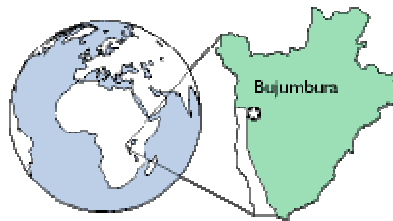


COUNTRY REVIEW

Burundi



14 August 2009

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EULER HERMES COUNTRY RISK GRADE: D

**Country Risk Grades are on a scale of AA, A, BB, B, C, D
where AA is the lowest and D the highest risk.**

COUNTRY PROFILE

Capital city:	Bujumbura
GDP:	USD1,086mn (2008e)
Population:	8.1mn (2008e)
GDP per capita:	USD134 (2008e)
Currency:	Burundi Franc (BIF)
Form of state:	Republic
Head of government:	President Pierre Nkurunziza
Next elections:	Legislative by July 2010, presidential by August 2010

The country's political background is coloured by the **deep tribal division between the minority Tutsi elite and the Hutu majority**. Clashes between these two groups have been fierce and extremely violent. Over a decade of civil war, beginning in 1993, resulted in an estimated death toll of 300,000. Pierre Nkurunziza and the Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie (CNDD-FDD) won elections in 2005 and Nkurunziza became president and the CNDD-FDD formed the dominant force in the government, the National Assembly and the Senate. Nkurunziza and the CNDD-FDD are likely to remain in power in the short term—at least until elections scheduled for 2010. Opposition forces are largely fragmented, encompassed within government or are periodically purged from office and therefore do not provide a significant threat from within the regime. However, **the military remains a potential source of regime change**, particularly as Tutsi elements in the Force de défense nationale (FDN or Burundian army) may be disaffected through loss of direct control of political levers. There is an absence of experience in government and the ruling CNDD-FDD is riven by factions with different policy agendas. Perhaps the highest risk is that the CNDD-FDD proves unable to rule and that the country slides back into violent ethnic clashes. However, the international community (donors, as well as UN monitoring forces) is likely to remain engaged and support the political transition with financial and technical assistance and the need for this should moderate extreme policy implementation by the local authorities. The government can expect generous **assistance from the donor community**, conditional on maintenance of a public policy of national reconciliation and continued IMF-inspired economic reforms.

A period of relative peace has existed since 2003, but low incomes (GDP per capita of only USD134 in 2008), limited export base (**coffee accounts for around 70% of total receipts**) and **aid dependence** result in a weak economy. For this reason, the government will attempt to placate the international donor community and the IFIs. The IMF approved a three-year PRGF in January 2004, which has now been extended twice and will currently expire in July 2011. Burundi reached its decision point under the HIPC debt relief initiative in August 2005 and its completion point in January 2009, which then permitted USD1.5bn in debt relief. Nevertheless, the government requires further international assistance and will remain aid-dependent and thereby there is a continuing need to adhere to an agenda that encompasses economic liberalisation and structural reform.

After outright economic contraction 1991-2000, annual real GDP grew by almost 4% in 2004-08. However, this principally reflected a natural rebound caused by a measure of political stability. Moreover, **in the weak global environment in 2009-10, we forecast annual GDP growth of 2-4%**, which will do little to improve living conditions. Export trade is dominated by commodities (coffee and tea), with Japan (over 20%) representing the principal export market. Key sources of imports are Saudi Arabia (18%, reflecting the need for fuel imports) and Kenya (11%, reflecting **the landlocked nature of the country and an associated and unavoidable structural weakness**). We forecast that the current account will remain equivalent to 10-12% of GDP and represent a key challenge to the government, although donor inflows will provide cover in the ST.

The business environment remains weak. Reputable international investor surveys rank Burundi as one of the worst twenty country risks out of all countries assessed.

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