BURUNDI

Burundi’s economic freedom score is 48.9, making its economy the 162nd freest in the 2019 Index. Its overall score has decreased by 2.0 points, with a plunge in fiscal health and lower monetary freedom and investment freedom scores overwhelming higher scores for judicial effectiveness and government spending. Burundi is ranked 39th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

As political repression persists and donors withhold funding, Burundi’s government has no development policy and no resources with which to counter pervasive poverty. Instead, it uses subsidies and higher public-sector salaries to solidify loyalty to the regime. Burundi’s economy, hampered by extensive state controls and structural problems, lags in productivity growth and lacks dynamism. The lack of enforcement of property rights and the weak rule of law have driven many people and enterprises into the informal sector.

BACKGROUND: Burundi has had a turbulent history since gaining independence from Belgium in 1962; its first democratically elected president was assassinated in 1993 after only 100 days in office. Sidestepping the two-term constitutional limit, President Pierre Nkurunziza was elected to a third term in 2015, sparking violence that killed hundreds. The government used violence and intimidation to ensure passage of a May 2018 referendum further centralizing presidential power. Western countries have suspended aid because of the government’s abuses of human rights and poor implementation of policy. Fuel shortages in 2017 due to a lack of hard currency brought many businesses to a standstill. Subsistence agriculture dominates the economy, and well over half of the population lives below the poverty line.
Burundi remains one of the world’s poorest nations and one of sub-Saharan Africa’s most corrupt. Private property is vulnerable to government expropriation and armed banditry, and property registration is difficult. The judiciary is nominally independent, but judges are subject to political pressure. Government procurement is conducted nontransparently amid frequent allegations of cronyism. Customs officials reportedly extort bribes.

The top individual income and corporate tax rates are 35 percent. A value-added tax recently replaced the general sales tax. The overall tax burden equals 12.3 percent of total domestic income. Over the past three years, government spending has amounted to 23.6 percent of the country’s output (GDP), and budget deficits have averaged 6.6 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.

The overall business environment remains severely constrained by burdensome regulations and inefficiency. Continuing instability and bureaucratic corruption impede entrepreneurial activity. In the absence of a modern labor market, the informal sector accounts for most employment. Subsidies and rationing of fuel and electricity persist, and the state influences other prices through state-owned enterprises and agriculture-support programs.

The combined value of exports and imports is equal to 38.2 percent of GDP. The average applied tariff rate is 5.9 percent. As of June 30, 2018, according to the WTO, Burundi had three nontariff measures in force. Openness to foreign investment is below average. The underdeveloped financial sector provides a very limited range of services. About 8 percent of adult Burundians have an account with a formal banking institution.