent to 7.3 per cent and from 8.4 per cent to 6 per cent, respectively. Imports from the EAC countries are more diverse than exports to them, but consist primarily of materials such as iron and steel (18 per cent) or cement (14 per cent), paper and related manufactures (11 per cent); other manufactures (20 per cent); chemicals and related products (15 per cent); and cereals and other foods (11 per cent).[9]

(b) Trade in services

26. Between 2001 and 2010[10], the share of services in total trade increased from 12 per cent to 51 per cent for exports and from 22 per cent to 29 per cent for imports. This pattern reflects the increasing role of the services sector in the domestic economy.[11] In Burundi trade in services in relation to GDP has grown much faster than in other EAC countries.

27. The growth of trade in services as a proportion of GDP is attributable primarily to exports of "government services", which are currently dominating Burundi's exports of services; this is a reflection of increased donor presence since 2005. The remaining exports of services (i.e. "commercial services") are negligible and consist of travel services (the purchase of goods and services in Burundi by non-residents, transport services, financial services and other business services. Export earnings from commercial services range between US$2 and 7 million per year. Imports of services averaged US$200 million between 2008 and 2010 (almost five times the annual average recorded between 2001 and 2003). This is due to the rapid increase in imports of transport and travel services, which represent between 80 and 90 per cent of Burundi's total imports of services.

(ii) Direct investment

28. Despite its legislative efforts (Chapter II(3)), Burundi is still finding it hard to attract foreign direct investment (FDI). FDI inflows per capita are even lower in Burundi than in all the other EAC countries, even though they have been rising since 2008. On average, FDI represented 1 per cent of GDP between 2008 and 2010, compared to almost zero between 2001 and 2007. The relatively high volumes recorded in 2008 (US$14 million), 2009 (US$10 million), and 2010 (US$14 million) were mainly in telecommunications and the banking sector. According to UNCTAD, in 2010 the estimated FDI stock reached US$91 million and 6 per cent of GDP.[12] These figures are comparable with the FDI estimates for Kenya (7 per cent) and Rwanda (8 per cent). The *Doing Business 2012* report makes reference to progress, and to recent reforms for the protection of investors. Nevertheless, Burundi's capacity to attract FDI could usefully be improved by reducing high production and transaction costs, as well as improving energy infrastructure and other basic commercial services.[13]

29. The major investments in the telecommunications sector reflect the Government's liberalization of the mobile telephony market (Chapter IV(5)(iii)). In 2008, the Egyptian company Orascom acquired U-Com, recently owned by the Indian group Global Vision. Moreover,

[9] East African Community Secretariat (2010).
[10] The availability and reliability of data on trade in services remain limited.
[11] Bank of the Republic of Burundi (BRB, 2010).
[12] UNCTAD (2010).
[13] For a detailed account of the nature and impact of - and the constraints on - FDI in Burundi, see UNCTAD (2010).

two additional licences have been granted, one to HITS Telecom, a Uganda-Saudi Arabia joint venture, and the other to the Nepalese company Lacell SU (Smart Mobile).

30. According to the authorities, the increase in FDI is also attributable in part to the establishment, in 2009, of Burundi's Investment Promotion Agency (API), aimed at simplifying the investment authorization procedure and making it more efficient. Recent figures show that the API dealt with 145 investment projects between its establishment and the end of 2011, apparently equivalent to FBu 477 billion (around US$400 million). In 2010-2011, the projects handled by the API were concerned primarily with hotels and other aspects of tourism (US$150 million), manufactures (US$130 million), and agri-businesses (US$104 million).[14]

31. The establishment of the EAC Common Market and the continuation of the liberalization and privatization process have opened up new opportunities in terms of trade in services and direct investment. The increased size of the regional market and the possibility of positioning Burundi as a regional trade hub could create strong incentives for foreign investors wishing to establish themselves in the region. Increased FDI would, in its turn, be a major advantage in terms of facilitating export diversification. The UNCTAD report on Burundi's investment policy refers to major FDI opportunities in the mining, manufacturing and services (telecommunications, banking services, commercial services, tourism) sectors.[15]

(4) OUTLOOK

32. Overall, Burundi has taken some important steps in recent years to clarify the objectives of its trade policy and improve its business environment. Although recent trade policy commitments at the regional level, coupled with legislative and regulatory developments, demonstrate the Government's commitment to improving the country's trade performance, the sustainable and effective implementation of the reform package remains a major challenge for Burundi, whose institutional and human resource capacities are still limited. According to the authorities, several recently adopted reforms have not yet produced the hoped-for effects because they have not been implemented, owing to a lack of implementing texts or of financial, material and human resources for the new institutions. Moreover, the impact of the reforms is likely to be limited, at least in the short term, by the small proportion of businesses operating in the formal sector and by the business climate, which is still suffering from the years of sociopolitical conflict. Moreover, supply-side constraints such as limited access to essential services (electricity, transport infrastructure, banking and insurance, telecommunications, etc.) and a lack of market knowledge are preventing companies and individuals from participating in commercial activities and limiting the impact of the reforms.

33. In 2012 the authorities finalized the Growth and Poverty Reduction Strategy Paper (PRSP II), which provides medium-term projections for the main macroeconomic aggregates. Thus, according to the projections based on a scenario of continuing reforms leading to vigorous growth sustained by favourable developments at the international level, economic growth - estimated at 4.2 per cent in 2011 - would rise to 5.1 per cent in 2012 and 8.2 per cent in 2015. On average, over the period 2012-2015 Burundi's economy would grow by 6.9 per cent a year, corresponding to three percentage points above the average rate of growth recorded between 2007 and 2011. The country's resources should also be on the increase, even though public finances would still show a slight deficit.

34. The structural current account deficit would deepen year by year, from 20.7 per cent of GDP in 2011 to 42.2 per cent of GDP in 2015, i.e. an average of 38.1 per cent over the period 2012-2015,

[14] API (2011).
[15] UNCTAD (2010).

compared with 17.8 per cent between 2007 and 2011. The capital and financial operations account surplus would average around 38.1 per cent of GDP over the period 2012-2015, compared with 17.8 per cent during 2007-2011. This will result from the expected increase in foreign direct investment as the business climate improves. Where debt is concerned, the country will adopt a policy aimed at promoting financing at concessional rates in order to avoid an excessive debt service burden. Inflation will be held below 10 per cent in accordance with the EAC convergence criteria. Lending to the economy will increase by 15.6 per cent on average, raising its ratio to GDP to 27.9 per cent during the period 2012-2015, compared with 22.2 per cent on average between 2007 and 2011.

35. Burundi's economic outlook is generally favourable, although it is exposed to risks arising out of the external environment, the security situation, the country's geographical location, its agriculture's vulnerability to climate conditions, and its vulnerability to the impact of price fluctuations on commodity markets. Annual growth rates of between 5 and 7 per cent will be needed to reduce the poverty level and counteract the impact of the prolonged economic downturn seen during the past decade.

II. TRADE AND INVESTMENT REGIMES

(1) OVERVIEW

36. Burundi has amended the overall framework for its trade and investment policy since the previous Review of its Trade Policy (TPR) in 2003. In February 2005, the new Constitution of the Republic of Burundi was adopted to replace the transitional Constitution of October 2001; and several laws were updated.

37. Under the Constitution, Executive power is vested in the President of the Republic, the two Vice-Presidents, and the members of the Government. The President is elected by direct universal suffrage for a term of five years, renewable once. Legislative power belongs to Parliament, which comprises two chambers: the National Assembly and the Senate. Parliament's role is to adopt legislation and monitor action by the Government in accordance with the procedures defined in the Constitution. The Judiciary is composed of the Supreme Court and other courts. Commercial cases are heard by the Commercial Court, established by presidential decree in 1987, which ensures compliance with the provisions of the Commercial Code and rules on violations thereof.

38. Pursuant to the Constitution, Executive power at the provincial level is delegated to a provincial governor responsible for coordinating administration of the province. Provincial governors are appointed by the President of the Republic following consultation with the two Vice-Presidents and confirmation by the Senate.

39. The Constitution has precedence over all other national legal instruments. Below the Constitution come the components of the legislative bloc, namely, in order, laws (organic and ordinary), then the components of the regulatory bloc, namely, decrees, orders, ordinances, internal regulations, administrative regulations, circulars, instructions, directives, decisions and, finally, customs. International treaties and agreements are signed by the President or by the minister to whom such powers have been delegated. Once signed, they must be brought before Parliament for ratification. The Constitution establishes a monist system that reaffirms the primacy of international instruments over Burundi's legal texts, subject to their reciprocal implementation by the parties.

40. Since Burundi's previous TPR in 2003, the country has launched several programmes and reforms to update its legal framework, which had suffered greatly from the upheavals of war. All Burundi's legislation is being generally updated and harmonized, with improvements being made to certain key laws governing the business and investment environment, for example, the codes for investment, trade, business, taxation, customs, development of the private agricultural and non-agricultural sector, reform of State-owned enterprises, government procurement and fiscality (Table II.1).

41. Policies are formulated and implemented through laws, decrees or ordinances. Each ministry is responsible for formulating policies within its competence and for preparing the relevant draft legislation. This is done in coordination with other ministries which may be affected by the measures under consideration.

Table II.1
Main trade laws and regulations, June 2012

Area	Instrument/Text	Date of entry into force
Business activities in Burundi (including unfair competition and consumer protection), competition	Law No. 1/07 of 26 April 2010 on the Commercial Code	26 April 2010
	Law No. 1/06 of 25 March 2010 on the legal regime for competition	25 March 2010
Investment guarantees; rights and obligations; investment regimes	Law No. 1/24 of 10 September 2008 on Burundi's Investment Code	10 September 2008
	Law No. 1/23 of 24 September 2009 on the fiscal incentives provided by Law No. 1/24 of 10 September 2008 on Burundi's Investment Code	24 September 2009
Free-zone regime	Law No 1/015 of 31 July 2001 revising Decree Law No. 1/3 of 31 August 1992 establishing a free-zone regime in Burundi. In 2008, this law was incorporated into the new Investment Code	31 July 2001
Taxes, levies and duties	Law No. 1/02 of 17 January 2009 establishing the value added tax (VAT)	17 January 2009
	Ministerial Ordinance No. 540/708/2009 of 2 June 2009 implementing Law No. 1/02 of 17 January 2009 establishing the value added tax (VAT)	2 June 2009
	General Code of Taxes and Duties	
	Amendment of certain provisions relating to earned income tax or occupational tax	13 March 2001
	Amendment of certain provisions relating to the tax on income from movable capital assets, or movable property tax	13 March 2001
	Revision of Law No. 1/011 of 30 December 1998 establishing a fixed levy on certain taxes	
Customs legislation	Law No. 1/02 of 11 January 2007 establishing the Customs Code	11 January 2007
Intellectual property (copyright)	Law No. 1/021 of 30 December 2005 on protection of copyright and related rights	30 December 2005
	Law No. 1/13 of 28 July 2009 on industrial property in Burundi	28 July 2009
Labour Code	Decree Law No. 1-037 of 7 July 1993 revising Burundi's Labour Code	7 July 1993
Phytosanitary legislation	Decree Law No. 1/033 of 30 June 1993 on plant protection in Burundi	30 June 1993
State-owned enterprise privatization programme	Law No. 1/09 of 30 May 2011 establishing the Code on private and State-invested enterprises	30 May 2011
	Law No. 1/07 of 10 September 2002 revising the law on the organization of privatization of State-owned enterprises	10 September 2002
	Law No. 1/01 of 4 February 2008 on Burundi's Government Procurement Code	4 February 2008
	Law on bankruptcy and companies in difficulty	
	Law on court-approved arrangements	

Source: Information provided by the Burundian authorities.

42. Trade policy is formulated and implemented by the Ministry of Trade, Industry, Post and Tourism, whose responsibilities include fair and transparent conditions for competition. Other institutions are also involved in implementing trade policies, for example, the Ministry of Finance and Economic Development Planning (including the customs administration); the Ministry of Agriculture and Livestock; the Ministry of Transport, Public Works and Infrastructure; the Ministry of Justice and Keeper of the Seals; the State-owned Enterprises Service (SCEP); and the Permanent Secretariat for following up economic and social reform (SP/REFES)[16,] which is part of the second Vice-President's Office.

[16] The SP/REFES is responsible for supervising and coordinating all matters related to the economic reform and structural adjustment programme.

43. The Economic and Social Council is an advisory body with competence for all areas relating to economic and social development and is consulted on any draft development plan or any regional or subregional integration project. On its own initiative, the Council may also make recommendations in order to draw the attention of the Executive to economic and social reforms which it considers to be in or contrary to the general interest.

44. Since it acceded to the East African Community (EAC), Burundi has had a Ministry, attached to the President's Office, responsible for East African Community affairs, which also plays a key role in the process of strengthening regional trade integration. This Ministry together with the Ministry of Trade, Industry, Post and Tourism play a central role in the formulation, negotiation and implementation of Burundi's trade policies, with support from other State (ministries and dependent institutions) and non-State (private sector and civil society) stakeholders. According to the Burundian authorities, the private sector is called upon to become a true partner of the public sector in taking economic decisions, including those concerning trade, boosting investment and creating jobs. Additional efforts are needed, however, to develop more systematic consultation between the Government and the private sector, particularly on the formulation of trade policies.

45. Trade liberalization and regional and global economic integration are part of the Economic Growth and Poverty Reduction Strategy Paper for Burundi (PRSP II). The Government has accordingly opted for a relatively open trade policy.

46. The Government is pursuing the objectives of making local enterprises and key sectors of its economy such as agriculture and services more competitive. It has therefore chosen to liberalize economic activities still further and to strengthen dialogue between the State and the private sector. The major efforts made concern identification and dismantling of non-tariff barriers; liberalization of the general pricing regime; revision of the tax and customs regimes as a result of accession to the EAC; liberalization of the mining sector, and of the main agricultural subsectors (coffee and tea); and privatization of the management of the port and airport in Bujumbura. Burundi has also undertaken sectoral reforms in the monetary, tax, Customs services, insurance, telecommunications and other basic infrastructure sectors.

(2) TRADE AGREEMENTS AND ARRANGEMENTS

(i) World Trade Organization (WTO)

47. Burundi became an original Member of the WTO on 23 July 1995, having been a Contracting Party to the GATT since 13 March 1965. It grants at least most-favoured-nation (MFN) treatment to all its trading partners. Burundi is not a signatory to any plurilateral agreement negotiated within the WTO framework and did not take part in the WTO negotiations on basic telecommunications or in those on financial services.

48. In the Doha Round, Burundi belongs to the ACP and G-90 negotiating groups, the African Group and the Group of Least Developed Countries (LDCs). As an LDC, Burundi has benefited from a transitional period for implementing a number of the provisions in various WTO Agreements, such as the Customs Valuation Agreement, the TRIPS Agreement and the Agreement on Import Licensing Procedures. Nevertheless, problems caused by lack of capacity in particular have delayed Burundi's implementation of some WTO Agreements.

49. Burundi has difficulties as far as notifications to the WTO are concerned; between 2004 and April 2012, it submitted only five notifications or communications (Table II.2).

Table II.2
Notifications to the WTO, 2003-2012

WTO Agreement	Obligation	Date of the document	Symbol of the latest notification
Agriculture, Article 10/18.2 DS:1	Domestic support commitments (Table DS:1) for the years 1996, 1998, 2000, 2002 and 2004	15 March 2005	G/AG/N/BDI/2
Agriculture, Article 18.2 DS:1	Domestic support commitments (Table DS:1) for the years 2006 and 2008	6 May 2009	G/AG/N/BDI/4
GATT 1994, Article VI; Anti-Dumping, Article 16.5	Burundi notified that it had not established an authority competent to initiate and conduct an investigation within the meaning of Article 16.5	16 April 2010	G/ADP/N/193/BDI
Preshipment Inspection, Article 5	Notifications under Article 5 of the Agreement on Preshipment Inspection	19 July 2004	G/PSI/N/1/Add.10
Subsidies and Countervailing Measures, Article 25.12	Burundi notified that it had not established an authority competent to initiate and conduct an investigation within the meaning of Article 25.12	18 January 2010	G/SCM/N/202/BDI

Source: World Trade Organization.

50. In the Doha multilateral trade negotiations, Burundi is of the view that special and differential treatment helps to sustain revival in production in LDCs so as to enhance and diversify their production capacity and infrastructure. It attaches special importance to the agricultural negotiations, particularly market access for its exports through continued special and differential treatment and the establishment of measures to compensate for fluctuations in global commodity prices. Burundi also considers that the WTO dispute settlement system is too costly and difficult to access for LDCs. It would like to receive targeted and appropriate technical assistance in particular for implementing international legal standards and instruments.

51. Burundi has not been involved in any dispute under the WTO dispute settlement mechanism, whether as a complainant, a respondent or a third party.

(ii) Regional and bilateral agreements

52. Burundi has signed many agreements on trade, economic and technical cooperation with various partners. The structure and content of these agreements highlight the common political will to promote trade.

53. On 18 June 2007, Burundi acceded to the EAC Treaty and became a full member of the Community on 1 July 2007. It also belongs to the Common Market for Eastern and Southern Africa (COMESA); the Economic Community of Central African States (ECCAS); and the Economic Community of the Great Lakes Countries (ECGLC). Within the EAC, Burundi has been negotiating Economic Partnership Agreements (EPAs) since 2007 (joint report, Chapter II).

(3) INVESTMENT REGIME[17]

54. Since 1 January 2009, a new Investment Code has been in effect in Burundi.[18] This Code defines the overall framework and the guarantees given to investors in Burundi. The Law of 24 September 2009 specifies the tax concessions provided in the Code.

55. The new Code marks the conclusion of the revision of the regulatory framework undertaken since 2003 in order to update the texts governing business law so as to boost investment and the

[17] This section is based on UNCTAD (2010).

[18] Law No. 1/24 of 10 September 2008 on the Investment Code. This Code replaced that of 1987 (Law No. 1/005 of 14 January 1987), as amended.

private sector. The Code applies to both foreign and Burundian investors. One of the major improvements has been to make all investment subject to ordinary law procedures and the guarantee and benefits criteria in the general regime instead of the complex system in the former Code, which provided for four approval regimes (one basic regime and three special regimes). Furthermore, the new Code gives foreign investors more guarantees, particularly as regards expropriation, guaranteed transfer of capital and access to international arbitration. Foreign investors are free to choose the court if there is any dispute.

56. The new Code guarantees freedom of investment and establishment to any natural or legal person in connection with any activity, except for the production of arms and ammunition or investment in military and paramilitary production, which are governed by special laws. The Code's aim is to promote investment, especially in infrastructure, export and the processing of raw materials, as well as micro-enterprises and sectors that create jobs, *inter alia*. There is no economic sector specifically closed to foreign investment, whether by the Constitution, the Investment Code, the Commercial Code or other investment-related texts. Moreover, the State monopolies still existing such as those for fixed telephony and electricity are part of a privatization programme open to foreign investment. This programme provides for the possibility of reserving shares in such enterprises to Burundian investors.

57. Specific sectoral reforms such as those in the telecommunications sector with the liberalization of mobile telephony and privatization of the fixed operator, liberalization in the electricity sector and that under way in the coffee subsector are along the same lines. Prior to 2005, the State still played a key role in the coffee subsector, but following Decree No. 100/012 of 2005, all economic operators, whether Burundian or foreign, have been free to become established and to operate in all components of the coffee subsector's production, marketing, processing, export and financing chain. The mining sector is also open to foreign investors, although Article 19 of the Mining and Petroleum Code provides that foreign natural and legal persons holding mining rights must become domiciled in Burundi. Services are of strategic importance to Burundi and are not the subject of any restrictions or bans on foreign investment. Burundi has, however, made very few commitments under the WTO General Agreement on Trade in Services (Chapter IV(5)).

58. The Ministry of Finance and Economic Development Planning is responsible for policy, including the promotion of private and public investment. The aims of Burundi's investment policy include improving infrastructures, creating a sound industrial base and developing natural resources. Under the authority of the Minister, the Investment Promotion Agency (API) was set up in 2009.

59. The API's main objective is to promote investment and maximize its positive impact on Burundi's economic and social development. The Agency's principal tasks relate to the image, targeting, facilitation, monitoring and encouragement of investment. The API administers Burundi's Investment Code.

60. To allow an enterprise to benefit from the incentives in the Investment Code, a pre-investment study highlighting the legal, economic and technical features of the project must be deposited with the API. The latter undertakes a technical counter-expertise of the projects submitted to it and the Agency's Board of Directors either approves or rejects them. The API also plays a role as a facilitator among the various government authorities for the purpose of obtaining authorizations, certificates, work permits, and the land needed to carry out projects. The API is responsible for making a recommendation, *inter alia* on whether or not the investment project is a priority, the regime under which the enterprise is eligible and the benefits to be granted. The Investment Code specifies the criteria that determine the regime applicable to an investment project and also the relevant incentives

according to the eligibility criteria (Chapter III(4)(i) and Table AIII.4). These incentives - which are usually of a fiscal nature - are intended to promote certain types of special industrial investment in the context of development policies, especially those which help to create jobs and promote non-traditional sectors and the decentralization of economic activities.

61. The following tax concessions are provided by the various Codes: exemption from conveyance duty on the purchase of real estate or land essential for making the investment and for its operation; a 37 per cent tax credit on the total amount of depreciable assets invested for any investment of FBu 100 million or more the first year and creating at least ten permanent jobs in Bujumbura or five permanent jobs outside the capital; exemption from customs duty on all imports of capital goods; total exemption with no advance payment of VAT on imports for any investment amounting to over FBu 500 million; a reduction in countervailing duties on imports, from 5 per cent to 1.5 per cent for all investment of over FBu 10 billion[19]; for investment projects "strategic" for Burundi, the possibility given to the API to propose to the Minister of Finance that additional tax and customs concessions should be granted as an exception; and a 2 per cent reduction in profits tax if the project employs between 50 and 200 Burundian workers and 5 per cent if it employs over 200 Burundian workers.

62. In addition to the special incentives in the Investment Code, the Law of July 2001 on the creation of a free zone determines the benefits available to enterprises that meet the eligibility criteria (Chapter III(3)(iv)). The regime does not apply to any specific geographical area but is more a system of free points. In 2008, the Law of July 2001 on the creation of a free zone was incorporated into the new Investment Code.

63. Notwithstanding the provisions in the Code, the degree of openness of the investment regime is in practice limited by the existence of a State monopoly or State-owned enterprises in a dominant position in some sectors such as fixed telephony, the sugar industry, electricity and water, postal services, marketing of tea, and road and air transport services. Nevertheless, some 60 State-owned enterprises are due to be restructured and the Government has begun to open up the capital of some of these enterprises to private investment (Chapter III(4)).[20]

64. The settlement of disputes (concerning application of the Investment Code) between the Government and an investor complies with the substantive laws and regulations and administrative procedures in force. An investor is free to choose between domestic or international institutional arbitration in order to settle a dispute. The new Investment Code introduces the possibility of recourse to international arbitration for the settlement of disputes between the Government and investor, but only for disputes relating to application of the Code. Where there is recourse to international arbitration, this must be according to the arbitration rules of the International Centre for Settlement of Investment Disputes (ICSID), of which Burundi has been a member since 1969, although it has not been involved in any dispute settlement cases.

65. Burundi is a member of the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA), which allows foreign investors to insure themselves against four types of risk in the country where they are established: (1) restrictions on transfer of foreign currency; (2) expropriation; (3) war and public disturbances; and (4) cancellation of contracts. In January 2009, the MIGA insured a project whose total risk exposure was US$0.91 million.

[19] These duties no longer exist following introduction of the EAC's CET.

[20] Several laws from July 2008 (see Table II.1) concern the reform of State-owned enterprises and State withdrawal.

66. Burundi has signed Investment Promotion and Protection Agreements (IPPAs) with Germany (1984), Belgium and Luxembourg (1989) and the United Kingdom (1990). Agreements have also been signed with Comoros (2001), Kenya (2009), Mauritius (2001) and the Netherlands (2007), although these have not yet been ratified. These agreements contain all the usual provisions to be found in IPPAs concerning the eligibility regime; protection, with fair and equitable treatment, and security and protection excluding any unjustified or discriminatory measures, including treatment not less favourable than that given to citizens of the country where the investment is made; a ban on taking any measures on forfeiture or restriction of ownership rights, except for reasons of public necessity, security or national interest, with the payment of adequate and effective compensation; guarantee of freedom to transfer assets; and the possibility of recourse to conciliation or arbitration by the ICSID if there is a dispute with the State and the investor concerned so requests.

67. The entry into force of the new Investment Code denotes considerable progress for Burundi. The Code is a practical demonstration of the Government's aim to establish a central law to boost investment. Following the changes made and the spirit of reform in recent years, Burundi's legal framework does not contain any major obstacles to managing private economic activities or to foreign investment. Despite the improvements made, however, administrative and regulatory bureaucracy hinders the establishment of enterprises and very limited information is available on the laws and regulatory measures.

68. Although there has been progress in making reforms, one of the main causes of Burundi's poor trade performance remains an environment that is not very conducive to business. *Doing Business 2012* places Burundi 169th out of 183 countries as far as the global business environment is concerned, way behind the other EAC countries. One reason for this is structural factors such as geographical isolation, weak infrastructure and human capital in the country, but a large part is also a question of regulations. Between 2005 and 2010, the Government certainly made five positive reforms with regard to building permits, protection of investors, payment of taxes and insolvency procedures, but these efforts must continue in respect of the cost and time required for importing and exporting as measured in the *Doing Business* report for Burundi, which are still higher than in other East African or sub-Saharan African countries. The Government should also ensure effective implementation of reforms by issuing the implementing texts as soon as possible, without which these reforms will have no effect.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) INTRODUCTION

69. Since January 2007, the EAC common external tariff (CET) has been Burundi's main trade policy instrument. The move from the national tariff to the CET resulted in an overall increase in average import duties, despite a sharp reduction for capital goods and vehicles. Moreover, 5 per cent of Burundi's tariff headings do not correspond to the EAC's eight-digit Harmonized System (HS) CET. The CET rates are relatively higher than the former (national) tariff and the applied rate is above the bound rate for certain products. According to the authorities, however, there has been a relative drop in fiscal revenue from import duties since the CET was adopted.

70. All goods, imported or domestic, are subject to a value added tax (VAT) of 18 per cent. Goods subject to excise duties include fuel, sugar, tobacco products, alcoholic beverages, and carbonated beverages. Customs valuation is based on the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, as transposed into the EAC's community provisions. Burundi has some difficulties in implementing it and uses reference values.

71. Burundi has ceased to impose export duty on all goods. The major incentive programmes are a duty drawback scheme and a free-zone processing programme. The new Customs Code, as well as the Tax Code, provide for various regimes allowing goods to be imported with suspension of duties and taxes. Burundi does not have any export financing scheme or any export guarantee and insurance regime.

72. As a general rule, imports of a value of US$5,000 or more are required to undergo preshipment inspection by the company *Société générale de surveillance* (SGS). The corresponding inspection costs (fees) have to be paid by importers at the official rate of 1 per cent of the f.o.b. value of the goods, with a minimum charge of FBu 250,000 (approximately US$200), which may in fact amount to up to 20 per cent of the said value. Burundi has not adopted any legislation on contingency measures. It has not notified the WTO of any sanitary or phytosanitary measures or technical regulations. It is experiencing serious difficulties in implementing standardization and introducing technical regulations and has no national accreditation body.

73. The price of goods and services can generally be freely set in Burundi, although approval of prices by the Ministry responsible for the economy is required for four categories of goods and services (water, electricity, hydrocarbons and transport) deemed to be strategic.

74. Burundi has made efforts to update its regulatory framework for business. New legislation on government procurement, introducing the principle of decentralization, came into force in 2008 and there has been a new competition law since March 2010. The privatization of State-owned enterprises is continuing under a new law that has been in force since 2009.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Registration and documentation

75. Any properly registered natural or legal entity may import goods for commercial or private purposes and have access to the foreign currency needed for such operations.

76. All imports of goods require a declaration of the intention to import (DII) endorsed by a commercial bank before the goods are shipped. This declaration must be endorsed in advance by the

preshipment inspection company, namely, the SGS, following submission of five copies of the form showing details of the trader, the detailed pro forma invoices for the goods, the pro forma transport invoices, and certificates of insurance for the goods to be paid using foreign currency.[21] "Transport" insurance is mandatory and must be taken out with a local insurance company unless a waiver is obtained from the central bank (Bank of the Republic of Burundi (BRB)). Based on the DII, commercial banks are then authorized to allocate an amount in cash determined in accordance with the exchange regulations.

77. A DII is not required for imports whose f.o.b. value is US$3,000 or less in the case of chemicals, foodstuffs and pharmaceuticals, and an f.o.b. value of US$5,000 or less for other products.

78. An approved customs broker must be used except for minor cross-border trade. Customs brokers' activities were governed by a law of 2001 on customs agents, as well as by the Customs Code of January 2007, until Burundi's accession to the EAC's Customs Union. Since then, forwarding agents and customs agents have been governed by the Community Act (Part X of the Act and Part XII of the regulations). A deposit that may be up to FBu 100 million is required for accreditation at the national level: FBu 50 million for customs clearance alone and FBu 100 million for customs clearance and transit. For all operations, forwarding agents must also post a bond to cover all the taxes and duties payable. The customs broker receives a commission for his services negotiated between him and the importer.

79. The customs' services require the following documents for clearing goods imported into Burundi: bill of lading, commercial invoice, certificate of origin solely in the case of goods entitled to preferential regimes, packing list, customs declaration and consignment note. A certificate issued by the preshipment inspection company is also required.

80. Preshipment inspection is mandatory for all imports of an f.o.b. value of over US$3,000 for foodstuffs, chemicals and pharmaceuticals, and of over US$5,000 for other products. There is no preshipment inspection for petroleum products. Exemptions may be authorized and importers must request these from the BRB in writing. Exemption is given automatically, however, for urgent orders of an f.o.b. value of less than FBu 1 million for medicines and spare parts, usually transported by air.

81. The Government has given the SGS responsibility for preshipment inspection on behalf of Burundi.[22] SGS inspection covers checking of the documents showing the quality, quantity, price, origin, tariff heading and customs value of the goods imported into Burundi. The inspection is conducted at the production, storage, or loading site and the importer is required to present the Burundi customs with a DII endorsed by the preshipment inspection company.

82. Preshipment inspection fees, borne by the importer, are fairly high. An administrative fee corresponding to 1 per cent of the f.o.b. value in any DII endorsed and subject to physical inspection by the SGS is levied, with a minimum (flat rate) fee of FBu 250,000. Inspection on arrival is not allowed. Clearance of imported goods without (prior) inspection before loading and/or without the documents being checked is punishable by a fine of 2.5 per cent of the c.i.f. value. This figure rises to 5 per cent if the offence is repeated and 10 per cent if there is another occurrence. Goods are also subject to physical inspection paid by the importer.

[21] Bank of the Republic of Burundi, Directive D1/1203/2010 of 29 October 2010 containing the Addendum to the exchange regulations and implementing rules.

[22] Ministry of Finance, Office of the Minister (2006).

(ii) Customs procedures and customs valuation

83. The Minister responsible for finance is in charge of the Burundi Revenue Office (OBR), including its customs and excise division. Since Burundi's previous TPR, efforts have been made to computerize all the major customs posts.

84. Burundi adopted the computerized customs system (ASYCUDA 2.7) in 1993 and then upgraded to ASYCUDA++ on 1 July 2005. This system has enabled the OBR to automate certain procedures, including the registration and risk-based processing of declarations submitted remotely and the control of removals of bonded and transit cargo.[23] As a first step, two customs offices out of five were automated, namely those at Bujumbura port and international airport. These two offices deal with more than 90 per cent of customs clearance operations in Burundi. Since 2011, the OBR has been migrating to ASYCUDA World, which paves the way for automation of most customs-related procedures and substantially improves accessibility. All customs posts use computerized networks and are interconnected via VSAT and telephone, which has greatly shortened the time taken to clear goods.

85. When goods arrive in Burundi, carriers must present the manifests. The importer contacts the consignee so that the latter can give him his consignment note and asks the customs agent, which acts as the intermediary between the Customs and the importer or exporter, to clear the goods. Customs agents prepare the declaration and go to the customs office to submit it. With ASYCUDA 2.7, the declaration was entered by customs officers. Since 2010, commercial customs declarations (bills of entry) are recorded in the offices of the OBR equipped with ASYCUDA++ and may also be made by the agents themselves at the Customs or directly on line from their own offices; it is no longer mandatory physically to submit a hard copy of the declaration and supporting documents, unless it proves necessary to check the documents or goods following a risk assessment. Once the declaration has been entered, ASYCUDA++ automatically allocates a section and a controller.

86. Customs declarations are processed according to a risk assessment method that provides for three lanes: green (ready for clearance; the declaration is approved automatically without any controls), yellow (inspection of documents), and red (inspection of goods; the declaration undergoes both documentary and physical inspection before clearance). The verification covers, *inter alia*, the consignee, the origin, the value, the tariff headings, and the regime for the goods.

87. The system is composed of layered risk profiles. It provides for the setting of nationwide and border-post specific parameters for risk assessment and facilitates continuous review and timely updating of data. The main factors taken into account for the risk assessment are: value rulings (goods are typically undervalued in declarations); the type of goods imported; the country of origin; tariff peaks (goods subject to high rates of duty); and significant fluctuations in the quantities of goods imported. This risk assessment method is, however, being upgraded so it will be necessary to develop parameters for the system.

88. In January 2007, Burundi's Customs Code provided for seven customs regimes: release for consumption; temporary admission; definitive export; temporary export; warehousing; free zone;

[23] ASYCUDA++ is designed to function in difficult telecommunications environments and may be operated through GSM networks.

and transit.[24] Since Burundi joined the EAC Customs Union, its customs regimes have been governed by the Community's Customs Management Act (joint report, Chapter III(1)).

89. Since July 2007, customs valuation has been based on the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994[25], as transposed into the EAC's common provisions. Burundi, however, finds it difficult to implement, particularly in the case of undervaluation. The SGS valuation is used as a reference for comparison with the customs administration's data on similar imports and/or the administrative values.

90. Although the value of the goods will have been checked during preshipment inspection, customs legislation provides for two additional verification stages: immediate verification while the merchandise is still under customs control; and post-release audit. If all the documentation is in order, the goods may be released, but if not, verification is required. Where the value established by customs officials pursuant to the customs legislation exceeds the declared value, the value is adjusted, together with the corresponding duties and taxes.

91. Until Burundi joined the EAC, if any dispute arose, there was a special procedure for appeals against valuation and customs procedures. Within a period of five days, the person making the declaration could bring the matter before the Customs Commissioner. The latter's decision could also be the subject of an appeal, within five days as well, to the Minister of Finance. Appeals could always be made up to the ultimate stage to courts and tribunals. Disputes are now governed by the EAC's Customs Management Act (Part XX), which provides that appeals to the Commissioner must be lodged within 30 days. While awaiting the introduction of the fiscal jurisdiction envisaged in this Act, the OBR has a directorate responsible for legal affairs and disputes, which quite often has to intervene in order to avoid recourse to higher jurisdictions.

92. The improvements introduced by the 2007 Customs Code and by the EAC's customs regime (the "Customs Management Act") are jeopardized by Burundi's lengthy customs procedures. For example, numerous documents are required for imports.[26] The time required for foreign trade transactions is still longer in Burundi than in most other EAC countries. The World Bank's *Doing Business 2012* report indicates that, in 2011, 60 days were required to import goods and 35 to export them, whereas 24 days were required for imports in Kenya and Tanzania, and 31 days in Rwanda; for exports, 26 days were required in Kenya, 29 days in Rwanda and 18 days in Tanzania. Although the time required for processing and for procedures has declined to some extent, the report shows an increase of some US$800 per container for imports and exports between 2006 and 2012.[27] As a result, Burundi is 174th out of 183 countries according to the trading across borders indicator. The Burundian authorities, however, affirm that customs clearance takes from three to 72 hours depending on the customs regime and whether or not the papers are in order.

93. There is a pressing need to build the capacity of the customs administration (joint report, Chapter V). In the absence of harmonized practices and customs procedures at Community level, there is a risk of arbitrary valuation. This in turn could lead to distortions, undermine the transparency of the tariff regime and entail additional charges for local enterprises and economic operators.

[24] Republic of Burundi, Office of the President (2007), Law No. 1/02 of 11 January 2007 establishing the Customs Code, January 2007, Bujumbura.
[25] Articles 70 to 77 of the Customs Code, *op. cit*.
[26] These include, for example, the bill of lading, the commercial invoice, the certificate of origin, the packing list, the customs declaration form and the consignment note.
[27] World Bank (2012).

94. Burundi is a member of the World Customs Organization.

(iii) Rules of origin

95. Burundi has both non-preferential and preferential rules of origin. Under the non-preferential rules, the country of origin is deemed to be that where the goods are wholly produced. For manufactures, the country of origin is that where the last stage of processing took place, provided that the goods respect the labour or local origin content threshold. The Ministry responsible for finance has determined the current minimum threshold for value-added at 35 per cent, with no exceptions.

96. Burundi applies preferential rules of origin as a member of COMESA (Chapter II) and the EAC (joint report, Chapter III(1)(iii)).

(iv) Customs duty

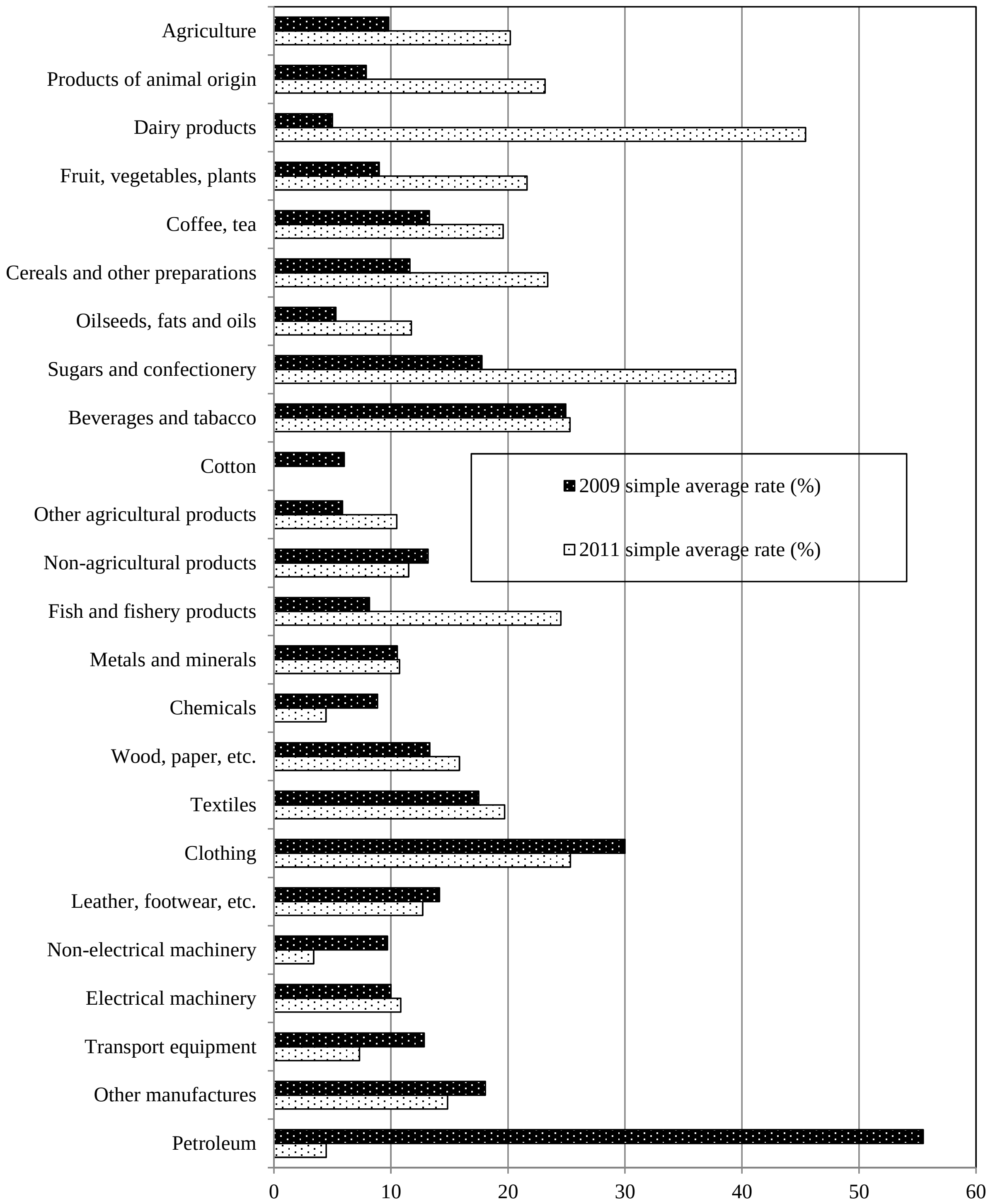
(a) Structure of applied MFN duties

97. Burundi applies the EAC's CET, which is its main trade policy instrument (joint report, Chapter III(1)(iv)).

98. Law No. 1/02 of 11 January 2007 establishing the Customs Code was again amended when Burundi acceded to the EAC, causing important changes in its tariff structure. Moreover, 5 per cent of Burundian tariff headings do not correspond to those in the EAC's HS eight-digit CET. Compared with the former (national) tariff, CET rates are somewhat higher (Chart III.1). According to the authorities, however, fiscal revenue earned from import duties has shown a relative decline since the CET was adopted.

Chart III.1
Simple average of applied MFN rates, 2009 vs. 2011

(Per cent)



***Source*:** **WTO Secretariat calculations, based on data provided by the EAC Secretariat and the Burundian Government.**

99. In addition to the common list of sensitive products whose tariff rates range from 35 to 100 per cent, Burundi would like to include in the CET a "Burundian" list of additional sensitive products (28 additional HS eight-digit headings): crown corks at 50 per cent; soap at 40 per cent; mineral waters, beer, paints and varnishes, glasses, bottles and glass articles, iron and steel tubing and pipes at 35 per cent; and PVC pipes at 10 per cent.

(b) Bound MFN duties

100. Before and after the Uruguay Round, Burundi's tariff bindings covered 21.6 per cent of all its tariff lines. All the tariff lines for agricultural products (WTO definition) were bound at a ceiling of 100 per cent, with the exception of around 6 per cent of the lines bound previously at rates from 0 to 20 per cent.[28] Only 10 per cent of tariff lines for non-agricultural products were bound at 24.2 per cent for textiles and clothing; 20.2 per cent for leather, rubber and footwear; and 11.2 per cent for transport equipment.

101. The low percentage of bindings does not guarantee the tariff regime's predictability and raises the problem of transparency, which might make any partner hesitate, whether a trading partner or one seeking an environment conducive to investment. Moreover, for 362 lines the applied rates are higher than the bound rates (Table AIII.1).

(c) Tariff preferences

102. Pursuant to Article 10 of the Protocol on the Establishment of the East African Community Customs Union (joint report, Chapter II), customs duties on internal trade within the Community have been eliminated in all member countries since 2010.

103. Burundi grants tariff preferences on a reciprocal basis to members of COMESA (joint report, Chapter II(2)). Preferences under the ECGLC are not applied (Chapter II(2)(ii)).

(v) Other duties and levies

104. Burundi has made wide-ranging fiscal reforms to stabilize its business environment since the previous TPR. All taxes and levies on imports have been reorganized.

105. For example, the 6 per cent service tax, which applied to imports irrespective of their source, has been abolished. The same applies to the 20 per cent surcharge on imports of certain textile products (HS 63.09), as well as other levies such as the 17 per cent transaction tax.

106. During the Uruguay Round, Burundi bound the other duties and charges on imports at 30 per cent.

(vi) Internal taxes

107. Burundi's main sources of tax revenue come from taxes on goods and services (47 per cent), on income, profits and capital gains (29 per cent), and on foreign trade and international transactions (19 per cent).

[28] See Burundi's previous Schedule of tariff bindings (Schedule LV), established in 1967, which has still not been transposed into the HS.

108. As far as direct taxation is concerned, there are two main taxes: the tax on earned income (35 per cent of the profit) and the occupational tax on remuneration, paid by wage-earners according to a scale that has remained unchanged since 2005. This tax is deducted at source and paid by enterprises on the fifteenth of each following month.

109. The value added tax (VAT) was introduced on 1 July 2009 to replace the transactions tax (TT).[29] The VAT rate applied since 1 July 2009 has been 18 per cent, payable on the selling price for all domestic goods and services, and on their customs value (c.i.f.) at the place where they are consumed for imports, plus all other entry duties and taxes and, where applicable, excise duty. VAT applies on a national treatment basis to all products, whether local or imported.[30]

110. There is a zero VAT rate on exports and similar transactions, for example, temporary export and re-export. Moreover, exemptions are restricted to the strict minimum (section (vii)).

111. Excise duty applies, *inter alia*, to fuel, sugar, tobacco products, alcoholic beverages, and carbonated beverages. The duty is *ad valorem* and levied at the same rate on both imports and locally manufactured products.

112. According to the authorities, the introduction of VAT should enable Burundi to become more competitive by remedying the manifold distortions caused by the cumulative imposition of the TT. It should also help to bring about more consistency with other partners in the EAC Customs Union, which also apply VAT.

113. A flat-rate levy for the occupational tax and VAT is also payable on the import, purchase or sale of certain goods and services in the form of an advance. If this amount exceeds the tax payable, the excess is not refunded, however, but counts as a tax credit. This practice penalizes enterprises by depriving them of cash.

114. The tax legislation is being revised with a view to making important changes in terms of clarifying and streamlining so as to converge with the EAC regime, update the legislation and apply good international practices. The new tax legislation is expected to be finalized in the first quarter of 2012 and includes a revision of rates (streamlined scales and lower rates - particularly for businesses, for which the rate should fall from 35 to 30 per cent); fewer exemptions; elimination of the 1 per cent turnover tax (minimum rate), paid even by enterprises with a long-term deficit (a maximum of two years); and revision of income tax.

(vii) Duty and tax concessions and exemptions

115. Customs duty and tax concessions and exemptions are specified, as the case may be, in the EAC customs legislation, the Tax Code, the new Investment Code, which also takes into account the special regime for investment in the free zone, the 1988 Export Promotion Law (section (3)(iv)), the Mining Code; and the Law of August 2000 on mining companies (Chapter IV(3)). The main concessions are designed to provide production incentives in certain sectors (agriculture and mining in particular), or to promote exports, create jobs or establish enterprises outside the Bujumbura area.

116. Imports by the State are free of customs duty, as are those by foreign NGOs, diplomatic missions and international organizations, enterprises eligible under the Investment Code, medicines,

[29] Republic of Burundi, Office of the President (2009).
[30] Ministry of Finance (2009), Ministerial Ordinance No. 540/708/2009 of 2 June 2009 on measures to implement Law No. 1/02 of 17 February 2009 establishing the value added tax (VAT).

agricultural inputs, humanitarian aid, and enterprises operating under the free-zone regime (Chapter II(1)).

117. The Law also deals with VAT exemptions (Articles 6 and 7). The following natural or legal persons are exempt from VAT: international organizations; embassies and consulates (Article 6(a)), as well as other natural or legal persons exempt as a result of organic laws (Article 6(b)). Persons covered by Article 6 nevertheless pay VAT in the form of an advance, which may be refunded to them pursuant to Article 19.

118. The following operations are also exempt from VAT: financial transactions (Article 7(a)); certain real estate transactions (Article 7(b), (c) and (d)); imports and deliveries of medicines, pharmaceutical products, specialized equipment and products for medical use (Article 7(e)); deliveries of agricultural products not treated by their producers (Article 7(h)); deliveries of postage stamps, revenue stamps and the like (Article 7(i)); imports of duty-free goods (Article 7(j)); and travel costs imposed by international prices (Article 7(k)).

119. Over the period 2010-2011, the total value of exemptions granted each year amounted to 15 per cent and 16 per cent of exports, respectively.

120. Under the Burundian Customs Code of 2007 and the EAC Customs Management Act of 2004, goods in transit are exempt from import or exit duties, although a bond must be posted to guarantee the payment of any duties or fines due if goods are released for consumption in Burundi. Imports entering warehouses are exempt from entry duty until they leave for consumption in Burundi or are re-exported (temporary admission). The goods are either stored in government warehouses established by decision of the Ministry of Finance or in a private warehouse made available by the Ministry. The following may not be deposited in government warehouses: live animals; goods not authorized for import or transit; goods exempt from import duties; goods that are not safe or of marketable quality; hazardous and insalubrious materials; and any other goods prohibited by decision of the Ministry of Finance, which must be the subject of publication. The duration of deposit in warehouses is restricted to six months as of the date of registration of the declaration of entry into the warehouse. A three-month extension may be granted subject to a substantiated request. After this time-limit, duties and taxes and any penalties must be paid. The law does not specify the operations to which the goods in warehouses may be subjected.

121. Agricultural and livestock products and inputs (except for agricultural machinery) are exempt from VAT if they are sold by their producers and have not received any additional element that could alter their essential character. The products of agricultural enterprises (crops and livestock) are exempt from the occupational tax (Article 94.5). There are also exemptions to encourage investment in agriculture. Thus, undeveloped land used exclusively for agricultural (including livestock raising) purposes is exempt from property tax to the extent that it is actually under crops or normally necessary for fattening or raising livestock. It should also be noted that vehicle tax is not levied on animal-drawn vehicles or vehicles used in agriculture.[31]

122. During the period 2010-2011, the total value of exemptions granted each year was between 15 to 16 per cent of imports. In 2011, the amount was FBu 20 billion (estimate) despite the strenuous efforts made recently - at the aegis of the OBR - to limit the amount.

[31] Pursuant to Article 4.2 of the Law of 17 February 1964 on impersonal tax.

(viii) Import prohibitions, quantitative restrictions, and licensing

123. Since its previous TPR in 2003, Burundi has gradually reduced its negative list of prohibited or controlled imports. Some prohibitions have been eliminated in stages.

124. The import of firearms requires a firearms certificate and the import of live animals (both domestic and wild animals) requires a sanitary certificate. The same applies to animal products. As to endangered species, an authorization is required from the national body responsible for implementing the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

125. Burundi's customs administration may require additional documentation at the entry point for the import of certain products. The import of explosives must be authorized by the Ministry of the Interior. A phytosanitary certificate is required to import seeds and plants. A certificate from the Burundian Standardization and Quality Control Bureau (BBN) is required for the import of foodstuffs, agricultural chemicals, plants, pharmaceuticals, explosives, and articles subject to restrictions under international conventions.

126. There is a ban on the import of certain products into Burundi pursuant to the second annex to the EAC Customs Management Act (joint report, Chapter III(2)(vii)). This applies to packaging (plastic bags), liqueurs, drugs, mineral ores, ozone-depleting substances, and arms not imported by the State. Import licences are now only required in Burundi for statistical purposes.

(ix) Contingency measures

127. The legal basis for contingency measures in Burundi is the WTO Agreement, the COMESA Treaty and the Protocol on the Establishment of the East African Community Customs Union (joint report, Chapter III(4)).

128. Burundi has never taken any contingency measures.

(x) Standards and other technical requirements

(a) Standards, tests and certification

129. The BBN, created in 1992[32], is under the supervision of the Ministry responsible for trade and manages and coordinates standardization and quality control in Burundi. It also acts as the enquiry point for the WTO Agreement on Technical Barriers to Trade and is the Codex contact point. The BBN represents Burundi in the African Regional Organisation for Standardisation (ARSO) and is a correspondent member of the International Organization for Standardization (ISO). It is also Burundi's coordinating body for the harmonization of standards at the EAC level.

130. The BBN belongs to the International Organization of Legal Metrology (OIML) and the International Electrotechnical Commission (IEC).

[32] Decree-Law of 17 May 1992 establishing the Standardization and Quality Control Bureau.

131. Burundi has not submitted any notifications under the WTO Agreement on Technical Barriers to Trade since its previous TPR. It has accepted the WTO Code of Good Practice for the preparation, adoption and application of standards.[33]

132. The BBN's main role in the standardization process is to prepare working documents, convene meetings of technical committees (TC), prepare draft standards for public comment, publish standards, and monitor their application. Draft standards are drawn up and approved by the National Standardization and Quality Control Council, on which all relevant interest groups are represented: three representatives of the Government; four representatives of university or research institutes; one representative of the Chamber of Commerce, Industry, Agriculture and Crafts; one representative of the business community; one consumer representative; two members appointed for their specific expertise; and one representative of the standardization and quality control body.[34]

133. The BBN's budget is almost entirely State-subsidized and has multiplied almost tenfold from FBu 50,451,000 in 2006 to FBu 493,465,527 in 2012. This trend can be explained by the modernization of equipment and the recruitment of human resources. Earnings from services provided (control and certification) remain negligible.

134. The BBN has already established technical committees composed of representatives of the country's various socio-economic sectors, especially for fruit, vegetables, pulses, cereals and their products; milk and milk products; and fish, meat and their products. Draft standards prepared by the BBN through the committees are published in newspapers or by means of press releases; anyone interested may send suggestions to the BBN in writing within a period of six months from the date of publication of the draft. Draft standards are submitted to the Minister responsible for industry, who decides on approval of the texts within a period of one month, on the advice of the National Standardization and Quality Control Council. There are six main stages in the standardization procedure: identification of needs; preparation of a preliminary draft of the standard by the technical committee responsible for preparing standards; holding of a public enquiry on the preliminary draft standard; examination of the preliminary draft standard by the Council; approval of the standard by the Minister of Trade; and publication.

135. Since 2003, Burundi has worked on and adopted a series of standards in conformity with those of COMESA and the EAC. It has thus adopted 1,094 EAC standards out of a total of 5,000 as national standards, corresponding to 25 per cent of the EAC standards. The standards of the Codex Alimentarius, the IEC and ISO serve as a reference in Burundi in areas where there are no national standards. Burundi also uses standards applied in certain European countries - particularly Belgium - as a reference. The only technical regulations in force in Burundi concern the import and marketing of iodized salt and medicines. Burundi has not yet signed any mutual recognition agreement and does not yet have any accreditation system.

136. Burundi's standards and technical regulations do not differentiate between imported and locally manufactured goods.

137. Any product whose manufacturer or producer complies with the applicable standards is eligible for a certification mark. The law distinguishes between the "structured" and the "non-structured" sector without, however, providing a definition for either. The structured sector is

[33] WTO document G/TBT/CS/2/Rev.12 of 17 February 2006.

[34] The composition of the Council is determined by Article 3 of Decree No. 100/232 of 13 December 1989 on the creation and organization of the National Standardization and Quality Control Council.

automatically subject to standardization and quality control standards. Products of the non-structured sector may be subject to this regime by order of the Minister of Trade.

138. Imports may be subject to quality control. Products already inspected and certified by the countries of origin may also undergo inspection upon arrival in Burundi. The decree of 13 December 1989 establishing a standardization and quality control system entrusts the BBN with this task, but to date there is no implementing legislation for the aforementioned decree-law specifying control procedures (inspection and testing procedures and related fees). In practice, the BBN may test imports at the request of economic operators. The parameters for analysis are based on international standards or, in their absence, on those of the supplier. Analyses are performed with technical support from national laboratories and the results are interpreted by the BBN. Moreover, the BBN may undertake controls and refuse to allow certain products to enter Burundi if they have been rejected in other EAC countries.

(b) Sanitary and phytosanitary requirements (SPS)

139. The Ministry responsible for agriculture, livestock and fisheries is the national enquiry point for all SPS matters. The SPS focal point is located in the Ministry's plant protection department. The current legislation on sanitary measures is very old and dates back to the colonial era. It applies to products such as coffee, tea, rice and meat, but there are no implementing provisions. There are no legal provisions on quarantine.

140. Decree-Law No. 1/033 of 30 June 1993 establishing plant protection in Burundi is the country's main phytosanitary law. Its provisions cover pesticide control (70 pesticides have been approved, while the manufacture, marketing or import of 38 others is banned); border control of plant imports and exports; the issue of phytosanitary certificates to exporters or reshipment certificates consistent with international models determined in the International Plant Protection Convention and with the importing countries' requirements; the Code of Conduct on pesticide management; and standardization and quality control of exports from and imports into Burundi. Under the Phytosanitary Law, responsibility for control and inspection is entrusted to the plant protection department of the Ministry of Agriculture and Livestock. Inspection and certification fees are imposed. A phytosanitary certificate must be paid and costs FBu 5,000 (less than US$4), while phytosanitary inspection is still free. The first control takes place in the field and then before the products are shipped, but the means and the equipment used are still rudimentary.

141. There are no prohibitions in place for SPS reasons. Nevertheless, it is not permitted to deposit live animals. Burundi has no quarantine centres but there is a project to build quarantine centres at entry border posts. Control is the responsibility of phytosanitary inspectors with support from the department's staff.

(c) Marking, labelling and packaging

142. Burundi does not have any national provisions on marking, labelling and packaging. For foodstuffs, it uses the Codex Alimentarius standard on labelling as the main reference. According to the Commercial Code, however, the Minister responsible for trade may, *inter alia*, lay down requirements on the composition, quality and denomination of goods intended for sale and

the affixing of indications specifying their origin, composition, weight, volume, quantity or measurements.[35]

(xi) Other measures

143. Counter-trade is not practised in Burundi. There are no buffer stocks or requirements on national content.

144. According to the authorities, Burundi has never applied trade sanctions other than those authorized by the United Nations Security Council or the regional organizations to which it belongs.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Procedures

145. Exports are subject to customs clearance procedures similar to those applicable to imports (section (2)(i)) as the requirements include a customs declaration, commercial invoice, packing list, consignment note, the export licence issued by the client's commercial bank, the tax identification number (NIF), a certificate of non-acceptance issued by the OBR, receipts for handling services at Bujumbura port, the certificate of origin prepared by the Ministry responsible for trade and, in the case of certain food products, the hygiene certificate issued by the BBN. As a general rule, no goods can be exported until all these documents have been submitted to an OBR office.

146. The export or re-export of goods requires a declaration endorsed by a commercial bank prior to shipment of the goods in accordance with a predetermined model. Export declarations are made out in four copies for the exporter, the bank involved, the central bank and the customs administration.

147. An export licence must be obtained for exports from Burundi for statistical purposes and exchange controls. Exporters must open a foreign currency account in a commercial bank and repatriate the foreign currency.

148. A customs broker must be used, except for minor cross-border trade. The broker is paid a commission freely negotiated between him and the exporter for his services.

(ii) Export prohibitions, restrictions and controls

149. Coffee berry exports are banned. Exports of sugar are subject to a quota which varies depending on local demand. The sugar quota is managed through the SOSUMO company (*Société sucrière du Moso*), which has a production monopoly. The State determines the quantity of sugar to be sold to distributors in each region according to their estimates of demand and the market price for sugar.

150. Burundi has not concluded any voluntary export restraint agreements. As a party to CITES, it prohibits ivory exports.

151. Burundi has no voluntary export restrictions and export controls are for statistical purposes.

[35] Republic of Burundi, Office of the President (2010), Law No. 1/07 of 26 April 2010 on the Commercial Code, April 2010, Bujumbura.

(iii) Subsidies and export duty and tax concessions

152. The main instruments of export promotion are the incentives described in the customs legislation (section (2) below), the 1988 Export Promotion Law, the Investment Code and the Free-Zone Law.

153. The Export Promotion Law abolished all export taxes. Furthermore, enterprises exporting non-traditional products are given a preferential rate equal to half the ordinary law rate applied on profits earned during a given financial year. They are also eligible for drawback at 10 per cent of turnover, which allows the refund of customs duties and other taxes on packaging items and inputs used to manufacture the goods exported.

154. Importers may be eligible for drawback of customs duties when re-exporting goods. For that purpose, the importer is required to provide the declaration of entry for consumption and the relevant invoices or statements containing a detailed description of the goods and numbers of the packages. Duty refunds depend on identification of the goods based on a detailed inspection at the customs office of exit, and on production of proof of import issued by the customs office in the country of destination. Goods of Burundian origin may be re-imported duty free by decision of the Ministry of Finance and following a written request by the importer, who must specify the nature of the articles to be re-imported and the reason for their return.

(iv) Free zones

155. The Free-Zone Law provides for four types of free-zone enterprise: agricultural and livestock enterprises; industrial and craft enterprises; trading companies; and services companies. Some activities do not qualify for the free-zone regime: trade in precious metals and mineral ores; exploration, mining, enrichment, refining, buying and selling of mineral ores; and coffee-related activities such as roasting. One of the conditions of eligibility is export of the entire output (in the case of commercial firms, import and re-export of imported goods in an unaltered state or after packaging), unless a waiver is granted. The generation of "substantial" value-added (of at least 35 per cent) is a condition applicable to agricultural and livestock, industrial and craft free-zone enterprises. The services companies eligible for free-zone status are those intending to provide one or more of the following services: assembly of computer equipment; software manufacture; packaging for export; printing and publishing; production and distribution of cinematographic films; sound recording; and organized tourism services. Both foreign and domestic investors may obtain free-zone status. An advisory commission set up by the Ministry responsible for trade and industry is in charge of free-zone enterprises. The concessions granted are of a tax or customs nature.

156. The tax concessions granted by Decree-Law No. 1/015 of 31 July 2001 revising the Free-Zone Law are total exemption from existing or prospective indirect taxes, from registration fees and stamp duty, and total exemption from profits tax for the first ten years of operation, followed by a regime in which the taxation rate is reduced to 15 per cent instead of the standard 40 per cent rate. Any free-zone enterprise that has created more than 100 permanent jobs for Burundian nationals is subject to a 10 per cent profits tax and any free-zone enterprise which reinvests at least 25 per cent of the profits earned over the previous ten years of its existence pays 10 per cent less than the standard rate. Free-zone trading companies pay a 1 per cent turnover tax, which is lowered to 0.8 per cent if the company creates more than 20 permanent jobs. The dividends distributed to shareholders are exempt from all taxes during the lifetime of the company. Free-zone enterprises are also exempt from the 3 per cent tax on the wages of foreign workers.

157. The following customs concessions are granted to free-zone enterprises: exemption from all present or future duties on imports of raw materials, intermediate products, ancillaries and capital goods; outside-quota exports; and exemption from any present or future export duties.

158. The main obligations on free-zone enterprises are: to train Burundian staff and, where qualifications are equivalent, to give priority to recruiting Burundian nationals; to produce goods or services exclusively for export; and to submit to the Minister of Foreign Trade at the end of each year a report showing the implementation status of the commitments undertaken. Foreign investors are required to pay 2 per cent tax on the total amount of their investments to the National Treasury. Capital goods imported duty free may not be moved from the place approved by the Minister without written authorization. Finished goods produced by the company and raw materials, intermediate products and ancillaries imported duty free may only be moved for purposes of export, re-export or sale on the domestic market. In the latter case, authorization from the Minister of Trade and Industry is necessary and sales in the customs territory may not exceed 10 per cent of output. Such sales are subject to the normal customs regime, meaning that they are treated as imports.

159. The overall performance of free-zone enterprises to date has been extremely uneven, largely on account of the crisis that affected Burundi. Since the free zone was set up, 40 enterprises have been approved, mainly in the fruit, vegetables, flowers and ornamental plants subsectors (20); some companies have ceased their activities because of the crisis and others because the law has excluded their fields of activity from the free-zone regime (coffee and mineral ores). Currently, only five enterprises are operating under this regime and the overall value of their exports is modest.

(v) Export promotion, financing and guarantees

160. The main institutions and mechanisms providing export support are the drawback system, the industrial free zone and the API.

161. The National Economic Development Bank (BNDE) grants long-term loans, notably to the agricultural sector (Chapter IV(2)(i)). The project selection criteria applied by the BNDE are those routinely used by commercial banks.

162. The export support mechanism is experiencing difficulties because of lack of financing and technical expertise, but also because of the cumbersome bureaucracy. Drawback has existed since 1994 but is little used because of the red tape. The National Guarantee Fund was established to promote agricultural enterprises and small and medium-sized craft, industrial. commercial or services enterprises unable to provide sufficient guarantees; and the Investment Support Fund (FOSIP), which was meant to supplement small businesses' own resources, ceased operating because of lack of resources.

163. Although the Government recognizes the importance of organizing fairs and exhibitions to promote exports, this type of activity is also hampered by a lack of finance. Burundi has no export guarantee or insurance mechanism.

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Incentives and other forms of support for enterprises

164. Pursuant to the new Investment Code, enterprises are eligible for the following: (i) the exemption from conveyance duty on purchase of the real estate and land necessary for the operation; (ii) a 37 per cent tax credit on the amount of depreciable assets invested in the enterprise, this credit

taking effect when the investment is made; and (iii) a 2 per cent reduction in profits tax if the enterprise employs between 50 and 200 Burundian workers and 5 per cent if it employs over 200 workers.[36]

165. Besides various duty rebates and suspensions (section (2)(vii)), Burundi offers a number of fiscal incentives in the form of tax holidays, reduced tax rates (Table AIII.4), and zero-rated VAT for certain farming inputs (section (2)(vii)). Tax incentives may be granted by sector, type of activity or geographical location, as well as on a company-specific basis. The range of socio-economic objectives targeted by these measures includes encouraging local or foreign investment in particular economic sectors or geographical areas; boosting exports; creating jobs; and supporting small and medium-sized enterprises. The main incentives are those described in the Investment Code. They are mostly tax concessions, but there are also other incentives.

166. The main research activities are those conducted by the Institute of Agronomic Sciences of Burundi (ISABU), the Institute of Agronomic and Zootechnic Research (IRAZ) and, to a lesser extent, the National Food Technology Centre (CNTA) and the Faculties of Agricultural Science and Economic and Administrative Sciences of the University of Burundi. Financial support for these institutions has crumbled over the years since the beginning of the crisis and, according to the authorities, their activities seem to have come to a standstill.

167. There are also other forms of support in Burundi: the Burundi Business Incubator (BBIN), the Enhanced Integrated Framework (EIF), and the project to build the capacity of the IAA in the area of quality standards. The BBIN is a sub-component of the Agribusiness Program, a project financed by USAID in support of those who want to set up an enterprise or upgrade the performance of an existing enterprise. The BBIN offers services such as advice on management, training and administrative support. To be eligible, the candidate must prepare a business plan and submit it to the BBIN's selection committee, and once this is accepted it will have access to the incubator against payment of a monthly service fee. This programme also offers training to prepare future entrepreneurs to manage their business better. According to the authorities, the first candidates joined this structure in the middle of the second quarter of 2011 and a second call for candidates has been launched.

168. The project Trade and Capacity Building in Agro-Industry Products for the Establishment and Proof of Compliance with International Market Requirements is financed by the Norwegian Agency for Development Cooperation (NORAD) and implemented by UNIDO. Originally this project was designed for the former three EAC countries and then extended to Rwanda and Burundi. Its objectives are: (i) to build industrial capacity so that manufactures can meet the quality requirements for international trade; and (ii) to strengthen the institutions responsible for verifying the conformity of products by enabling them to provide adequate services, the final goal being that these institutions may be accredited and so be able to issue internationally recognized certificates.

169. State enterprises active in the coffee, tea and cotton subsectors make seeds, fertilizers and pesticides, *inter alia*, available to planters and their cost is deducted from the income earned from sales of their crops (Chapter IV). Coffee processing activities are supported through a reduced refinancing rate accorded by the BRB to commercial banks involved in the financing of washing and hulling firms. The BRB requires the spread on the refinancing rate applied by commercial banks not to exceed a prescribed maximum. When the coffee market is weak, the treasury bonds issued by the State should serve as guarantees for the bank loans to the industry (Chapter IV).

[36] Republic of Burundi, Office of the President (2008), Law No. 1/24 of 10 September 2008 on the Investment Code, Bujumbura, February 2009, Articles 14 and 15.

170. At present, action, notably by the API, is limited to matters directly related to enterprise creation. In Burundi's case the services provided need to be supplemented. As an illustration, the support structures are not sufficiently explicit on the assistance they intend to give enterprises in areas such as marketing, production, taxation, personnel management, transfer of technology, etc. Moreover, with the exception of the EIF, which provides for financing of enterprise creation, the various stakeholders do not provide any support for financing. For example, there is no provision for support for loan applications to commercial banks, government programmes or any other source of financing. They do not offer any training either in aspects of interest to business.

171. The performance level of Burundian enterprises remains very low and the authorities do not propose any business support services to build the capacity of existing enterprises; essentially, all that is proposed concerns the enterprise creation stage.

172. With regard to promoting quality, although it is true that the EIF and the Trade and Capacity Building in Agro-Industry Products for the Establishment and Proof of Compliance with International Market Requirements project did seek to give support to the BBN, the support provided is insufficient and the measures do not appear very convincing because the full process that should lead to accreditation of this government body so that it could issue "quality" certificates in the short term is not spelled out. The important role played by labour and capital productivity, and also "excellence of production" in an enterprise's competitiveness[37] is not properly taken into account in the upgrading of (Burundian) enterprises within the integration framework (in the EAC for example). Moreover, the structures proposed do not appear to take into account the need to develop innovation in enterprises, even though this is a key factor in success and could make Burundian products more competitive.

(ii) Local content requirements

173. The Investment Code does not contain any such requirements.

(iii) Government procurement

174. Law No. 1/01 of 4 February 2008 on Burundi's Government Procurement Code is the new main legal instrument covering government procurement in Burundi.

175. Article 1 of the Government Procurement Code determines the rules applicable to government procurement and public service concessions, as well as implementation and control of government procurement by the legal persons indicated in Article 3 of the Law. These rules provide for freedom of access to government procurement, equal treatment of all candidates and transparent procedures. They are mandatory for procuring authorities for government procurement procedures and public service concessions irrespective of the amount involved.

176. Subject to the provisions in Article 65 of this Law, procuring authorities are forbidden from taking any measure or provision based on the nationality of candidates likely to constitute discrimination against citizens of member States of any regional organization to which the Republic of Burundi belongs or any country that has ratified a treaty or international convention also ratified by the Republic of Burundi and concerning the regulation of government procurement.

177. The reform of the Government Procurement Code introduced some innovations with a view to increasing competition. For example, the Code makes open bidding procedures the rule.[38] Use of

[37] Paranque, P. (undated).
[38] Article 20, Law No. 1/01 of 4 February 2008 on Burundi's Government Procurement Code.

any other procedure must be justified and requires authorization. Direct negotiation or private agreement is restricted to those cases covered by Articles 39 to 42 of the Government Procurement Code.

178. The Code reaffirms and reinforces the rules on publicity for government procurement procedures. There is widespread publicity at the various stages of the procedure, from the planning stage to award of the contract to the bidder that has met all the requirements. According to Article 15 of the Code, the procuring authorities must draw up annual forward plans for government procurement based on their programme of work and ensure that they are publicized through generalized notification of the contract to be awarded. This notification gives any bidders advance information on the contracts to be awarded throughout the year and enables them to make preparations. The publicity given to the forward plans is intended to guarantee free access to government procurement.

179. One of the main criticisms of the former government procurement regulations was the excessive centralization and, consequently, the lack of any division of responsibilities for awarding, implementing, monitoring and regulating contracts. Instead of a single Directorate-General of Government Procurement, the new Code has established several bodies responsible for government procurement contracts: (i) the procuring authorities; (ii) the persons responsible for procurement; and (iii) government procurement management units.

180. The Code introduces decentralization of the structures for controlling and regulating government procurement. The National Directorate for the Control of Government Procurement (DNCMP) is responsible for initial control of compliance with the relevant regulations. It follows up the implementation of government procurement contracts. The Government Procurement Regulatory Authority has two basic tasks: it undertakes an internal audit of compliance with government procurement regulations by procuring authorities at the end of each financial year; and it resolves disputes before any recourse to the courts.

181. Article 4 of the Code determines the conditions applicable to procurement with external financing. Contracts awarded in implementation of international financing agreements or treaties must comply with the provisions of the Code to the extent that these are not contradictory to the provisions in the international agreements and treaties concerned.

182. The DNCMP publishes directives specifying the thresholds applicable to the various methods for awarding contracts (Table III.1). The method most commonly used is an open call for bids, especially in the case of procurement involving large amounts. The call for bids is published in the national press and, in certain cases, the international press, and is put up on information boards. Bids are opened, registered and evaluated by the Government Procurement Committee. Local and regional authorities and State-owned enterprises follow the same procedure. The DNCMP's staff or approved external firms are responsible for verification.

Table III.1
Thresholds for procurement methods in Burundi in 2012

1. Thresholds for internally financed procurement 2012			
1.1 Procurement thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 10,000,000	FBu 5,000,000	FBu 5,000,000
Restricted bidding	FBu 10,000,000	FBu 5,000,000	FBu 5,000,000
Quotations procurement	Less than FBu 10,000,000	FBu 5,000,000 or less	FBu 5,000,000 or less
Micro procurement	Less than FBu 10,000,000	Less than FBu 5,000,000	Less than FBu 5,000,000
1.2 Competence thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 20,000,000	FBu 15,000,000	FBu 15,000,000
Restricted bidding	FBu 20,000,000	FBu 15,000,000	FBu 15,000,000
Quotations procurement	Less than FBu 20,000,000	Less than FBu 15,000,000	Less than FBu 15,000,000
Micro procurement	Less than FBu 20,000,000	Less than FBu 15,000,000	Less than FBu 15,000,000
1.3 Publication thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 1,000,000,000	FBu 50,000,000	FBu 700,000,000
Restricted bidding	FBu 1,000,000,000	FBu 50,000,000	FBu 700,000,000
Quotations procurement	Less than FBu 1,000,000,000	Less than FBu 50,000,000	Less than FBu 700,000,000
Micro procurement	Less than FBu 1,000,000,000	Less than FBu 50,000,000	Less than FBu 700,000,000
2. Thresholds for externally financed procurement 2012			
2.1 Procurement thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 40,000,000	FBu 40,000,000	FBu 40,000,000
Restricted bidding	FBu 40,000,000	FBu 40,000,000,	FBu 40,000,000
Quotations procurement	Less than FBu 40,000,000	Less than FBu 40,000,000	Less than FBu 40,000,000
Micro procurement	Less than FBu 40,000,000	Less than FBu 40,000,000	Less than FBu 40,000,000
2.2 Competence thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 150,000,000	FBu 150,000,000	FBu 150,000,000
Restricted bidding	FBu 150,000,000	FBu 150,000,000	FBu 150,000,000
Quotations procurement	Less than FBu 150,000,000	Less than FBu 150,000,000	Less than FBu 150,000,000
Micro procurement	Less than FBu 150,000,000	Less than FBu 150,000,000	Less than FBu 150,000,000
2.3 Publication thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 1,000,000,000	FBu 200,000,000	FBu 700,000,000
Restricted bidding	FBu 1,000,000,000	FBu 200,000,000	FBu 700,000,000
Quotations procurement	Less than FBu 1,000,000,000	Less than FBu 200,000,000	Less than FBu 700,000,000
Micro procurement	Less than FBu 1,000,000,000	Less than FBu 200,000,000	Less than FBu 700,000,000
3. Thresholds for procurement by State-owned enterprises of a commercial nature 2012			
3.1 Procurement thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 10,000,000	FBu 10,000,000	FBu 10,000,000
Restricted bidding	FBu 10,000,000	FBu 10,000,000	FBu 10,000,000
Quotations procurement	Less than FBu 10,000,000	Less than FBu 10,000,000	Less than FBu 10,000,000
Micro procurement	Less than FBu 10,000,000	Less than FBu 10,000,000	Less than FBu 10,000,000
3.2 Competence thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 50,000,000	FBu 30,000,000	FBu 50,000,000
Restricted bidding	FBu 50,000,000	FBu 30,000,000	FBu 50,000,000
Quotations procurement	Less than FBu 50,000,000	Less than FBu 30,000,000	Less than FBu 50,000,000
Micro procurement	Less than FBu 50,000,000	Less than FBu 30,000,000	Less than FBu 50,000,000
3.3 Publication thresholds			
Method of procurement	***Works***	***Services***	***Supplies***
Open bidding	FBu 1,000,000,000	FBu 50,000,000	FBu 700,000,000
Restricted bidding	FBu 1,000,000,000	FBu 50,000,000	FBu 700,000,000
Quotations procurement	Less than FBu 1,000,000,000	Less than FBu 50,000,000	Less than FBu 700,000,000
Micro procurement	Less than FBu 1,000,000,000	Less than FBu 50,000,000	Less than FBu 700,000,000

Note: Burundi's legislation does not determine the thresholds by government procurement methods published. Moreover, it does not differentiate between quotations procurement and micro procurement.

Source: WTO Secretariat, on the basis of information provided by the Burundian authorities on the government procurement directives.

183. The other authorized procedures, each with specific conditions, are: restricted bidding; direct procurement; procurement by requests for proposals; and requests for quotations. Restricted bidding may be authorized when the goods, works or services are available only from a limited number of suppliers or when the time and cost required to examine and evaluate a large number of bids would be disproportionate to the time available in an emergency situation or to the nature of the procurement and not its value. Direct procurement may be used in various situations including: the absence of competition for technical reasons; when the goods, works or services can be supplied only by one prospective bidder; when there is an urgent need for the item; when there is a need for additional items from the original supplier; in cases of new works consisting of repetition of previous works from a supplier; for the purchase of perishable items on market terms; or when the contract price does not exceed 20 per cent of the amount of the original procurement in Burundi francs. The procuring entity may engage in procurement by means of requests for proposals when it seeks to obtain consulting services or combinations of goods and services for which open or restricted bidding is not suitable because of the difficulty in defining the services. Procurement by means of requests for quotations applies to the purchase of readily available goods or for the procurement of works or services for which there is an established market. No preferential margins are given to local suppliers. Procuring entities must provide the DNCMP with annual reports on use of procedures other than open bidding.

184. At the request of one of the parties, any disagreement between the Government and a bidder or contractor may, in the first instance, be submitted for arbitration to senior officials in the DNCMP within five working days from the publication of award of the contract. If no amicable settlement can be reached within a period of 15 working days following the appeal, the dispute may be brought before the Dispute Settlement Committee of the Government Procurement Regulatory Authority, which must rule on the dispute within 15 working days of receiving the appeal. The decision by the Dispute Settlement Committee is immediately enforceable. Nevertheless, its decisions may be the subject of appeal to a court, although such an appeal has no suspensive effect.

185. The number of government procurement contracts awarded as a result of open bidding is growing in Burundi every year, a reflection of the positive reforms in this sector. Nevertheless, some 10 per cent of government procurement is still awarded through direct agreement (Table III.2).

Table III.2
Statistics on the award of government procurement contracts in Burundi, by type of procurement and by mode/method of awarding contracts

Year	Total procurement		Direct agreement		Restricted consultation		Open bidding	
			Number	Percentage	Number	Percentage	Number	Percentage
2008	Supplies	122	12	9.84	19	15.60	91	74.60
	Works	31	4	12.90	4	12.90	23	74.20
	Services	12	0	0.00	2	17.00	10	83.00
TOTAL 2008		**165**	**16**	**9.70**	**25**	**15.15**	**124**	**75.15**
2009	Supplies	456	27	5.92	6	1.32	423	92.76
	Works	125	3	2.40	4	3.20	118	94.40
	Services	102	5	4.90	12	11.80	85	83.30
TOTAL 2009		**683**	**35**	**13.22**	**22**	**16.32**	**626**	**270.46**

Source: Information provided by the Burundian authorities.

186. Burundi has not signed the Plurilateral Agreement on Government Procurement and is not an observer at the Government Procurement Committee.

(iv) State trading, State-owned enterprises and privatization

187. Law No. 1/03 of 19 February 2009 revising the Law on the organization of privatization of State-owned enterprises, services and public works, is the legal basis for privatization and the operation of State-owned enterprises in Burundi. The Law authorizes the Government to assign all or some of the State's shares or financial interests in any company or enterprise designated by it in which the State is a shareholder to natural or legal persons under private law.[39]

188. The Law specifies the bodies responsible for guiding and implementing the privatization process: (i) the Interministerial Privatization Committee (CIP); (ii) the Technical Valuation Commission (CTE); and (iii) the department responsible for State-owned enterprises (SCEP).

189. The programme for the privatization and reform of the public services sector is the responsibility of the Ministry in charge of privatization, whose tasks include: (i) preparing and following up the policy for privatization of State-owned enterprises; and (ii) preparing and following up strategies for the privatization of State-owned enterprises. The SCEP undertakes studies, examines the bids and makes recommendations to the CIP, which takes a decision.

190. Bids relating to privatization are evaluated in two stages; technical documents are opened first and are matched against the terms of reference. An evaluation committee reviews the business development plans of bidders which submitted satisfactory technical documents and decides whether each plan meets the requirements. Financial bids from bidders which submitted acceptable technical documents and satisfactory business development plans are opened in the second stage. The opening of technical documents and financial bids takes place publicly. The best priced bid wins. For more important divestiture, there may be a pre-qualification process prior to final bidding and only pre-qualified bidders may participate in the bidding process.

191. The process is intended to be transparent and competitive. Publicizing the tender for the sale of all or some of the equity in an enterprise, privatization of its management or of a public work or service is intended to ensure transparency.[40] Publicity is also conducive to competition and guarantees access to government contracts.[41] To ensure competition among bidders and thus enlighten the procuring authority on the real value of the future contractor, the contract is brought to the attention of the public. Moreover, the Law makes it compulsory for the CIP, which is the decision-making body for privatization, to determine the number and maximum percentage of shares that can be held by the public, whether Burundians or foreigners, while at the same time allowing for the assignment of a fixed percentage of the shares put on sale to the enterprise's employees.[42]

192. In 2011, the State was still extensively involved in economic activity and had shares in 40 companies (SPPs) covering several types of activity including: agribusiness; energy; telecommunications; mining and quarrying; construction; road and air transport; hotels and restaurants; finance and insurance; and social services (Table III.3).

193. Since the previous TPR in 2003, the situation of SPPs in Burundi has changed, but is still fragile because some of them such as AIR Burundi, REGIDESO, SIP, SHNB/NOVOTEL, OTB, SOGESTAL MUMIRWA, RPP, etc. regularly record highly negative performance. Even companies that were previously prosperous such as SOSUMO have seen their performance decline year by year.

---

[39] Article 1, Law No. 1/03 of 19 February 2009.
[40] Article 12, Government Procurement Code.
[41] *Idem.*
[42] Article 13, Privatization Law.

For example, SOSUMO's balance sheet declined from FBu 2.8 billion in 2006 to FBu 0.6 billion, after falling to FBu 0.4 billion in 2008. Only a few companies have seen steady improvement in their performance; these include the National Telecommunications Office (ONATEL), whose net earnings show a rise from FBu 0.37 billion in 2004 to FBu 6.1 billion in 2009, and the National Peat Office (ONATOUR), from FBu 0.08 billion to FBu 1.2 billion in 2009 following renewal of its production tools. It should be noted that the Burundian Tea Board (OTB) recorded positive performance in 2008 and 2009 not only thanks to the renewal of its production tools financed by the European Union but also because international prices were particularly high.

Table III.3
List of State-invested companies and State's share, 2011

Short name	Name of company	State's share (%)	Short name	Name of company	State's share (%)
BANCOBU	Commercial Bank of Burundi	3.03	REGIDESO	Water and Electricity Distribution Authority	100.00
BCB	Credit Bank of Bujumbura	10.65	SHELTER Afrique		
BBCI	Burundian Trade and Investment Bank	3.30	SIP	Public Real Estate Company	87.50
BNDE	National Economic Development Bank	40.10	SOBUGEA	Burundi Airport Management Company	90.00
SOCABU	Burundi Insurance Company	25.00	SOGEMAC	Bujumbura Central Market Management Committee	38.95
FPHU	Fund for the Promotion of Urban Housing	83.10	SODECO	Hulling and Packaging Company	100.00
AFRICARE		0.67	Sogestal Kayanza	Kayanza Washing Stations Management Company	14.24
AIR Burundi	AIR Burundi	100.00	Sogestal Kirimiro	Kirimiro Washing Stations Management Company	68.80
CAMEBU		100.00	Sogestal Kirundo	Kirundo Washing Stations Management Company	42.82
COGERCO	Cotton Management Company	100.00	Sogestal Mumirwa	Mumirwa Washing Stations Management Company	81.00
ECOSAT	Control of Subsidized Housing Construction and Land Development	100.00	Sogestal Ngozi	Ngozi Washing Stations Management Company	26.86
EPB	Bujumbura Port Operating Company	40.58	SRD Imbo		100.00
FNG	National Guarantee Fund		SOSUMO	Moso Sugar Company	99.00
Hôtel Source du Nil	Hôtel Source du Nil	54.90	BRARUDI		40.74
LONA		100.00	ONATOUR	National Peat Office	100.00
ONATEL	National Telecommunications Office	100.00	OTRACO	Public Transport Board	100.00
OTB	Burundian Tea Board	100.00	RPP		100.00

Source: Information provided by the Burundian authorities.

194. The financial situation of State-invested companies is still precarious and this justifies continued privatization. One of the lessons learned from the SPPs' financial statements is that there is a generalized lack of control over wage bills. In the end, the risk is that all value-added will go to pay wages, ignoring the need to have sufficient resources available to self-finance the company's development, remunerate the State (shareholder) and pay taxes.

195. As far as privatization is concerned, efforts have mainly focused on liberalizing the coffee subsector, with 13 stations being sold. The Burundi New Hotel Company and the Bujumbura abattoir have been sold, and privatization is going ahead for the Burundi Hotel and Tourism Company (Méridien Hotel) and ONATEL.

196. Frequent changes in the authorities responsible for privatization, operational problems at the CIP, the lack of involvement of company heads and social bodies in the companies whose privatization is planned, as well as a certain lack of clarity in some cases of privatization of companies or public works have slowed down the process.

197. The other problem for SPPs is that they are highly indebted, especially those which sell some of their goods or services to other government structures such as REGIDESO, ONATEL, ONATOUR, SRDI, etc. As they can no longer finance their operations or development using their own funds, the majority of SPPs incur debts, which rose from FBu 66.5 billion to FBu 84 billion between 2004 and 2009.[43] According to the authorities, some companies such as SRDI, SODECO, SOGESTAL Mumirwa and the OTB would already have gone bankrupt if they had not been State-owned enterprises because their own funds had been negative for a long period of time.

198. The new Law prohibits any manager of a State-owned enterprise convicted of fraudulent management in criminal proceedings from purchasing shares in a company slated for privatization. This prohibition is valid for five years from the date of the conviction. The Law also lays down the number and maximum percentage of shares to be sold to the general public so as to ensure that there are as many buyers as possible. It provides for financing the privatization programme and related shares by means of a special fund financed by 5 per cent of State dividends from the SPPs and the proceeds of liquidations and privatizations. The proceeds of sales are used to finance the privatization process. There are no provisions reserving a specific share for the State ("golden share").

199. Burundi has not notified the WTO of any State-trading enterprises within the meaning of Article XVII.4(a) of the GATT 1994 within Burundi.

(v) Competition policy and price controls

200. In Burundi, most economic units are micro or small enterprises in the agricultural sector, a reflection of the small scale of Burundi's economy and its lack of diversification. There are few manufacturing or services companies, except for some food-processing plants and trading and transport companies. Burundi is highly dependent on imports, which are very costly because of high transport and customs charges. There is also a limited number of operators in the retail trade sector, which reduces competition. In general, however, food prices are determined by market forces, except for the price of lake transport services, which are controlled.[44]

201. Until 2010, Burundi did not have any comprehensive and consistent legal and institutional framework governing competition matters. Some provisions on unfair competition can be found in Title 6 of the 1993 Commercial Code. Decree-Law No. 1/45 of 9 July 1993 containing the general provisions for the Commercial Code did not cover competition. Only unfair competition was the subject of provisions in the aforementioned law. The text was extremely brief and did not furnish any details concerning anti-competitive practices (unlawful price fixing; abuse of a dominant position; false declarations of origin; disparagement; creating or maintaining misleading indications on products and services; and suppression of commercial competition (imprisonment, fines, judicial orders)).

[43] REGIDESO is not taken into account because its debts fell from FBu 51.9 billion to FBu 7.8 billion as a result of debt transfer between the company and the State.

[44] The State still determines the producer price for a number of products such as coffee, tea, cotton, sugar and lubricants. Following the economic reforms and the privatization programme, these price controls could be abolished some time in the future.

202. Since March 2010, competition has been regulated by the new Law No. 1/06 of 25 March 2010 on the legal regime for competition. In a separate section, this new legal text provides for protection of consumers, making reference to the obligation to provide information on a product's specifications, a ban on unfair terms in commercial contracts, as well as suppression of practices contrary to consumers' interests. This text also introduces a competition council but only gives it an advisory role.

203. The Law provides for the creation of a competition commission (independent administrative authority) and introduces provisions on anti-competitive practices and mergers, the commercial court and a dominant position. One point that warrants closer consideration is the possible waiver from the rules on abuse of a dominant position. Article 45 allows for such a waiver in cases where the "objective or effect" of certain practices could be to improve production, costs, quality, etc. The Law does not give any details, however, on the sharing of roles and responsibilities between the Competition Commission and the Ministry of Trade, Industry and Tourism. For example, there needs to be better definition of responsibilities for identifying practices liable to hinder competition and for the submission of complaints.

204. At the request of any interested party, the Commercial Court may order the cessation of acts contrary to honest commercial practices. The Code also provides for fines and prison sentences for anyone who: (i) brings about or maintains by means of threats, violence, flagrantly illegal acts or fraudulent practices, a concerted work stoppage with the aim of forcing an increase or decrease in wages, or of undermining the free exercise of industry or labour; (ii) infringes manufacturing secrets; (iii) uses unlawful means to interfere with freedom of competition; (iv) interferes with the free conduct of public auctions or awards of government procurement contracts; (v) enters into a contract with the State by taking advantage of the authority or influence of persons acting on behalf of the State; or (vi) contributes to artificial price increases, alters the status of data for personal advantage or interferes with delivery deadlines.

205. The Ministry responsible for trade and industry is the authority in charge of competition issues. The number of complaints recorded is restricted to disputes of a commercial nature alone.

206. The State sets or administers prices for a certain number of products (Chapter IV). Producer prices are set for coffee, tea, cotton and sugar. Selling prices are fixed, *inter alia*, for petroleum products, non-alcoholic carbonated beverages, beer and sugar. The State also sets the prices of certain services, including electricity, water, road passenger transport, fixed telephony and insurance premiums. In the case of selling prices, the relevant decisions are notified through an ordinance from the Minister of Trade or a decision by the boards of directors duly approved either tacitly or explicitly by the Minister responsible.

207. Liberalization of the coffee subsector has led to liberalization of producer prices and the elimination of government guarantees, individual and free negotiation of loans, exposure of all participants to market forces, freedom to invest in the subsector, free competition at all levels (farm-gate purchasing, operation of washing stations, processing and export of coffee) and the abolition of controlled export prices.

(vi) Intellectual property

208. Burundi has been a member of the World Intellectual Property Organization (WIPO) since 1977. It has acceded to the Paris Convention and a 1977 government decree stipulates that Burundi is a party to that Convention in respect of any subject-matter relating to patents, trademarks

and industrial designs. As a Member of the WTO, it is party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Burundi is an observer at the African Intellectual Property Organization.

209. Intellectual property regulations are not well developed in Burundi. They consist mainly of a 1964 law on industrial property, a 1977 decree-law which specifies that the provisions of the Paris Convention apply to the protection of industrial designs, and a 1978 law on copyright. Both the Copyright Law and the Industrial Property Law are being revised. The Ministries responsible for intellectual property matters are those of Culture, Youth and Sports (copyright) and of Trade and Industry (industrial property). In the past, the Industrial Property Service of the latter Ministry concerned itself solely with the registration of patents and trademarks. In January 2002, an Industrial Property and Documentation Directorate was set up to deal with all matters relating to industrial property.

210. The revision of the Copyright Law is supported by associations of performers and composers, as well as by music producers, who see in this Law a means of stimulating Burundi's music sector. Enactment of the new Law is scheduled to go hand in hand with Burundi's accession to the Berne Convention.

211. The draft Law comprises two main parts: copyright and related rights, together with an annex on the regulation of translation and reproduction licences. An illustrative list of protected works covers all the major categories of works, including works considered an expression of folklore. Both economic and moral rights are protected. Compulsory licences may be granted for purposes of translation into and reproduction in Kirundi.

212. The term of protection provided for under the draft Law comprises the entire lifetime of the author and 70 years from the end of the year of his death. In the case of works of joint authorship, rights are protected during the lifetime of the last surviving author and for up to 50 years after his death. In the case of a work belonging to a legal person, the term of protection is 50 years from the date on which the work was lawfully made accessible to the public.

213. The Law of August 1964 on industrial property regulates the protection of patents, trademarks and industrial designs. The implementing measures are contained in the Ministerial Ordinances of July 1965, the Ministerial Order of September 1964, and the Ministerial Order of June 1966, respectively. The Law states that the term for patents for inventions is 20 years, but provides no definition of what is meant by "invention". A trademark is considered to be any sign serving to distinguish the goods of an industry or the articles of a business, as well as the names of a person and the corporate name of a business or industry. As far as industrial designs are concerned, the manufacturer must specify, at the time of filing, whether he intends to reserve to himself an exclusive right of use for one, three or five years, or in perpetuity.

214. The draft Law amending the 1964 Law deals with the protection of patents for inventions, industrial designs, marks (including collective marks), trade names and geographical indications, and acts of unfair competition. Regarding patents, the draft Law clearly defines what is meant by an invention (following the definition contained in the Paris Convention), and provides for a term of protection of 20 years. The draft Law also contains provisions concerning working of the patent by the public authority or an authorized third party, compulsory licences, and criminal proceedings and penalties. Regarding industrial designs, the draft Law defines, *inter alia*, what subject-matter is eligible for registration and states that the term of protection shall be five years, renewable for two consecutive periods of five years each. The term of protection for a mark shall be ten years

from the date of filing of the registration and may be renewed for two consecutive periods of ten years each. Trade names shall be protected for a period of ten years, renewable indefinitely. As regards geographical indications, the draft Law gives a definition and specifies the level of protection granted. The draft Law provides that the Industrial Property and Documentation Directorate shall keep separate registers for patents, industrial designs and marks, and that all publications required by the Law shall be effected by means of an official journal.

215. The 1989 Decree-Law establishing a standardization and quality control system contains a provision to protect certain aspects of business confidentiality. Article 12 specifies that anyone who discloses secrets relating to the design, manufacture or processing of a product otherwise than in the cases covered by the Law or cases where they are called upon to testify in legal proceedings, shall be liable to a term of imprisonment of one to six months and a fine of FBu 2,000-10,000, although no implementing regulations have ever been adopted for this Law.

216. Burundi has not yet developed a national intellectual property policy. It also needs to evaluate its technical cooperation and financial needs for implementation of the TRIPS Agreement, as provided by the TRIPS Council Decision of December 2005. The contact point is the Ministry of Trade, Industry and Tourism.

IV. TRADE POLICIES AND PRACTICES BY SECTOR

(1) AGRICULTURE, LIVESTOCK, FISHING AND FORESTRY

(i) Overview

217. Agriculture's contribution to GDP, employment, and export earnings (Chapter I) makes it an important sector of the Burundian economy. Agriculture in Burundi is essentially a subsistence farming activity. The area with a potential for agriculture covers 2,350,000 hectares, almost one million of which consist of upland soils whose productivity depends heavily on the correction of their acidity and aluminous toxicity. Almost 81 per cent of the potential agricultural area is under cultivation. Food crops occupy 90 per cent of the cultivated land and are mostly consumed by the growers (80 per cent).[45] The rest of the land (about 10 per cent) is occupied by export crops, the main source of foreign currency, with coffee in the forefront (Chapter I(1)). At the same time, the fishing subsector is steadily contracting and now makes only a marginal contribution to the economy.[46]

218. The main food crops are legumes, particularly beans, soya, peas, and green bananas; tubers and other root vegetables, in particular, cassava, potatoes, sweet potatoes and yams; and cereals, including maize, sorghum, rice and wheat. The Burundian livestock population consists of bovine cattle, goats, poultry, sheep, rabbits and pigs. The products of food-crop and livestock farming are mainly intended for domestic consumption. Apart from coffee and tea, the other export products, depending on the year, are cotton and sugar.

219. The rural economy has two main categories of agricultural producers, namely, a large majority of individual producers spread over all the "collines" (administrative subdivisions) and a minority of producers grouped in variously structured producer organizations within or outside the agricultural chains. The members of the producer organizations also separately cultivate their own family plots. Agriculture is practised in a rudimentary fashion by about 1.2 million rural families (90 per cent of households) on very small pieces of land averaging about 0.5 hectare in size.

220. Under the 1986 Code of Land Tenure, in force until replaced by the new code in August 2011, foreign natural or legal persons benefit from the same rights and protection as Burundians.[47] In particular, they can benefit from the sale or concession of State-owned land as defined by the code. Public State property is inalienable, imprescriptible and unattachable. Private State land can form the subject of a concession, with or without consideration. Under the present code, land belonging to communes, public institutions and public corporations includes public property and private property. The public property consists of the land allocated to the intrinsic mission of the public institution or corporation. The other land constitutes the private property. The law classifies private State land by category and determines competence (Table IV.1). The private State land reserve may be located in any area of Burundi. Private State land cannot be sold; only a concession in the form of a long lease with a minimum term of 18 years, depending on the nature of the project, and a maximum term of 50 years is permitted.

[45] Institute of Statistics and Economic Studies of Burundi (ISTEEBU, 2010).
[46] Ministry of Agriculture, Livestock and Fisheries (2010a).
[47] Law No. 1/13 of 9 August 2011 revising the Burundi Code of Land Tenure.

Table IV.1
Classification of private State land

Category	Area	Competence
Category 1	Rural land, less than 25 hectares	The Minister responsible for land
Category 2	Rural land, more than 25 hectares	By presidential decree only
Category 3	Urban land, less than 1 hectare	The Minister responsible for town planning
Category 4	Urban land, more than 1 hectare	By presidential decree only

Source: Law No. 1/13 of 9 August 2011 revising the Burundi Code of Land Tenure.

221. Burundi's land tenure regime consisted of a dual system of written and customary law. The Code of Land Tenure entitled landowners to place their properties under one system or the other. Owners were discouraged from resorting to the formal system because of material and technical obstacles and the cost of registration. The Government has reviewed the code to facilitate its application and help revitalize the agricultural sector through the consolidation of agricultural holdings and the establishment of a genuine land market. The new code corrects and improves the old one in many respects.[48] Greater respect for rights of tenure should also encourage rural lending.

222. Burundi has a huge agricultural potential, which enabled it to maintain, at least prior to the crisis, a relative balance between population increase and growth in production. The country's assets include: a large farming population, the ability to grow a wide range of crops (tropical and temperate); abundant rainfall (six to nine months of rain during the year), which makes it possible to produce throughout the year if the flow of water can be controlled; a very extensive network of lakes and rivers; and the possible expansion of the import-export market within the context of the East African Community (EAC).

223. Since the last review of Burundi's trade policy, there has been little sign of an increase in food production, especially considering the needs of a steadily growing population. Indeed, there has even been a sharp fall, from 3,606,000 tonnes in cereal equivalent in 2003 to 1,204,000 tonnes in 2010 (Table IV.2).

224. A downward trend can also be observed in the production of export crops, including coffee, production of which fell from 36,226 tonnes in 2002 to 24,130 tonnes in 2010, after dropping to 6,814 tonnes in 2009 (Table IV.3). One of the reasons why the production of coffee, the main cash crop, is generally in decline is the aging of the coffee trees. Tea production is almost stagnant. On the other hand, the livestock subsector grew by a clear four percentage points between 2001 and 2010, unlike food-crop growing, which lost ten points over the same period.[49]

225. Despite agriculture's importance for the economy, yields are very low compared with the average for Africa. Fertilizer is beyond the reach of small farmers and mainly used for industrial crops (coffee, tea, cotton, sugarcane) and a few other crops such as rice, potatoes and beans. The productivity of the agricultural sector has declined over the last 20 years. In 2005, the value added per worker was estimated at less than US$65 (in adjusted 2000 dollars). This figure should be compared with the average for sub-Saharan Africa, which amounted to about US$288 in the same year. The economic crisis, which led to an increase in the cost of the factors of production

[48] Law No. 1/13 of 9 August 2011 revising the Burundi Code of Land Tenure.
[49] Ministry of Agriculture, Livestock and Fisheries (2010b).

(fertilizers, seed, fuel and transport), worsened the situation of the farmers who are limiting their production since surpluses are very expensive to market because of the high transport costs.[50]

Table IV.2
Food production by groups of crops, 2002-2010
(Thousands of tonnes in cereal equivalent)

Year	Cereals	Legumes	Roots and tubers	Bananas	Total
2002	282	282	1,707	1,603	**3,874**
2003	246	246	1,545	1,569	**3,606**
2004	280	280	1,641	1,587	**3,788**
2005	290	250	1,575	1,636	**3,751**
2006	287	247	1,508	1,654	**3,696**
2007	290	241	1,527	1,721	**3,779**
2008	287	222	1,548	1,751	**3,808**
2009	298	239	485	129	**1,178**
2010	312	233	522	137	**1,204**

Source: Ministry of Agriculture and Livestock (2011).

Table IV.3
Production of main export crops, 2000-2010
(tonnes)

	Green coffee		Dry tea		Seed cotton	
Year	**Tonnage**	**Variation**	**Tonnage**	**Variation**	**Tonnage**	**Variation**
2000	18,503	-36%	7,133	4%	2,585	0%
2001	15,927	-14%	9,011	26%	2,901	12%
2002	36,226	127%	6,643	-26%	3,063	6%
2003	5,674	-84%	7,380	11%	3,512	15%
2004	38,272	575%	7,702	4%	4,727	35%
2005	6,167.0	-84%	7,823.0	2%	4,442.0	-6%
2006	29,951	386%	6,338.0	-19%	3,037.0	-32%
2007	8,088.9	-73%	6,825	8%	2,870	-5%
2008	25,000	209%	6,684	-2%	2,887	1%
2009	6,814	-73%	6,731	1%	2,577	-11%
2010	24,130	254%	8,024	19%	1,688	-34%

Source: ARFIC, OTB, COGERCO.

226. Agriculture is subject to several constraints which significantly reduce its performance. Thus, Burundi has a total area of 27,834 km², of which 23,500 km² (or about 84.5 per cent) is agricultural or potentially agricultural (arable) land, while the general census of the population and housing in August 2008 recorded a total population of 8,053,574, that is, a density of 310 inhabitants per km², making Burundi one of Africa's most densely populated countries.

227. In addition to the shortage of arable land, Burundian agriculture faces other major challenges, such as: a lack of inputs (seeds, fertilizers and phytosanitary products); a low level of mechanization

[50] Ministry of Agriculture and Livestock (2011).

and high exposure to weather factors[51]; attacks by plant pests and diseases (for example, cassava mosaic virus, banana wilt diseases, armyworm caterpillars); the poor performance of the agricultural support system; general poverty, restricting farmers' access to inputs and other basic requirements; and soil degradation due to heavy exploitation unaccompanied by measures to alleviate the adverse effects. Moreover, the crop and livestock farming sector was one of the sectors hardest hit by the effects of the civil war. Insecurity, the displacement of populations, the disorganization of agricultural research and extension services, falls in seed production and interruptions in the distribution of fertilizers have had dramatic effects on agricultural production and productivity.

228. Demographic pressures on the land are accentuating the problems of land tenure, which, in their turn, are aggravating the decline in productivity and the deterioration of the environment. The coexistence of customary and written law leads to constant disputes between rural populations. These conflicts have adverse effects on agricultural production since while a piece of land is in dispute it is difficult for the farmer to develop it and make the investments necessary to improve its productivity. Appropriate land tenure legislation is in the process of being approved. The Government considers that every agricultural development project or action should include a security of tenure component. Repatriation and reintegration are accentuating the problem of access to land, and the mass arrival of repatriates has put the already very limited absorption capacity of Burundi's socio-economic infrastructure under further heavy pressure.

229. According to the authorities, the agricultural sector has grown much less than the Government expected and food production is failing to meet the needs of a growing population. The sector's overall growth rate (estimated at 2.6 per cent) is still less than the rate of increase in the population (2.9 per cent). Rural communities are becoming more vulnerable and pauperization is accelerating. The food deficit has increased in recent years. The country is now in a catastrophic situation with nearly 75 per cent of the population in a state of food insecurity. The food deficit for 2010 is estimated at 471,884 tonnes in cereal equivalent (CE) out of total needs estimated at 817,000 tonnes CE nationally, which represents a level of non-satisfaction of basic needs of nearly 58 per cent. Where nutritional balance is concerned, energy is 75 per cent covered, protein 40 per cent and lipids 22 per cent. In fact, the daily diet of a Burundian is more than 90 per cent dominated by food that is bulky but poor in essential elements (roots and tubers, bananas) with few or no sources of protein, lipids and micronutrients.[52]

(ii) Agricultural policy

230. The Ministry of Agriculture and Livestock (MINAGRIE) is responsible for the formulation and implementation of agricultural policy.[53] This policy is aimed at stimulating and strengthening the

[51] Burundi has three growing seasons. Season A (Agatasi) extends from mid-September to the end of January and combines the little rainy season with the little dry season. The crops grown during this period are: maize, taro root, cassava, sweet potatoes, potatoes, sorghum, rice and bananas. This season's production accounts, on average, for one third of annual production. Season B (Impeshi), which corresponds to the main rainy season, covers the period from February to May. It is the most productive of all the seasons and accounts for around 50 per cent of total production. The crops grown during this period are: beans, taro root, cassava, sweet potatoes, wheat, and potatoes. Season C (Ici) is the least productive (about 15 per cent of annual production) and runs from mid-June to mid-September. The crops grown during this period are: market garden produce, beans, sweet potatoes, potatoes, and rice. For several years, the rainfall in Burundi has no longer followed a regular and predictable pattern. Sometimes drought may set in during a normally rainy period, whereas at other times torrential rain may fall in a normally dry season. Irrigation is still uncommon.

[52] Ministry of Agriculture and Livestock (2011).

[53] Its organization and operation are governed by a 2006 decree establishing the responsibilities of ministries, Official Journal of the Republic of Burundi.

modernization of the agricultural sector and improving the living conditions of farmers and the rural population. MINAGRIE had a staff of 1,901 in 2006 and 4,510 in 2010. MINAGRIE oversees three public entities: the Institute of Agronomic Sciences of Burundi (ISABU), which is in charge of agricultural research, the National Food Technology Centre (CNTA), responsible for promoting technological innovation in the agricultural sector, and the Coffee Chain Regulatory Authority (ARFIC), a newly created body responsible for exercising the prerogatives of the State in the coffee subsector following the abolition of the Burundian Coffee Board (OCIBU). After being privatized, the Public Abattoir of Bujumbura became SOGEAB (the Bujumbura Abattoir Management Company). The following are five of the other entities set up as mixed (semi-public) enterprises: SOGESTAL (Washing Stations Management Company (coffee)); SODECO (Hulling and Packaging Company (coffee)); COGERCO (Cotton Management Company); the OTB (Burundian Tea Board); the SRDI (Regional Company for the Development of the Imbo) for supporting rice growers in the plain of the Imbo; and the OHP (Burundian Palm Oil Board) for supporting oil palm growers.

231. The Government's commitment to decentralization has made it possible for new players to emerge in the area of agricultural development alongside the State bodies, namely, decentralized groupings organized in Commune Community Development Committees (CCDC) at the level of the country's 129 communes and in Colline Development Committees (CDC) at "colline" level. These committees act as the contracting authorities for local projects within the framework of a decentralized planning system headed by the Provincial Community Development Committees (CPDC).

232. Apart from MINAGRIE, a number of other departments also intervene in the agricultural sector: the Ministry of Rural Development (MDR); the Ministry of Trade (in connection with trade regulations); the Ministry of Finance (in matters of taxation); the Ministry of the Economy (price setting); the Ministry of Health (sanitary and phytosanitary aspects); the Ministry of the Environment, and certain services attached to the Offices of the President and the Vice-President. The multiplicity of institutions leads to certain functions being split up and undermines the effectiveness of Government action by giving rise to numerous jurisdictional disputes and substantial additional costs. Moreover, according to the authorities, the producers' associations and the Technical and Financial Partners (TFPs), MINAGRIE is not currently in a position to support the development of the sector. Its organization and functioning are such as to prevent it from performing, with the necessary efficiency, the new responsibilities entrusted to it under the poverty reduction strategy and the sectoral strategy for agriculture.

233. The objective of Burundian agricultural policy is food security (in quantity and quality). To achieve this objective, Burundi plans to switch from subsistence farming to family and commercial farming that offers a decent income for households and shows respect for the environment and the proper management of resources. The task involves maximizing the use of arable land and developing the productivity and competitiveness of agriculture, thereby increasing food production while creating jobs in the sector. Agriculture will be carried out on farms with an average size of one hectare as compared with the current 0.5 hectare and in soil which has recovered sufficient fertility to produce yields comparable with the best African performance. The farmers who participate in these far-reaching changes will be well organized and possess the necessary technical qualifications.[54]

234. Like other members of NEPAD, Burundi has undertaken: (i) to create an environment that will help to improve the competitiveness of the agricultural and rural sector; (ii) to achieve the objective of 6 per cent growth in the agricultural sector and to mobilize the resources needed to make

[54] Ministry of Agriculture and Livestock (2011).

the corresponding investments; (iii) to allocate 10 per cent of national budgetary resources to the agricultural sector, in accordance with the Maputo Declaration commitments; and (iv) to create a coordinated frame of reference for the bilateral and multilateral financing of the sector.[55]

235. In 2008, the Government drew up a National Agricultural Strategy (SAN), but this has not yet become operational despite the formulation of an SAN Action Programme and a series of subsectoral strategies. Within NEPAD, the Government has also drawn up a Detailed Programme for Agricultural Development in Africa (PDDAA). In 2011, in consultation with all the partners in the sector, the Government introduced a coherent National Agricultural Investment Plan (PNIA) to meet the need to ensure the efficient management and coordination of the agricultural sector. To give the national strategic thinking concrete form, the Government approved various subsectoral strategy documents, in particular, the National Food Security Programme (PNSA); the Livestock Strategy Paper (DOS-Elevage); the National Strategy for Aquaculture; and the strategic Master Plan for watershed and swampland research and management.

236. The revitalization of crop and livestock farming is at the heart of Burundi's Economic Growth and Poverty Reduction Strategy Paper (PRSP) and Vision 2025. The aim is to return to and then surpass pre-crisis production levels and encourage cash crop diversification. Priority is being given to the promotion of micro-enterprises and crafts.

237. A first series of measures, planned for the short and medium term, involves irrigating the great plains; improving access to agricultural inputs, particularly to adequate and timely supplies of fertilizer; providing farmers with quality seed, partly through the revitalization of the seed production centres; training the rural population in the use of modern farming methods; rebuilding herds decimated during the crisis; rehabilitating farm equipment; providing better support for producers by disseminating new technologies and the results of applied research; and rehabilitating and developing the infrastructure and the storage and transport facilities for inputs and products.

238. The Government has promised to devote an increasingly large proportion of its annual budget to the implementation of the PNIA, with a view to reaching the 10 per cent level as quickly as possible. Thus, Government intervention is aimed improving the relevance, effectiveness and sustainability of the actions taken in the agricultural sector. Four programmes have been identified in the PNIA, namely, a sustainable increase in food production and security; the professionalization of producers and the promotion of innovation; subsector and agribusiness development; and public institution building. These four programmes are themselves subdivided into 15 subprogrammes (Table IV.4).

Table IV.4
Programmes and subprogrammes of the PNIA

P1. **Sustainable increase in food production and security**	**P2.** **Professionalization of producers and promotion of innovation**	**P3.** **Subsector and agribusiness development**	**P4.** **Public institution building**
1. Protection of productive capital 2. Development and rehabilitation of irrigated areas 3. Intensification of agricultural production 4. Development of fishing and fish farming 5. Food security, nutrition and vulnerability management	1. Organization of producers and capacity building 2. Development of proximity and innovation services 3. Rural financing 4. Research/development	1. Export subsectors 2. Food-growing and animal subsectors 3. Rural infrastructure	1. Reform of MINAGRIE 2. Improvement of working environment and conditions 3. Support for implementation of the PNIA

Source: Ministry of Agriculture and Livestock (2011), National Agricultural Investment Plan (PNIA) 2012-2017.

[55] *Idem*.

239. The agricultural sector benefits from high nominal tariff protection, as well as from certain tax exemptions and reliefs (Chapter III(2)). In 2011, the simple average customs duty in the sector was 17.5 per cent with rates ranging from 0 to 75 per cent. Relatively high rates applied, in particular, to imports of meat, fish and most fishery products, coffee, tea, cocoa and some vegetables (for example, tomatoes and beans). Imports of vegetable products are subject to phytosanitary measures, while, in principle, meat imports are subject to health regulations (Chapter III(2)). The levies imposed specifically on agriculture are relatively low.

240. Agricultural (including livestock) products are exempt from VAT if they are sold by their producers and have not received any additional element that could alter their essential character. The food-crop and livestock products of agricultural enterprises are exempt from occupational tax (Chapter III(2)). Exemptions are also provided to encourage investment in agriculture. Thus, undeveloped land used exclusively for agricultural (including livestock raising) purposes is exempt from property tax to the extent that it is actually under crops or normally necessary for fattening or raising livestock. Vehicle tax is not levied on animal-drawn vehicles or vehicles used in agriculture.[56] Other forms of support for the agricultural sector include the Burundi Business Incubator (BBIN) and the project to build the capacity of the IAA in the area of quality standards (Chapter III(4)(i)). Support is also provided via the Enhanced Integrated Framework (joint report, Chapter V).

241. The main research activities are those conducted by the Burundi Institute of Agronomic Sciences (ISABU), the Institute of Agronomic and Zootechnic Research (IRAZ) and, to a lesser extent, the National Food Technology Centre (CNTA) and the Faculties of Agricultural Science and Economic and Administrative Sciences of the University of Burundi. Financial support for these institutions has crumbled over the years since the beginning of the crisis and, according to the authorities, their activities seem to have come to a standstill.

242. State enterprises active in the coffee, tea and cotton subsectors subsidize the inputs they make available to planters, particularly seeds, fertilizers and pesticides. Coffee processing activities are supported through a reduced refinancing rate accorded by the BRB to commercial banks involved in the financing of washing and hulling firms. The BRB requires the spread on the refinancing rate applied by commercial banks not to exceed a prescribed maximum. When the coffee market is weak, treasury bonds issued by the State should serve as guarantees for bank loans to the industry.

243. Cash crops (coffee, tea, cotton, oil palm, sugarcane, tobacco, rice, cinchona) are an important source of growth for the agricultural sector. The high quality of Burundian coffee, tea and cotton is widely recognized. These subsectors provide the country with its main export products and much of its foreign currency, which means that they play a strategic role in national economic policy. The ongoing structural reforms will enable these products, and others such as milk and fruit and vegetables, to make a more significant contribution to the development of the sector and, above all, to job creation in connection with the valorization and marketing of the products.

(iii) Trade policy by main product category

(a) Coffee

244. Coffee is grown almost everywhere in the country, mainly on family plots not more than one hectare in size. According to the Burundian Coffee Board (OCIBU), about 800,000 households work in the coffee subsector. An area of about 60,000 hectares is devoted to coffee growing, mainly

[56] Article 4.2 of the Law of 17 February 1964 on impersonal tax.

to the production of Arabica, which accounts for 96 per cent of total national production[57], the rest being Robusta. The income from coffee marketing represents between 80 and 90 per cent of export earnings.

245. Production (0.5 per cent of world production) varies from year to year, good seasons alternating with mediocre ones with big variations, sometimes exceeding 30,000 tonnes (Table IV.3). This can be attributed to the weather, soil erosion resulting from overexploitation of the land without the possibility of its being left fallow, the aging of the coffee trees, and disputes. Moreover, the growers are too poor to afford chemical fertilizers to improve their productivity.

246. Starting in 1990, in the course of a series of specific reforms implemented under the various structural adjustment programmes, the Government adopted a more participatory approach, showing a greater readiness to consult with the planters. However, State intervention in the coffee subsector remained considerable, in connection with producer price setting, processing and marketing, and the financing of production and processing activities. This continued until 2009 when the subsector began to be privatized.

247. The Burundian coffee subsector has a chain structure. Formerly regarded as strategic by the authorities who tapped into all the productivity gains of the rural producers through their producer price policy, privatization has now placed the Burundian coffee grower at the heart of the system, thereby ensuring that he is fairly remunerated.

248. The management of the subsector, previously always provided by OCIBU, has been privatized. The former OCIBU has been converted into a light supervisory and regulatory structure and 13 washing stations have been sold to private investors. Thus, OCIBU has been replaced by two complementary regulatory bodies, namely: the Coffee Chain Regulatory Authority of Burundi (ARFIC), an administrative public establishment (EPA), created by Presidential Decree No. 100/99 of 1 June 2009 with responsibility for coordinating and monitoring the activities of all the professions in the coffee chain; and INTERCAFE Burundi, an association of all those who participate in the Burundian coffee chain, with responsibility for supporting the various families operating within the chain, from the producer to the coffee trader, via the processors. The coffee producers are grouped in associations, from "colline" level to national level (National Confederation of Coffee Growers (CNAC)).

249. At present, the chain consists of the following main components: (i) the producers, who for the most part are now grouped in associations. The General Census of Coffee Growers, 2007 edition, showed that coffee is grown by some 600,000 households; (ii) the organization of the industrial link of the chain, which mainly comprises first and second-stage processing, has been entrusted to washing station management companies (SOGESTALs) and milling companies, including SODECO, SONICOFF, SIVCA, CBC and BUCAFE. A large majority of the SOGESTALs and milling companies were set up by the State, which still holds a variable proportion of their capital; and (iii) the Burundian Association of Coffee Exporters (ABEC).

250. The processing is done by the washing companies or SOGESTALs, which convert the cherries into parchment, and by companies that convert the parchment into green coffee, respectively. The five SOGESTALs are mixed (semi-public) enterprises. State participation in their capital varies from 14 to 81 per cent. These companies own 133 modern washing stations spread out over the country's various regions. The SOGESTALs purchase the coffee cherries from the planters at a

[57] The yield of the Arabica plantations is around 300 to 1,000 kg per hectare, depending on the region. There are two grades of Arabica: "fully washed", of higher quality, and "washed", of lower quality.

provisional price fixed in consultation with representatives of all the sectors involved in the chain. The provisional price is submitted to the Council of Ministers for approval. Even after adoption by the Council, the price remains subject to upward (not downward) adjustment if the estimates are exceeded, whereas deficits are not passed on to the planters. Payment is made in three instalments, so that the SOGESTALs contract a short-term debt *vis-à-vis* the planters. The SOGESTALs deduct the cost of the inputs supplied on credit from the sum paid to the planters.

251. The SOGESTALs deliver the parchment to the millers who remove the parchment skin. There are four of these companies, of which two are public (SODECOs) and two private (SONICOFF and SIVCA). The millers are paid by the SOGESTALs for the services rendered, the green coffee they produce remaining the property of the SOGESTALs. The SOGESTALs bear the parchment transport and storage costs. The planters may also pulp and dry the cherries and turn them into parchment, which is then sold to traders, without passing through the washing stations. The traders then sell the parchment to the millers. The coffee thus produced is of inferior quality ("washed").

252. Up until the 2006-2007 coffee season, the sale of green coffee was in the hands of private exporters grouped within the ABEC. However, as a result of progress with the privatization and liberalization of the subsector, producers who own the coffee are now authorized to sell their coffee directly to foreign buyers. Up until November 2009, the State, which maintains a strong presence in the subsector, was represented by the Burundian Coffee Board (OCIBU), which was responsible for coordination and regulation; support for coffee production, guidance and research and coffee marketing; and the management (leasing) of the subsector infrastructure belonging to the State.

253. The Burundian coffee subsector currently has a chain structure with two branches: "fully washed" (FW) coffee and "washed" coffee, the organization of which is characterized by the presence of a number of participants (chain entities) tightly linked through the different services they provide at chain level. These are principally the coffee growers, ARFIC, INTERCAFE, the SOGESTALs, and the processors, namely, SODECO.

254. The crop is financed by a banking consortium, with the intervention of the BRB which is responsible for refinancing; the refinancing rates and, hence, the bank lending rates are relatively low. The State guarantees the payment of these crop loans. The system of payment of the various coffee chain operators (planters, washers and millers and the various entities) has undergone a series of reforms since 1990. The aim of this system is to guarantee the planters a minimum nominal income by reducing their exposure to market fluctuations and to encourage the processors to produce high-quality coffee efficiently by obliging them to bear the risks associated with failure to control costs and quality. Thus, since 1992, the nominal price for the planters, established at the beginning of the season, has never been lower than that for the previous season.

255. In the 2007-2008 coffee season, Burundian coffee growers were remunerated with 72 per cent (for FW) of turnover and remunerated the rest of the participants, as service providers, with 28 per cent of turnover. Distributing the 28 per cent of turnover among the rest of the participants is not an easy task since it requires negotiations between them at the start of each season to establish a new remuneration table based on the entities' respective costs.

256. Calculated on the basis of the structures and the real costs of the entities, the remuneration for the 2010/2011 coffee season breaks down as follows: coffee growers 72 per cent; ARFIC 1.68 per cent; INTERCAFE 3.5 per cent; processors (SODECO) 4.9 per cent; SOGESTAL 16.32 per cent; coffee promotion 0.4 per cent; and State Property Service 1.2 per cent. For 2012, the remuneration price is fixed by the joint-trade association. Moreover, the remuneration of the Coffee Chain

Regulatory Authority (ARFIC), like that of all the other coffee chain entities, is based on its activities or the services it provides within the coffee chain.

257. Because of the exorbitant costs of the entities, associated with the specific features of the coffee chain in general and of the tasks assigned to them in particular, this remuneration is insufficient. Moreover, because of the fluctuations in coffee production due to the alternation of good and bad seasons, the financing of the coffee subsector regularly experiences deficits in all the links in the chain. Furthermore, the costs generated by frequent intermediation also contribute to its heavy losses.

258. Imports of unprocessed coffee, other than beans, are subject to an average tariff of 25 per cent, which is low as compared with the 100 per cent rate applied to all coffee imports prior to January 2003 and the 40 per cent applied between 2003 and the date on which Burundi joined the East African Community. However, to these customs duties there must be added various other levies and taxes, as well as controls with their associated costs (Chapter III(2)). These measures are discouraging the development of coffee processing in Burundi as they offer no incentive to improve competitiveness.

(b) Tea

259. Unlike the coffee subsector with its many small producers, the tea subsector consists of two blocks of plantations: the industrial block belonging to the public processing plant and the village block belonging to households in the neighbourhood of the country's tea factories (Ijenda, Tora, TEZA, Rwegura and Buhoro). A private operator has just opened up a tea factory in Mwaro and is counting on the support of tea-growing households in Mwaro to make its project pay off. This operator is PROTHEM (Mwaro Province Tea Growing Project). It should be noted that there are also other private operators such as Caspian (Rutongo: Bujumbura Rural Sud), Camelia (Ndava-Kiganda), CTBH (Matana), and *Complexe théicole de Taba* (Songa, Bururi).

260. Tea growing in a village environment is the only path open to operators in the tea subsector. Against a background of one of the highest population densities in Africa, there is no State-owned land to make available to the operators themselves. However, as the population is really very enthusiastic about growing tea, there is an opportunity to increase national tea production by promoting synergy between operators and tea-growing villagers. Even the existing factories, built at a time when the scarcity of land was not yet so acute, operate largely on the basis of village production (75 per cent of total production). The factories produce plants and make them available to the village smallholders. These village growers also receive technical support from the factories. In return, they sell their production to the factory that provides the support.

261. However, according to the authorities, PROTHEM's approach could lead to an undesirable fall in production. Thus, (i) producing the plants is a very expensive operation. No factory could undertake it if once the crop matured it was sold to someone who had not invested anything in it; the other private operators might then be discouraged from cultivating new areas; (ii) providing support is also expensive and no operator could keep on supporting a grower who was able to sell his product wherever he wanted. Without such support, there would certainly be a sharp fall in production; tea growing is very demanding and the technical knowhow is not available to uneducated farmers.

262. Tea is grown on an area of about 8,000 hectares, with a yield of about 7,500 tonnes. Almost three-quarters of production comes from family holdings and the rest from plantations belonging, in part, to industrial units of the Burundi Tea Board (OTB), a wholly public enterprise. The OTB has a

monopoly on the processing of green leaf into dry tea in its five factories, which have a total capacity of 10,000 tonnes per year. The OTB is also responsible for supporting the tea planters to whom it supplies seed free of charge and sells inputs such as fertilizer and herbicides on credit and at cost price. The OTB is also in charge of training the planters in plucking techniques and ensuring a fine pluck (in accordance with the Pekoe standard of two leaves and a bud). The OTB buys the tea leaves from the planters at a price determined on the basis of its technical performance and projections of the price of dry tea on the international market, operating on the assumption that 4.8 kg of tea leaves is needed to produce 1 kg of dry tea. The cost of the inputs is deducted from the price paid to the planters; this price is, on average, 30 to 35 per cent of the market price for the dry tea.

263. Almost 95 per cent of the tea produced in the OTB's factories is exported, mainly through the Mombasa auction market (on average, 60 per cent of production). The sales are made, for the account of the OTB, by international brokers with which the Board negotiates annual contracts. The commission paid is 1 per cent of the sales turnover. The other costs incurred by the OTB relate to the transport of the dry tea by road to Mombasa and its storage. Almost 35 per cent of production is exported through direct sales to foreign customers at a price at least equal to that on the Mombasa market (f.o.b. Dar es Salaam). The quantity per direct sale contract does not normally exceed 100 tonnes. Direct sales, organized one day after the auction sales, have the advantage of eliminating transport and storage costs. The rest of the tea produced (about 5 per cent) is consumed locally.

264. Tea is the country's second-ranking export product; in 2010 production reached 8,024 tonnes (Table IV.3) as compared with a target of 7,600 tonnes. This increase was the result of improved weather conditions relative to the previous year and efforts to intensify production by close supervision of the fertilizer utilization campaigns to prevent misuse in the production units. Out of these 8,024 tonnes, the Tea Board sold a total of 7,561 tonnes of dry tea, including 7,188 tonnes for export and 373 tonnes on the local market. The improved results for 2011 (8,816 tonnes) earned bonuses for the planters.

265. Prior to January 2003, tea imports were subject to a customs duty of 100 per cent. Following the tariff reforms introduced on 1 January 2003, the duty rate fell to 40 per cent. Since Burundi joined the EAC, tea has been protected by a 25 per cent tariff. There are plans to reform the sector, in particular by privatizing the processing plants. This would involve, among other things, the redirecting of the OTB's activities towards support services rather than production.

(c) Cotton

266. Cotton used to be the third-ranking export product, behind coffee and tea. However, since 1996, hardly any cotton has been exported. Production is in sharp decline due to the combined effect of a downward trend in the areas planted and a decrease in crop yields. Between 1993 and 2007, the area fell from 8,500 ha to 4,000 ha and yields from 1,038 kg/ha to 719 kg/ha, while seed cotton production collapsed from nearly 9,000 tonnes in 1993 to less than 3,000 tonnes in 2007 (Table IV.3). The fall in production is mainly attributable to the producer price which the farmers consider inadequate and unattractive as compared with the prices for other crops. Faced with a falling income from cotton, the producers turned away from this crop or adopted risk minimization strategies by reducing inputs or diverting them to uses other than cotton growing. According to the authorities, the number of cotton producers, which exceeded 27,000 in 1993, fell to below 10,000 in 2010, with an average cotton-growing area per planter of only 0.35 hectare.

267. The level of the producer prices for seed cotton does not seem to be providing any stimulus for the development of production. The producer price trend is disconnected from the trend in the world price, and its contribution to the latter is tending to diminish. At first glance lower than in other African countries, the nominal purchase price for seed cotton (US$0.21 per kg) is actually higher when the costs incurred by the Cotton Management Company (COGERCO) for inputs, which are not generally subsidized in other countries, are taken into account.

268. The equipment used by the cotton growers is rudimentary. Hand-tilling is the commonest method of preparing the soil, far ahead of mechanized methods which are very expensive for COGERCO. Ploughing with ox-drawn ploughs is very marginal. The mineral fertilizer doses applied per hectare vary with the region. Weeding is done manually. The insecticide treatment programme uses various products made up in the form of a "concentrated emulsion" in accordance with the "targeted staged control" method. Cotton plays a very small part in the cultivation and production systems and is rarely included in crop rotations.

269. COGERCO provides the producers with inputs and support. Seed and phytosanitary products are supplied to cotton growers free of charge and the selling price for fertilizer is well below the cost of production. Input costs represent a substantial proportion of the cost of producing seed cotton, both at producer level and for COGERCO. The whole of the recent sharp increase in the cost of inputs is being borne by COGERCO. The level of fertilizer subsidization is not encouraging cotton growing since it is financially more attractive for the producer to re-sell the fertilizer received on credit than to use it for cotton.

270. Extension services are poorly organized. COGERCO's advisers have no training programme and are seeking to have their skills improved. Support fluctuates sharply from one region to another. In Moso, the cost of support services exceeds 200 FBu/kg of seed cotton. Thus, the level of association of the producers is very low. There is little cooperation among the cotton growers and they are very ill-informed about what is being done elsewhere in the country.

271. The last cotton research programme at ISABU ended in 1993. The programmes organized by COGERCO are very basic. Where varietal research is concerned, the situation is critical. The variety distributed for the last 14 seasons is showing worrying signs of genetic erosion.

272. The problems of the subsector were instrumental in the total cessation of operations by COTEBU on 31 January 2007. There has been a regrettable series of untimely decisions, for example, the extension of the existing unit whose production capacity was increased from 11 million to 14 million metres of fabric per year (which corresponds to an annual consumption of the order of 2,800 tonnes of cotton fibre) with already outdated plant and equipment.

273. Up until 2007, cottonseed was sold to the national extraction company RAFINA at an administered price well below the market price. Since 2007, COGERCO has invited tenders for the sale of seed and forced RAFINA to align on the best offer. The customs duty applied to imports of raw cotton and cotton waste is 10 per cent. Products obtained by processing raw cotton, such as cotton yarn and fabrics and cotton clothing, are more heavily protected, by a 40 per cent tariff. COGERCO also offers cotton growers short and medium-term loans repayable when the seed cotton is marketed, in particular to finance fertilizers and mechanized services.

274. The cotton subsector is in steady decline for several reasons: high operating costs, the low price of cotton, the closure of COTEBU, which absorbed the whole of domestic cotton production, inadequate support for the cotton producers, etc. In the meantime, there have been various studies and

analyses of the cotton subsector with a view to, among other things, its restructuring, the extension of the planted areas to new regions (Moso), and the privatization of COGERCO. The recommendations of these studies have not always been implemented.

275. The Burundian authorities consider that the subsidies which some countries continue to maintain on exports of cotton fibre and seed are injuring Burundi and are calling for a favourable conclusion of the Doha Round to solve this problem.

(d) Sugar

276. The area planted with sugarcane is estimated at 3,000 hectares. Nearly 90 per cent of the cane sugar is produced by industrial units belonging to the Moso Sugar Company (SOSUMO). SOSUMO is a semi-public company with a State-appointed board, which owns the only factory for converting raw cane sugar into white sugar. The remaining 10 per cent is produced by small plantations, mostly situated within a 15 km radius of the factory. SOSUMO provides the small plantations with inputs, such as fertilizer and pesticides, on credit.

277. Since 2007, the price of sugar has no longer been controlled. Article 1 of Order No. 124/VP/12 of 7 August 2007 on sugar marketing stipulates that the marketing of sugar is liberalized and the prices are, in principle, entirely free, for both imports and exports. SOSUMO decided to increase the retail price to FBu 1,500/kg. Consequently, there are currently fewer wholesalers buying from SOSUMO, sugar consumption has definitely decreased and sugar is now available more or less everywhere, at retail prices that fluctuate around FBu 1,000/kg on the markets and in the shops. Eventually, the competition from imported sugar will force SOSUMO to rationalize its production and marketing system to exert better control over its costs and seek more new opportunities to ensure its survival or indeed an increase in its turnover.

278. The customs duty applied to sugar imports is 39.5 per cent, with a standard deviation of 37.1 per cent.

(e) Non-traditional products

279. "Non-traditional products" include flowers, some fruit (bananas, mangoes, papayas, passion fruit), nuts, some vegetables (in particular, French beans, courgettes, spinach, cabbages and salads), cereals (rice), and herbs (thyme, parsley). These products are mostly consumed on the domestic market, the export market being still undeveloped. The Government is of the opinion that export promotion in these areas could help to diversify the structure of Burundi's exports. It is recognized that the development of non-traditional exports will require investment in the road and transport infrastructure and in storage facilities, particularly at the airport. The lack of air links with the principal western markets is a serious constraint on the promotion of exports of perishables.

280. Apart from questions of infrastructure and internal stability, the experience of other countries in the subregion shows the importance of economic and trade policy reform for the promotion of non-traditional products.[58] Firstly, as has already been pointed out, the high level of tariff protection in the agricultural sector does nothing to encourage production efficiency and hence greater competitiveness where exports are concerned. The heavy protection accorded to other, "traditional" agricultural products provides little incentive to obtain higher yields in areas such as fruit and flower production. In the case of products such as vegetables, which are subject to high customs duties, the heavy protection appears to be encouraging production for the domestic market. Thus, protection

[58] Dijkstra, T. (2001).

operates like an implicit export tax, which has to be paid in addition to any taxes explicitly imposed. Secondly, the policy on inputs should be reviewed. The classical problems associated with the current system based on exemptions for agricultural activities range from difficulties in completing all the steps necessary to obtain exemptions on inputs to ignorance (on the part of the producers) of the availability of exemptions or drawback. It might be more advantageous to consider applying lower rates, including a zero rate, to essential inputs, as is already the case with fertilizers.

(f) Livestock

281. At present, Burundi has about 1,200,000 farms, of which 700,000 raise livestock. Among the latter, 20 per cent raise bovine animals, 45 per cent small ruminants, 5 per cent pigs and 3 per cent poultry. The rest engage in mixed livestock farming. Livestock raising accounts for almost one fifth of agricultural production. All livestock production is intended for domestic consumption. Livestock raising also provides inputs for crop production, in particular manure, as well as draught animals. The principal cattle markets are in Gitega, Ngozi, Kayanza, Rwibaga, Ratana and Bujumbura, the latter being the most important.

282. In principle, all cattle must be taken to an approved abattoir before the meat can be marketed. The Bujumbura abattoir, a public enterprise under the Ministry of Livestock, is the main destination for the cattle. On average, nearly 40 per cent of the cattle slaughtered are bovine animals; 60 bovine animals, 70 small ruminants and 8 pigs are slaughtered daily. Traders pay a slaughter tax of FBu 5,000 per head for bovine animals, FBu 550 per head for sheep and goats, and FBu 2,500 per head for pigs. Livestock raising also suffered the ravages of civil war. From 1993 to 1998, production of bovine, sheep and goat meat (measured in numbers of head of cattle) fell sharply. Milk, the output of which is also down, is mainly produced by private dairy farmers mostly located in the region of Bujumbura, the principal market. However, this situation has since improved (Table IV.5).

Table IV.5
Trends in the animal herd, 2002-2010

Period	Bovine animals	Goats	Sheep	Pigs	Poultry
2002	376,346	974,543	242,086	115,835	771,260
2003	355,222	960,288	239,505	105,753	704,254
2004	374,475	1,108,952	235,611	136,360	852,954
2005	395,741	1,194,780	242,933	169,572	945,318
2006	433,800	1,438,713	266, 510	178,737	1,142,102
2007	479,106	1,606,717	292,916	189,505	1,315,788
2008	471,614	1,616,873	281,190	166,721	1,524,007
2009	554,236	1,782,227	295,147	207,181	1,610,565
2010	596,412	2,162,800	295,739	244,791	1,719,296
Variation 2010/2009	**7.6%**	**21.4%**	**0.2%**	**18.2%**	**6.8%**

Source: Directorate-General for Livestock, *Annual Report 2010*.

283. Significant progress has been made in the livestock subsector. To tackle the shortage of animal protein, on the one hand, and to increase the production of organic manure, on the other, the Government, with the support of its technical and financial partners (World Bank, IFAD, FAO and a number of NGOs), launched a programme to restock the herd in every province in the country. The main intervention by the Government was to distribute animals (improved breeding stock) among the rural communities. This programme, which gave priority to communities in need, included training for the beneficiaries, who had to provide improved shelter for the animals and

plant fodder crops. It was supported by the recruitment of community animal health officers. Thus, in 2010, the bovine animal herd rose by 8 per cent as compared with the previous year, the goat herd by 21 per cent, pigs by 18 per cent, poultry by 7 per cent and sheep by 0.2 per cent (Table IV.5). The restocking programme has grown and made possible a general increase in the herd and in milk and meat production.

284. Prior to January 2003, the livestock subsector was heavily protected with customs duties of 100 per cent on all meat and meat-based products and 40 per cent on dairy products. The tariff reforms of January 2003 resulted in the maximum rate of 100 per cent being reduced to 40 per cent. Since Burundi joined the EAC the rate has been 25 per cent for meat and meat-based products and 40.8 per cent for dairy products, respectively. The local authorities levy a cattle tax of FBu 200 per head. Grazing land is exempt from property tax. The other exemptions enjoyed by the livestock subsector are the same as those granted to agricultural activities in general.

285. According to the authorities, the main problems facing poultry production include the high price, or the lack, of inputs, and competing cheap imports. Despite an average tariff rate of 25 per cent (HS Chapter 02: Meat and edible meat offal, including meat of poultry, fresh or frozen) and a multitude of other levies and taxes as well as various controls and associated costs (Chapter III(2)), imported frozen poultry is sold at one quarter of the price of live birds on the local markets.

286. There are other constraints on the development of livestock production, such as the shortcomings of technical support services for livestock breeders, especially in terms of veterinary care and balanced feeding; the poor state of the production plant and basic infrastructure; and the cost of getting products to market. This partly explains the difference in price between local products and imports.

(g) Fishing

287. The bodies of water where fishing is done consist mainly of Lake Tanganyika (8 per cent of the total area of the lake or 2,280 km² and 9 per cent of the length of the shoreline or 159 km), the southern parts of Lakes Cohoha and Rweru in the north-west (about 140 km²), the waters of the eight other natural lakes in the north and the rivers draining Burundi, and the waters of its ponds and artificial lakes.

288. Fishing constitutes a very small part (around 2 per cent) of total agricultural production. It is nevertheless an important activity because of its contribution to the food supply. Catches depend heavily on the state of security. Production is all for the domestic market. Three types of fishing are practised in Burundi: industrial, traditional and artisanal. Traditional fishing is a form of inshore subsistence fishing practised in the northern part of Lake Tanganyika, as well as in Lakes Cohoha and Rweru. Artisanal fishing is a small-scale commercial activity practised close to the shores of Lake Tanganyika and in the south of the country and accounts for most of the catch. There are 54 landing sites along the shores of Lake Tanganyika, at which the fish is first sold. Transport costs and the lack of storage facilities make it difficult to distribute the fish within the country. Industrial fishing represents only a very small proportion of fishing activity, but has nevertheless grown rapidly since 1998. According to the authorities, this type of fishing is practised mainly by Greek entrepreneurs. Processing is confined to smoking or drying the fish using artisanal methods.

289. Catches rose from 14,871.5 tonnes in 2009 to 17,491.4 tonnes in 2010, an increase of 18 per cent. This increase in production is primarily attributable to improvements in support services for the fishermen. Burundi has also taken useful steps to improve quality by introducing freezing to preserve

the fish and installing movable non-corroding and easy to clean drying racks; and by introducing insulated containers, made almost entirely from local materials, for storing and transporting iced fish.

290. Prior to 2003, the maximum customs duty of 100 per cent applied to all imports of fish and fish oils. Fish waste unsuitable for human consumption received less protection. Starting in January 2003, this maximum rate was reduced to 40 per cent. Since Burundi's accession to the EAC the rate has been 25 per cent for fish and fish products. The Government levies a specific tax of FBu 5 per kg of fish sold (whether domestic or imported). The cost of a fishing licence varies according to the type of fishing practised: FBu 2,500 per year for traditional fishing, FBu 5,000 per year for artisanal fishing and FBu 400,000 per year for industrial fishing. The fishermen must also obtain a registration certificate (FBu 3,500), a certificate of seaworthiness (FBu 5,000) and a sailing permit (FBu 500 per trip). Industrial fishermen must also pay a tax of FBu 3,000 per cubic metre on their vessels.

291. The Government considers that the development of artisanal fishing could be a means of combating poverty. However, there are many factors that are impeding the development of these activities. The various duties and charges levied by the State are inflating costs, reducing the income of the artisanal fishermen and making commercial fishing less attractive than subsistence fishing. The development of fishing as a commercial activity is also being hindered by the lack of storage and freezing facilities, which makes it difficult to preserve the fish for local distribution or export. Between 10 and 15 per cent of national production (i.e. 2,000 to 3,000 tonnes per year) is being lost as a result of these shortcomings. It is proposed to establish a micro-credit system designed, among other things, to enable fishermen to purchase modern equipment, but for lack of resources no action has been taken.

(h) Forestry

292. Forestry and forest development could result in greater optimization of Burundi's natural resources. In fact, the forestry and agro-forestry subsector contributes about 2 per cent of GDP and provides 6 per cent of jobs. It also plays an important role in water and soil conservation and ensures the maintenance of biodiversity and the environmental water balance. Wood and wood products meet 95.4 per cent of the country's energy requirements, the rural areas absorbing more than 76 per cent of total firewood consumption.

293. Government policy consists, firstly, in increasing the forest cover, following a period of accelerated deforestation between 1993 and 1997. The trade in wood and wood products is unstructured. In the rural areas transactions are completed directly between buyers and sellers, about 30 per cent of these transactions taking the form of barter. A felling permit must be obtained, together with authorization to transport the wood or wood products. A local commune tax has to be paid and the municipality of Bujumbura imposes a tax on sales in the capital. Transaction tax is levied at a rate of 7 per cent on the local wood trade.

294. According to the authorities, with the participation of the population, the regulations on cutting wood have been updated in order to discourage premature felling and facilitate forest maintenance and expansion. About 9,700 hectares of watersheds and 2,787 hectares of swampland were developed in 2007. There was a sharp increase in swamp rehabilitation in 2008 with more than 900 additional hectares.

295. Exports are few, the principal product being cinchona bark, which is sometimes used for making cosmetics. The average customs duty on forestry products was 38.4 per cent up until

January 2003 when, as a result of tariff reductions, it fell to 21.6 per cent. Since Burundi joined the EAC, the average has been 3.1 per cent. The tariff protection structure for wood and wood products shows mixed escalation: it is negative from the first to the second stage of processing (3.1 per cent as against 1.9 per cent) and sharply positive from the second stage to the third (1.9 per cent as against 19.5 per cent). Burundi does not export wood or wood products.

(2) MINING AND ENERGY

(i) Mining

(a) Overview

296. Burundi has an important and varied mining potential, mainly involving nickel and its associated minerals, namely, copper, cobalt and the elements of the platinum group, vanadium, cassiterite, colombo-tantalite, wolframite, rare earths, gold, peat, and various industrial minerals, as well as signs of hydrocarbons. The nickel deposits at Musongati represent about 6 per cent of the world's known nickel reserves. Following the conclusion of various agreements between the Government and the mining companies, gold, nickel, rare earths and hydrocarbons are all currently being explored.

297. The extractive industries are underdeveloped. War, the lack of electricity and the absence of a railway are factors that have held back investment in both prospecting and exploitation. At present, not much is known about the extent of the country's mineral resources.[59] Development activities have mainly involved deposits of gold, vanadium, carbonated phosphates and nickel.

298. The sector's contribution to GDP and exports was almost zero up until 2001. Since then, the extraction of colombo-tantalite (coltan)[60] has helped to raise the sector's share of total Burundian exports (Chapter I(3)).[61] Coltan mining can cope relatively well with the lack of infrastructure as the ore is mined manually with shovels and sieves and sometimes bulldozers. The company most active in this area is the Burundi Mining Agency (COMEBU S.A.), a private corporation with seven shareholders, including a Belgian company.

299. Mining is more or less artisanal. Artisanal mining is regarded as a highly labour-intensive activity. It involves more than 50,000 artisanal miners spread over a number of sites throughout the country and is believed to provide a livelihood for more than 250,000 people. The minerals mined by artisanal means are gold, cassiterite, colombo-tantalite and wolframite. These ores are exploited by approved agencies (*comptoirs*). There are also agencies approved for the purchase and export of minerals.

300. Between 2003 and 2009, mining production in Burundi generally tended to increase, although peaks in gold and wolframite production were observed in 2006 (Table IV.6). This trend was confirmed, in particular, by an increase in royalties and other mining revenue. The fall in output in 2009, which can be attributed to the global financial and economic crisis, was also responsible for

[59] The Government granted licences to prospect for nickel in the north-east of the country in 2007, for uranium in the north-west in 2008, and for oil in Lake Tanganyika and the plain of the Imbo in the same year.

[60] Once refined, coltan becomes metallic tantalum, an element indispensable for making the capacitors found in electronic products such as mobile telephones and laptops.

[61] Although there is an inventory of coltan deposits in Burundi, it is difficult to explain the sudden increase in production/exports. One plausible explanation is that imports are being smuggled in and then being re-exported.

a weak foreign-currency inflow. In 2009, artisanal mining contributed FBu 476.7 million to the public coffers, as compared with FBu 752.2 million in 2008, by way of mining royalties, *ad valorem* tax and export duties.

301. The main reasons for the underdevelopment of mining and quarrying in Burundi include the remoteness of the deposits from the ports of exportation, the lack of energy and transport infrastructure, and political instability, together with the adverse effects of the global financial and economic crisis.

Table IV.6
Trends in mining output, 2003-2009

Year	Gold	Cassiterite	Colombo-tantalite	Wolframite
2003	2,854.8	8,767	24,382	32,788
2004	3,229.2	18,612	23,356	23,857
2005	3,924.6	8,100	42,592	294,505
2006	4,312.6	78,898	56,177	668,184
2007	2,422.8	50,600	51,550	443,400
2008	2,170.2	96,384	116,586	560,136
2009	979.6	14,400	24,423	23,434

Source: Ministry of Energy and Mining (MEM), Mines and Quarries Directorate.

302. There is little importation of mining products. Imports of mining and quarrying products (ISIC, Rev. 2) are subject to MFN duties averaging 4.8 per cent with rates that vary from 0 to 25 per cent. Imports of metal ores are subject to MFN duties at the zero rate, but other duties and taxes are applied (Chapter III(2)).

(b) Regulatory framework

303. The Ministry of Water, Energy and Mining is responsible for the sector. It is entrusted with formulating mining policy and having it implemented (Chapter II). Activities upstream from the energy subsector also fall within the competence of the Ministry in charge of mining, which is responsible for exploration and extraction activities. The Ministry responsible for hydrocarbons regulates oil refining, distribution and storage. The Ministry responsible for energy is also involved in the production, transport and distribution of electricity and gas, as well as in water production, transport and distribution and water quality control. Burundi depends mainly on imports to meet its needs for gas and petroleum products.

304. According to the authorities, the general objectives of mining policy are to support the development of the country's mineral resources and to create jobs through the profitable and sustainable exploitation of Burundi's natural resources and advantages, so as to ensure its socio-economic development.

305. The 1976 Mining and Petroleum Code (Decree-Law No. 1/138) is the principal legislative instrument governing mining in Burundi. However, the Government is planning to draw up new regulations. The reforms are aimed, in particular, at separating the mining and petroleum sectors, which could result in the legal provisions being simplified and each type of activity being dealt with more specifically. Reforms are also needed to align the mining regulations on other more recent provisions, particularly the new Investment Code, the Environmental Code and the recently revised Companies Law.

306. To obtain a mining licence, a person, whether natural or legal, Burundian or foreign, must comply with the provisions of the Companies Code and must have a registered place of business in Burundi. The Code lays down the rules on the granting and use of exploration, prospecting and development permits and concessions.[62] Where rights are concerned, it draws a distinction between hydrocarbons and all other minerals.

307. Exploration permits are exclusive and transferable and are granted (except in the case of hydrocarbons) for: (i) three years (twice renewable, for two years on each occasion); or (ii) two years (twice renewable, for one year on each occasion). A prospecting permit is a non-exclusive right granted for a period of two years, once renewable. It cannot simultaneously apply to hydrocarbons and to other minerals for which concessions can be obtained. Exploration permits for hydrocarbons (H permits), valid for three years twice renewable, for three years on each occasion, are issued after being advertised and after invitations to tender have been published in the Official Journal at least three months in advance. To be entitled to obtain a development permit on the basis of an exploration permit, the investor must furnish evidence of the existence of a deposit, before the exploration permit expires, and submit an application accompanied by a work schedule.

308. The development permit is an exclusive right (transferable subject to authorization), unlike the right to prospect for hydrocarbons. Development permits are valid for five years, twice renewable, for five years on each occasion, provided that the holder has maintained production. When the deposit appears to be "extensive enough" to be mined for more than 15 years, the permit holder may ask for the development permit to be converted into a concession. However, the term "extensive enough" is not defined in the law. Concessions are valid for 25 years and may be renewed twice for a period of 10 years on each renewal, including those for hydrocarbons. Mining development permits confer the right to prospect and explore for, as well as develop, the mineral eligible for concession for which they have been issued. They also confer the right to carry out industrial, processing, marketing and export operations. The conditions under which permits can be transferred are not defined and this remains a major source of uncertainty for investors.

309. The Mining Code provides for certain taxes, in particular the following: (i) a charge (proportional to the area) in connection with various procedures relating to applications for and the issuing and granting of prospecting, exploration and development permits and concessions (Table IV.7); (ii) an annual (ordinary) royalty proportional to the area covered and dependent on the nature and importance of the deposits to be developed. There is also a supplementary royalty for permits that are not exploited or are insufficiently exploited, fixed at twice the usual rate to encourage development; and (iii) an *ad valorem* tax based on production value. The basic rate is not less than 7 per cent for each mineral eligible for concession, 12.5 per cent for liquid hydrocarbons, and 5 per cent for gaseous hydrocarbons (Table IV.8). Developers are also subject to industrial and commercial profits tax. In the case of hydrocarbons, the tax rate is fixed in the agreement which must be negotiated between the developer and the Government.

[62] According to Article 68, the development permit is an indivisible, non-mortgageable right relating to a movable. A concession is a right of limited duration relating to an immovable, distinct from the ownership of the land and capable of being mortgaged.

Table IV.7
Issuing and renewal costs for mining permits
(FBu)

Operation (issuing/renewal)	Cost
Issuing and renewal of prospecting permits	FBu 30,000
Issuing of exploration permit A, B, or H	FBu 4 per hectare; minimum of FBu 20,000 per permit
First renewal of exploration permit	FBu 6 per hectare; minimum of FBu 30,000 per permit
Second renewal of exploration permit	FBu 8 per hectare; minimum of FBu 40,000 per permit
Issuing and renewal of development permit	FBu 10 per hectare, minimum of FBu 50,000 per permit
Issuing, extension, reduction, renewal, merger and division of mining concessions (hydrocarbons and non-hydrocarbons)	FBu 40 per hectare; minimum of FBu 200,000 per concession
Quarry exploration permit	FBu 500/area
Quarry and mine development permit	By ministerial decision
Authorization for the transport of hydrocarbons by pipeline	FBu 10,000 per kilometre; minimum of FBu 200,000 per authorization

Source: Order implementing the Mining and Petroleum Code.

Table IV.8
Ordinary mining royalty rates

Mining authorization		Up to 400 ha	400 to 10,000 ha	Over 10,000 ha
Development permit	Initial period	FBu 5 per ha	FBu 8	FBu 10
	Subsequent period	FBu 10	FBu 15	FBu 20
Mineral concession (non-hydrocarbons)	First three years	FBu 20	FBu 30	FBu 50
	Subsequent years	FBu 100	FBu 300	FBu 500
Hydrocarbons concession	First three years	FBu 20	FBu 30	FBu 50
	Subsequent years	FBu 100	FBu 300	FBu 500

Source: Information provided by the Burundian authorities.

310. The Code provides for an investor also to have the opportunity to apply for the incentives contained in the Investment Code. Thus, there is provision for certain tax reliefs: developers may set aside, with temporary exemption from profits tax, a "provision for the regeneration of the deposit". This provision may be reinvested in a prospecting operation, in the exploration and development of deposits of minerals for which concessions can be obtained, or in building or extending a plant to process and refine such minerals. The amount of the provision may not exceed 50 per cent of the net accounting profit after depreciation; 15 per cent of the turnover for minerals other than liquid or gaseous hydrocarbons; and 27.5 per cent of the turnover for liquid or gaseous hydrocarbons.

311. Objections concerning the application of the provisions of the Code come under the jurisdiction of the courts of first instance. Objections concerning the application of agreements attached to exploration permits and those that supplement hydrocarbons concessions may be settled under an arbitration procedure. However, the Code does not define the characteristics of such a procedure and there is no reference to the possibility of submitting disputes to an international arbitration tribunal.

312. A law adopted in August 2000 regulates the exploitation, purchase and export of minerals extracted on an artisanal basis or imported into Burundi and requires these activities to be carried out by agencies (*comptoirs*) approved by the Ministry of Energy and Mining. This law reflects the increase in artisanal activities, especially in connection with coltan mining. It does not apply to gold buying and selling activities conducted by the Central Bank. The law stipulates that any natural or legal person with the necessary material and financial resources may open an agency with the approval of the Ministry of Energy and Mining.

313. The law establishes an annual royalty for the agencies (the amount of the royalty varies with the mineral concerned), an *ad valorem* tax, and exit duties on export. The law also determines the percentage of freely convertible foreign-currency export earnings that must be surrendered to the BRB (Table IV.9). The complete repatriation of foreign currency is compulsory for agencies incorporated under Burundian law. Agencies governed by foreign law must operate in freely convertible currencies and may not obtain them from domestic banks.

Table IV.9
Taxes, royalties, duties, and percentages of foreign-currency earnings to be surrendered

Mineral	Annual royalty	*Ad valorem* tax	Exit duty	Percentage currency transfer
Local gold	US$5,000	0.3%	0.2%	1%
Imported gold	US$10,000	0.3%	0.2%	0.5%
Local precious stones	US$1,000	0.5%	0.5%	1%
Imported precious stones	US$5,000	0.5%	0.5%	0.5%
Local semi-precious stones	FBu 500,000	0.5%	0.5%	1%
Imported semi-precious stones	FBu 500,000	0.5%	0.5%	0.5%
Local cassiterite	FBu 100,000	3%	1%	2%
Imported cassiterite	FBu 300,000	1%	1%	2%
Local colombo-tantalite	FBu 200,000	3%	2%	2%
Imported colombo-tantalite	FBu 300,000	1%	1%	2%
Local rare earths	FBu 100,000	3%	1%	2%
Imported rare earths	FBu 100,000	1%	1%	2%
Local wolframite	FBu 100,000	3%	1%	2%
Imported wolframite	FBu 100,000	1%	1%	2%
Mica	FBu 100,000	3%	1%	2%
Imported mica	FBu 100,000	1%	1%	2%
Freestone for export	FBu 100,000	1%	1%	2%

Source: Ministerial Order (2000) on agencies for the exploitation, purchase or export of minerals.

314. The approved agencies are exempt from profits tax and property tax for a period of three years, renewable by joint decision of the ministers responsible for mines and finance.

315. The Government of Burundi has launched a two-stage programme to reform, firstly, the Mining Code and, subsequently, the Petroleum Code, so that the 1976 Code remains in force where the provisions concerning only the hydrocarbons sector are concerned pending the advent of new legislation in this field.

316. The new Mining Code of the Republic of Burundi contains, within a single document, a legislative part, a regulatory part and a model mining agreement. The new Code was primarily designed as a tool that could be used in practice, so that the primary objective was clarity. The Code is much simpler than before; for example, the three contractual instruments of the old 1976 Code are reduced to a single mining development agreement which also serves as specifications. Permits, formerly issued by presidential decree, are now granted by order of the Minister responsible for mines after discussion in the Council of Ministers, with a view to simplifying and speeding up the granting procedures.

317. The new Code aims to be effective in the sense that it should not be possible to waive by contractual agreement the legislative provisions of the Code. For the State, one of the goals is to have a uniform mining regime and to ensure the effective collection of what is owed. It is essential, for example, to ensure the actual payment of the *ad valorem* tax. The new Code also contains

provisions which will facilitate the settlement of disputes by establishing simple and inexpensive preliminary procedures.

318. The Code also aims to be attractive. Thus, it must meet the expectations of the State but also those of investors and ensure a high degree of competitiveness, in conformity with the best international practice and in the interests of community development. The Code is attractive for artisanal miners, thanks to a simple and effective system, accompanied by tax concessions, but also for investors, particularly foreign investors, in view of the various opportunities for tax and customs relief together with the provision of guarantees against changes in the law and mining agreements.

319. Another attraction is the very important automatic right for the finder to obtain a development permit. For the same reason, the Code incorporates the principle of indemnification of the holder in the event of a permit being cancelled and provides for mining security intended to facilitate the financing of mining activities.

320. The new Code includes a more precise definition of artisanal mining; specifies the exact conditions for obtaining an artisanal mining permit; makes sure that artisanal miners undertake to comply with the environmental regulations; entrusts the relevant responsibilities and missions to the Mines Administration (rather than the local authorities); and obliges the miners to form associations.

321. The new Code also defines quarries, distinguishing between artisanal quarries and those regarded as industrial. It reiterates and reaffirms that the Mines Administration is responsible for the supervision of the quarry sector and, in particular, for the granting of quarry development permits; affirms the principles of rational quarry exploitation in compliance with the environmental regulations; establishes cohabitation and indemnification mechanisms for quarry operators, farmers and land owners; and establishes areas in which quarrying is prohibited.

322. The authorities are hoping that with these innovations, the sector will develop further and attract numerous private investors.

(ii) Energy

(a) Electricity

323. Almost 95 per cent of the energy consumed comes from wood, charcoal or peat and only 1 per cent from electricity and almost all the electricity (about 95 per cent) is consumed in Bujumbura. The total proportion of Burundi's population with access to electricity is less than 2 per cent. The energy sources for the industrial sector are distributed as follows: 29.7 per cent comes from wood, 51 per cent from petroleum products, and 19 per cent from electricity.

324. Electricity consumption in Burundi is 25 kWh per inhabitant per year, whereas the African average is over 500 kWh, and electricity's share of the energy balance is 4 per cent; this shows that electrical energy is making only a very small contribution to economic growth and improvements in living standards, insofar as less than 3 per cent of households are connected to electricity (about 47,500 households in 2009) and much public-interest infrastructure in the rural areas lacks electricity.

325. The limited access to electricity means that most rural households rely on oil and candles for illumination and spend more on energy than those that are connected to the electricity grid.

326. Peat is another source of energy and in 2008/2009 production was 11,520 tonnes as compared with 9,764 tonnes for the previous year, i.e. an increase of 16 per cent. Thanks to this production, all consumed, 64 hectares of natural forest could be preserved. The exploitation of peat also brings in revenue for the State. In 2009, a total of nearly FBu 500 million was collected, FBu 221,179,306 in profits tax and a State dividend of FBu 265,306,152.

327. Between 2001 and 2007, electricity production increased steadily, except in 2006. Consumption followed a similar but always lower curve, with a high loss rate ranging from 21 per cent to 29 per cent (Table IV.10). Moreover, according to the authorities, between 2008 and 2009, total electricity production (domestic and imported) fell by 1.4 per cent, from 207.1 GWh in 2008 to 204.2 GWh in 2009. Over this two-year period, electricity imports fell from 95.2 GWh in 2008 to 81.6 GWh in 2009. According to the annual reports of the Water and Electricity Distribution Authority (REGIDESO), the number of electricity connections completed by its services increased by 8 per cent, rising from 40,513 to 43,873 consumers.

328. The Directorate-General of Water Engineering and Rural Electrification (DGHER) delivered electricity to 236 new consumers, bringing its total number of customers to 3,174 at the end of 2008. Its contribution to the electricity supply is very small, a reflection of the low rate of consumption of electricity as an energy source in Burundi's rural areas. However, the DGHER has provided a basic service by bringing grid electricity to the Musigati, Ciya and Kivyuka centres from Bubanza province; the Ruseseka centres in Mabayi commune; the Gatabo centre in Muramvya; and the Kaniga health centre. It has also renovated the Mugongo-Ryarusera-Kayenzi and Muramvya-Shombo lines.

Table IV.10
Electricity production and consumption, 2001-2007
(in MWh)

Year	Total production	Total consumption	Energy invoiced	Losses (%)
2001	154,670	123,069	122,154	21.0
2002	167,359	119,961	118,877	29.0
2003	160,794	125,393	124,094	22.8
2004	163,829	126,092	125,769	23.8
2005	171,359	121,265	123,708	28.0
2006	152,057	113,042	112,606	25.9
2007	188,804	142,824	142,824	24.4

Source: Observatory of Government Action (OAG), Analysis of Government Energy Policy in Burundi, Bujumbura, 2010.

329. The subsector is under State control and the Minister of Energy and Mining oversees the company REGIDESO. The latter generates electricity in eight hydroelectric power stations, the most important of which are those at Mugere and Rwegura, and is also responsible for its distribution and marketing. Between 50 and 60 per cent of the electricity consumed comes from the Ruzizi I and II power stations, which belong jointly to Burundi, Rwanda and the Democratic Republic of the Congo (DRC). These three countries established the company SINELAC to manage the project. Although the power stations are on Burundian territory, the electricity is considered to have been imported and the DRC is responsible for their operation. In 2011, the governments of Burundi, Rwanda and the DRC decided to revive the project to build a dam on the River Ruzizi (Ruzizi III) with an estimated capacity of 147 MW using public-private financing.

330. Electricity is imported duty free.

331. REGIDESO is heavily indebted. Its long-term debt is owed mostly to the State and its short-term debt to its suppliers. The company's financial difficulties are partly due to the fact that it

imports some of the electricity generated by SINELAC and has to contend with the additional costs linked to the gradual depreciation of the Burundi franc. They also reflect the fact that REGIDESO establishes its tariffs on the basis of the average household income in Bujumbura rather than on production costs, in order to support household electricity consumption. The price of a kilowatt-hour consumed by households is, in most cases, less than that for the electricity supplied to commercial and industrial operators, often by a factor of 1.5 to 3. Moreover, the tariff for commercial consumers, that is to say essentially service enterprises and small manufacturers, increases progressively with the level of consumption. Medium-voltage electricity consumers, mainly the larger manufacturing industries, must pay a fixed premium based on estimated consumption and a surcharge in the event of excess demand. In general, up until 2010, the tariff structure was designed to ensure that household consumption was subsidized by the other users (more specifically, trade, industry and government).

332. The Government has undertaken to apply an electricity tariff policy intended to ensure the sustainable operation of this public service. This tariff structure will make it possible to cover both the operating costs and the costs of investment in the upgrading, extension, and renewal of the equipment.

333. During the second half of 2011 and the first quarter of 2012, Burundi implemented a revision of the tariff system that allows investors to recoup the costs of investing in electricity infrastructure (Table IV.11).

334. The privatization of REGIDESO was formally begun in 1994; however, due to the country's political and economic situation little progress has been made. The regulatory framework was reformed in July 2000, with the adoption of a law liberalizing and regulating the public drinking water supply and electric power services. The aim was to enable the private sector to invest in these subsectors and to end REGIDESO's monopoly. As this report was being written, the implementing regulations for this law were still in preparation. Certain aspects of the tariff structure are under review.

335. Despite the efforts of various successive governments, only 46,858 households (2.93 per cent of the Burundian population) were being supplied with grid electricity in 2009. The authorities acknowledge that much remains to be done to improve the supply of electricity and access to it, on which all development depends.

Table IV.11
Electricity rates

Old tiers	New tiers	Old tariff (FBu)	Rental	Tariff (FBu) 1st stage	Fixed charges 1	Tariff (FBu) 2nd stage	Fixed charges 2
A. Low-voltage customers							
1.1 Low-voltage, households							
0 to 75 kWh	0 to 50 kWh	41	157	57	0.00	73	0.00
76 to 150 kWh	51 to 150 kWh	46	157	92	0.00	138	0.00
151 to 375 kWh	151 and over	85	157	172	1,703	260	3,249
376 kWh and over	..	127	157	..	..	..	..
1.2 Low-voltage, commercial							
0 to 150 kWh	0 to 100 kWh	116	221	93	1,108	93	1,995
151 to 500 kWh	101 to 250 kWh	127	221	138	2,111	149	4,000
501 kWh	251 and over	137	221	164	3,111	190	6,000
1.3 Government							
Single tier	Single tier	127	490	138	0.00	149	0.00
1.4 Public lighting							
Single tier	Single tier	127	604	139	0.00	151	0.00

Old tiers	New tiers	Old tariff (FBu)	Rental	Tariff (FBu) 1st stage	Fixed charges 1	Tariff (FBu) 2nd stage	Fixed charges 2
1.5 ABER (Burundian Rural Electrification Agency)							
Single tariff	Single tariff	53	1,241	97	0.00	141	0.00
B. Medium-voltage customers							
1.6.1 Medium-voltage with subscribed power (SP) and peak							
SP premium (FBu/kW/month)	SP premium (FBu/kW/month)	3,231		3,824		4,416	
SP surcharge (FBu/kW/month)	PS surcharge (FBu/kW/month)	6,462	1,194	7,647		8,832	
0 to 150 h	Peak hours (first 150 h)	122	1,194	128	0.00	134	0.00
151 h to 450 h	Off-peak hours (151 h and over)	77	1,194	85	0.00	93	0.00
451 h and over		52					
1.6.2 Medium-voltage without subscribed power (SP) and peak							
SP premium (FBu/kW/month)	SP premium (FBu/kW/month)	3,231		5,407		7,754	
PS surcharge (FBu/kW/month)	SP surcharge (FBu/kW/month)	3,231		5,407		7,754	
Single tier	Single tier	122	1,194	113	0.00	104	0.00
1.6.3 Medium-voltage without subscribed power (SP) and without peak							
Single tier	Single tier	138	806	145	0.00	152	0.00

Note: Electricity prices. New monthly tariff applicable in two stages: Stage 1: 1 September 2011 and Stage 2: 1 March 2012.

Source: Information provided by the Burundian authorities.

336. Overall, the Government does not have a coherent national energy policy or a legal framework for exchanges between the institutions responsible for energy and the main participants in the sector to improve coordination of the measures officially taken to promote the sector. Similarly, there is not enough linkage and complementarity between the sectoral policies of the institutions responsible for the various forms of energy.[63]

(b) Petroleum products

337. Burundi has neither oil nor gas; preliminary explorations in collaboration with the Democratic Republic of the Congo along Lake Tanganyika were unsuccessful. Accordingly, all petroleum products are imported, via Mombasa (Kenya) or Dar es Salaam (Tanzania), and transported by land or by lake. Imports of these products account for 15 to 20 per cent of total Burundian imports, depending on the year. Premium grade petrol and diesel fuel respectively account for about 43 and 48 per cent of total consumption of petroleum products. The poor state of the roads has contributed to the increase in the price of petroleum products as the Government has been forced to reduce the upper limit on the amount of petrol transported by lorry from 60,000 litres to 30,000 litres to prevent the deterioration of the road surface.

338. The main distributors are Engen, Interpetrol, Cobil, Petrobu, and Sicopp. The functioning storage depots are those operated by the Petroleum Storage Company (SEP), which is 90 per cent

[63] Republic of Burundi (2011).

owned by Engen and responsible for the storage facilities near Bujumbura, and the Gitega tank farm, which belongs to the State but is managed by Interpetrol. Moreover, Interpetrol and Cobil are in the process of building their own storage facilities, which will soon be operational. Prices are fixed by ministerial order using a single formula.

339. The tariff structure for petroleum products is fixed by order and adjusted periodically to reflect international market prices. In addition, there are various specific taxes and *ad valorem* duties. These specific taxes are channelled into a national road fund. Petroleum products are also subject to VAT and service tax. On the basis of the price structures established by Order No. 750/666 of 11 May 2012, these taxes constitute about 40 per cent of the price at the pump and nearly 80 per cent of the difference between the price at the point of importation and the price at the pump.

(3) MANUFACTURING

340. The Burundian manufacturing sector is underdeveloped and, like the agricultural sector, has suffered badly from the crisis. Industrial production consists mainly of beer, lemonade, cigarettes, soap and building materials, while textile production has almost collapsed due to the closing down of the main textile factories, including COTEBU. The industrial sector is uncompetitive and the State still has a very strong presence.

341. The private sector is evolving in a difficult competitive environment. The isolation resulting from the political crisis has made businesses more vulnerable. In addition to being landlocked, Burundi was also isolated by an international embargo during the long socio-political crisis that lasted from 1993 to 2005. This embargo had harmful consequences for the Burundian economy in general, but particularly for the manufacturing sector which was deprived of supplies of all kinds. This led to a contraction in industrial activity and even the closing of some industrial units, especially in the textiles subsector.[64] The output of most industries in the manufacturing sector has declined almost continuously since 1996. The lifting of sanctions has not had a significant effect on production, still adversely affected by the weakness of domestic demand, although since 2007 there has been a relative recovery (Table IV.12).

342. The State intervenes in the manufacturing sector through its participation in the capital of beverage, coffee, tea and sugar enterprises. The State also fixes the prices of certain products, in particular, beverages and sugar. The Government's intention in formulating its manufacturing policy is to promote import substitution, on the one hand, and industries with export potential, on the other. Thus, the 1998 Export Promotion Law and the Free-Zone Law provide for various export incentives (Chapter III(3)).

Table IV.12
Production of the main industries, 2007-2011

Product	2007	2008	2009	2010	2011
Products of the food industry	..	..	..	..	..
	975,699	1,039,179	970,199	1,193,312	1,253,305
Beer, Primus (hl)					
Beer, Amstel (hl)	313,732	329,518	396,268	471,927	494,959
Carbonated beverages (hl)	294,213	284,977	287,063	319,937	331,899
Milk (l)	..	..	..	..	..
Sugar (t)	20,213	18,233	14,314	18,937	20,688
Cottonseed oil (l)	51,220	33,550	31,528	26,501	43,555
Cattle feed (t)	..	..	..	..	..
Cigarettes (1,000 units)	472,455.	436,055	514,240	457,825	510,350

[64] OTF Group (2008).

Product	2007	2008	2009	2010	2011
Products of the chemical industry	..	..	..	..	..
Paint (t)	498	505	450	543	613
Insecticides (t)	..	..	..	..	..
Oxygen (m^3)	46,278	16,100	37,103	33,481	1,875
Polyethylene film (kg)	53,482	23,778	17,546	1,588	..
Toilet soap (kg)	144,923	202,128	195,495	217,921	235,314
Household soap (kg)	2,688,590	5,469,222	5,805,328	5,200,956	851,600
Bottles (t)	..	..	..	..	..
Foam	25,284	16,820	20,070	16,974	32,646
Matches (boxes)	..	..	..	..	..
Pharmaceutical products (FBu million)	..	142	..	..	..
Plastic crates (units)	184,348	3,367,649	361,107	393,235	322,447
Products of the textile and leather industries	..	..	..	..	..
Blankets (units)	..	..	..	..	..
Finished fabrics (m)	..	..	..	..	..
Building materials	..	..	..	..	..
PVC pipe (kg)	176,541	104,419	139,945	143,162	174,179
Fibre cement sheets (t)	79	..	..	..	..
Profiles (kg)[a]	8,508	26,044	26,741	30,120	27,697
Steel pipe (kg)	100,223	68,485	..	..	..
Miscellaneous products	..	..	..	..	..
Crown corks (1,000 units)	..	..	..	..	..

.. Not available.

a This item also includes self-supporting alu-zinc tanks and "Estetic" suspended ceilings.

Source: Information provided by the Burundian authorities.

343. The principal semi-public company is Burundi Breweries and Soft Drink Manufacturers (BRARUDI), which is 59 per cent-owned by Heineken. Prices are fixed by the State, which also levies excise duties on various beverages sold by the company (Chapter III(2)). Although production has declined, exports have increased significantly, marketing opportunities having been identified in the subregion. The export of an increasing proportion of output can be attributed to a combination of weak domestic demand and the progressive depreciation of the Burundi franc.

344. Prior to January 2003, the average tariff protection (MFN rate) was 29 per cent for the manufacturing sector as a whole; tariff reductions applied after that date brought the average down to 23.2 per cent. Since Burundi joined the EAC, the sector's average protection has been 12.5 per cent, with rates that vary from 0 to 100 per cent. However, with a few rare exceptions and subject to certain duty and tax concessions, the tariff structure does not encourage investment in industry (Chapter III(2)).

345. There are enormous challenges facing the development of Burundi's manufacturing sector, at least in the short term. The combination of competition from the EAC countries, transport and electricity constraints, high operating costs, the restricted nature of the market, the lack of skilled labour and the weakness of the local private sector means that Burundi is not in a position to attract many foreign investors in the highly competitive sector of manufactured products. Despite preferential access to markets in the United States (AGOA) and the European Union (Everything but Arms), Burundi's manufacturing export potential is mainly subregional.

(4) SERVICES

(i) Overview

346. The services sector is an important one for Burundi (Chapter I). Burundi is a net importer of services. Service exports are dominated by travel (tourism), which illustrates the country's considerable advantages as a tourist destination, whereas transport has been the main import item because of the remoteness of key markets.

347. Despite a major export potential and the progressive liberalization of trade in services, this sector is experiencing difficulties linked with the shortcomings of the infrastructure, the obsolescence of the regulations and heavy taxation. By way of solutions, the main pillars of Government services trade policy are institutional reform, improved access to services and the strengthening of exports and regional integration. One of the Government's priorities is to make the delivery of services more effective. However, there is still a high degree of State intervention, which tends to make essential services inefficient and expensive. Service-providing companies are subject to several taxes and various controls (Chapter III(2)).

348. So far, Burundi has no known sectoral policy for the promotion of trade in services. However, there have been attempts to design sectoral policies that trace out a few guidelines based on the Government's global policy as expressed in the poverty reduction strategy paper.

349. Aware of the importance of trade in services for the national economy and the various challenges it faces, the Government has engaged in a series of negotiated reforms, including services in particular, within the WTO, the East African Community, COMESA and the Economic Partnership Agreement with the European Union, in process of being negotiated.

350. Burundi has undertaken commitments with respect to a number of services under the General Agreement on Trade in Services (GATS), namely, business services, construction and related engineering services, distribution services, health-related services and social services.[65] For these services, Burundi has bound, without limitations on market access and national treatment, all the measures affecting their cross-border supply, their consumption abroad and commercial presence with a view to supplying those services. With the exception of medical specialists, managers and specialized senior management (through horizontal concessions), measures affecting the presence of natural persons have not been bound. Burundi did not participate either in the WTO negotiations on basic telecommunications or in those on financial services.

(ii) Financial services

(a) Banking services

Overview

351. Burundi's banking system is characterized by its relatively small scale as compared with the size of the country and its population, which tends to restrict its ability to contribute to the financing of the country's development. Although the number of bank accounts has increased sharply during the last two years, in December 2011, with about 169,391 bank accounts for a population of 8.5 million, it was still clearly too low. At present, in 2012, Burundi has nine commercial banks: the Commercial Bank of Burundi (BANCOBU); the Credit Bank of Bujumbura (BCB); the

[65] WTO document GATS/SC/116, 15 April 1994.

Burundian Trade and Investment Bank (BBCI); the Management and Finance Bank (BGF); ECOBANK; FINBANK; Interbank Burundi (IBB); the Diamond Trust Bank, Burundi (DTBB); and the Kenya Commercial Bank (KCB). Burundi also has two non-banking financial institutions, namely, the National Economic Development Bank (BNDE) and the Fund for the Promotion of Urban Housing (FPHU); 24 micro-finance institutions; 42 foreign-exchange offices; 11 credit cooperatives; and a few financial messaging institutions. Given the embryonic state of the system, the banks operating in Burundi are relatively unsophisticated and were not directly exposed to the international financial crisis.

352. As far as the level of activity is concerned, the banking sector is largely dominated by three banks which share 68.7 per cent of the market[66], namely, the Credit Bank of Bujumbura (BCB), the Commercial Bank of Burundi (BANCOBU) and Interbank Burundi (IBB). The liberalization of these services since the 1990s has led to an increase in the number of banks and other financial institutions. Six banks - Interbank Burundi, the Management and Finance Bank (BGF), FINBANK, the Diamond Trust Bank (DTB), ECOBANK, and the Kenya Commercial Bank (KCB) - are wholly privately owned.

353. Today, State participation in the sector is much reduced. However, the State remains a shareholder in five banking and other financial institutions: the Commercial Bank of Burundi (BANCOBU), the Credit Bank of Bujumbura (BCB), the Burundian Trade and Investment Bank (BBCI), the National Economic Development Bank, and the Fund for the Promotion of Urban Housing (FPHU). Some semi-public enterprises, in particular COGERCO, hold shares in commercial banks. The extent of State participation in the financial subsector does not reflect any clear economic logic, considering the extensive overlap between the activities and practices of the various institutions. Foreign investors are also present, especially those established since the colonial period. In 2008, the Pan-African banking group Bank of Africa and two Belgian companies, BIO and Bank Degroof, bought Belgolaise's shares in the Credit Bank of Bujumbura, which today has about 300 employees. The same applies to other groups, such as the very recently established ECOBANK, FINBANK and Diamond Trust Bank, Burundi (DTBB).

354. During the last four years, outstanding loans to the economy grew by 53 per cent; however, it should be noted that the proportion of long-term loans barely increased, varying only from 2.4 per cent in 2006 to 2.8 per cent in 2009. This shows that most loans (74.3 per cent on average over the period) are being channelled into short-term activities, although there has been some shift towards medium-term loans, which have seen their share increase from 18.2 per cent to 29.4 per cent in the course of the last four years.

355. Even though the interest rate level has decreased in the last five years, falling from 20.6 per cent to 16.5 per cent, it still remains very high for investment in productive projects. As a result, most of the financing provided by the financial system is largely going into commerce, 54.3 per cent and 58.8 per cent of lending in 2009 and 2011, whereas financing for the productive sectors, such as industry, agriculture and the hotel trade, for example, amounted to only 4.2 per cent, 0.3 per cent and 2.0 per cent, respectively, in 2011 (Table IV.13).

[66] Bank of the Republic of Burundi (BRB, 2009).

Table IV.13
Lending by branch of activity, 2009 and 2011

Branch of activity	2009 FBu million	%	2011 FBu million	%
Commerce	180,877.50	54.3	337,131.7	58.8
Light equipment	76,193.10	22.9	127,908.0	22.3
Housing and other building	30,488.00	9.1	50,277.8	8.8
Industry	20,850.00	6.3	23,974.1	4.2
Agriculture	3,607.40	1.1	1,999.1	0.3
Hotel trade and tourism	3,762.30	1.1	11,349.1	2.0
Handicrafts	2.70	0.0	2.7	0.0
Miscellaneous	17,526.90	5.3	20,572.0	3.6

Source: Annual reports of the BRB, 2009 and 2011.

Regulatory framework

356. The Bank of the Republic of Burundi (BRB) is responsible for the regulation and supervision of the commercial banks. Law No. 1/017 of 23 October 2003 amending Decree-Law No. 1/038 of 7 July 1993 regulating the banks and other financial institutions; Decree No. 100/203 of 22 July 2006 regulating micro-finance activities in Burundi; and Law No. 1/34 of 2 December 2008 concerning the statutes of the BRB are the main legal instruments organizing and regulating the financial sector in Burundi. The BRB subscribes to the best international practice in the area of bank regulation, for example, that recommended by the Basel Committee on Banking Supervision.

357. In Burundi, the legislator distinguishes between three kinds of principal financial institutions. The commercial banks (Article 3); credit operators (Article 7); and micro-finance and financial messaging institutions (Article 2). Credit institutions must be established as a legal person. Subject to specific legal provisions, they must take the form of a private limited company (SARL) and meet a local and general economic need.

358. Under the Law of 7 July 1993 concerning the statutes of the BRB, as amended by Law No. 1/34 of 2 December 2008, supervision of the banks and other financial institutions is the responsibility of the BRB. These laws regulate the activities of the banks and other financial institutions, which must all be approved by the BRB. The minimum capital required is FBu 10 billion for banks and FBu 6 billion for other financial institutions. A chart of accounts has been drawn up specifically for micro-finance and financial messaging institutions (IMF).

359. Other approval criteria are: the good reputation and banking sector experience of the future managers; incorporation as a joint stock company; registration of the shares; everyday management of the activities by at least two persons; and the obligation to produce a profitability analysis. The BRB does not impose additional conditions on the establishment of foreign banks; however, the agreement of the country of origin is required. The prior authorization of the BRB is required by anyone of Burundian nationality wishing to set up a bank abroad.

360. The BRB relies on the international standards of the Basel Committee for determining the prudential rules for commercial banks. The rules of prudential management in force require the equity capital to be greater than or equal to the minimum capital; the solvency ratio to be greater than or equal to 10 per cent; a ratio of stable resources to fixed uses greater than or equal to 60 per cent, and a liquidity ratio greater than or equal to 100 per cent. Without the authorization of the BRB, no bank or other financial institution may grant the same natural or legal person a loan or enter into any commitment in his favour for an amount greater than 20 per cent of the equity capital. Access to foreign credit is subject to the approval of the BRB which, in taking its decision, will take into

account the nature of the loan, the sector concerned, and the viability of the project to be financed. The BRB does not impose any special conditions on foreigners wishing to obtain access to credit through Burundian institutions.

361. The BRB is continuing to tighten the supervision of banks and institutions that provide micro-finance. This supervision has benefited from capacity building in relation to the auditing of financial statements and prudential rules established in accordance with international financial reporting standards (IFRS). According to the authorities, efforts are continuing to be made to carry out in situ inspections entirely in accordance with risk-based supervision procedures (Table IV.14). This table also indicates the apparent solvency of the system as a whole (15.8 per cent on average for a regulatory minimum of 10 per cent). The low rate of non-performing loans, together with the high level of provisions for these loans, could explain this apparent solvency. Moreover, the proportion of large risk positions relative to equity has diminished with time, evidence of the soundness and quality of the Burundian banking system during the last five years. However, in the absence of a detailed examination of the banks' credit portfolio, it is difficult to judge its true quality. The fact that the overdraft is the main form of assistance granted to enterprises in Burundi makes it difficult to assess the real risks. However, from the information gathered it appears that some banks are restructuring overdrafts in advance so as not to have to treat them as a non-performing asset, while others are not classifying commitments according to the risks that they represent.

Table IV.14
Indicators of the soundness of the Burundian banking system, 2006-2011
(per cent, unless otherwise indicated)

	December 2006	December 2007	December 2008	December 2009	September 2010	December 2011
Equity requirements						
Equity capital/weighted assets (solvency ratio)	13.5	13.5	15.2	19.1	18.0	..
Core capital (tier 1)/weighted assets	7.5	10.9	12.7	15.5	15.1	..
Asset quality						
Non-performing loans (% total gross loans granted)	18.6	18.8	14.6	13.0	10.6	..
Provisions (% non-performing loans)	92.4	91.4	90.2	88.7	82.5	..
Non-performing loans. net of provisions (% equity capital)	7.5	7.4	7.4	5.4	7.5	..
Large risk positions (% equity capital)	48.6	41.6	39.3	28.2	27.6	..
Rate of return						
Return on assets	1.7	2.3	2.3	2.6	1.6	..
Return on equity	17.5	26.4	29.7	22.8	13.3	..
Net interest (% gross product)	177.4	167.6	171.8	207.0	194.5	..
Costs excluding interest (% gross product)	188.9	156.6	155.8	172.4	150.1	..
Liquidity						
Liquid assets (% total loans granted)	68.1	83.5	86.9	91.4	74.4	..
Liquid assets (% short-term liabilities)	106.8	135.2	137.9	168.8	124.4	..

.. Not available.

Source: Information provided by the Burundian authorities.

(b) Insurance

362. The insurance sector can play an important role in risk intermediation and help to make long-term resources available. Unfortunately, its performance has not been such as to enable it to play its part in full. The sector is underdeveloped and offers very few products, most centred on motor vehicle insurance (63 per cent). It also lacks human resources, especially in the fields specific to the insurance profession, which is one of the major constraints on insurance company management.

363. The financial health, including the solvency, of the insurance companies in Burundi falls below the recognized international standards for the sector. A recent report notes that although the profitability of the companies sometimes appears satisfactory, that is the result of the non-payment of claims. Their profitability is also suffering from the lack of investment opportunities, especially long term.

364. Insurance services are regulated by a specialized body, the Insurance Regulation and Control Agency, under the Ministry of Finance. The Agency needs immediate capacity building in order to be genuinely capable of carrying out its mission. In consultation with the Agency, the Ministry approves companies wishing to enter the insurance market. Five insurance companies operate on the Burundian market, of which three are private and two semi-public. The two semi-public companies are the Burundi Insurance Company (SOCABU), which is 45 per cent State-owned, and the Commercial Insurance and Reinsurance Union, which is 12 per cent State-owned. These companies offer a traditional range of insurance products.

365. Insurance activities are governed by the Insurance Law adopted in August 2002. The aim of the 2002 Law was to initiate the liberalization of insurance services. Any application for a licence must be accompanied by the following: (i) the memorandum of association of the company; (ii) the full names, addresses and domicile of the company's direct and indirect shareholders and directors and the latters' resumes; (iii) a list of the activities or groups of activities in which the company proposes to engage; (iv) its business plan, including technical and financial aspects, the general terms and conditions of its policies, the technical basis for calculating premiums and provisions against risks, the tariffs which the company intends to apply in each of the branches of activity for which approval is requested, the guiding principles selected for reinsurance, estimated administrative and formation costs and the resources available for meeting those costs; (v) evidence of the deposit (in a blocked account with a bank approved in Burundi) of a sum equal to 20 per cent of the share capital, representing the minimum guarantee fund; and (vi) evidence that the minimum capital of FBu 300 million has been fully subscribed. The Law specifies that the maximum percentage of the share capital or voting rights that can be held by one natural or legal person is 33 per cent.

366. In Burundi, insurance business may be conducted only by legal persons incorporated in Burundi in the form of a joint-stock or semi-public company. A distinction is made between life insurance activities (where the risk is linked with the length of a human life) and non-life activities relating to other events affecting the individual or involving his liability with respect to third parties or property. Companies are required to keep separate accounts showing the results for each group of activities ("life" and "non-life") and each of its branches. There are no special conditions imposed on foreigners wishing to access Burundian insurance services. Access for Burundians to foreign insurance services is subject to the approval of the Minister responsible for insurance.

(iii) Postal and telecommunications services

(a) Overview

367. With a coverage of 3 per cent of the population, the density of the telecommunications networks in Burundi is still low and over 90 per cent of subscribers are concentrated in the urban areas, especially Bujumbura, while 1 per cent of the population has Internet access, which makes Burundi the country with the lowest rate of Internet penetration in the world. The same applies to fixed telephony penetration (Table IV.15). Where mobile telephony services are concerned, although in recent years Africa has experienced the strongest growth in the world in terms of new mobile phones with about 14 per cent of the population now having access to these services,

in Burundi, the corresponding figure is less than 2 per cent. Out of a population of eight million, only 30,000 people, many of whom live in Bujumbura, have access to fixed telephone services.

368. The National Telecommunications Office (ONATEL), a public corporation, has a monopoly on the fixed telephony network and offers about 30,000 lines, which places Burundi among the countries with the lowest (fixed) tele-density in the world. The enterprise was audited in 1999 with a view to its privatization, but the sale process has since been broken off.

369. Six mobile telephony services operators are currently providing services in Burundi: ONATEL, UCOM, Africell, ECONET Wireless, Lacell SU, and Hits Telecoms; there is only one provider of fixed telephony services (ONATEL), while another has obtained a licence to start offering them (UCOM); and there is no wholesale market for network capacity. Likewise, there is still no national interconnection network. Each operator has its own network (which fragments the wholesale market) and is responsible for the national and international traffic that uses it. The operators continue to use very expensive satellite links for international communications. Today, Burundi has seven Internet services providers: CBINET, ONATEL, SPIDNET, OSA, UCOM, Africell-Tempo, and ECONET Wireless; some twenty national radio stations; and a national postal authority, a public company with a monopoly on the operation of postal services.

370. U-Com (formerly Telecel) is the largest of the mobile operators with about 160,000 subscribers. Then comes Onamob, which is held by ONATEL, with Africell and Econet far behind. The number of Internet users is estimated at five per 1,000 inhabitants, or altogether about 14,000.

371. Despite the liberalization of the telecommunications sector, services remain expensive and inefficient. The high cost of communications is having a direct impact on international business costs, since it has repercussions on, for example, marketing costs, trade facilitation, and trade financing. Although the cost of mobile telephony services is comparable with that in other sub-Saharan African countries, the cost of Internet access is almost three times as great. Because of Government tariff policy the cost of international fixed telephony is low relative to some other sub-Saharan African countries. Increased competition and the expansion of national networks should make it possible to reduce prices further (Table IV.15).

Table IV.15
Selected indicators for the telecommunications sector, 2008

Indicator	Burundi	Sub-Saharan Africa	Low-income countries
Access			
Fixed telephone lines (per 10 inhabitants)	0.4	1.0	2.5
Mobile cellular telephone subscriptions (per 100 inhabitants)	1.9	13.5	14.3
Number of Internet users (per 100 inhabitants)	0.7	3.8	4.2
Number of personal computers (per 100 inhabitants)	0.7	1.8	1.4
Households with a television set (%)	14.0	14.0	16.0
Quality			
International Internet bandwidth (bits per inhabitant)	1.0	5.0	22.0
Secure Internet servers (per million inhabitants. December 2007)	0.2	2.5	0.6
Cost			
International fixed price basket (US$ per month)	2.6	11.6	6.1
Mobile cellular price basket (US$ per month)	12.2	12.3	10.0
Internet price basket (US$ per month)	40.0	15.9	12.0
Price of a call to the United States (US$ for 3 minutes)	2.45	2.43	1.99

Indicator	**Burundi**	**Sub-Saharan Africa**	**Low-income countries**
Efficiency and institutional sustainability			
Telecommunications revenue (as a percentage of GDP)	..	3.2	4.0
Number of telephone subscribers per employee	234	586	141

.. Not available.

Source: World Bank, *ICT at a Glance*; and African Development Bank (2009), *An Infrastructure Action Plan for Burundi: Accelerating Regional Integration*, September, AfDB.

(b) Institutional and regulatory framework[67]

372. Telecommunications services are governed by the Decree-Law of 4 September 1997, which opened up the subsector to private investment.[68] Under the new law, the State may grant to third parties, under concession or licence, all or part of the establishment, operation or management of telecommunications networks and installations. By virtue of this law, ONATEL is required to accept the participation of private shareholders. A very positive aspect of this Decree-Law is the separation of the operating and regulatory functions. It allocates to the Telecommunications Regulation and Control Agency (ARCT), established soon afterwards, major responsibilities for the regulation of the sector. The ARCT operates under the authority of the Ministry of Transport and Telecommunications. In addition to the ARCT, the National Commission for the Information Society (CNSI) and the Executive Secretariat for Information and Communication Technologies (SETIC) also have responsibility for matters relating to telecommunications.

373. The ARCT's main functions are: to provide for the surveillance of telecommunications services; to participate in the negotiation of international treaties, conventions and regulations relating to telecommunications and in regional and international telecommunications conferences; to enforce tariff policy; to define the rules for the use of circuits and networks leased to private users; to allocate frequencies and manage the frequency spectrum; to issue permits to operate links, independent private networks and value added services provided by public and private operators; to give the Government technical advice on market services operating permits; to grant approved private entrepreneurs subscriber installation and network and equipment construction permits; to support subscriber terminal equipment and authorize its sale and connection to the public network; to determine with the operators, on behalf of the Government, the conditions on which operating concessions are granted and the fees for operating licences; to pay contributions to the regional and international telecommunications bodies; to ensure that public network interconnection agreements are non-discriminatory, fair and reasonable and provide the maximum benefits for all users; to ensure that interconnection agreements comply with technical standards, quality requirements, and the conditions of security and confidentiality of the conversations or data transmitted; to establish procedures for settling disputes between service providers and users and to intervene in court cases; and to limit, where necessary, the number of private radio stations or prohibit them from operating in the neighbourhood of Government or concession radio installations (such decisions must be reasoned).

374. The Agency has limited autonomy, since it operates under the authority of the Ministry of Telecommunications, Information, Communication and Relations with Parliament. Its board includes

[67] African Development Bank (2009).

[68] The sector's main legal provisions are: Decree-Law No. 1/011 of 1997 (organizational provisions on telecommunications); Decree No. 100/182 of 1997 (statutes of the Regulation and Control Agency); Ministerial Order No. 520/730/540/231 of 1999 (operating conditions); Decree No. 100/286 of 2007 (ministerial reorganization); Decree No. 100/287 of 2007 (CNSI); and Decree No. 100/288 of 2007 (SETIC).

representatives of the Ministries with responsibility for national defence, telecommunications, finance, and communication; a representative of the telecommunications sector operators; a person chosen for his specialized knowledge; and the Agency's Director-General. The Agency's resources consist, in particular, of State appropriations, operating charges, and fees collected for issuing various licences.

375. The National Communication Council (CNC) is governed by Law No. 1/18 of 25 September 2007, which established it as an independent administrative authority responsible for overseeing the freedom of written and audiovisual communication in compliance with the law, public policy and morality. All media operating on Burundian territory come within its scope, whatever their legal status. Its main mission is generally to ensure respect for the pluralistic expression of points of view in the press and other media.

376. In the strict sense of the governing legal texts, the sector is open. However, there are still barriers to entry linked with the high cost of licences (40,000 dollars), computers and accessories, as well as with the low level of computerization and the saturation of switching and local networks. The terms, including the charges for interconnection between operators, are regulated by a commercial agreement concluded between them and approved by the ARCT. These agreements are often the subject of disputes between operators, leading to arbitration by the ARCT.

377. Licences are granted by the Ministry responsible for telecommunications, on the recommendation of the ARCT. The price of a licence is US$200,000 for the basic telephone and mobile cellular networks and US$100,000 for the fixed cellular network. Operators must also pay a US$1,000 administrative tax, a US$500 equipment approval tax and an annual fee of 0.5 per cent of turnover. The tariffs of the fixed operator, ONATEL, vary from FBu 6 to 85 per minute for national calls, depending on the type of call (local, regional or long-distance). The tariffs applied to international calls vary between FBu 312 and FBu 416 for Rwanda, Tanzania and Uganda; FBu 624 and FBu 1,400 per minute for Europe, according to the country; FBu 312 and FBu 1,800 per minute for Africa; FBu 780 and FBu 1,800 per minute for America; FBu 624 to FBu 1,800 per minute for Asia; and FBu 780 and FBu 1,440 per minute for Oceania. Discounts of 15 to 25 per cent are granted on calls made during off-peak hours, at night, at weekends and on holidays.

378. Ministerial Order No. 520/730/540/231 of 1999, establishing the operating conditions, makes a distinction between market and non-market services. For market services, Article 17 stipulates that any natural or legal person wishing to operate a telecommunications service open to the public must conclude a concession contract with the Government. Applications, addressed to the ARCT, are granted by the Ministers responsible for national defence, transport and telecommunications, after consulting the ARCT.

379. To revitalize the sector, the authorities are planning: (i) to review the mandates of and divide up responsibilities between the ARCT, the CNSI and SETIC to ensure greater coherence and efficiency; (ii) to complete the privatization of ONATEL; (iii) to strengthen the independence of the ARCT as a regulatory authority; (iv) to draw up a plan for cooperation with the bodies in the EAC countries responsible for telecommunications matters and to share information to facilitate subregional comparisons of prices and competition; and (v) to consider the pricing mechanisms and the range of telecommunications services for the laws on competition and consumer protection.

(c) Postal services

380. The postal system in Burundi is run by the National Postal Authority (RNP) established in 1991. The supervisory ministry is the Ministry of Trade, Industry, Post and Tourism. The RNP manages a functional network of seven post offices in the Commune of Bujumbura and 21 others scattered over the interior of the country. The RNP also manages current accounts, almost 43,000 at the end of 2002, totalling nearly FBu 2 billion. Not being a bank, the RNP does not make loans.

381. Under a 1962 law on the administration of postal services, the RNP has a monopoly on the distribution of letters and other missives, sealed or open, postcards, and advertisements, circulars and prospectuses when they bear the address of the intended recipient. However, the Government has opened up certain segments of the market - in particular the express collection and distribution of letters and small packages sent by international mail - to private operators, including foreign operators, which must sign an agreement with the RNP laying down the conditions under which they are approved to carry on their activities in Burundi. Under the universal service obligation, operators are required to provide such services, including in areas in which they are not commercially viable, which gives Burundians equal access to basic letter delivery services.

(iv) Transport

(a) Overview

382. As a small landlocked country some 2,000 km from the Indian Ocean, Burundi depends on its neighbours for access to seaports. About 80 per cent of its trade is at international level as compared with only 20 per cent at subregional level (Chapter I). Burundi depends on its pipeline system and its road, rail, air and lake (Lake Tanganyika) networks for access to regional and international markets. The country is served by three land corridors and an oil pipeline. This infrastructure provides for the transport of passengers and goods in general.

383. The civil aviation services transport mainly passengers and play only a minor role in the transport of freight. The roads are the main means of transport used in Burundi, given the high cost of air transport and the current unreliability of the Tanzanian railway line to Kigoma. Transport inside Burundi is totally dependent on the road network. There is no domestic rail network and still only very limited air coverage.

384. The main route for exports is that linking Bujumbura with Dar es Salaam, via Kigoma, which combines lake and rail transport. An alternative route, entirely by road, is Muyinga-Kobero-Dodoma-Dar es Salaam. The total distance between Dar es Salaam and Bujumbura by this route is 1,670 km. The Bujumbura-Dar es Salaam axis, generally known as the central corridor, is the route used for 75 to 80 per cent of Burundian trade. The total distance between Dar es Salaam and Bujumbura by this route is about 1,650 km. Another possibility is the Bujumbura-Kigali-Kampala-Nairobi-Mombasa route, generally known as the northern corridor, which is also entirely by road. The total distance between Mombasa and Bujumbura, via Kigali, is about 2,040 km.

385. The distances to be covered and the transport conditions function as an export tax by increasing the transport costs for exports, as well as the cost of imported inputs. The World Bank estimates this additional cost at between 30 and 40 per cent of normal export costs.[69] It can be traced

[69] Transport costs already constitute a natural protection whose level depends on the amount of those costs.

to many sources: the dilapidation of the rail and port infrastructure at both Kigoma and Mombasa, the slowness of customs procedures, security on the roads (for example, inside Kenyan territory police escorts slow down the traffic), and the state of the roads. The prices and high costs of road transport are a major obstacle to increased trade and economic growth in East Africa. In the particular case of Burundi, the high cost of new transport infrastructure, coupled with the equally high cost of transport, is seriously curbing the development of the country's essentially rural economy.

386. The Minister responsible for transport is in charge of framing transport sector policy. The long-term objective is to eliminate the country's internal and external isolation. The measures contemplated will affect road, lake and air transport and concern both the infrastructure and the regulatory framework.

(b) Road transport

387. Burundi has some 12,300 km of roads divided into two categories: a classified network and an unclassified network. The classified network is the responsibility of the Ministry responsible for public works and infrastructure and is managed by the Burundi Highway Board (ODR). This network (some 4,800 km in length) has 1,950 km of national (main) roads, 2,523 km of provincial roads linking the provinces, 282 km of commune roads, and 49 km of roads in Bujumbura. Almost 64 per cent of the national (main) roads network is paved, as against only 11 per cent for the country's road network as a whole.

388. The unclassified network has about 7,520 km of roads and is managed by the local authorities and local councils; it is divided up on the basis of geographical borders. The respective local councils and local authorities provide the operational and financial planning for the maintenance of these roads. The resources available for maintenance are minimal. Moreover, the use of the national funds allocated to these works is subject to only limited scrutiny. The unclassified network is entirely unpaved (apart from the 88 km of the network located in Bujumbura).

389. Freight is transported by fleets of goods vehicles serving the north and central corridors. The growth of the sector can be attributed to a period of strong economic expansion within the EAC, to the reconstruction that followed the end of the conflict in the neighbouring countries and to the decline in the role previously played by rail transport. One of the advantages of road freight is the fact that it is not necessary to tranship the goods at the various frontiers, even though they cross several countries.

390. Most road freight services are provided by private operators which transport food products, agricultural products, cattle, manufactured consumer products and other industrial products along the two main corridors. The north corridor is the route most used for transporting fuel imports (over 80 per cent) and tea and coffee exports to the EAC. The largest freight haulage enterprises of the EAC account for about 20 per cent of the market, a figure comparable with road transport markets in Europe and North America. There are about 20 large companies, each with more than 100 vehicles. The largest Kenyan company, for example, owns a fleet of 600 goods vehicles, more or less equivalent to the whole of Burundi's registered fleet. These large companies operate on the basis of direct long-term contracts (from one to three years). A single vehicle on the Kampala route can clock up more than 100,000 km a year. According to the Burundian authorities, 63 transport companies were registered between 2000 and 2008, and a certain number of these companies were providing road freight services.

391. Passenger transport is provided by private minibus operators or by the Public Transport Board (OTRACO), a public enterprise. Inter-city transport has been liberalized and is dominated by private operators. Nevertheless, as part of its strategy, the Government is planning to increase the subsidies granted to OTRACO in order to improve rural services. OTRACO fixes the fares for transport inside Bujumbura and the private operators in the capital align their fares on those charged by OTRACO. Where freight transport is concerned, the State is planning to encourage the increased participation of the private sector. There are no freight transport subsidies. Foreign carriers from neighbouring countries may operate in Burundi if their country has concluded a reciprocal bilateral agreement with Burundi. As a result of the reduction in the fleet of goods vehicles operating in Burundi due to the crisis, road transport is dominated by foreign operators offering lower tariffs. Cabotage is prohibited, which increases the cost of freight transport.

392. Road transport policy is formulated and implemented by the transport ministry. The Ministry of Public Works and Infrastructure (MTPE) and the Ministry of Rural Development (MDR) share responsibility for the road infrastructure. The former is charged with the development and management of the classified road infrastructure. The rural road infrastructure, consisting of unclassified commune roads and service roads, is the responsibility of the MDR, backed by the local authorities and municipalities. In big cities such as Bujumbura and Gitega, the roads are managed by the municipal council. An independent entity, the Burundian Agency for Public Interest Works (AGETIP), was created in 2000 to implement various donor-supported projects, including projects in the road sector, by concluding construction contracts.

393. The civil war and the accompanying social unrest had a serious effect on Burundi's road infrastructure, which deteriorated as a result of prolonged neglect and the damage inflicted by armed factions. In the last ten years, Government policy has stressed the rehabilitation of the road infrastructure network. One of the main objectives of the Government programme is to accelerate and complete the rehabilitation of the entire network over the next ten years and, in particular, to modernize and asphalt the 700 km of national roads that still remain unpaved. The choice of roads for rehabilitation under this programme is based on three criteria: (i) economic: all sections of the road network whose internal economic rate of return is greater than 12 per cent; (ii) social: all sections of the road network that serve the poorest regions of the country; and (iii) connectivity: all sections of the road network whose rehabilitation under the programme proposed would contribute to the physical integration of the country as a whole.

394. The maintenance of the existing road network calls for considerable investment. The planning, supervision and coordination of road network construction and maintenance activities is the responsibility of the Highway Board, under the authority of the Ministry of Public Works and Infrastructure. The Government has also set up a National Road Fund whose aim is to mobilize financial resources for the maintenance of the road network, on the basis of the annual programme prepared by the Highway Board and the annual programmes prepared by the local authorities responsible for managing the road infrastructure. The Fund is administered by a board consisting of representatives of the State (Ministries of Public Works, Finance, and Trade and Industry), a representative of the Association of Importers of Petroleum Products, a representative of the Chamber of Commerce, a representative of the Employers' Association of Burundi, a representative of the Freight Hauliers' Association, and a representative of the Passenger Carriers' Association.

395. The National Road Fund (FNR) is an autonomous entity financed by the revenue from fuel taxes, driving licence fees, road tolls and vehicle import taxes. Each year, a proportion of the Fund's resources is allocated to the national budget for the routine maintenance of the network. The ODR considers that the funds raised by the FNR now make it possible to finance two thirds of the annual

expenditure on the routine maintenance of the national road network. The Fund's income has increased sharply as a result of a series of rises in fuel tax. In 2001, this tax was FBu 20 per litre (equivalent to US$0.24 per litre.) After a series of increases in 2005, 2006, 2007 and, more recently, November 2008, it is now FBu 80 (or US$0.67 per litre). Thus, the Fund's income has risen from US$2.3 million in 2005 to US$4.1 million last year. One of the problems with fuel tax is that it could have an adverse effect on the international competitiveness of Burundi's commercial activities, in particular because fuel prices and taxes are lower in other EAC member states.

396. Incoming and outgoing freight traffic must be so regulated that the Bujumbura Port Operating Company (EPB) can do the weighing and recording for freight transiting via the north or the central corridor. The freight can then be unloaded either in the port or at destination. Freight arriving by boat is unloaded using cranes. Where road transport agreements are concerned, Burundi has already signed central corridor transit transport facilitation and north corridor transit and transport agreements. Tariffs are fixed on a day-to-day basis by the EPB and the relevant data are available from the EPB.

(c) Lake transport

397. Until recently, most goods traffic between Burundi and the port of Dar es Salaam was carried by rail to and from Kigoma or Mpulungu, and by vessel from these ports to the port of Bujumbura. The port of Kigoma suffers from a lack of suitable rolling stock and the obsolescence of the cargo handling equipment, which slows down loading and unloading. The port of Bujumbura, with a capacity of 500,000 tonnes, has five berthing docks, of which four are used for various types of merchandise, the fifth being reserved for petroleum products. The port equipment is dilapidated and needs modernizing to speed up loading and unloading operations. The deteriorating performance has had a considerable impact on activity in the port of Bujumbura, with the result that much of the freight traffic has migrated to road transport. According to the authorities, the volume of trade entering and leaving Burundi through the port of Bujumbura has declined sharply and now stands at only a quarter of its 2000 level.

398. Operators from lakeside countries and Rwanda are permitted to engage in cabotage. Lake transport freight tariffs are fixed by decree of the Ministry responsible for trade and industry. The tariff schedule also covers administrative costs and other expenses (in particular, cleaning) associated with the transport of goods. The tariffs charged vary according to the chosen route and the nature of the goods. Thus, on both the Bujumbura-Kigoma and Bujumbura-Mpulungu routes, the tariff for coffee is lower than that for other goods. Burundi's merchant fleet is generally dilapidated, consisting mainly of barges inherited from the former colonial company *Compagnie fluviale des grands lacs*. The Bujumbura-Kigoma and Bujumbura-Mpulungu routes provide access to the central corridor leading to Dar es Salaam and the southern corridor leading to Southern Africa, respectively.

(d) Air transport

399. Burundi has one international airport, namely, Bujumbura International Airport, which is controlled and operated by the Aviation Services Authority (RSA). In addition, there are four aerodromes, at Gitega, Kirundo, Ngozi and Gihofi, all four with unpaved runways. These four airports are recognized by ICAO and should therefore comply with its rules, standards and recommended practices.

400. The country has a national carrier, Air Burundi, which used to provide scheduled flights to Rwanda and Tanzania, but ceased operating in the spring of 2007. The authorities point out that eight international carriers provide international air transport services to and from Bujumbura under

bilateral air services agreements, namely, Kenya Airways, SN Brussels Airlines, Ethiopian Airlines, Rwandair Express, Uganda Air, South African Airways and the company TMK (Democratic Republic of the Congo). Because it does not comply with ICAO requirements and in the absence of "aerodrome certification" by that body, it is difficult for Burundi to attract large foreign airlines.

401. Passenger transport at Bujumbura International Airport increased on average by 13.3 per cent per year between 2002 and 2008. The number of international flight departures and arrivals now stands at 142,000 per year. Domestic air traffic is negligible. Only a limited amount of freight passes through the airport, mainly baggage and a small volume of mail, which varies from year to year but is relatively stable at about 3,000 tonnes per year. The quantity of freight per passenger was 70 kg in 2000, but has gradually declined to 20 kg per passenger in the last two years (Table IV.16).[70]

Table IV.16
Annual number of arrivals and departures of passengers and goods at Bujumbura International Airport, 2000-2008

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	Growth 2000-2008 (% per year)
Passengers (number)										
International Scheduled flights	52,323	51,815	58,438	61,022	75,249	88,469	101,402	129,531	141,814	13.3
Charter flights	..	..	..	..	..	..	..	..	..	..
In transit	13,149	9,472	10,604	7,881	9,763	8,352	14,364	29,912	25,526	8.6
Subtotal	65,472	61,287	69,042	68,903	85,012	96,821	115,766	159,443	167,340	12.4
Domestic flights	..	121	828	83	72	..	..	..	..	
Total	**65,472**	**61,408**	**69,870**	**68,986**	**85,084**	**96,821**	**115,766**	**159,443**	**167,340**	**12.4**
Freight (t)										
Imports	3,392	3,116	2,251	2,054	3,066	3,120	2,632	2,271	2,549	-3.5
Exports	225	270	297	236	228	210	227	360	329	4.9
Total	**3,616**	**3,385**	**2,547**	**2,290**	**3,295**	**3,330**	**2,860**	**2,631**	**2,878**	**-2.8**
Freight per passenger (kg)	69	65	44	38	44	38	28	20	20	..

.. Not available.

Source: Aviation Services Authority and the Burundi Airport Management Company (SOBUGEA).

402. The regulation of air transport is the responsibility of the Transport Ministry. The national carrier is Air Burundi which has almost ceased operating, maintaining only irregular links inside the country and with Rwanda. The company has two aircraft with a maximum capacity of 40 passengers and belongs to the State.

403. The Aviation Services Authority (RSA) provides airport services. Its main responsibility is to promote security, regularity, the compliance and efficiency of flight operations, air communications, and navigation and transport services relating to Burundi's national and international routes. It is an autonomous public entity under the authority of the Ministry of Transport, Post and Telecommunications. The RSA is both a regulatory body and an operator, since it is the airport authority as well as the authority responsible for civil aviation. Its main functions are the issuing of air transport licences; the provision of air navigation and aviation assistance and information services; airport management and operation; aircraft registration and the safety of air navigation and of aircraft, in particular, airworthiness; the regulation of air transport services; and advising the Government on civil aviation matters. The RSA also issues licences to professional and private pilots,

[70] Assuming that the average weight per passenger is 90 kg, including baggage, the annual number of arrivals and departures of passengers and goods at Bujumbura International Airport could be transported by two flights a day on an Airbus A320 or Boeing 737-800 type aircraft, both of which can carry loads of up to 20 tonnes.

air traffic controllers, flight and ground mechanics and cabin crew and authorizes aircraft maintenance organizations. Airport services are provided by the RSA, while maintenance is jointly provided by SOBGEA and Air Burundi.

404. The main airport is at Bujumbura. Management (including handling) is provided by the Burundi Airport Management Company (SOBUGEA). Formerly, the Belgian airline Sabena held 5 per cent of SOBUGEA's capital, but since Sabena ceased operating SOBUGEA has belonged entirely to the Burundian Government. SOBUGEA fixes the landing fees and the freight storage and loading charges. Five broad categories of taxes and charges are applied: (i) a landing fee, which increases with the weight of the aircraft; (ii) an overflight fee, which increases with the weight of the aircraft; (iii) a parking tax of US$0.1 multiplied by the number of hours of parking and the weight; (iv) a passenger tax of US$25 per person; and (v) a lighting charge of US$200 per landing or take-off.

405. Burundi is a member of the International Civil Aviation Organization (ICAO). It has ratified the Chicago Convention and hence undertaken to ensure the safety of civil aviation by complying with the rules and standards and recommended practices of the ICAO. In addition, as a member of the EAC, it is also committed to strengthening safety standards and other requirements and to raising its own standards to the level required of all the member countries of the EAC.

406. Burundi has signed bilateral agreements with 18 countries[71]; these agreements define the frequency of the services and the number of passengers. Out of these agreements, 11 are being or have been implemented since being signed. No agreement gives carriers fifth freedom rights. All the international flights operated by the airlines use Bujumbura airport.

(v) Tourism

407. The main tourist attractions in Burundi are its cultural heritage, its national parks, numerous lakes such as Lake Tanganyika, and its nature reserves. The principal parks and reserves are: the national parks of the Ruvubu and the Kibira; and the nature reserves of the Rusizi, Lake Rwihinda, the Forest of Kigwena, Nyakazu and Karera. Most parks are accessible by road. Lake Tanganyika, the northern lakes (Cohoha, Kanzigiri, Rwihinda, Rweru, etc.), the hot springs and the observation points in the mountainous regions are other natural attractions. The historical attractions consist, among other things, of monuments, historical sites and tourist sites ("source of the Nile", hot springs, etc.), while the cultural attractions include traditional dances and the museums of Gitega and Bujumbura. Finally, Burundi offers an interesting additional destination for tourists exploring the immense potential of Kenya and Tanzania.

408. Hotel capacity is very limited; concentrated in Bujumbura, it comprises 68 as yet unclassified hotels with a total of 1,387 rooms. The infrastructure for welcoming international congresses and conferences is underdeveloped or even non-existent. In addition, there are no international hotel chains on which to base a broad network of collaboration with travel agencies and other related services. The country does not have an effective system for compiling tourism statistics. The underfinancing of the sector complicates marketing and publicity operations aimed at foreign tourists. Finally, the sector suffers from a lack of qualified personnel, which is acting as a drag on current and future investment. The State intervened in this subsector by participating in the capital of Novotel, now known as the Water Front Hotel, and the Lake Tanganyika Club. The latter two have

---

[71] Belgium, Cameroon, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, France, Gabon, Kenya, Republic of the Congo, Romania, Russia, Rwanda, South Africa, Switzerland, Tanzania, Uganda, and Zambia.

been privatized. The Government has signed an agreement with the hotel chain Accor for the management of Novotel. Outside Bujumbura, there are hotels at Kayanza, Ngozi, Gitega, Muyinga, Cankuzo and Kirundo. The national park of Ruvubu has its own eco-tourism camp. A restaurant and a hotel are being built on this site with UNDP support. Prices can be set freely. The Government is not systematically evaluating the performance of the hotels and has not yet developed a hotel classification system.

409. The tourism industry is underdeveloped in Burundi whereas it is flourishing in the neighbouring countries of the region, particularly in Kenya, Tanzania, Uganda, and even Rwanda, which recently entered the tourism market. The few visitors seem to consist mainly of regional business travellers, international humanitarian workers and local NGO staff.

410. The sector has not escaped the effects of the socio-political instability which the country has known. A period of fairly moderate growth from 1996 to 2001 was followed by a more sustained increase in demand starting in 2004, thanks mainly to improvements in security. According to the authorities, the number of international traveller arrivals, estimated at 27,000 in 1996, reached 85,206 in 2003 and 167,340 in 2008 (Table IV.16). However, these figures are still very low relative to those for neighbouring countries such as Kenya and Tanzania. Nearly half the tourists in Burundi are from African countries, while 40 per cent come from Europe.[72]

411. After years of internal unrest, Burundi has a negative image on the tourism market. There does not seem to have been any effective promotion aimed at remedying this situation, although security is improving and stabilizing throughout the country. There are many tourist attractions but they mostly remain undeveloped. However, there are signs that Burundi's tourism industry is emerging from a long period of stagnation. The Government is fully committed to the development of the sector, as evidenced by a budget appropriation in 2010 for the rehabilitation of tourist sites and by the finalization of the national strategy paper on the sustainable development of tourism for the period 2011-2020. Moreover, numerous investments, such as the proliferation of hotels in Bujumbura and the leisure areas along the shore of Lake Tanganyika, point to a growing interest on the part of the private sector.

412. The Ministry of Trade, Industry, Post and Tourism is responsible for the regulation and development of tourism in Burundi. The Ministry oversees four sectors, three of which have stable structures comprising directorates-general, directorates and services. Only the tourism sector still awaits the establishment of a specific administrative structure. The National Tourist Office (ONT) was created in 1972 as an administrative public entity with legal personality, financial autonomy and its own assets. It combines administrative and promotional functions, sometimes in competition with the private sector. Lacking adequate material, financial and human resources and decentralized services, the ONT is unable to meet the development needs of the sector. According to the authorities, a new operational framework should be identified and put in place.

413. On 9 April 2011, the Government adopted a national strategy for the sustainable development of tourism during the period 2011-2020. The tourism master plan for Burundi offers a development framework for the planning, improvement, promotion and management of the tourism sector. The document proposes a sound and diversified strategy, based on the existing potentials, resources and opportunities for developing a tourism distinguishable from that of the competing subregional and global destinations.[73]

---

[72] The figures indicate only the number of arrivals with a tourist visa.
[73] Ministry of Trade, Industry, Post and Tourism (2011).

414. Government strategy is aimed at achieving a sharp increase in the number of tourists by structuring the supply, stimulating demand and improving the tourist information system. The strategy envisages the identification and development of tourist areas, the effective organization of the tourist circuits, stronger incentives for attracting and securing investment, and training to improve the quality of the services offered and knowledge of marketing techniques, as well as the development of a congress tourism and the adaptation of craft products to meet tourist expectations.

415. The sector is governed by the provisions of the Commercial Code, Law No. 1/10 of 11 July 2008 on the reintroduction of the hotel and tourism tax, and Order No. 750/753 of 6 May 2010 revising the conditions for obtaining licences to operate hotels, restaurants and bars, pending the introduction of the Tourism Framework Law and its implementing texts, which are in process of being finalized. The rules on the classification of hotels, restaurants and other tourist facilities adopted by the member countries of the EAC have already been published in Burundi and preparations are being made to train the assessors in hotel classification.

416. Because of its socio-political instability, Burundi has been unable to develop a flourishing tourism industry. The country is also handicapped by the limited number of air links with the main tourism markets and the problems with its communications infrastructure. The strategy therefore recommends an in-depth investigation of the opportunities, with better targeting of the local and regional market and better organized exploration of the international market, thanks to an active partnership with the tour operators and supporting measures such as recourse to the Internet.

417. The Government intervenes in the subsector by providing tax incentives, granted under the Investment Code (with priority for tourism) or under the Free-Zone Law, with enterprises that provide tour operator services being eligible for free enterprise status. The Government has decided progressively to privatize certain public enterprises involved in tourism, in particular Novotel, which has been known as the Hotel Water Front since 2010.

418. Burundi is a signatory to the Tourism Charter, the Tourist Code of 26 September 1985, and the Global Code of Ethics for Tourism of 1 October 1999 drawn up by the World Tourism Organization (UNWTO), of which it is a member.

REFERENCES

Burundi Investment Promotion Authority (API) (2011), *Investissements Privés au Burundi (Bilan sommaire de l'année 2011)* (Private investment in Burundi (Summary report for the year 2011)), Bujumbura. Viewed at: http://www.invest-burundi.com/fr/agence/pdf/API%20-%20Bilan%20 Sommaire.pdf

African Development Bank (ADB) (2009), *An Infrastructure Action Plan for Burundi, Accelerating Regional Integration*, September.

Bank of the Republic of Burundi (BRB) (2009), *Rapport Annuel de la BRB* (BRB annual report), Bujumbura.

Bank of the Republic of Burundi (BRB) (2010), *Rapport Annuel* (Annual report). Viewed at: www.brb.bi/se/raportanu10.html

World Bank (2010), *World Development Indicators*, Washington D.C.

World Bank (2011), *Republic of Burundi, Country Economic Memorandum: The Challenges of Achieving Stable and Shared Growth*, Washington D.C.

World Bank (2012), *Doing Business 2012, Economy Profile: Burundi*, Washington, D.C.

United Nations Conference on Trade and Development (UNCTAD) (2010), *Examen de la politique d'investissement du Burundi* (Investment policy review of Burundi), Geneva.

Dijkstra, T. (2001), *Export Diversification in Uganda: Development of Non-Traditional Agricultural Exports*, African Studies Centre Working Paper, Netherlands.

East African Community Secretariat (2010), *Trade Report 2008*, EAC Secretariat, Arusha.

International Monetary Fund (IMF) (2011a), *Annexe Statistique* (Statistical annex), Burundi.

IMF (2011b), *Burundi: Seventh review under the three-year arrangement under the extended credit facility and request for a new three-year arrangement under the extended credit facility;* Staff Report, IMF Country Report No. 12/28.

IMF (undated), *Balance of Payments Manual*, paragraph 266. Viewed at: www.imf.org/external/np/sta/bop/bopman.pdf

Economic Development Institute of Burundi (IDEC) (2008), *Flambée des prix au Burundi: Défis et ajustement de politiques* (Price surges in Burundi: Challenges and policy adjustment), Volume 3, No. 1, July, Bujumbura.

Institute of Statistics and Economic Studies of Burundi (ISTEEBU) (2010), *Rapport Annuel 2011* (Annual report 2011), Bujumbura.

Ministry of Agriculture and Livestock (2008a), *Stratégie agricole nationale: 2008-2018* (National agricultural strategy, 2008-2018), p.1, Bujumbura.

Ministry of Agriculture and Livestock (2008b), *Stratégie agricole nationale 2008-2015* (National agricultural strategy, 2008-2015), July, Bujumbura.

Ministry of Agriculture and Livestock (2011), *Plan national d'investissement agricole (PNIA) 2012-2017* (National agricultural investment plan, 2012-2017), June, Bujumbura.

Ministry of Agriculture, Livestock and Fisheries (2010a), *Programme national de sécurité alimentaire (PNSA)* (National food security programme).

Ministry of Agriculture, Livestock and Fisheries (2010b), *Document d'orientation stratégique pour l'élevage (DOS-Élevage)* (Strategic policy paper for livestock).

Ministry of Finance, Office of the Minister (2006), *Règlement spécifique sur le contrôle des importations* (Specific import control regulations), 3 April, Bujumbura.

Ministry of Trade, Industry, Post and Tourism (2011), *Stratégie nationale pour le développement durable du tourisme pour la période 2011-2020* (National strategy for the sustainable development of tourism, 2011-2020), July, Bujumbura.

World Trade Organization (WTO) (2003a), *Trade Policy Review - Burundi*, Geneva.

WTO (2003b), *Trade Policy Review - Uganda*, Geneva.

OTF Group (2008), Economic management support project, *Vision et stratégie industrielles et commerciales du Burundi*, (Burundi's industrial and commercial vision and strategy), Final report, p.12, February, Bujumbura.

Paranque, P. (undated), *Compétitivité et rentabilité des entreprises industrielles* (Competitiveness and profitability of industrial enterprises), Observatoire des entreprises de la Banque de France (Bank of France Business Observatory), p.3.

Public Expenditure and Financial Accountability (PEFA) (2012), *Burundi - Mesure de la performance de la gestion des finances publiques* (Burundi - Public financial management performance assessment), Final report, March 2012.

United Nations Development Programme (UNDP) (2010), *Human Development Report*.

Republic of Burundi, Office of the President (2009), *Loi n° 1/02 du 17 février 2009 portant institution de la taxe sur la valeur ajoutée "TVA"* (Law No. 1/02 of 17 February 2009 establishing value-added tax (VAT)), February, Bujumbura.

Republic of Burundi (2011), *Consultations sectorielles en vue de l'élaboration du cadre stratégique de croissance et de lutte contre la pauvreté de deuxième génération CSLP II- Secteur énergie et mines*, *Note d'orientation et résultats des consultations proprement dites* (Sectoral consultations with a view to the development of the second generation growth and poverty reduction strategy framework (PRSP II) for the energy and mining sector, Guidance note and outcome of the consultations), p. 8, 19-21 April, King's Conference Center, Bujumbura.

APPENDIX TABLES

Table AI.1
Structure of imports, 2004-2010
(US$ million and per cent)

	2004	2005	2006	2007	2008	2009	2010
Total imports (US$ million)	172.7	258.2	433.6	423.0	315.0	344.8	404.1
				Percentage share			
Total primary products	27.8	17.1	28.7	42.2	16.6	16.8	17.9
Agriculture	10.1	7.8	23.2	13.3	12.8	13.9	15.1
Food	9.0	6.5	22.2	12.4	11.2	12.5	13.7
0482 Malt, whether or not roasted (including malt flour)	1.8	2.0	1.9	2.4	3.9	3.7	2.5
0612 Other beet or cane sugar and chemically pure sucrose, in solid form	0.0	0.2	0.9	1.0	0.1	0.2	2.4
0422 Rice, husked but not further prepared (cargo rice or brown rice)	0.0	0.1	0.3	0.4	0.0	1.9	1.8
Agricultural raw materials	1.1	1.4	1.0	0.9	1.6	1.4	1.4
2690 Worn clothing and other worn textile articles; rags	0.5	0.9	0.8	0.5	1.0	0.8	0.8
Mining	17.6	9.2	5.5	28.9	3.8	2.9	2.8
Ores and other minerals	0.9	0.5	0.3	0.3	0.2	0.2	0.5
Non-ferrous metals	0.2	0.3	4.2	0.6	0.3	0.4	0.1
Fuels	16.5	8.4	0.9	28.0	3.3	2.3	2.1
Manufactures	72.2	82.3	66.6	57.6	82.9	81.0	81.6
Iron and steel	4.3	12.4	2.9	6.4	5.7	3.4	7.2
6741 Flat-rolled products of iron or non-alloy steel, plated or coated with zinc	1.5	1.4	0.9	2.8	2.2	0.9	1.6
Chemicals	15.3	12.4	10.5	10.2	16.7	16.0	17.1
5429 Medicaments (including veterinary medicaments), n.e.s.	6.5	4.6	3.9	4.8	6.3	7.4	8.3
5812 Tubes, pipes and hoses, rigid	0.0	0.2	0.1	0.2	0.2	0.2	0.9
5514 Mixtures of odoriferous substances, of a kind used in industry	0.1	0.2	0.4	0.7	0.7	1.3	0.8
5629 Fertilizers, n.e.s.	0.7	0.7	0.5	0.3	0.4	0.3	0.8
Other semi-manufactures	13.7	14.0	8.5	10.4	15.5	17.6	16.2
6612 Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	5.2	4.5	2.7	4.9	6.7	0.1	8.6
6911 Structures and parts of structures, of iron or steel	0.2	1.3	0.1	0.1	0.5	2.1	0.8
Machinery and transport equipment	31.9	34.5	34.1	24.5	34.1	32.5	30.0
Power-generating machinery	0.6	1.2	1.1	0.9	0.8	2.6	1.3
7165 Generating sets	0.4	0.8	0.9	0.6	0.4	1.0	0.8
Other non-electrical machinery	5.3	7.1	3.2	4.0	12.2	5.5	5.7
Agricultural machinery and tractors	0.2	0.4	0.2	0.5	0.9	0.2	0.3
Office machines and telecommunications equipment	5.4	6.4	3.1	2.1	7.6	10.4	6.6
7643 Transmission apparatus for television, radio-telephony, etc.	0.6	1.3	0.7	0.3	0.8	1.8	1.1
Other electrical machinery	2.1	4.7	3.1	1.6	2.6	2.9	4.0
Automotive products	16.9	13.2	17.5	14.5	9.4	9.7	11.1
7812 Motor vehicles for the transport of persons, n.e.s.	10.2	5.2	8.2	4.3	3.2	4.9	5.0
7831 Motor vehicles for the transport of ten or more persons, including the driver	1.5	1.2	0.7	1.5	0.6	0.3	1.9
7843 Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	0.9	1.3	0.5	0.9	1.8	1.6	1.8
7821 Motor vehicles for the transport of goods	4.2	4.3	5.2	5.9	2.6	2.5	1.8
Other transport equipment	1.6	2.0	6.1	1.4	1.6	1.4	1.5

	2004	2005	2006	2007	2008	2009	2010
Textiles	1.8	1.6	1.6	1.4	2.8	3.9	2.9
6585 Curtains and other furnishing articles, n.e.s., of textile materials	0.4	0.8	0.6	0.5	1.2	2.2	1.1
Clothing	0.4	0.3	0.6	0.7	0.3	0.8	0.9
Other consumer goods	4.8	7.1	8.4	4.0	7.9	6.8	7.3
8722 Instruments and appliances used in medical, surgical or veterinary sciences	0.6	0.4	1.0	0.7	0.9	0.5	1.4
Other	0.0	0.6	4.7	0.2	0.5	2.2	0.5

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database (SITC Rev.3).

Table AI.2
Structure of exports, 2004-2010
(US$ million and per cent)

Description	2004	2005	2006	2007	2008	2009	2010
Total exports (US$ million)	82.7	113.8	228.5	156.2	141.8	112.9	118.2
				Percentage share			
Total primary products	45.4	48.7	21.4	45.1	46.3	58.8	83.5
Agriculture	44.6	47.3	19.7	39.3	40.2	53.8	76.8
Food	44.1	45.1	18.3	35.0	36.9	50.2	72.4
0711 Coffee, not roasted, whether or not decaffeinated; coffee husks and skins	35.3	40.9	16.1	24.6	27.8	35.1	59.3
0741 Tea, whether or not flavoured	0.7	0.7	1.2	4.2	4.8	6.7	8.5
1123 Beer made from malt (including ale, stout and porter)	2.3	1.1	0.2	0.5	1.1	1.3	1.5
1222 Cigarettes containing tobacco	0.9	0.7	0.4	0.6	1.1	1.3	1.2
0471 Flours of wheat or meslin	0.0	0.0	0.0	0.0	0.0	0.0	0.5
0612 Other beet or cane sugar and chemically pure sucrose, in solid form	0.0	0.0	0.0	0.0	0.1	0.0	0.4
0713 Extracts, essences and concentrates of coffee and preparations	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Agricultural raw materials	0.6	2.2	1.5	4.2	3.3	3.6	4.4
2119 Hides and skins, n.e.s.; waste and used leather	0.0	0.0	0.0	0.0	0.0	0.1	1.6
2634 Cotton, carded or combed	0.0	1.0	0.5	0.9	0.8	0.7	1.3
2112 Whole hides and skins of bovine animals, weighing per skin not more than 8 kg when simply dried, not more than 10 kg when dry-salted and not more than 14 kg when fresh, wet-salted or otherwise preserved	0.0	0.0	0.2	1.3	1.4	0.5	1.0
Mining	0.7	1.4	1.7	5.8	6.1	5.0	6.7
Ores and other minerals	0.7	1.3	1.5	2.1	5.3	3.6	4.6
2879 Ores and concentrates of other non-ferrous base metals	0.0	0.5	0.8	0.5	2.6	1.6	2.6
2822 Waste and scrap of alloy steel	0.0	0.2	0.2	0.8	1.2	1.7	1.7
2876 Tin ores and concentrates	0.4	0.1	0.1	0.0	0.2	0.2	0.3
Non-ferrous metals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuels	0.0	0.0	0.2	3.8	0.8	1.4	2.1
Manufactures	2.5	3.2	33.7	20.3	10.3	15.3	5.3
Iron and steel	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Chemicals	0.1	0.1	0.2	0.6	0.8	1.3	1.3
5541 Soap; paper, wadding, etc., impregnated with soap or detergent	0.0	0.0	0.0	0.0	0.6	1.1	1.1
Other semi-manufactures	0.8	0.1	0.7	0.9	0.8	0.7	0.7
Machinery and transport equipment	1.0	2.3	30.3	13.2	8.0	11.5	2.3
Power-generating machinery	0.0	0.0	0.6	0.8	0.0	0.1	0.1
Other non-electrical machinery	0.1	0.6	2.1	2.3	1.1	1.7	0.2
Agricultural machinery and tractors	0.0	0.4	0.9	0.0	0.1	0.2	0.0
Office machines and telecommunications equipment	0.3	0.1	0.3	0.5	1.0	0.8	0.5
Other electrical machinery	0.2	0.0	0.3	0.1	0.3	0.2	0.2
Automotive products	0.3	1.5	17.5	7.6	5.2	8.1	1.0
7812 Motor vehicles for the transport of persons, n.e.s.	0.2	0.1	3.7	4.6	2.7	1.3	0.5
7821 Motor vehicles for the transport of goods	0.0	0.6	8.4	2.0	0.5	4.6	0.3
Other transport equipment	0.0	0.1	9.6	1.9	0.4	0.6	0.4
7851 Motor cycles and cycles fitted with an auxiliary motor; side-cars	0.0	0.0	0.0	0.0	0.1	0.2	0.2
Textiles	0.1	0.3	0.3	0.6	0.0	0.0	0.0
Clothing	0.0	0.0	0.0	0.2	0.0	0.0	0.3
8412 Suits and ensembles	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Other consumer goods	0.4	0.3	2.3	4.6	0.6	1.7	0.6

Description	2004	2005	2006	2007	2008	2009	2010
Other	52.2	48.1	44.9	34.6	43.4	25.9	11.2
Gold	52.2	48.0	37.4	34.0	43.0	25.7	11.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database (SITC Rev.3).

Table AI.3
Destination of exports, 2004-2010
(US$ million and per cent)

	2004	2005	2006	2007	2008	2009	2010
World (US$ million)	82.7	113.8	228.5	156.2	141.8	112.9	118.2
				Percentage share			
America	0.8	0.2	0.3	0.8	0.8	1.3	0.1
United States	0.5	0.1	0.1	0.6	0.7	1.2	0.0
Other America	0.2	0.1	0.2	0.2	0.1	0.1	0.1
Europe	77.7	56.4	15.4	25.8	27.3	34.3	57.9
EU (27)	21.4	20.2	8.5	12.9	11.7	15.8	31.0
United Kingdom	4.9	8.0	1.7	4.9	0.1	0.5	13.4
Belgium	10.2	6.2	4.1	2.4	6.1	5.6	13.0
Germany	2.3	1.6	0.6	2.2	4.0	7.4	2.1
Italy	0.1	0.0	0.5	0.7	0.2	0.5	1.0
France	1.3	2.1	0.7	2.3	0.4	0.9	0.7
Netherlands	2.5	2.1	0.9	0.3	0.9	0.9	0.6
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.2
EFTA	56.2	36.2	6.9	10.9	15.3	18.3	26.9
Switzerland and Liechtenstein	56.0	36.2	6.9	10.9	15.3	18.3	26.9
Other Europe	0.0	0.0	0.1	2.0	0.3	0.2	0.0
CIS (Commonwealth of Independent States)	0.5	0.6	0.6	0.8	0.0	0.8	0.1
Africa	11.1	15.4	24.4	33.0	23.0	32.7	22.8
Kenya	2.0	7.1	14.1	7.2	5.3	6.4	8.7
Democratic Republic of the Congo	0.5	0.9	1.6	9.4	4.2	6.2	6.2
Rwanda	6.2	3.6	1.6	6.6	3.1	4.2	2.6
Uganda	0.9	1.6	0.8	2.4	2.2	5.7	2.4
Tanzania	0.3	0.1	0.6	1.3	1.5	8.4	1.5
Swaziland	0.4	0.7	0.4	1.0	1.5	1.2	1.1
South Africa	0.8	1.3	0.0	1.9	0.1	0.1	0.1
Middle East	7.5	25.4	33.2	34.9	44.9	26.9	10.6
United Arab Emirates	7.4	25.3	32.1	34.2	43.6	25.6	8.8
Oman	0.0	0.1	0.1	0.5	0.9	1.3	1.5
Saudi Arabia	0.0	0.1	0.3	0.2	0.1	0.0	0.3
Asia	1.6	1.6	26.0	4.6	3.9	4.0	8.4
China	0.1	0.1	0.0	0.0	1.5	0.4	0.2
Japan	0.5	0.3	7.5	2.4	0.1	0.2	0.0
Six East Asian Traders	1.0	1.1	1.6	1.6	2.2	3.3	8.0
Singapore	0.9	0.9	0.0	0.3	1.1	2.2	6.1
Hong Kong, China	0.0	0.2	0.0	0.0	1.1	1.1	1.9
Other Asia	0.0	0.1	16.9	0.6	0.2	0.2	0.2
Other	0.9	0.3	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database (SITC Rev.3).

Table AI.4
Origin of imports, 2004-2010
(US$ million and per cent)

	2004	2005	2006	2007	2008	2009	2010
World (US$ million)	172.7	258.2	433.6	423.0	315.0	344.8	404.1
				Percentage share			
America	1.7	3.8	3.1	1.6	2.3	4.2	1.9
United States	0.9	2.6	2.2	1.0	0.9	2.7	1.5
Other America	0.8	1.1	0.8	0.6	1.4	1.5	0.4
Europe	32.8	43.4	31.4	22.6	41.3	32.2	28.2
EU (27)	31.8	34.2	30.5	21.9	40.5	30.9	26.8
Belgium	11.6	11.7	11.3	11.3	17.3	13.5	12.0
France	6.0	5.4	4.4	3.7	9.1	5.3	7.2
Denmark	2.2	1.8	2.1	0.9	1.2	2.4	1.6
Germany	5.7	4.0	2.6	2.2	6.7	1.8	1.6
Italy	3.0	5.4	3.2	1.5	2.1	3.7	1.3
United Kingdom	0.9	2.4	4.6	0.8	1.3	1.2	1.3
Netherlands	2.1	1.4	1.2	1.1	1.6	1.1	1.1
EFTA	0.6	1.0	0.7	0.4	0.5	0.7	0.9
Switzerland and Liechtenstein	0.5	0.7	0.4	0.4	0.5	0.7	0.8
Other Europe	0.4	8.2	0.2	0.3	0.3	0.6	0.5
Turkey	0.1	8.1	0.2	0.2	0.3	0.6	0.5
CIS (Commonwealth of Independent States)	0.2	0.6	4.6	0.3	0.1	0.5	0.6
Russian Federation	0.0	0.2	4.5	0.2	0.1	0.2	0.5
Africa	38.1	29.2	19.2	27.7	32.4	32.4	34.5
Zambia	3.3	3.4	2.7	1.5	0.9	3.4	8.4
Kenya	14.9	12.2	7.1	7.9	8.8	9.3	7.3
Uganda	5.7	3.9	3.3	10.7	9.6	8.6	6.8
Tanzania	8.4	4.9	1.5	2.4	5.0	4.4	6.0
Egypt	0.9	0.8	0.8	1.2	2.7	4.1	2.8
South Africa	2.3	2.8	2.1	2.5	3.2	1.3	1.6
Rwanda	0.4	0.3	0.2	0.5	1.1	0.5	0.6
Middle East	2.9	3.9	4.6	30.5	5.3	7.6	5.5
United Arab Emirates	2.5	3.1	3.7	2.9	4.4	4.8	4.6
Saudi Arabia	0.1	0.3	0.4	27.4	0.5	1.3	0.6
Asia	23.9	19.1	23.2	17.3	18.6	23.1	29.3
China	3.3	4.2	4.0	3.9	7.3	9.4	12.0
Japan	14.0	8.8	10.8	7.0	4.8	5.0	9.4
Six East Asian Traders	1.6	1.2	0.6	1.7	1.0	1.8	1.2
Other Asia	4.9	4.9	7.8	4.7	5.4	6.9	6.7
India	4.6	4.1	3.2	3.4	5.0	5.6	6.0
Other	0.4	0.1	13.9	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations based on data from the UNSD Comtrade database (SITC Rev.3).

Table AIII.1
Products for which the applied tariff may exceed the bound tariff

HS Code	Applied tariff (%)	Bound rate (%)
03054100	25.0	0.0
03054900	25.0	0.0
03054200	25.0	0.0
04012000	60.0	0.0
04021000	60.0	0.0
04022110	60.0	0.0
04022190	60.0	0.0
04022910	60.0	0.0
04029110	60.0	0.0
04029910	60.0	0.0
04029990	60.0	0.0
04059000	25.0	0.0
04061000	25.0	0.0
04063000	25.0	0.0
04069000	25.0	0.0
04011000	60.0	0.0
04013000	60.0	0.0
04022990	60.0	0.0
04029190	60.0	0.0
04051000	25.0	0.0
04062000	25.0	0.0
04064000	25.0	0.0
11010000	60.0	50.0
16041100	25.0	15.0
16042000	25.0	15.0
17041000	25.0	12.0
19011000	25.0	0.0
17049000	25.0	12.0
30069200	25.0	5.0
32099000	25.0	18.0
32100090	25.0	18.0
32089000	25.0	18.0
33061000	25.0	20.0
34029000	25.0	20.0
39079900	10.0	5.0
39091000	10.0	5.0
39075000	10.0	5.0
39079100	10.0	5.0
39092000	10.0	5.0
39095000	10.0	5.0
39172900	25.0	5.0
39189000	25.0	5.0
39199010	10.0	5.0
39206110	10.0	5.0
39206190	25.0	5.0
39206210	10.0	5.0
39206390	25.0	5.0
39206910	10.0	5.0
39206990	25.0	5.0
39209210	10.0	5.0

HS Code	Applied tariff (%)	Bound rate (%)
39209310	10.0	5.0
39209410	10.0	5.0
39209490	25.0	5.0
39209990	25.0	5.0
39211310	10.0	5.0
39219000	25.0	5.0
39232900	25.0	5.0
39234000	10.0	5.0
39235010	10.0	5.0
39239090	25.0	5.0
39173100	25.0	5.0
39173200	25.0	5.0
39173900	*25.0*	*12.5*
39191000	10.0	5.0
39199090	25.0	5.0
39206290	25.0	5.0
39206310	10.0	5.0
39209290	25.0	5.0
39209390	25.0	5.0
39209910	10.0	5.0
39211390	25.0	5.0
39211910	10.0	5.0
39211990	25.0	5.0
39231000	25.0	5.0
39232100	25.0	5.0
39233000	25.0	5.0
39235090	25.0	5.0
39239020	10.0	5.0
50079000	25.0	20.0
48142000	25.0	5.0
50071000	25.0	20.0
51111100	25.0	20.0
51111900	25.0	20.0
51113000	25.0	20.0
51129000	25.0	20.0
51130000	25.0	20.0
51112000	25.0	20.0
51119000	25.0	20.0
51121100	25.0	20.0
51121900	25.0	20.0
51122000	25.0	20.0
51123000	25.0	20.0
52084100	25.0	20.0
52084300	25.0	20.0
52084900	25.0	20.0
52084200	25.0	20.0
52085900	25.0	20.0
52095900	25.0	20.0
52105900	25.0	20.0
52115900	25.0	20.0
52122590	25.0	20.0

HS Code	Applied tariff (%)	Bound rate (%)
53091900	25.0	20.0
52122510	50.0	20.0
53091100	25.0	20.0
53092100	25.0	20.0
53092900	25.0	20.0
53109000	25.0	20.0
53110000	25.0	20.0
54075200	25.0	20.0
54075400	25.0	20.0
54076900	25.0	20.0
54077400	25.0	20.0
54078100	25.0	20.0
54074100	25.0	20.0
54074200	25.0	20.0
54074400	25.0	20.0
54075100	25.0	20.0
54077100	25.0	20.0
54077200	25.0	20.0
54078200	25.0	20.0
54078400	25.0	20.0
54079100	25.0	20.0
54079200	25.0	20.0
54082100	25.0	20.0
54082200	25.0	20.0
54079400	25.0	20.0
54082400	25.0	20.0
54083100	25.0	20.0
54083200	25.0	20.0
54083400	25.0	20.0
55121900	25.0	20.0
55122900	25.0	20.0
55129100	25.0	20.0
55129900	25.0	20.0
55131200	25.0	20.0
55132900	25.0	20.0
55134190	25.0	20.0
55134900	25.0	20.0
55141100	25.0	20.0
55141200	25.0	20.0
55142100	25.0	20.0
55142300	25.0	20.0
55142900	25.0	20.0
55144110	50.0	20.0
55121100	25.0	20.0
55122100	25.0	20.0
55131100	25.0	20.0
55131900	25.0	20.0
55132100	25.0	20.0
55132300	25.0	20.0
55134110	50.0	20.0
55141900	25.0	20.0

HS Code	Applied tariff (%)	Bound rate (%)
55142200	25.0	20.0
55161100	25.0	20.0
55163200	25.0	20.0
55163400	25.0	20.0
55164400	25.0	20.0
55169100	25.0	20.0
55169200	25.0	20.0
55169400	25.0	20.0
55144190	25.0	20.0
55144200	25.0	20.0
55144300	25.0	20.0
55144900	25.0	20.0
55161200	25.0	20.0
55161400	25.0	20.0
55162200	25.0	20.0
55162400	25.0	20.0
55164200	25.0	20.0
56021000	25.0	20.0
57019000	25.0	20.0
57021000	25.0	20.0
57023100	25.0	20.0
57024100	25.0	20.0
57024200	25.0	20.0
57025000	25.0	20.0
57029100	25.0	20.0
57029900	25.0	20.0
57041000	25.0	20.0
57049000	25.0	20.0
58011000	25.0	20.0
58012600	25.0	20.0
58013200	25.0	20.0
58013400	25.0	20.0
57011000	25.0	20.0
57022000	25.0	20.0
57023200	25.0	20.0
57023900	25.0	20.0
57024900	25.0	20.0
57029200	25.0	20.0
58012100	25.0	20.0
58012200	25.0	20.0
58012300	25.0	20.0
58012400	25.0	20.0
58012500	25.0	20.0
58013100	25.0	20.0
58013300	25.0	20.0
58013600	25.0	20.0
58021100	25.0	20.0
58021900	25.0	20.0
58022000	25.0	20.0
58041000	25.0	20.0
58042100	25.0	20.0

HS Code	Applied tariff (%)	Bound rate (%)
58042900	25.0	20.0
58050000	25.0	20.0
58061000	25.0	20.0
58063100	25.0	20.0
58063200	25.0	20.0
58063900	25.0	20.0
58071000	25.0	20.0
58090000	25.0	20.0
59041000	25.0	20.0
59049000	25.0	20.0
59050000	25.0	20.0
58013500	25.0	20.0
58019000	25.0	20.0
58023000	25.0	20.0
58030000	25.0	20.0
58043000	25.0	20.0
58062000	25.0	20.0
58064000	25.0	20.0
58110000	25.0	20.0
59070000	25.0	20.0
59090000	25.0	20.0
60011000	25.0	20.0
60012200	25.0	20.0
60019100	25.0	20.0
60019200	25.0	20.0
60019900	25.0	20.0
60024000	25.0	20.0
60029000	25.0	20.0
60032000	25.0	20.0
60039000	25.0	20.0
60041000	25.0	20.0
60049000	25.0	20.0
60052100	25.0	20.0
60053300	25.0	20.0
60053400	25.0	20.0
60054100	25.0	20.0
60054400	25.0	20.0
60059000	25.0	20.0
60062100	25.0	20.0
60062400	25.0	20.0
60063100	25.0	20.0
60063200	25.0	20.0
59061000	25.0	20.0
59069100	25.0	20.0
59069900	25.0	20.0
59100000	25.0	20.0
60012100	25.0	20.0
60012900	25.0	20.0
60031000	25.0	20.0
60033000	25.0	20.0
60034000	25.0	20.0

HS Code	Applied tariff (%)	Bound rate (%)
60052200	25.0	20.0
60052300	25.0	20.0
60052400	25.0	20.0
60053100	25.0	20.0
60053200	25.0	20.0
60054200	25.0	20.0
60054300	25.0	20.0
60061000	25.0	20.0
60062200	25.0	20.0
60062300	25.0	20.0
60063300	25.0	20.0
60063400	25.0	20.0
60064100	25.0	20.0
60064200	25.0	20.0
60064300	25.0	20.0
60064400	25.0	20.0
60069000	25.0	20.0
61123900	25.0	20.0
61124100	25.0	20.0
61123100	25.0	20.0
61130000	25.0	20.0
61153000	25.0	19.0
61159400	*25.0*	*19.0*
61159500	*25.0*	*19.0*
61161000	25.0	20.0
61124900	25.0	20.0
61151000	*25.0*	*19.0*
61152100	25.0	20.0
61152200	25.0	20.0
61152900	25.0	19.0
61159600	25.0	20.0
61159900	25.0	20.0
61178000	25.0	20.0
61179000	25.0	20.0
63079000	25.0	20.0
64019200	25.0	12.0
64021200	25.0	12.0
64021900	25.0	12.0
64029100	25.0	12.0
64031900	25.0	12.0
64011000	25.0	12.0
64019900	25.0	12.0
64022000	25.0	12.0
64029900	25.0	12.0
68129100	10.0	5.0
68129200	25.0	5.0
68129300	25.0	5.0
68132090	10.0	5.0
68138990	10.0	5.0
68138100	10.0	5.0
70109000	25.0	12.0

HS Code	Applied tariff (%)	Bound rate (%)
70181000	25.0	10.0
71171900	25.0	18.0
71179000	*25.0*	*15.0*
73144900	25.0	10.0
76151100	25.0	10.0
76151900	25.0	10.0
76152000	25.0	10.0
84151000	25.0	6.0
84158300	25.0	6.0
84159000	10.0	6.0
84184000	25.0	6.0
84189900	10.0	6.0
84152000	25.0	6.0
84158100	25.0	6.0
84158200	25.0	6.0
84182100	25.0	6.0
84182900	25.0	6.0
84183000	25.0	6.0
84185000	10.0	6.0
84186190	25.0	6.0
84186990	25.0	6.0
84189100	10.0	6.0
85139000	10.0	0.0
87012090	10.0	5.0
91139000	25.0	18.0
94012000	25.0	20.0
94015100	25.0	20.0
94015900	25.0	20.0
94017100	25.0	20.0
94017900	25.0	20.0
94018000	25.0	20.0
94031000	25.0	20.0
94034000	25.0	20.0
94035000	25.0	20.0
94041000	25.0	20.0
94042100	25.0	20.0
94011000	25.0	20.0
94013000	25.0	20.0
94014000	25.0	20.0
94016100	25.0	20.0
94016900	25.0	20.0
94032000	25.0	20.0
94033000	25.0	20.0
94036000	25.0	20.0
94037000	25.0	20.0
94038100	25.0	20.0
94038900	25.0	20.0
94042900	25.0	20.0
94051000	25.0	15.0
94052000	25.0	15.0
95030000	25.0	8.0

HS Code	Applied tariff (%)	Bound rate (%)
95049000	25.0	20.0
94053000	25.0	15.0
94054000	25.0	15.0
94055000	*25.0*	*8.3*
94056000	25.0	15.0
95043000	25.0	20.0

Note: The italicized tariff lines, taken from the schedule of concessions (bindings), correspond to rates different from the applied tariff. In this case, simple averages have been used.

Source: WTO Secretariat estimates based on data from the EAC Secretariat and the WTO CTS database.

Table AIII.2
Fiscal incentives and aid for enterprises

Type of incentive, description, and eligibility requirements
(i) Fiscal incentives These can be found in various tax laws, the Investment Code, and the free-zone regime. (a) Incentives provided for in texts governing taxation. *Law of 17 February 1964 on property tax* *- The real estate sector* With a view to encouraging investment in the real estate sector, the legislator exempts new buildings (or parts of buildings) from property tax for at least two calendar years (four years maximum) following the year of their completion (Article 3, paragraph 5). *- Agriculture* Exemptions are also provided to encourage investment in agriculture. Under Article 4, paragraph 2, of the Law of 17 February 1964, land used exclusively for agricultural or livestock purposes is exempt from property tax when cultivated or when normally required for livestock fattening or rearing. It should also be noted that vehicle tax does not apply to animal-drawn vehicles used in agriculture (Article 39, paragraph 3). *Law of 21 September 1963 on income tax* *- The real estate sector* New buildings are exempt from tax on rental income for four calendar years following the year of their completion and may remain exempt for up to seven years (Article 12, paragraph 5). Property loan financing is also encouraged. Revenue earned and reserves set aside by financial institutions within the framework of their activities in favour of social housing are exempt from income tax (Article 39, paragraph 5). *- The agro-pastoral sector* Revenue earned by agricultural enterprises (food and livestock production) is exempt from business tax (Article 94, paragraph 5). *- Other sectors* The legislator has not overlooked certain potential growth sectors. Measures have been introduced to encourage the development of activities such as leasing and hire-purchase. Leasing and hire-purchase companies are fully exempt from business tax for the first three years of activity and benefit from a reduced partial exemption from taxation of 20 per cent for the following four years until the ordinary law regime is applied as of the seventh year of activity (Article 39, paragraph 7). Other sectors are also encouraged by the legislator, not through exemptions, but through depreciation. Certain fixed assets used for scientific, technical or medical research, or in the tourism and production sectors, may benefit from special depreciation (Article 43, paragraph 8(a)). *- Incentives for companies to change form* The legislator encourages the merging or transformation of companies. Normally, the sharing of assets, even partially, gives rise to the moveable property tax (Article 17). However, the merging of companies or the transformation of one company with legal personality into another company with legal personality is not considered to be a case of asset sharing, and therefore the moveable property tax does not apply. *Law No. 1/02 of 17 February 2009 establishing value-added tax (VAT)* *- The neutral nature of the tax* At the fiscal level, VAT is neutral. The tax burden is identical regardless of the length of the production or marketing cycle. Exports are exempt from VAT (Article 14), while imports are not (Article 3(c)), which means that imported products bear the same tax burden as domestically manufactured products. *- VAT and income* VAT is totally neutral for the determination of a taxpayer's taxable income. VAT is paid by the consumer and costs the trader nothing. *- Economic operations exempt from VAT* The following are exempt from VAT: financial operations (Article 7(a)); certain real estate transactions (Article 7 (b), (c) and (d)); imports and deliveries of medicines, pharmaceutical products, and specialized equipment and products for medical use (Article 7(e)); deliveries of agricultural products that have not been processed by their producers (Article 7(h)); deliveries of postage stamps, revenue stamps and the like (Article 7(i)); imports of goods benefiting from relief from customs duty (Article 7(j)); journey prices resulting from international tariffs (Article 7(k)). *- Tax credit: measure designed to rebalance an enterprise's cash situation* The tax credit takes the form of the excess VAT (for fixed assets and other goods and services) deductible from gross VAT. In principle, the credit obtained by an enterprise is normally reduced gradually in line with the imputation principle. The credit is progressively reduced by being charged to subsequent tax declarations. If the credit is substantial, this system of imputation has a detrimental effect on the enterprise's cash situation. The legislator has therefore provided for credit restitution measures (Article 20 et seq.).

Type of incentive, description, and eligibility requirements
Decree-Law No. 1/13 of 24 November 1986 establishing real estate registration fees Article 6 of Decree-Law No. 1/13 set the proportional fee at 6 per cent for any real estate transfer. In order to encourage real estate transactions, this fee has been reduced to 3 per cent with the possibility of further reduction.[1] For example, in the case of a transfer made following the transformation of a commercial or civil company into one of a different nature, where both have legal personality, the 3 per cent fee is reduced to 2 per cent.[2] For transfers made during the merger of companies with legal personality, the 3 per cent fee is reduced to 2.5 per cent, regardless of whether the merger takes place through the creation of a new company or by means of a takeover.[3] Benefits provided by the Investment Code *Tax credit* Under Article 14 of the Investment Code, investments made by new enterprises are eligible for a tax credit. The credit is a form of State financial aid granted to investors in the goods and services production sector and enables investors to recover a certain quota of the amount of depreciable property invested, excluding any vehicles used by the enterprise for transporting managerial staff and other personnel.[4] The tax credit may also be granted to an enterprise for the extension or rehabilitation of an existing activity.[5] *Other fiscal benefits* As determined by Law No. 1/23 of 24 September 2009. *- Exemption from transfer duties* The acquisition of the buildings and land needed to establish a concern is exempt from transfer duties (Article 4, paragraph 1, Law No. 1/23 of 24 September 2009). *- Reduced corporate income tax* Investors benefit from reduced rates of corporate income tax as follows: (i) 2 per cent if they employ between 50 and 200 Burundian workers; and (ii) 5 per cent if they employ more than 200 Burundian workers (Article 4, paragraph 6, Law No. 1/23 of 24 September 2009). *Integration of free-zone regime provisions* Article 16 of the Investment Code provides that the provisions of Law No. 1/015 of 31 July 2001 revising Decree-Law No. 1/3 of 31 August 1992 establishing a free-zone regime in Burundi shall form an integral part of the current Investment Code. Benefits of the free-zone regime *Total exemption for dividends* Dividends distributed to company shareholders are exempt from all tax for the lifetime of the enterprise (Article 14). *Total exemption from corporate income tax* All free-zone enterprises are fully exempt from corporate income tax for the first ten years of activity (Article 12, paragraph 1). *Corporate income tax reduction* *- Non-commercial free-zone enterprises* From an enterprise's eleventh year of activity and for the rest of its lifetime, the corporate income tax rate is 15 per cent (Article 12, paragraph 1). Corporate income tax is reduced to 10 per cent for all enterprises that have created more than 100 permanent jobs for Burundian nationals (Article 12, paragraph 2). Enterprises reinvesting at least 25 per cent of corporate income from their last ten years of activity pay 10 per cent less than the corporate income tax rate normally applied (Article 12, paragraph 3). *Commercial free-zone enterprises* From the time of establishment and for their entire lifetime, commercial free-zone enterprises pay a tax of 1 per cent of their turnover. This tax is reduced to 0.80 per cent of turnover for any commercial free-zone enterprise that has created more than 20 permanent jobs for Burundian nationals (Article 13). *Exemption from indirect taxes* Free-zone enterprises are fully exempt from the payment of any existing or future indirect taxes and registration fees and stamp duties. This exemption includes value-added tax (VAT), transfer duties and registration duties on increases in a company's capital (Article 15).

[1] Law No. 1/21 of 30 December 2007 establishing the general budget of the Republic of Burundi for the 2008 financial year.

[2] Article 9, Decree-Law No. 1/13 of 24 November 1986.

[3] Article 10, Decree-Law No. 1/13 of 24 November 1986.

[4] Article 2, Law No. 1/23 of 24 September 2009 determining the fiscal benefits provided by Law No. 1/24 of 10 September 2008 establishing Burundi's Investment Code.

[5] Article 15, Law No. 1/24 of 10 September 2008 establishing Burundi's Investment Code.

Type of incentive, description, and eligibility requirements
Exemption from import duties Raw materials, intermediate products, ancillaries and capital goods imported by free-zone enterprises, a list of which accompanies the free-zone enterprise certificate, are exempt from all existing and future direct and indirect duties and taxes (Article 18). *Exemption from export duties* Good exported by free-zone enterprises are exempt from all existing and future direct and indirect duties and taxes (Article 20). Other guarantees and benefits The Investment Code *Legal regime* The Investment Code provides for a single ordinary law regime for all enterprises which applies without distinction (Article 3). This regime grants the same benefits and guarantees to all investors without discrimination, whereas the previous Code provided for four approval regimes. *Freedom of establishment and investment* Law No. 1/24 of 10 September 2008 establishing Burundi's Investment Code introduces a liberal policy for the entry and establishment of investors; it contains no conditions or restrictions (Article 7, paragraph 1). Freedom of establishment and investment exists for any natural or legal person wishing to set up a company in Burundi, but does not exist for the production of weapons and ammunition, and other investments in the military and paramilitary field which require special authorization (Article 7, paragraph 2). *Entry and stay of foreign investors in Burundi* The procedures for granting establishment visas have been simplified. Expatriates are guaranteed the freedom to establish and move residence, in accordance with immigration laws and regulations and to the extent required by investments. *Recognition and guarantee of the right to property* Article 39, paragraph 1, of the Constitution of the Republic of Burundi recognises the right to property of all persons. Article 9 of the Investment Code reflects this principle and provides that the Republic of Burundi shall recognise and guarantee the right to property of all natural and legal persons, without any discrimination. *Guarantee against discriminatory treatment* The Investment Code guarantees non-discriminatory treatment with regard to nationality in respect of real estate acquisition or rental (Article 10, paragraph 1). *Administrative facilities* To meet their installation needs, enterprises may benefit from the special expropriation procedure for reasons of public interest (Article 10, paragraph 2). Such enterprises may acquire as property, by renting or in the form of contributions, land or buildings belonging to the State (Article 10, paragraph 3). These same enterprises may benefit from the development of industrial zones or land by the State, local authorities, and public or semi-public bodies (Article 10, paragraph 4). *Freedom to transfer foreign capital and capital gains* The Investment Code guarantees foreign investors the freedom to transfer capital and capital gains in the currency and to the country they choose. The only requirement is the payment of taxes (Article 11). *The transfer of salaries and return on capital (Article 12)* The unused professional income of foreign employees is transferred. The same applies to dividends, which are transferred in full for foreign capital enterprises and in proportion to foreign capital for mixed capital enterprises. *Investment security* *- Guarantee against nationalization and expropriation* Article 13, paragraph 1, of the Investment Code prohibits the nationalization and expropriation of investments and any similar measures. *- Compliance with procedures* For certain disputes, the Investment Code guarantees a procedure in accordance with the law. In exceptional cases of expropriation for reasons of public interest, this procedure is accompanied by fair and prior compensation (Article 13, paragraph 2). *- Dispute settlement* The Investment Code establishes a number of methods for settling disputes relating to the implementation of the Code. The normal method is mutual agreement. Legal proceedings conducted in accordance with the laws and regulations in force in Burundi are open. Investors may choose whether disputes are to be settled by internal institutional arbitration or by international arbitration. Burundi is a member of the Convention establishing the Multilateral Investment Guarantee Agency (MIGA), which enables foreign investors to cover themselves against four types of risk linked to the country of establishment: (i) restrictions relating to currency transfer; (ii) expropriation; (iii) war and civil disturbance; and (iv) breach of contract. Conclusion of Investment Promotion and Protection Agreements (IPPAs) and other bilateral agreements. Burundi has concluded Investment Promotion and Protection Agreements with Germany (1984), Belgium and Luxembourg (1989), and the United Kingdom (1990).

Type of incentive, description, and eligibility requirements
Agreements have also been signed with the Comoros (2001), Kenya (2009), Mauritius (2001) and the Netherlands (2007), but have yet to be ratified. These agreements contain all the classic provisions of IPPAs under the admission regime: protection with fair and equitable treatment, and security and protection against any unjustified or discriminatory measure, with treatment no less favourable than that enjoyed by nationals of the State hosting the investment; a ban on measures entailing deprivation or limitation of ownership unless taken for reasons of public interest, security or national interest, with the payment of appropriate compensation; and the guaranteed free transfer of assets and, in the event of a dispute with the State, the possibility of taking recourse, at the request of the investor concerned and through conciliation or arbitration, to the International Centre for the Settlement of Investment Disputes (ICSID).

Source: WTO Secretariat, based on information from the authorities.