BANQUE DE LA REPUBLIQUE
DU BURUNDI

2022

FINANCIAL STABILITY
REPORT

FISCAL YEAR 2022 - NUMBER 8

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LIST OF ACRONYMS

%	: Percentage
ACH	: Automated Clearing House
ARCA	: Agence de Régulation et de Contrôle des Assurances
B&EF	: Bank and Financial Institutions
BIF	: Burundi Francs
Bn	: Billions
BRB	: Banque de la République du Burundi
CEMAC	: Economic and Monetary Community of Central Africa
COMESA	: Common Market for Eastern and Southern Africa
CSD	: Central Securities Depositor
EAC	: East African Community
Etc.	: Et Cetera
Ets	: Etablissements
GDP	: Gross Domestic Product
IMF	: International Monetary Fund
INSBU	: Institut National de la Statistique du Burundi
Kg	: Kilograms
MBIF	: Millions of Burundi Francs
MFIs	: Microfinance Institutions
MFBPE	: Ministère des Finances, du Budget et de la Planification Economique
NB	: Nota Bena
NBP	: Net Banking Product
NPL	: Non Performing Loans
p.p.	: Percentage Point
Quart.	: Quarter
REPSS	: Regional Electronic Payment and Settlement System
ROA	: Return On Assets
ROE	: Return On Equity
RTGS	: Real Time Payment and Settlement System
SACCOS	: Savings and Credit Cooperative Organizations
T	: Tons
USD	: United States Dollar
WAEMU	: West African Economic and Monetary Union

MISSIONS OF THE « BANQUE DE LA REPUBLIQUE DU BURUNDI »

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

VISION OF THE « BANQUE DE LA REPUBLIQUE DU BURUNDI »

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

PREFACE

Despite notable efforts to mitigate the effects of the COVID-19 pandemic in order to support economic recovery, the outbreak of the Russo-Ukrainian war reignited multiple shocks that weighed heavily on economies around the world in 2022.

To this end, we noted shocks to the banking sector and non-bank financial institutions related to the increase in household and corporate debt, the volatility of financial markets and pesistent inflation remaining the source of concerns for improving the resilience of the financial system.

However, national banking supervisory authorities continued to take measures based on macroprudential tools from the Basel Committee on Banking Supervision (CBBC) in order to support the most vulnerable segments of the population and contain the impacts of vulnerabilities having weighed on the financial system.

In Sub-Saharan Africa, the region's financial sectors have remained resilient despite the financing shortage, the resurgence of the COVID-19 pandemic and the outbreak of war between Russia and Ukraine.

As for the East African Community, the financial system remained resilient despite the COVID-19 pandemic crisis and the persistence of the risk linked to the increase in public debt and inflation, especially as banks have recorded capital and liquidity ratios above the required regulatory thresholds.

In Burundi, the risks related to the increase in domestic public debt, the increase in the current external deficit, the reduction in foreign exchange reserves, the depreciation of the Burundian currency, the drop in the production of exported basic products, as well as that the rise in prices of main commodities has affected the Burundian financial system.

Nevertheless, the Bank of the Republic of Burundi has continued to promote a financial system resilient to internal and external vulnerabilities, while strengthening the regulatory framework to ensure financial stability.

This eighth financial stability report covering the 2022 financial year takes stock of Burundi's financial system, identifies vulnerabilities and presents the results of stress tests, as well as the prospects for a stable financial system.

Edouard Normand BIGENDAKO

Governor

EXECUTIVE SUMMARY

Several shocks such as the effects of the covid-19 pandemic and the war between Russia and Ukraine have especially slowed global economic growth. The trajectory of the global economy has seen a bumpy downward recovery as predicted in the IMF World Economic Outlook. Growing household and corporate debt, financial market volatility and rising global commodity and energy prices point to disruptions in the global financial system, albeit resilient .

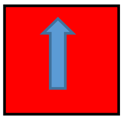
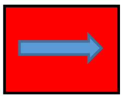
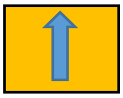
Given that the risks of a deterioration in the outlook for the global economy remain high, tensions in the financial sector could amplify and create a contagion phenomenon, which would lead to a weakening of the real economy due to a sharp deterioration in financing conditions and force central banks to review their orientations. In a context of increasing borrowing costs and slowing growth, situations of over-indebtedness in certain States could spread to take on a more systemic dimension. In addition, continuing economic recovery measures would have the effect of increasing the level of risk-taking by companies that are already too indebted and the level of sovereign debt.

In Sub-Saharan Africa, the financial sectors of countries in the region have remained resilient thanks to priority actions taken to improve budgetary risk management in a context of tightening financial conditions and adapt the pace of monetary policy tightening to the level and to the trajectory of inflation.
At the level of the East African Community, economic activity has suffered both internal and external disruptions which could affect its positive growth prospects. This is due to the global economic slowdown and the breakdown of supply chains which caused the prices of food and energy products to soar. The financial system of the East African Community therefore remained resilient despite the pandemic crisis, in conjunction with solid capital and liquidity reserves and thanks to fiscal and financial policy measures aimed at mitigating the impact of the covid-19 pandemic in particular by facilitating the conditions of access to credit by households and businesses.

In Burundi, the financial system remained resilient to the rise in the price level at the national level, the increase in domestic public debt, the increase in the external current deficit and the decrease in foreign exchange reserves.
In addition, in terms of prospects, great uncertainty is manifesting itself, causing disruptions in economic activity due to the evolution of the Covid-19 pandemic and the strong geopolitical tensions increasing over the war between Russia and Ukraine and the resulting sanctions against Russia having repercussions on the soaring prices of basic and food products.

The Bank of the Republic of Burundi continues in its perspectives to take monetary and financial policy measures to strengthen the stability of the financial sector against internal and external vulnerabilities in order to guarantee the stable financial system and economic recovery through management mechanisms crises and refinancing of credit institutions in favor of projects operating in the agro-pastoral sector which is a source of growth.

Table 1 : Risks on financial stability in 2022

	Risk releated to the increase in the current external deficit and the reduction in foreign exchange reserves
	Risk releated to domestic public debt
	Risk releated to the increase in the price level at the national level

Legend

Very high systemic risk

High systemic risk

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

CHAPTER 1 :
GLOBAL, REGIONAL AND DOMESTIC ECONOMIC SITUATION

CHAPTER 1: GLOBAL, REGIONAL AND DOMESTIC ECONOMIC SITUATION

1.1. Global macroeconomic context

In 2022, the global economy suffered exogenous shocks linked to the COVID-19 pandemic and the Russo-Ukrainian war which reignited disruptions to the recovery of economic growth.

Global economic growth has continued to slow, falling from 6.2% in 2021 to 3.4% in 2022, under the effect of these shocks. The slowdown in the global economy could be explained by the effects of the Russo-Ukrainian war, including the spectacular rise in commodity prices, the increase in inflation, the deterioration of the terms of trade, the tightening monetary conditions, as well as the persistence of the health crisis in China.

In advanced economies, growth experienced a recession from 5.4% in 2021 to 2.7% in 2022 in connection with the notorious economic fallout in many especially developed countries.

In the Euro Zone, growth fell from 5.3% in 2021 to 3.5% in 2022 following the effects of the war between Russia and Ukraine and the tightening of monetary policy.

In the United States, growth also declined, standing at 2.0% in 2022 compared to 5.9% in 2021 following a drop in household purchasing power and a tightening of monetary policy.

In Japan, growth declined from 2.1% in 2021 to 1.4% in 2022 in line with the continuation of monetary and budgetary support measures.

In the UK, growth fell from 7.6% in 2021 to 4.1% in 2022 due to tighter fiscal and monetary policies and financial conditions, as well as high retail energy prices which weigh down household budgets.

In Canada, economic activity fell from 4.6% in 2021 to 3.4% in 2022. In other advanced economies, growth also fell, falling from 5.5% in 2021 to 2.6% in 2022.

In emerging and developing economies, economic activity has slowed due to high inflation, currency depreciations, tighter financing conditions and other domestic challenges. For emerging and developing countries in Asia, their economic activity fell to 4.4% in 2022 compared to 7.3% in 2021, in connection with, on the one hand; China's economy which plummeted from 8.4% in 2021 to 3.0% in 2022 following the zero COVID policy which disrupted its industry and consumption, and others; in connection with the Indian economy which fell, reaching 6.8% in 2022 against 8.7% in 2021.

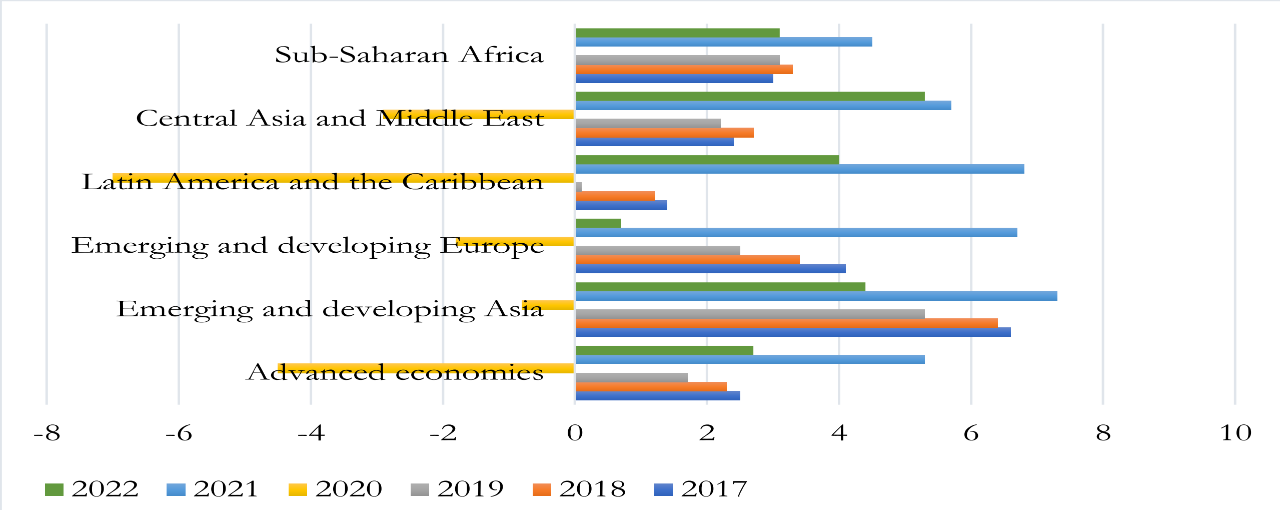
In emerging European countries, growth declined from 6.9% in 2021 to 0.7% in 2022.

Likewise, in the Middle East and Central Asia, economic activity declined, standing at 5.3% in 2022 compared to 5.7% in 2021.

In Latin America and the Caribbean, economic activity also fell, from 6.8% in 2021 to 4.0% in 2022.

The same is true for sub-saharan African countries (3.1% in 2022, compared to 4.7% in 2021).

Figure 1 : Global growth



Source: Author, based on IMF World Economic Outlook data from April 2022

High inflation has led to an erosion of real incomes and a global cost of living crisis that has pushed millions of people into poverty and economic insecurity. At the same time, the climate crisis continued to have a severe impact, with heatwaves, wildfires, floods and hurricanes causing massive economic damage and triggering humanitarian crises in many countries.

Global inflation increased, standing at 8.8% in 2022 compared to 4.7% in 2021. At the level of advanced countries, it resumed its dynamic acceleration, with a rate which stood at 8.1% in 2022 compared to 4.7% in 2021. This acceleration in price increases is linked to the Russo-Ukrainian crisis.

In emerging and developing countries, the inflation rate increased, standing at 9.9% compared to 5.9% in 2021.

In emerging and developing economies in Europe and Central Asia, soaring consumer prices, particularly energy and food prices, pushed annual inflation up to 15.9% by the end of 2022. This is the highest rate in more than 20 years across all developing regions.

Overall, persistent higher risks to financial stability have caused investors to reassess their outlook for inflation and monetary policy.

Global financial conditions have eased, in line with the evolution of the interest rate curve. As the expected peak in policy rates increased, markets were expecting a much faster and steeper decline in rates compared to the October 2022 forecast.

As a result, global bond yields have recently fallen, corporate spreads have narrowed, and equity markets have rebounded. That said, Central banks are likely to continue to tighten monetary policy to contain inflation. This restrictive monetary policy will tip the economy into a recession for the main advanced countries.

The slowdown in aggregate demand and lower inflation in some advanced countries have prompted investors to anticipate a further deceleration in key rates. Corporate profit forecasts have been revised downwards, due to slowing demand, and margins have contracted in most regions. In addition, the odds of recession have increased, particularly in the United States and Europe. However, upside risks to inflation remained.

Despite the recent easing of headline inflation, core inflation remains stubbornly high in most regions, labor shortages persist, the effects of the war between Russia and Ukraine continue to be felt on energy prices and supply chains could be disrupted again. Further tightening of financial conditions will likely be necessary to control these risks. Otherwise, central banks may need to raise policy rates again in order to meet their inflation targets.

Risks to financial stability have increased significantly as the resilience of the global financial system has been put to the test since the publication of the Global Financial Stability Report in October 2022. In the wake of the global financial crisis, against a backdrop of extremely low interest rates, reduced volatility and abundant liquidity, market participants have increased their exposure to liquidity, duration and credit risk, often resorting to financial leverage to boost returns.

The sudden failures of Silicon Valley Bank and Signature Bank in the United States, as well as the loss of market confidence in Credit Suisse, a global systemically important bank (GSIB) in Europe, were a powerful reminder of the challenges posed by the interaction between tighter banks and monetary and financial conditions and the accumulation of vulnerabilities. Amplified by new technologies and the rapid spread of information via social media, what initially appeared to be isolated events in the U.S. banking industry quickly spread to banks and financial markets around the world, sparking a sell-off of assets at risk.

This has also led to a significant reassessment of monetary policy interest rate expectations.

1.2. Macroeconomic context in sub-saharan Africa

The economic growth of sub-saharan African countries has fallen (4.7% in 2021 compared to 3.1% in 2022) and their economic performance is unevenly distributed.

The growth rate in the West African Economic and Monetary Union (WAEMU) stood at 5.7% compared to 6.1% in 2021. Their economic resilience was driven by the intensification of investments in member states, as well as the good performance of manufacturing and commercial activities. The growth rate in 2022 in the WAEMU zone was as follows: Benin (+6.0%), Burkina Faso (+4.0%), Côte d'Ivoire (+6.8%), Guinée-Bissau (+4.7%), Mali (+3.7%), Niger (+7.1%), Senegal (+4.8%) and Togo (+5.8%).

In West Africa, the most dynamic economies in 2022 were Niger (6.7%; 2nd in sub-Saharan Africa, behind Seychelles), Benin (5.7%) and Côte d'Ivoire (5. 5%). However, 14 out of 16 West African countries recorded a downward revision of their growth projection in 2022. Ghana thus experienced the largest decrease (-1.6 against 3.6%), followed by Cap-Vert (-1.2 against 4%) and Burkina Faso (-1.1 against 3.6%). Conversely, Mali is the only country which recorded an upward revision of the growth rate (0.5 to 2.5%) while the projection for Guinée-Bissau remained stable.

The fiscal deficit stood at 6.1% compared to 5.5% of GDP in 2021. The Member States of the Union remain faced with multiple challenges, in a context of the persistence of the Russo-Ukrainian war.

At the end of the fourth quarter of 2022, the overall budget position of the Union (excluding Benin and Mali) deteriorated by 1 287.7 billion, compared to the same period of the previous year, to stand at -3 546.7 billion.

This deterioration in the Union's fiscal deficit mainly results from the impact on public finances of the health crisis related to the COVID-19 pandemic, the implementation of the measures contained in the response plans of the Member States of the Union, the increase in total expenditure, as well as the consequences of the crisis between Russia and Ukraine.

From the point of view of the Member States, it essentially results from the high levels of deterioration of fiscal positions in Côte d'Ivoire and Burkina Faso, respectively of 785.8 billion and 472.3 billion. Over the same period, the most remarkable development in the other Member States of the Union was noted in Senegal where the fiscal deficit deteriorated by 163.0 billion compared to the situation in the fourth quarter of 2021 to stand to -89.4 billion in the fourth quarter of 2022.

The share of public debt in GDP is relatively high. The public debt to GDP ratio in sub-Saharan Africa stood at 56% in 2022, a level not yet reached since the early 2000s. Since the start of the pandemic, fiscal deficits have widened due to multiple crises, a slowdown in growth and the depreciation of local currencies, which results in an acceleration of indebtedness. High levels of public debt have raised concerns about debt sustainability, as 19 of the region's 35 low-income countries were already over-indebted in 2022. Indeed, public debt in sub-Saharan Africa has more than tripled since 2010, with a sharp increase before the start of the COVID-19 crisis. At the end of 2022, the region's public debt stood at around $1 140 billion, compared to $354 billion in 2010. Growth which increased before the start of COVID-19, at an annual growth rate average of 12% during the period 2010-2019, compared to 9% during the period 2020-2022.

Sub-saharan African countries face multiple challenges, including tightening financial conditions, high inflation, the economic effects of the Russo-Ukrainian war and the ongoing COVID-19 crisis. This war interrupted the fiscal consolidation process begun by many countries in the region in the wake of the pandemic. A significant drop in public development assistance and restricted access to external borrowing also contributed to the deterioration of budget revenues.

In response to rising food and fuel prices, policymakers have resorted to measures to limit the impact of rising inflation, such as subsidies, temporary waivers of customs duties and tax levies, and income support mechanisms for the most vulnerable. These measures delayed fiscal consolidation as fiscal deficits in the region remained high and created additional pressure on the budget, particularly for governments whose fiscal space is almost exhausted.

The rapid tightening of monetary policy at the global level has increased borrowing costs for sub-Saharan African countries in both domestic and international markets.

All pre-emerging countries in sub-Saharan Africa have been deprived of access to financial markets since spring 2022.

Last year, the effective exchange rate of the dollar reached a level not yet reached in 20 years, which led to the increase in the cost of repaying debts denominated in this currency. Over the past decade, the ratio of interest payments to government revenue has doubled in sub-Saharan African countries.

Most local currencies in the region have depreciated against the US dollar in 2022. The weakening of their currencies against the US dollar has worsened the situation of countries with high inflation, as the region is highly dependent on imports, a significant portion of which is invoiced in US dollars. Depreciations of local currencies have also contributed to increasing public administration debt, to the extent that 40% of sub-saharan Africa's debt was external in nature in 2022.

Inflation in sub-saharan Africa accelerated sharply and reached a 14-year record level in 2022 (14.4%), driven by rising food and energy prices as well as weakening of currencies. Domestic food prices remained high despite the gradual decline in world prices. Weakening currencies and increasing input costs (transport fuels and fertilizers) explained the stickiness of food prices. Climate shocks, particularly in the Horn of Africa, have added inflationary pressures on the supply side. The number of countries with double-digit average annual inflation rates increased from 9% in 2021 to 21% in 2022.

Inflation rates remain high and above expected targets, despite the large and rapid increases in interest rates decided by the Central Banks of Sub-Saharan Africa. For example, monetary authorities in Ghana, Mozambique, Nigeria, South Africa and Uganda have rapidly increased their monetary policy rates to record levels over the past two years.

Weaknesses in monetary transmission in sub-Saharan African countries could explain the reduced effectiveness of the monetary tightening cycle.

Sub-Saharan African countries experienced significant exchange rate depreciations in 2022, which exacerbated the financing crisis by increasing the burden of servicing their external debt. These pressures have been caused mainly by changes in the fundamental parameters of the global economy, notably by increases in interest rates in advanced countries and unfavorable developments in the terms of trade. Depreciations of national currencies have contributed to an increase in inflation and public debt, while deteriorating trade balances in the short term. These pressures on exchange rates have also led to the depletion of foreign exchange reserve assets (around a quarter of countries had reserves of less than three months of imports at the end of 2022), because foreign exchange inflows have slowed and that central banks drew down their reserves to finance imports.

The region's financial sector has held up relatively well. The share of non-performing loans improved slightly to 7.5% in 2022 from 9.0% of total loans for the median country in 2021. After a temporary decline during the pandemic, bank profitability rebounded to return to its pre-crisis level.

The IMF's new Resilience and Sustainability Facility is an important new financing instrument that will help sub-saharan Africa address long-term structural challenges, including those posed by climate change. It was launched in 2022 and five countries were already benefiting from it, including one from sub-saharan Africa (Rwanda). The Resilience and Sustainability Fund provides financing to support both adaptation and mitigation efforts, while also providing a framework for transparency, credibility and stability that are essential for encouraging private sector investment in climate resilient infrastructure and renewable energy projects.

1.3. Economic environment in EAC

Economic growth in EAC countries slowed in 2022 (5.1 compared to 6.6% in 2021); following the international economic slowdown and the breakdown of supply chains causing the surge in prices of food and energy products.

Table 2 : GDP growth in EAC countries (in%)

	2018	2019	2020	2021	2022
Burundi*	5.3	4.5	-0.5	3.1	1.8
Kenya	6.3	5.6	-0.1	7.2	5.4
Uganda	6.3	4.9	-2.1	5.1	4.9
Rwanda	8.6	10.1	-0.2	10.2	6.8
Tanzania	7.0	6.3	1.0	4.9	4.7
South Sudan	-1.9	0.9	-6.6	5.3	6.6
DRC	4.8	4.5	1.7	6.2	6.6
EAC	6.6	6.5	-0.2	6.6	5.1

Source: IMF, World Economic Outlook, April 2022
**MPBFE, Macroeconomic Framework Paper, March 2023*

Table 3: EAC Inflation rates

	2018	2019	2020	2021	2022
Burundi	-2.6	-0.7	7.5	8.3	18.9
Kenya	4.7	5.2	5.3	6.1	7.6
Uganda	2.9	2.3	2.8	2.2	6.8
Rwanda	1.4	2.4	7.7	0.8	13.9
Tanzania	3.5	3.4	3.3	3.7	4.4
South Soudan	83.5	51.2	24.0	30.2	17.6
DRC	29.3	4.7	11.4	9.1	9.2
EAC-5	3.6	3.9	4.4	4.4	7.0

Source: IMF, Regional Economic Outlook for Sub-Saharan Africa, 2023
**MPBFE, Macroeconomic Framework Pa per, March 2023*

Inflation remained within the limit of the macroeconomic convergence criterion (8.0%) in three (3) countries namely Kenya, Uganda and Tanzania, with the exception of Burundi, Rwanda, South Sudan and of the DRC.

Driven by food and energy prices, inflation increased, establishing itself in Kenya (7.6 against 6.1% in 2021), in Uganda (6.8 against 2.2% in 2021) and in Tanzania (4.3 against 3.7% in 2021).

In Burundi, the inflation rate soared over the period from 2021 to 2022, going from 8.3 to 18.8% following the increase in the costs of imports of petroleum products, fertilizers and food products. In Rwanda, inflation increased from 0.8% in 2021 to 13.9% in 2022, due to the rising costs of imported goods and the low level of national food production. In South Sudan, inflation declined from 30.2% in 2021 to 17.6% in 2022, largely due to the unification of the exchange rate and reduced monetization of the budget deficit. In the DRC, inflation increased from 9.1% in 2021 to 9.2% in 2022 following the rise in global energy and food prices.

The average reserves in months of imports of the sub-region slightly decreased by 0.8 percentage points to settle at 3.7 in 2022 compared to 4.5% in 2021. This average contains disparities between countries and all the countries of the sub-region have a level below the standard of 4.5 months of imports.

The level of total public debt represents 56.7% of GDP at the end of December 2022 compared to 57.9% at the same period of the previous year, and remains beyond the maximum limit of the EAC macroeconomic convergence criterion (50% of GDP).

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

Criteria	Total public debt (≤50 % du PIB)					External Public Debt					Domestic Public Debt				
Countries	**2018**	**2019**	**2020**	**2021**	**2022**	**2018**	**2019**	**2020**	**2021**	**2022**	**2018**	**2019**	**2020**	**2021**	**2022**
Burundi*	46.6	52.5	57.3	56.7	57.9	13.8	15.3	15.4	16.8	14.5	32.8	37.3	41.9	39.9	43.5
Kenya	60.2	62.1	68.7	68.1	67.9	30.5	31.8	34.7	33.3	31.9	29.7	29.5	34.0	34.8	36
Uganda	34.9	37.6	46.4	51.6	50.8	23.3	25.5	31.3	32.9	26.9	12.0	13.4	15.1	18.7	23.9
Rwanda	45.0	51.0	61.0	68.6	64.4	40.2	43.2	53.9	55.8	51.5	- 6.0	- 6.5	7.1	12.8	12.9
Tanzania	38.6	39.0	40.5	40.8	41.6	28.9	28.1	28.9	28.5	27.4	9.8	10.7	11.6	12.3	14.2
South Soudan	46.3	28.1	37.2	58.2	39.6	0.1	0.3	0.4	n.d.	n.d.	46.2	27.8	36.8	58.2	39.6
DRC	15.3	15.5	16.7	16.3	14.6	12.9	13.4	13.4	14.8	13.4	2.4	2.1	3.3	1.5	1.2
EAC-5	48.4	48.9	55.7	57.1	56.7	29.0	29.4	32.2	32.7	30.4	19.1	19.5	14.2	4.4	26.3

*Source: * BRB, Monetary Policy Report, December 2022*

IMF, Regional Economic Outlook Sub-Saharan Africa, April 2023

Public debt levels in the region increased slightly due to falling revenues, increased public spending to mitigate the impact of COVID-19, the Russo-Ukrainian war and infrastructure investments in some countries in the region.

Relative to GDP, Kenya's public debt was the highest in the region with a ratio of 67.9 compared to 68.1% in 2021. Rwanda comes in 2nd position although public debt fell, standing at 64.4 against 68.6% in 2021. Burundi comes in 3rd place with a public debt/GDP ratio of 57.9% of GDP at the end of 2022 against 56.7% in 2021. The public debt of South Sudan has decreased, returning at 39.6 compared to 58.2% in 2021.

Uganda's public debt ratio reached 50.8% in 2022 compared to 51.8% in 2021. In Tanzania, public debt varied very moderately from 40.8% in 2021 to 41.6% of GDP in 2022. For the DRC, public debt varies downward to stand at 14.6% of GDP in 2022 compared to 16.3% in 2021.

There is variability in debt and debt overhang indices emanating from the macroeconomic situation of each country in the region and the level of additional spending needed to support the seemingly bumpy economic recovery.

The fiscal deficit at the EAC level increased by 2.0 percentage points to 5.3% in 2022 compared to 3.3% of GDP in 2021, driven by increased subsidy spending, transfers and investment while revenues fell slightly. On the other hand, it is worth emphasizing that South Sudan is the only one of the EAC countries to have recorded the budget surplus (0.9) during 2022 following its surplus current external balance and its growth in Real GDP. We add the DRC, whose deficit (1.6) is regulatory thanks to its highest growth driven by the exploitation of oil and gas deposits. The regional level of the fiscal deficit remains above the minimum standard of 3% required at the EAC level.

Table 5 : Fiscal Deficit in EAC Countries (% of GDP)

	2018	2019	2020	2021	2022
Burundi*	4.5	4.3	6.1	2.8	5.0
Kenya	4.7	5.2	5.3	8.1	6.0
Uganda	2.6	4.8	7.5	7.8	5.8
Rwanda	1.4	5.1	9.4	6.9	6.5
Tanzania	3.5	2.0	2.5	3.3	3.3
EAC-5	3.6	2.0	2.5	3.3	5.3
RDC	-	2.0	1.4	0.0	1.6
South-Soudan	-	0.1	6.7	10.0	-0.9

Source: IMF, Regional Economic Outlook, Sub-Saharan Africa, April 2023

The banking sector remained strong and resilient, with strong capital and liquidity reserves, despite the effects of the COVID-19 pandemic and the Russo-Ukrainian war, mainly due to fiscal, monetary and financial policies aimed at mitigating the impact of the pandemic and war. Banks continue to hold capital and liquidity ratios above the required regulatory thresholds and have put in place conditions facilitating access to credit by households and businesses.

However, threats to banking stability persist. The regional level of non-performing loans has not declined significantly. In Tanzania, the level of non-performing loans stood at 7.3% in 2022 compared to 8.4% in 2021. In Uganda, the rate of non-performing loans increased slightly to 5.8% in 2022 compared to 5.3% of total loans in December 2021. As in Kenya, the rate of non-performing loans increased slightly to 13.3% of the loan portfolio in September 2022 (compared to 13.1% in September 2021).

In South Sudan, the non-performing loan rates recorded by banks and microcredit financial institutions are also down to 3.1% in 2021 compared to 2.4% in September 2022. At the moment, non-performing loans in Rwanda stand at 3.1% in 2022 compared to 4.6% in September 2021 respectively.

In Burundi, the rate of non-performing loans stood at 2.7% at the end of December 2022 compared to 3.4% in the corresponding period of 2021.

Table 6: Change in the rate of non-performing loans at EAC level

	2018	2019	2020	2021	2022
Burundi	9.0	5.7	5.3	3.4	2.7
Kenya	9.1	10.0	14.1	13.1	13.3
Uganda	3.3	3.8	5.3	5.3	5.8
Rwanda	5.0	4.9	4.5	4.6	3.1
Tanzania	6.9	9.8	9.4	8.4	7.3
South Soudan	4.1	2.1	3.1	3.1	1.7

Source: EAC Country Risk Scorecard, June 2023

Year-on-year, as part of maintaining the stability of the exchange rate, the currencies of the EAC countries depreciated but fluctuated within the limit of the convergence criterion of the agreed threshold of (±5.0%) at the exception is the Ugandan (6.05%) and Kenyan (9.68%) shilling which exceeded this threshold.

1.4. Macroeconomic conditions in Burundi

Burundi's economic situation has been marked by macroeconomic imbalances. To compensate for the loss of external resources, there has been an increase in the mobilization of domestic resources, but this has not been sufficient to meet a continually rising social demand, driven by sustained demographic growth. Recent shocks (COVID-19 and the war between Russia and Ukraine) have interrupted a still-fragile economic recovery and intensified macroeconomic imbalances.

1.4.1. Economic growth

In 2022, economic growth slowed, reaching 1.8% in 2022 compared to 3.1% in 2021. However, agricultural production experienced a slight contraction due to the delay in rainfall and fertilizer distribution. The overall inflation rate reached 18.9% in 2022 and could remain high in 2023 due to rising prices of food and petroleum products.

1.4.2. Public finances

At the end of December 2022, the overall deficit of public finances (excluding donations) increased compared to the same period of the previous year, standing at 787 401.6 against 459 254.9 MBIF, following the increase more expenditures are more important than revenues.

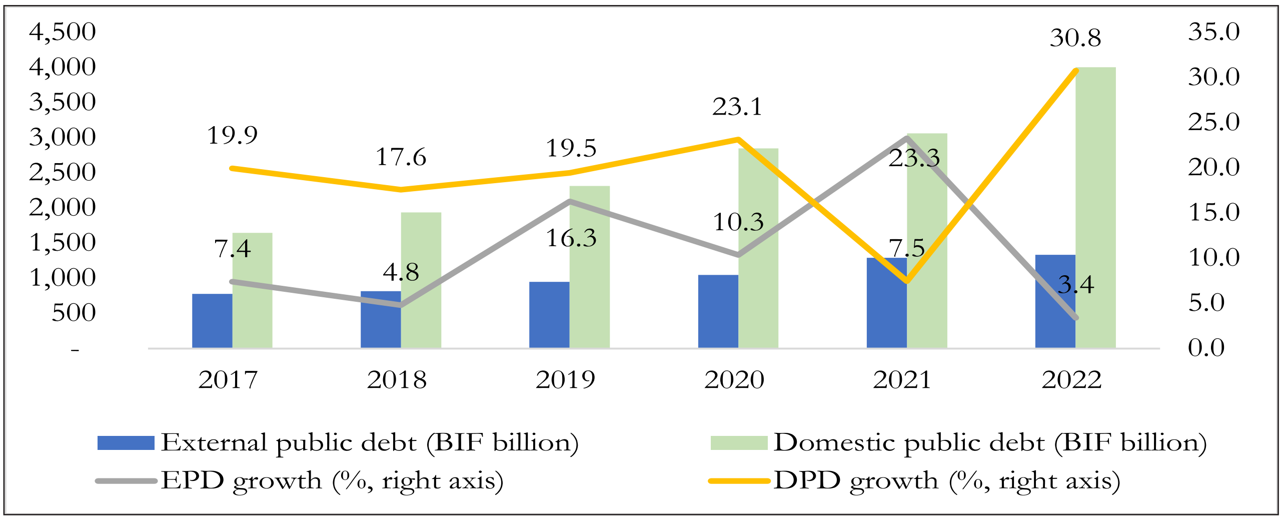
Public spending increased by 32.9% from BIF 1 696.6 billion in 2021 to BIF 2 255.6 billion in 2022. Public revenue increased by 18.7%, reaching BIF 1,468.2 against BIF 1 237.3 billion in 2021. This improvement was due to both the increase in tax revenue (+135 257.3 MBIF) and non-tax revenue (+95 572.8 MBIF).

Relative to GDP, Burundi's budget deficit increased from 2.8 in 2021 to 5.0% in 2022. This level exceeds the minimum standard of 3% required at the EAC level.

1.4.3. Public debt

Public debt increased by 22.7% at the end of December 2022, going from 4 353.3 to 5 339.4 billion BIF in 2022, in connection with the increase, both in domestic debt (+30 .8%) and external debt (+3.4%). Domestic debt increased by BIF 942.1 billion at the end of December 2022, from BIF 3 063.2 billion in 2021 to BIF 4 005.2 billion in 2022, following the increase in State debt, towards the banking sector (+1008.1 billion BIF) especially in the form of advances from the BRB (+829.7 billion BIF), partially offset by the reduction in State commitments towards the non-financial sector (- 39.0 billion BIF). External debt increased by BIF 44.1 billion at the end of December 2022, going from BIF 1 290.1 to BIF 1 334.2 billion, in relation to drawings (+BIF 72.7 billion) and capital gains from 5 revaluation (2.1 billion BIF), partially offset by the amortization of the debt (30.8 billion BIF). Expressed in US dollars, external debt increased by 0.2%; standing at 647.4 against 645.6 million dollars at the end of 2021.

Figure 2 : Evolution of Burundi's public debt



Source: MFBPE, BRB, public debt data

1.4.4. Monetary and financial situation

The banking sector's equity increased significantly by 28.0% at the end of December 2022, standing at 760.8 compared to BIF 594.4 billion at the end of December 2021. The basic solvency ratio stood at 18.7% compared to 21.5% and the overall solvency ratio stood at 20.4% compared to 23.0%.

1.4.4.1. Inflation and interest rates

Inflation soared over the period from 2021 to 2022, going from 8.3 to 18.8%. Inflation has been aggravated by rising costs of imports of petroleum products, fertilizers and food products, combined with the effects of the Russo-Ukrainian crisis. This level of inflation far exceeds the maximum standard of 8% acceptable at the EAC level.

At the money market level, interest rates have fallen. The marginal lending rate increased from 6.9% in 2021 to 5.0 in 2022. Likewise, the liquidity provision rate decreased in 2022 to 2.0 compared to 2.9% in 2021. The interbank rate which also decreased from 5.8% in 2021 to 2.5 in 2022, following the accommodating monetary policy put in place by the Central Bank concerning the refinancing of growth-promoting sectors by credit institutions and microfinance institutions.

Deposit rates increased slightly (standing at 6.2% in 2022 compared to 6.1% in 2021), while lending interest rates fell from 13.4% in 2021 to 12.9% in 2022.

Table 7 : Inflation* and interest rates**

	2018	2019	2020	2021	2022
Inflation rate	-2.6	-0.7	7.5	8.3	18.9
Overnight facility rate	5.48	5.63	6.87	6.88	5.00
Interbank rate	2.36	2.94	4.38	5.78	2.50
Liquidity rate	2.42	2.99	3.93	2.93	2.00
Deposit rate	5.43	5.28	5.66	6.08	6.20
Lending rate	15.47	15.49	15.18	13.36	12.90

*Source: * INSBU, Consumer Price Index, December 2022*
*** BRB*

1.4.4.2. Evolution of monetary aggregates

The monetary base increased by 44.5% in 2022, standing at 1 138.0 compared to BIF 787.6 billion at the end of 2021. This development reflects an increase in commercial bank deposits at the Central Bank of 137.1% in 2022 compared to a decrease of 27.5% at the end of 2021. Likewise, banknotes and coins in circulation increased by 18.8% in 2022 compared to 12.7% recorded at the end of 2021.

The money supply increased by 38.8%, from BIF 3 035.2 billion to BIF 4 212.3 billion at the end of 2022.

The growth in the M2 money supply concerned demand deposits in BIF (+53.7%), term and savings deposits (+25.2%) and fiduciary circulation excluding deposit institutions (+18 .0%).

The growth in demand deposits is due to the increase in the growth of household deposits (42.4 against 15.3%), other financial companies (247.3 against -27.0%), other non-financial companies (61.4 versus 17.4%), deposits classified in other accounts (32.5 versus 26.5%), demand deposits of public non-financial corporations (123.0 versus 19.7%) and local administrations (821.4 against -15.4%).

The rate of growth in term and savings deposits decelerated following the decline recorded in household deposits (15.6 against 39.6%), deposits classified in other accounts (12.2 against 26.7 %) and deposits of public non-financial companies (-39.7 against -19.3%). On the other hand, the rate of growth of deposits of other non-financial companies (38.3 against 37.4%) accelerated.

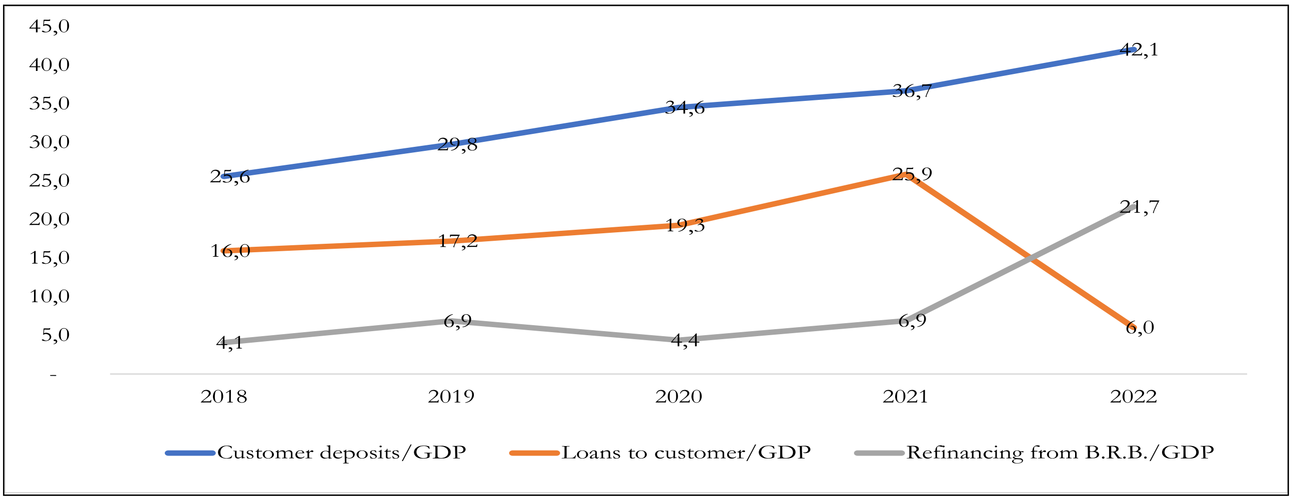
Residents' foreign currency deposits included deposits from households (+6.4 against 33.2%) and public non-financial companies (-61.0 against -14.2%).

On the other hand, deposits of other non-financial companies (34.5 against 22.0%) and those classified in other accounts (35.3 against -3.3%) increased.

1.4.4.3. Loan to the economy

Credit to the economy increased by 43.2% in Burundi, going from 1 987.3 billion in 2021 to 2 846.1 billion in 2022. This increase is mainly due to the special refinancing of credit institutions in favor of growth-producing sectors. The special refinancing amount stood at BIF 557.3 billion at the end of 2022 compared to BIF 530.8 billion at the end of 2021, that's an increase of 5.0%.

Figure 3 : Evolution of the credit to the economy (% of GDP)



Source: BRB

1.4.4.4. Debts to enterprises and households

The debt of private companies as a percentage of GDP increased by 5.8% to stand at 18.5% in 2022 compared to 12.7% of GDP in 2021 in connection with the financial support measures of the Central Bank in in favor of sectors deemed to bring growth. On the contrary, household debt decreased by 7.9 percentage points, standing at 10.3% in 2022 compared to 18.2% in 2021. This drop in household debt is attributable in particular to the drop in economic activity driven by border movement restrictions that prevailed in 2021 due to the COVID-19 pandemic. The debt of public enterprises has stabilized at 0.3% of GDP.

Table 8 : Enterprises and households debt (% of GDP)

Year	Household debt in % of GDP	Private entreprises debt in % of GDP	State-owned entreprises debt in % of GDP
2018	12.3	6.1	0.7
2019	13.8	6.9	0.7
2020	15.5	7.8	0.3
2021	18.2	12.7	0.3
2022	10.3	18.5	0.3

Source: BRB

The net situation of households' indebtedness stood at BIF 118 044.9 billion in 2022 compared to BIF 118 782.9 billion in 2021. On the other hand, the net position of private companies is in credit. The net situation of private companies' indebtedness stood at BIF 57 610.7 billion in 2022 compared to BIF 192 334.3 billion in 2021. The net position of public companies' indebtedness remained in credit with BIF 99 584.1 billion in 2022 compared to BIF 36 041.8 billion in 2021.

Table 9 : Households and enterprises net indebtedness (BIF billion)

Year	2018	2019	2020	2021	2022
Households deposits	653 115.3	808 259.7	1 044 697.6	1 298 250.6	1 628 456.7
Households loans	725 652.3	855 794.2	1 053 197.5	1 417 033.5	1 746 501.6
Households net indebteness	72 537.0	47 534.5	8 499.9	118 782.9	118 044.9
Private entreprises deposits	613 761.8	776 816.1	979 386.1	1 170 596.1	1 767 206.3
Private entreprises loans	363 274.4	426 311.3	527 476.0	978 261.8	1 709 595.6
Private entreprises net indebtedness	-250 487.4	-350 504.8	-451 910.1	-192 334.3	-57 610.7
State-owned entreprises deposits	51 702.8	38 282.6	37 861.2	61 062.2	123 201.5
State-owned entreprises loans	41 963.0	42 077.7	22 344.7	25 020.4	23 617.4
State-owned entreprises net indebtedness	-9 739.8	3 795.1	-15 516.5	-36 041.8	-99 584.1

Source: BRB

1.5. Challenges to Burundi's financial stability

This report reviews vulnerabilities of internal and external origin. In 2022, the financial system is vulnerable to the depreciation of the national currency, the increase in public debt, the increase in the current deficit and the decrease in foreign exchange reserves.

1.5.1. Increase in public debt

Burundi's public debt increased by 22.7% in 2022, reaching BIF 5 339.4 billion compared to BIF 4 353.3 billion the previous year. This increase was mainly fueled by new issues of treasury securities to banks. State commitments to the banking sector increased by 9.8%, reaching BIF 1 994.5 billion compared to BIF 1 816.1 billion the previous year. This increase resulted from the increase in the amount of securitization of State arrears, increasing from 105.9 to 179.5 billion BIF in 2022. Direct advances from the Central Bank to the State increased by 92.0%, settling at 1 731.1 against BIF 901.5 billion in 2021.

1.5.2. Evolution of the current external deficit and foreign exchange reserves

A. Current external deficit

The current account includes all international transactions relating to goods, services, primary and secondary income.

By analyzing the balance of payments for the 2022 financial year, the current account deficit worsened (1 265.7 against BIF 785.2 billion in 2021) following the deterioration of the goods, services and primary income accounts.

On the other hand, the secondary income account improved by 18.2%, going from 986.2 to 988.0 billion BIF, following the increase of 16.8% and 3.5% recorded respectively at the level of net current transfers for the benefit of the public administration and private transfers.

The trade balance deficit increased in 2022, reaching 2 141.3 against 1,702.0 billion BIF in 2021. This widening of the deficit is driven by the increase in CIF imports (2 564.2 against 2 025.4 billion BIF of the previous year) more important than that of exports (422.9 against 323.4 billion BIF).

In terms of imports, this increase affected both production goods (44.2%), imports of consumer goods (14.6%), as well as capital goods (6.7%).

The increase in production goods is mainly attributable to mineral oils (87.1%), goods intended for agriculture and livestock (129.7%), goods intended for food (15.2%) and those intended for construction (5.5%). On the other hand, imports of metallurgical goods (-12.6%) fell. The increase in imports of capital goods mainly concerned boilers, mechanical equipment (16.0%). On the other hand, imports of electrical equipment (-3.7%) and tractors, vehicles and transport equipment (-5.1%) decreased. Regarding imports of consumer goods, their increase is driven in particular by food goods (9.6%), textiles (22.8%) and vehicles (8.7%). On the other hand, imports of pharmaceutical products (-9.7%) decreased.

As for exports, their increase concerned both exports of primary products (25.8%) and those of manufactured products (+41.5%).

Among primary products, exports of coffee (+93.3%) and non-monetary gold (+31.7%) increased significantly. On the other hand, exports of Niobium ores (-41.2%) and tea (-4.5%) decreased from one year to the next.

Exports of manufactured products increased in all categories of manufactured products, notably beers (+38.4%), dark glass bottles (+21.5%), wheat flour (+75. 7%) and cigarettes (+65.1%).

B. Decrease in Foreign Exchange Reserves

Gross foreign exchange reserves decreased by 33.9%, standing at 176.2 against 266.6 million dollars at the end of December 2021. In terms of months of import of goods and services, reserves stood at a level lower than the CEA convergence criteria standard (4.5 months of imports), i.e. 1.8 compared to 3.2 months at the end of December 2021. This decrease in foreign exchange reserves is attributable to the deterioration of the terms of the exchange and the commercial coverage rate.

Table 10: Evolution of foreign exchange reserves in the EAC (in months of imports)

	2018	2019	2020	2021	2022
Burundi*	1,0	1,5	1,1	3,2	1,8
Kenya	4,8	6,1	4,6	4,4	3,7
Uganda	4,0	4,0	4,5	4,0	3,4
Rwanda	4,2	4,8	4,7	4,6	3,7
Tanzania	5,9	5,9	5,2	4,9	3,9
CEA-5	4,2	5,4	4,5	4,5	3,7
South Sudan	0,1	0,3	0,4	0,5	0,4
DRC	0,5	0,7	0,6	0,8	1,1

Source: IMF, Regional Economic Outlook, Sub-Saharan Africa, April 2023

** BRB, Annual average*

1.5.3. Increase in the price level at the national level

Year-on-year, overall inflation stood at 18.8% in December 2022 compared to 8.3% in the same period of the previous year. This acceleration in inflation affected both food (24.5 versus 10.4%) and non-food (11.3 versus 6.3%).

The increase in food inflation mainly concerned the prices of the sub-categories "Breads and cereals" (37.4 against 3.6%), "Fish and seafood" (+32.9 against 4.6%), "Vegetables" (19.5 versus 12.2%), "Fruit" (22.7 versus -0.9%), "Oils and fat," "Meat" (+20.8 versus 10.1%).

The increase in non-food inflation mainly concerned the sub-headings "Leisure and culture" (12.0 against 1.0%), "Transport" (+21.0 against 1.6%), "Restaurants and hotels" (9.7 versus 3.8%), "Furniture, household items and routine household maintenance" (20.1 versus 5.5) and "Clothing and footwear" (11.5 versus 5.5%).

Table 11: Inflation rate per components

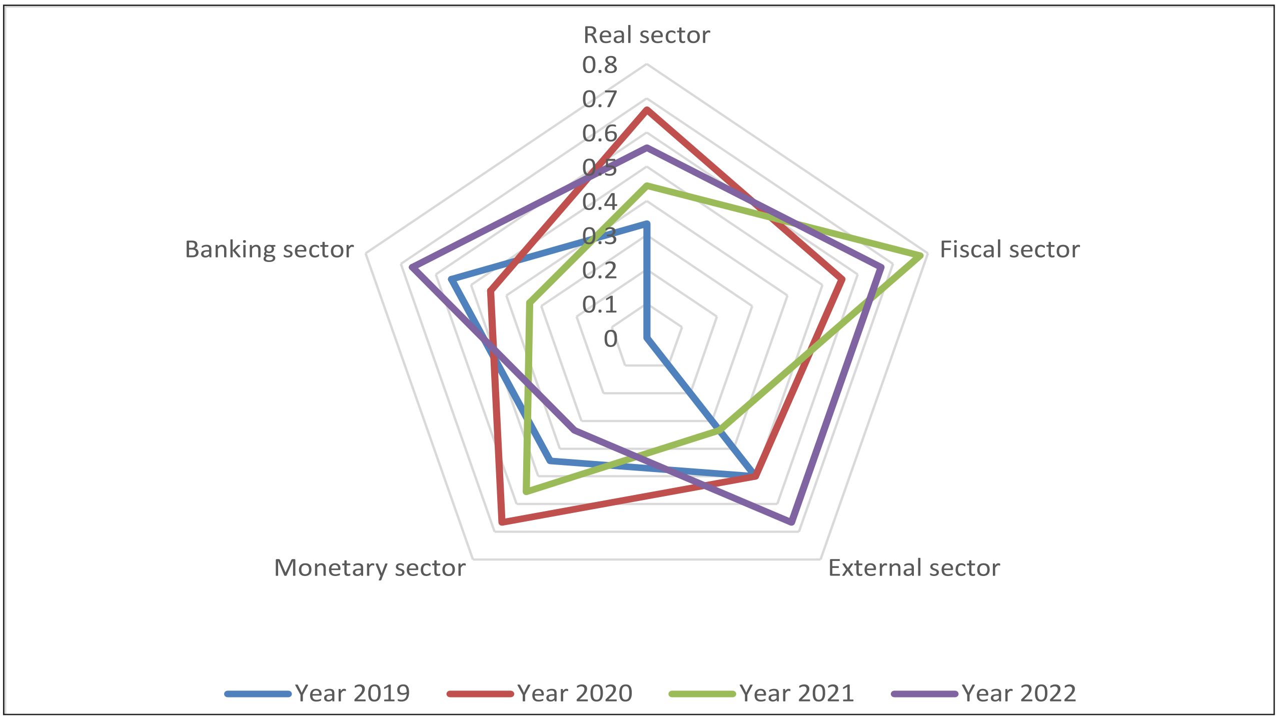
Year	2018	2019	2020	2021	2022
Eating	**-11.0**	**-2.9**	**12.6**	**10.4**	**24.7**
-Breads and cereals	-15.4	0.5	11.3	3.6	36.5
-Meat	5.9	4.4	17.1	10.1	20.9
- Fish	14.8	4.3	4.9	4.6	33.6
- Milk, cheese and eggs	2.7	5.0	5.6	10.9	11.9
- Oils and fats	10.6	2.6	1.0	28.9	33.0
- Fruit	2.1	-1.7	5.3	25.3	13.8
- Vegetables	-17.5	-6,7	17.4	12.2	19.4
- Sugar, jams, honey, chocolate and confectionery	-6.6	0.1	5.3	-2.9	11.4
- Food products not elsewhere defined	3.6	4.2	9.3	1.2	5.1
Inedible	**7.4**	**1.8**	**2.6**	**6.3**	**11.5**
- Alcoholic drinks and Tobacco	6.0	-0.9	1.8	4.5	7.6
- Clothing and footwear	6.4	3.2	4.8	5.5	11.5
- Housing, water, electricity, gas and other fuels	12.4	2.5	5.1	7.8	9.9
- Furnishing, household equipment and routine maintenance of the house	6.4	2.8	3.0	5.5	20.2
- Health	8.8	3.5	2.4	28.8	12.9
- Transportation	8.9	0.8	-1.2	1.6	21.1
- Communications	0.9	0.4	-0.3	2.1	10.9
- Leisure and culture	6.6	6.9	6.4	1.0	12.8
- Teaching, education	22.8	2.2	1.7	5.0	1.9
- Hospitality, cafe and catering	5.7	-0.4	1.7	3.8	9.8
- Other goods and services	8.3	2.2	3.1	3.3	8.1
Overall	**-2.6**	**-0.8**	**7.5**	**8.3**	**18.9**

Source: Calculations based on INSBU data

1.6. Summary of the macroeconomic situation in Burundi

The main sectors constituting a risk for financial stability are the banking sector through the fall in returns, the tax sector through the increase in public debt, the external sector through the increase in the current external deficit and the reduction foreign exchange reserves in months of imports and the real sector through the depreciation of the Burundian currency.

Figure 4: Summary of the macroeconomic situation in Burundi



Source: BRB

Reported as a share to GDP, public debt reached a higher level (57.9 compared to 56.7% in 2021) than the maximum standard of 50% set at the EAC level. For the external sector, the current account deficit balance deteriorated, going from BIF 785.2 billion to BIF 1 265.7 billion in 2022. Thus, the deterioration in the terms of trade impacted the level of foreign exchange reserves. Expressed in months of import, the level of reserves fell, standing at 1.8 compared to 3.2 months of import in 2021.

Regarding the real sector, Burundi recorded inflation going beyond the EAC convergence criterion (8%), reaching 18.8 compared to 8.3% at the end of December 2021.

For the banking sector, the Return on Assets Ratio (ROA) decreased by 1.0 ppc to reach 2.4% compared to 3.4% in 2021. The overall solvency ratio associated with this sector decreased by 2.6 ppc standing at 20.4% compared to 23.0% in 2021, remaining above the national regulatory minimum of 14.5%.

Box 1 : Climate risk factors and their transmission channels to the real economy and the financial system

Climate change poses a significant risk to financial stability. It has multiple harmful implications on life on earth and is responsible for warming the earth's surface, rising sea levels, increasing the frequency and severity of droughts, floods, cyclones and many other extreme weather events.

In Burundi, for example, the Lake Tanganyika floods displaced around 50 000 people and destroyed crops and homes. The increase in global warming can lead to lasting negative economic impacts and could constitute significant vectors of risks for financial stability. The heavy dependence of the Burundian population on rain-fed agriculture amplifies vulnerability to extreme weather shocks and the greatest cost is paid by the poorest segments of the population.

The analysis of the effects of climate change distinguishes two main types of climate risks. Physical risks that are associated with losses resulting from impacts on people and property induced by extreme weather events such as floods, hurricanes, cyclones, droughts, etc. and progressive changes in long-term climate. These events weaken the financial situations of households and businesses through the destruction of lives and physical assets and the disruption of business activities in various ways. Transition risks which are linked to the financial costs due to the adjustment of the current economy towards a lower carbon economy, notably through changes in climate policy or technologies. This results in changes in the behavior of economic agents to adapt to the policies and changes adopted which can have an impact on household assets and their living conditions.

The effects of climate change are transmitted to the credit portfolios of credit institutions following the effects suffered by their counterparties (households, businesses, States) made less solvent or less demanding of banking services. This is due to the fact that in such situations, households face drops in income or the value of their assets or businesses face, in addition to physical risks, a drop in their sales, an increase in spending investment or operating costs and an unfavorable change in the value of their assets.

CHAPTER 2 :
FINANCIAL SYSTEM DEVELOPMENT

CHAPTER 2: FINANCIAL SYSTEM DEVELOPMENT

National financial stability depends on the stability of the financial system. The latter being essentially banking, its stability presupposes its resilience to possible simulated vulnerabilities, both endogenous and exogenous.

At the end of 2022, the financial system in general was compliant with current regulations, robust and resilient to threats identified as likely to occur. Thus, regulatory compliance was assessed from the perspective of solvency, asset quality and liquidity. Viability was assessed from the point of view of cost control and profitability. Resilience was assessed against risks identified as threats to financial stability.

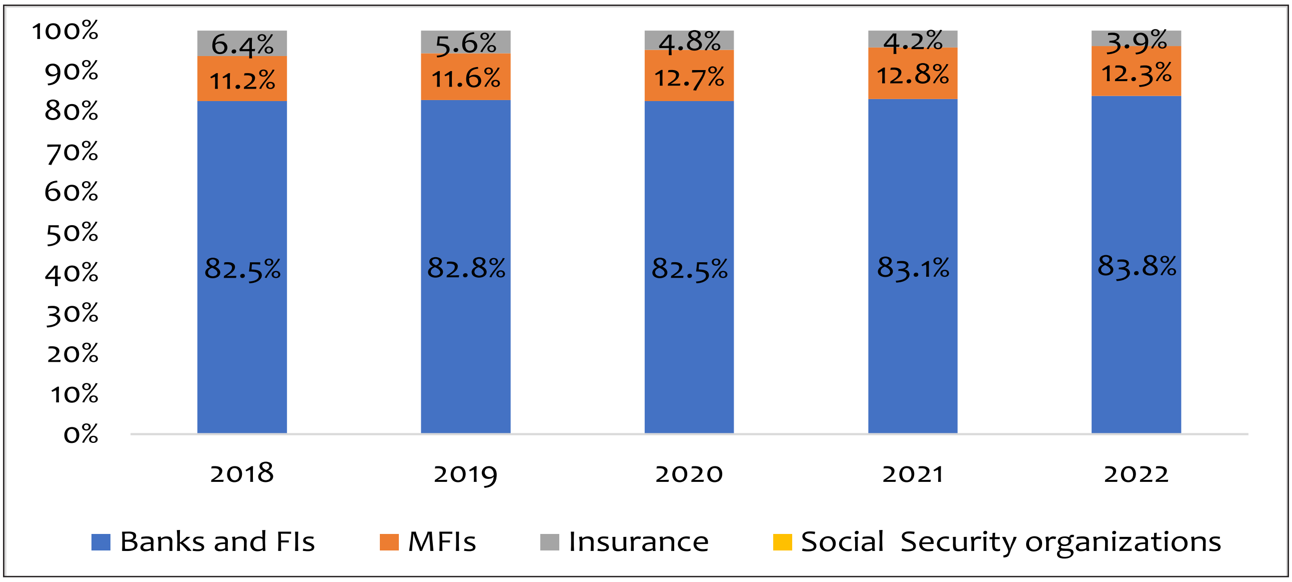
2.1. Financial system structure

At the end of 2022, the banking sector is made up of 15 credit institutions including 14 banks and 1 financial institution.

The Burundian microfinance sector included 46 savings cooperatives and 23 microfinance companies, to which are added 76 community financial groups. As part of facilitating access to financial products and services, savings cooperatives and microfinance companies have increased the number of service points (headquarters, agencies and counters) authorized by the BRB, reaching 402 in 2022 compared to 387 in 2021.

At the end of 2022, the assets of the banking sector are the most predominant in the national financial sector with 83.8% of total assets while the microfinance and insurance sectors occupy 12.3% and 3.9% respectively.

Figure 5 : Evolution of the financial system structure



Source : BRB

2.2. Banking sector

In 2022, the Burundian banking sector remained in compliance with the regulatory framework, solid and resilient. Indeed, the banking sector displays a quasi-compliance with regulatory standards, positive profitability, an improvement in the quality of the credit portfolio and resilience to shocks simulated by the BRB.

2.2.1. Banking sector situation

At the end of 2022, the activities of the banking sector are generally oriented towards financing the Government and the economy, as well as providing means of payment. Credits to the economy from the banking sector represented 28.9% of GDP in 2022 compared to 26.7% in 2021. At the end of 2022, the banking sector had five banks of high systemic importance and five banks of medium systemic importance.

2.2.1.1. Banking sector assets

At the end of 2022, the total assets of the banking sector reached BIF 6 462.3 billion in 2022 compared to BIF 4 933.6 billion in 2021, i.e. an increase of 31.0%. Employment in the banking sector is mainly and respectively composed of credit to the economy 44.0% and financing to the Government 30.9% at the end of 2022 compared to 40.3% and 36.9% at the end of 2021.

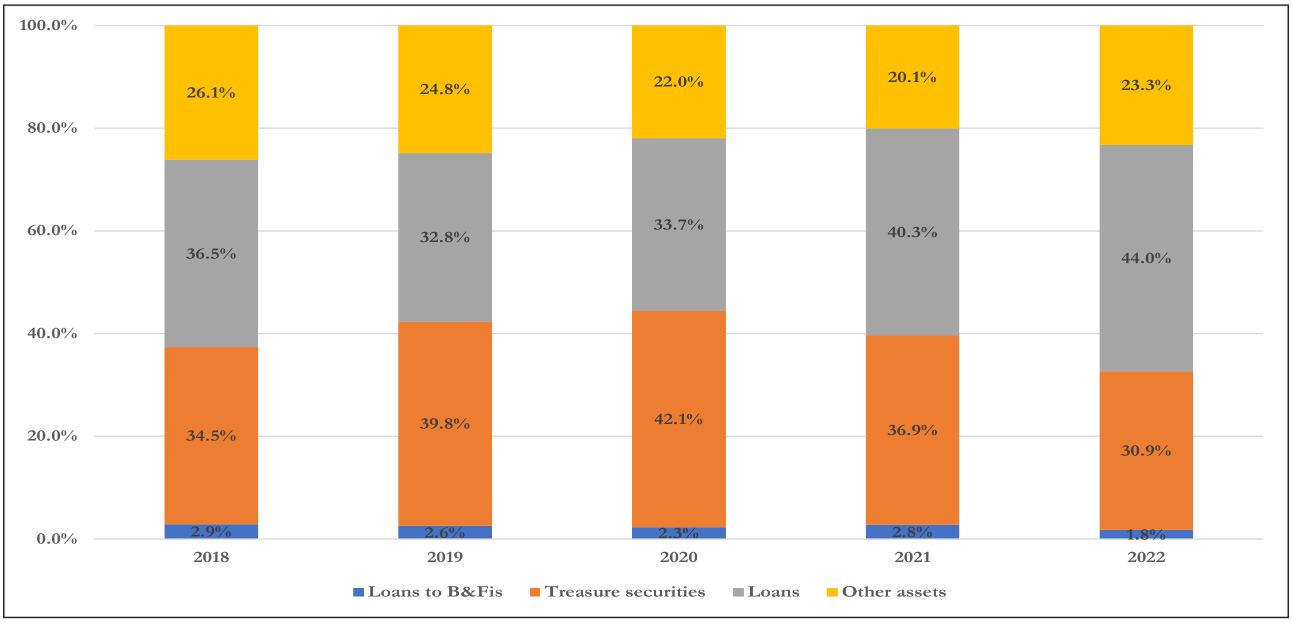
Banks of high Systemic Importance contributed 53.4% in the financing of credit to the economy and 71.4% in the financing of the State while Banks of Medium Systemic Importance contributed to up to 34.8% in the financing of credit to the economy and 24.1% in the financing of the State.

Credit is concentrated in particular in the sectors of commerce (32.5%), equipment (24.4%), construction (19.4%), agriculture (13.2%), industry (9.1%), and tourism (1.4%). The loans distributed by banks were mainly short-term (42.4%) while medium and long-term loans represented 23.4% and 34.2% respectively in 2022 compared to 26.8% and 29.2% in 2021.

Government financing is carried out through the purchase of Treasury Securities (Treasury Bonds and Bonds). Treasury bills have maturities ranging from 13 weeks to 26 weeks while Treasury bonds have maturities ranging from 2 years to 10 years.

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

Figure 6 : Structure of assets (in %)



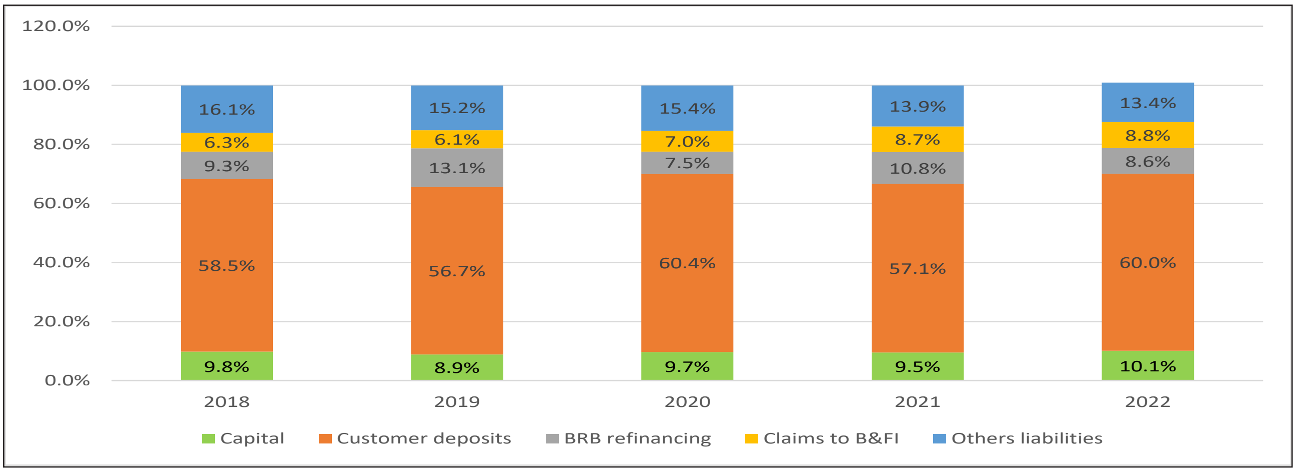
Source : BRB

2.2.1.2. Banking sector liabilities

In 2022, the banking sector's resources are mainly composed of customer deposits (60.0% compared to 57.1% in 2021), equity (9.2% compared to 9.5% in 2021) as well as refinancing of the BRB (8.6% against 10.8% in 2021).

High Systemically Important Banks hold 62.2% of customer deposits and receive 23.1% of BRB refinancing while Medium Systemically Important Banks hold 30.5% of customer deposits and receive 69.3% of BRB refinancing.

Figure 7 : Liabilities Structure (in %)

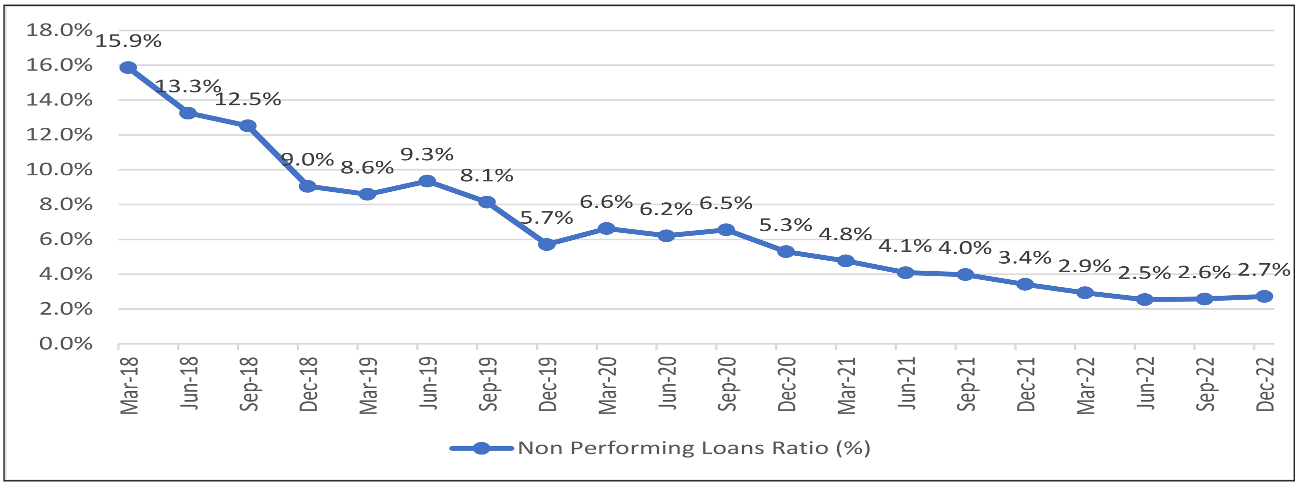


Source : BRB

2.2.2. Loan portfolio quality

The rate of deterioration of the sector's credit portfolio decreased by 0.7 percentage points. To this end, the overall deterioration rate fell from 3.4% at the end of December 2021 to 2.7% at the end of December 2022. This reduction is due on the one hand to the write-off of compromised debts aged two years or more in the balance sheets of credit institutions amounting to BIF 1 018.84 billion and on the other hand an increase in the credit portfolio of 43.2% greater than that of non-performing loans which is 13.6%. In fact, non-performing loans without write-off would amount to 2.8%.

Figure 8 : Non-performing loans rate trend (in %)



Source : BRB

At the end of 2022, within the non-performing portfolio, the most predominant sectors of activity were commerce, housing and transport with respectively 31.1%, 26.6% and 14.4%. For 2021, the commerce, housing and health sectors were the most predominant within the non-performing portfolio with 24.5%, 20.2% and 13.6% respectively.

From an intra-sector point of view, the best performing sectors of activity are the mining and quarrying sector (0.0%), the education sector (0.10%) and the industrial sector (0.3%) while the worst performers are the tea sector (55.9%), the hotel sector (10.2%).

In comparison with the EAC member States, according to the standard accepted in the banking profession (≤ 5%) regarding the quality of the credit portfolio, the situation in Burundi is almost acceptable.

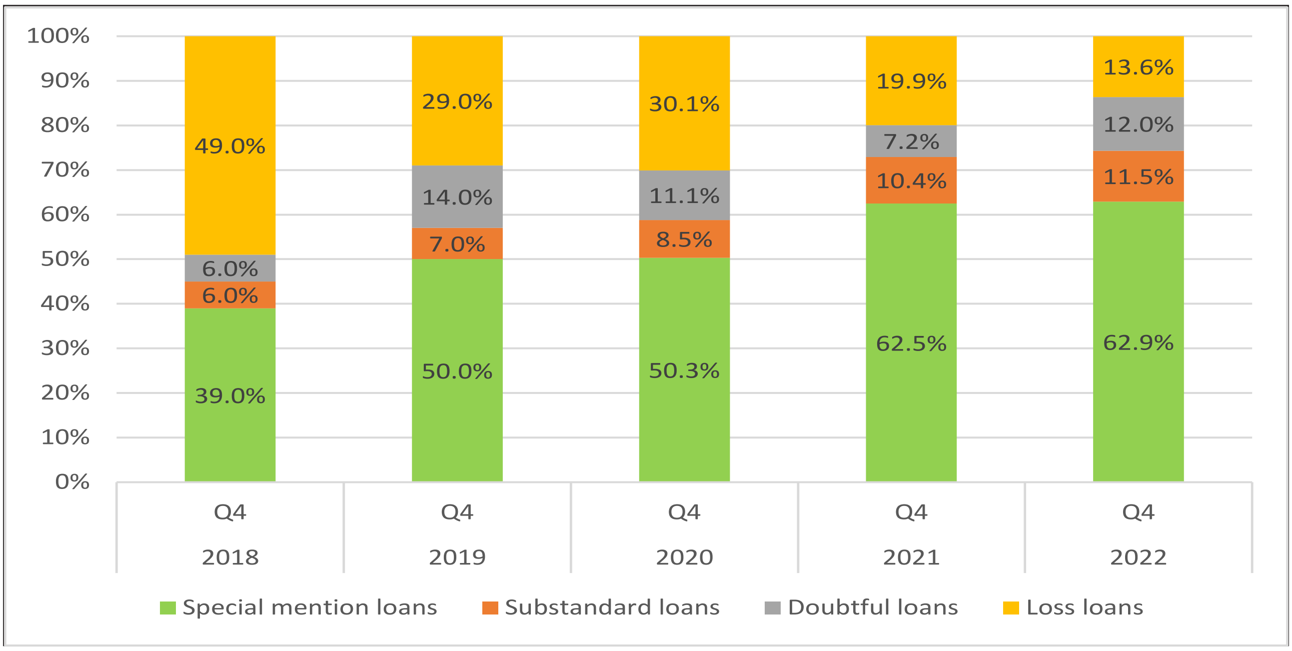
Table 12 : Non-performing loans rate trends at the EAC level

NPLs	2018	2019	2020	2021	2022
Burundi	9.0	5.7	5.3	3.4	2.8
Kenya	9.1	10.0	14.1	13.1	13.3
Uganda	3.3	3.8	5.3	5.3	5.8
Rwanda	5.0	4.9	4.5	4.6	3.1
Tanzania	6.9	9.8	9.4	8.4	7.3
South Sudan	4.1	2.1	3.1	3.1	1.7

Source : EAC Country Risk Assessment Scorecard, June 2023

The evolution of receivables to be monitored as a leading indicator of future deterioration of the credit portfolio, remained high from one year to the next, standing at 62.9%. Thus, to cope with this deterioration of the portfolio, the banks have made provisions with a provisioning rate of 46.6%.

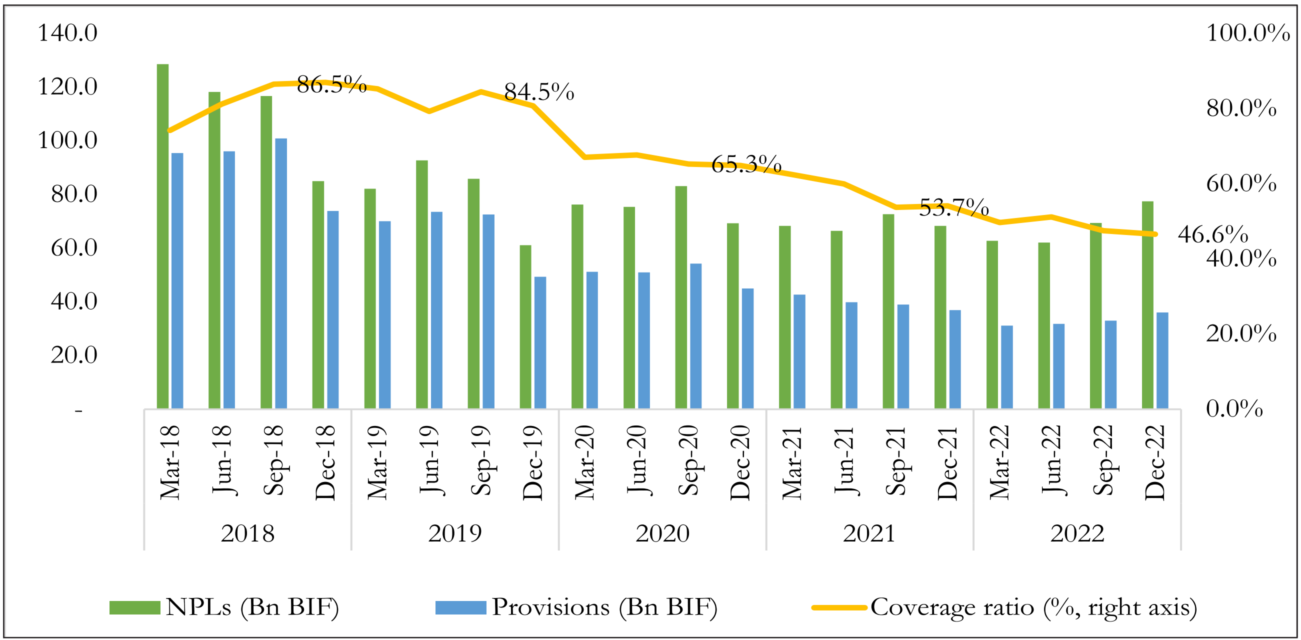
Figure 9: Structure of the overdue loans in Burundi (in %)



Source : BRB

The provisioning rate for non-performing loans decreased from 54.2% in 2021 to 46.6% in 2022. The amount of non-performing loans increased from BIF 69.4 billion in 2021 to BIF 77.5 billion in 2022. Thus, the provisions made for non-performing loans are BIF 36.1 billion in 2022 compared to BIF 37.0 billion in 2021.

Figure 10 : Provisioning coverage rate for non-performing loans

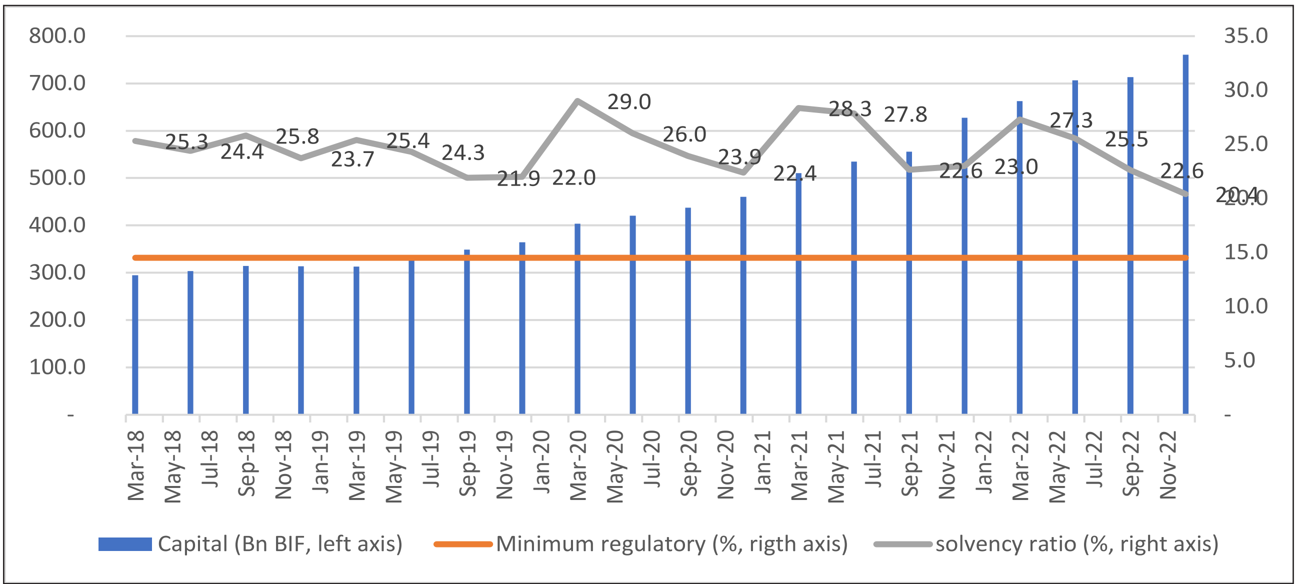


Source : BRB

2.2.3. Capital adequacy

In 2022, the banking sector had sufficient capital compared to the regulatory standard. They increased by 28%, to stand at BIF 760 979.7 million at the end of December 2022 compared to BIF 594 492.9 million at the end of December 2021. This improvement was due to the incorporation of part of the result into the funds. The core and overall solvency ratios decreased slightly, going from 21.5% and 28.0% respectively at the end of December 2021 and from 18.7% to 20.4% at the end of December 2022. Likewise, the leverage ratio is established at 10.7% at the end of December 2022 compared to 11.3% at the end of December 2021 given the minimum standard of 5.0%. This decrease is due to the increase in assets rather than/not due to the increase in equity.

Figure 11 : Capital adequacy



Source : BRB

2.2.4. Liquidity

Although this ratio remained above the regulatory standard of 100% at the end of 2022, the overall short-term liquidity ratio deteriorated, going from 187.5% to 168.7%.

The banking sector's overall compliance with the liquidity ratio contains some disparities. Indeed, from a foreign currency liquidity perspective, a systemically important bank is not compliant.

Table 13 : Evolution of the liquidity ratio

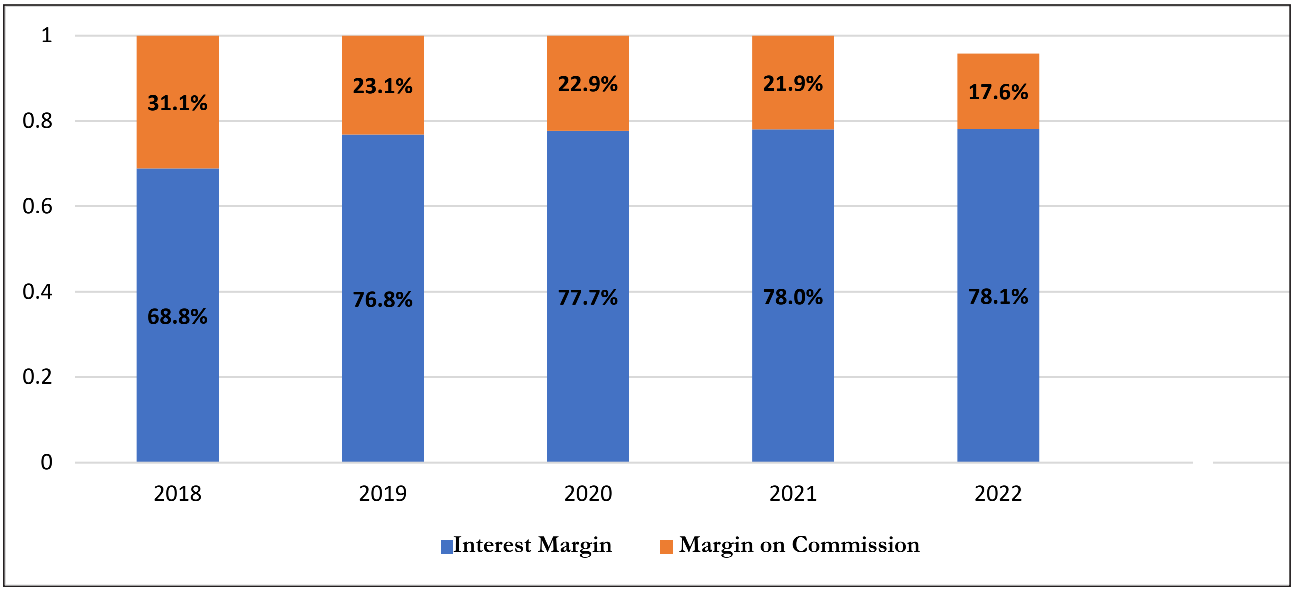
	T4 2018	T4 2019	T4 2020	T4 2021	T4 2022
Liquidity Ratio in BIF (%)	225.5	226.1	213.5	192.8	169.2
Liquidity Ratio in foreign currency (%)	138.9	133.4	172.4	135.5	161.5
Overall Liquidity Ratio (in %)	218.5	220	210.4	187.5	168.7
Standard (in %)	≥100	≥100	≥100	≥100	≥100

Source : BRB

2.2.5. Profitability of the banking sector

At the end of 2022, the banking sector remained profitable. Net banking income increased by 22.6%, from BIF 331 106.3 to BIF 405 957.6 million. Compared to 2021, the net income of credit institutions decreased by 7.1% from BIF 166 615.3 million to BIF 154 740.0 million.

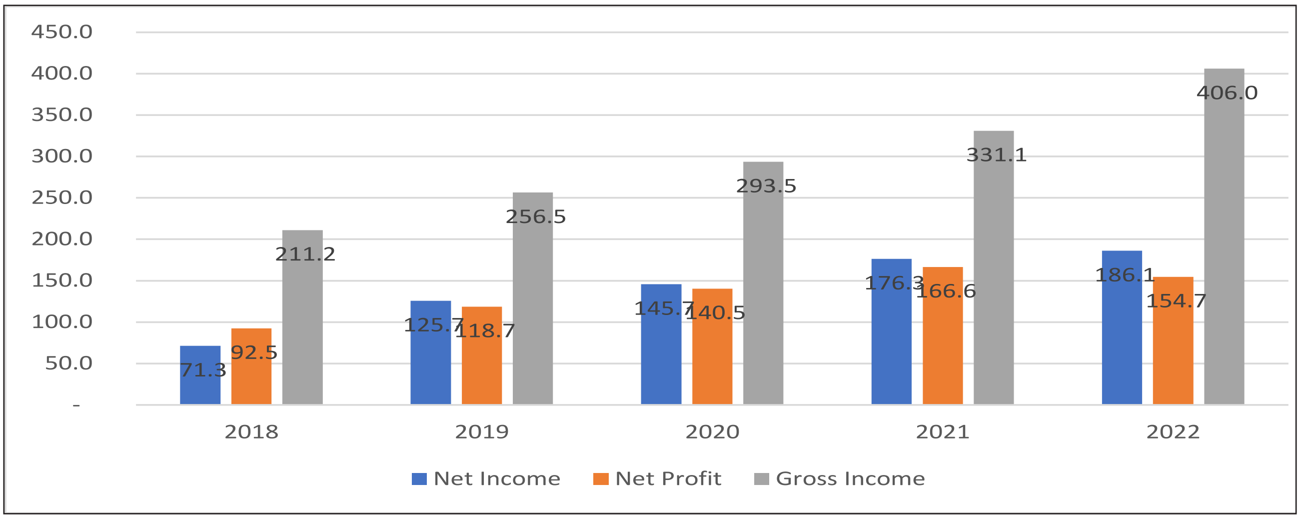
Figure 12 : Distribution of Banking Net Income (in %)



Source : BRB

The return on assets stood at 2.4% and that on equity at 20.4%.

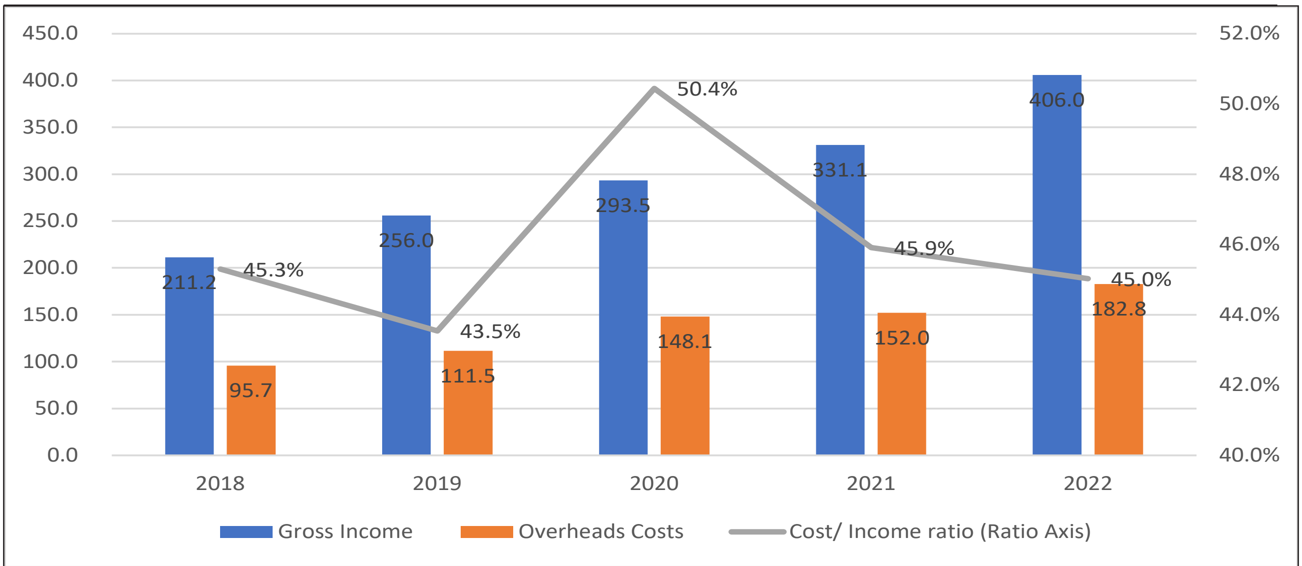
Figure 13 : Intermediate operating balances (in BIF billion)



Source : BRB

At the end of 2022, overheads increased by 20.2%, while Net Banking Product increased by 22.6%. On the other hand, the operating ratio decreased by 0.9%.

Figure 14 : Overheads costs (in BIF billion) and cost/income ratio (in %)



Source : BRB

2.2.6. Stress testing

Assessing the resilience of a financial system is part of the risk management process. Indeed, after an assessment of the solidity of the banking system according to the regulations governing banking activities in force, it is customary to assess its resilience under hypothetical adverse conditions.

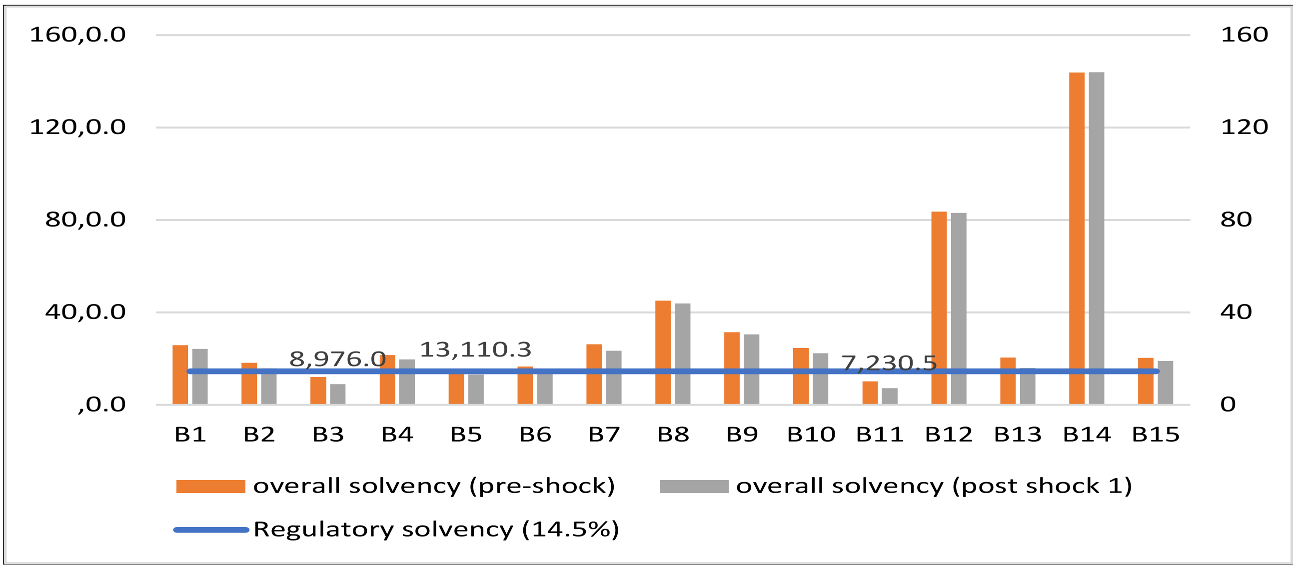
There are two main categories of stress tests. Microprudential tests assessing the resilience of each institution in isolation and macroprudential tests which assess the resilience of the entire financial system, thus enabling to capture the impact of previously identified systemic risks. The first can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

From a microprudential point of view, the stress test was conducted to assess the resilience of 15 credit institutions to credit risk and liquidity risk.

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

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

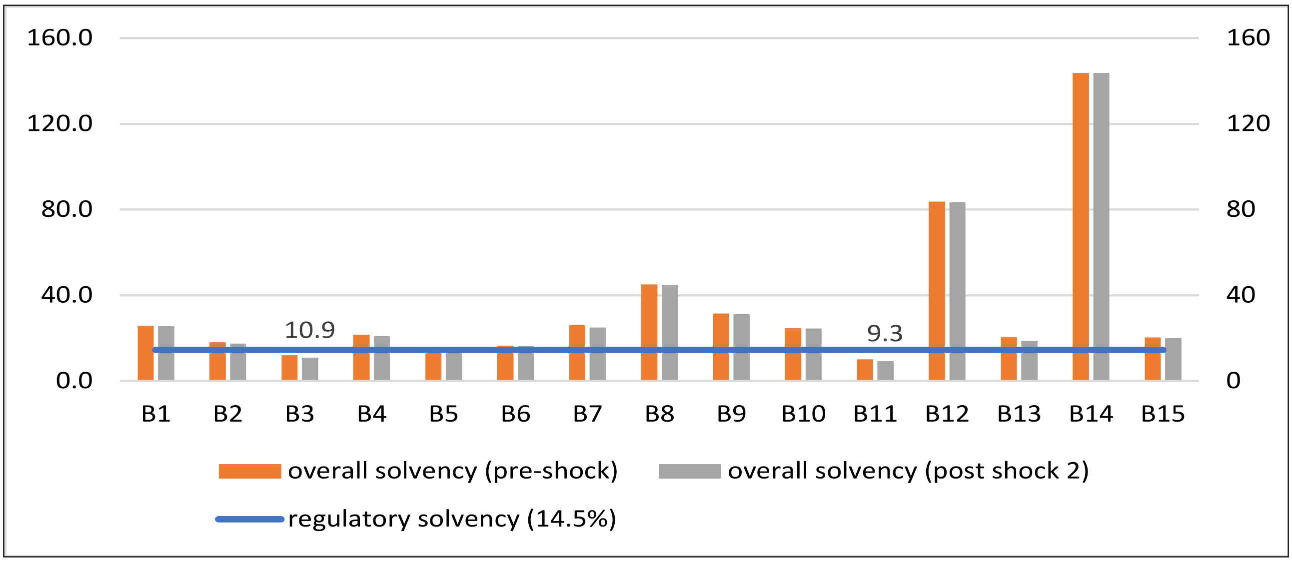
Figure 15 : Results of the provisioning readjustment shocks



Source : BRB

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

Figure 16 : Results of the proportional increasing shock in non-performing loans

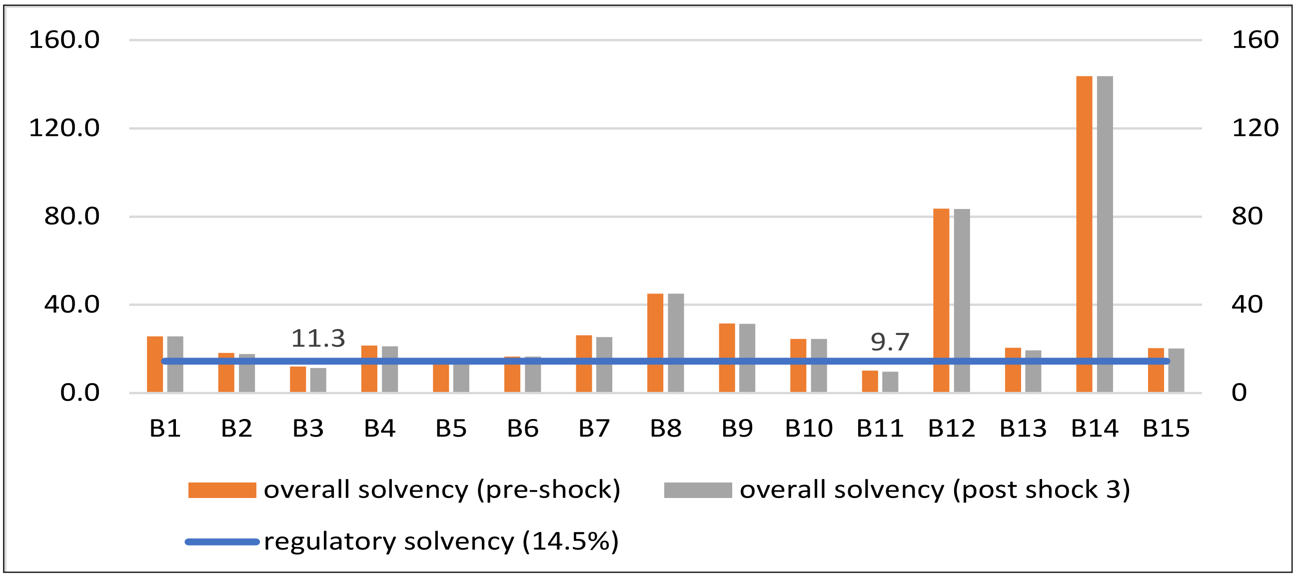


Source : BRB

For the sectoral deterioration shock, additional provisioning is assumed following a hypothetical deterioration of 30% in each sector of activity.

The results are such that two credit institutions out of fifteen cannot withstand this shock.

Figure 17 : Results for sector deterioration shoc

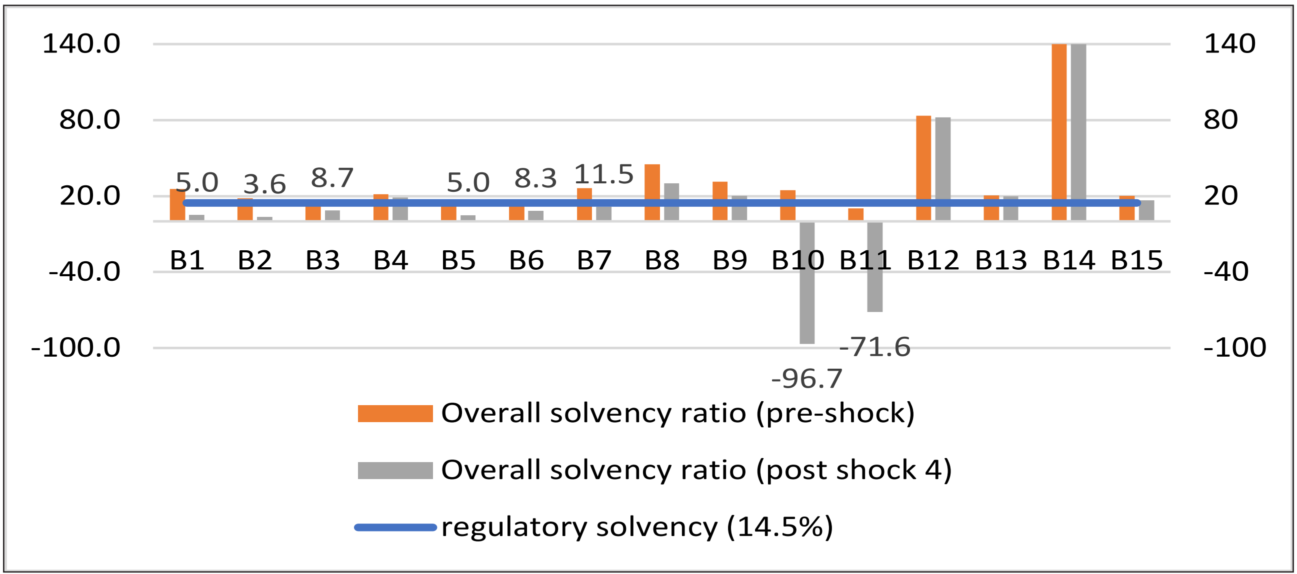


Source : BRB

For the shock of deterioration of large debtors, an additional provisioning of 75% is assumed following a hypothetical deterioration of the 3 largest debtors per credit institution.

The results are such that eight out of fifteen credit institutions cannot withstand this shock. In fact, two credit institutions out of the eight have a very concentrated credit portfolio.

Figure 18 : Results for large debtors' deterioration shock



Source : BRB

Regarding liquidity risk, a sustained withdrawal was simulated for 5 consecutive days of:

- 15% per day for current deposits in local currency;
- 10% per day for current deposits in foreign currency;
- 3% per day for term deposits in local currency;
- 1% per day for term deposits in foreign currency.

The results are such that all credit institutions resist this shock for 3 days. At the end of the fourth day, a credit institution cannot withstand this shock. At the end of the fifth day, two credit institutions were unable to withstand this shock.

From a macroprudential point of view, the stress test was conducted to assess the resilience of the national banking sector in relation to the systemic risks previously identified in the first chapter.

The hypothetical calibration of systemic risks was increased to double or half (depending on the direction of the risk) of the average observed over 3 years. The impact is measured in terms of the reaction of the quality of the credit portfolio of the banking sector to the simulated advent of each of these risks taken in isolation as well as the relative impact on the solvency of the banking sector.

The results are such that the solvency of the banking sector is:

- Vulnerable to the risk releated to the increase in the current external deficit and the reduction in foreign exchange reserves, that is, the fall in world prices of exported basic products (coffee and gold) and the fall in the production of the latter.
- Resilient to the risk releated to domestic public debt.
- Vulnerable to the risk releated to the general rise in the price level at the national level.

2.3. Microfinance Sector

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

2.3.1. Microfinance sector structure

In Burundi, institutions carrying out microfinance activities are divided into 4 categories, namely:

First category: Microfinance companies, financial cooperative societies and other types of microfinance institutions having the legal form of limited company, public company or mixed company which carry out deposit collection and credit granting operations and which incidentally offer other financial services for the benefit of their customers;

Second category: Financing and/or guarantee funds carrying out microfinance activities, microcredit programs affiliated with non-governmental organizations (NGOs) and non-profit associations (ASBL) which grant credits but which are not authorized to collect deposits from the public;

Third category: Savings and Credit Cooperatives having the legal form of Cooperative Society which carry out deposit collection operations from their members and grant them credits and incidentally other financial services;

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

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

At the end of 2022, the Burundian microfinance sector had 46 savings cooperatives and 23 microfinance companies, to which are added 76 community financial groups. To improve access to financial products and services, Savings Cooperatives and Microfinance Companies total the number of service points (headquarters, agencies and counters) authorized by the BRB to 402 in 2022 compared to 387 in 2021.

Cooperatives dominate the sector's market, they alone account for 82.78% of assets, 84.32% of loans, 78.85% of deposits and 83.81% of the sector's equity. In 2022, the total assets of MFIs were 948 605.1 compared to 757 788.1 MBIF in 2021, translating into an increase of 25.18%.

Table 14 : Concentration of MFI Assets (in BIF million)

	2018	2019	2020	2021	2022
Loans(in MBIF)	225 468.8	283 950.6	374 151.7	474 882.2	638 663.7
Healthy credit	211 787.9	268 135.4	355 899.7	445 008.2	595 665.0
Outstanding credits	13 680.8	15 815.2	18 252.0	29 874.0	42 259.4
Loan Provisions	5 042,8	8 194.6	8 413.9	11 917.7	18 350.9
Net credits	220 426.0	275 755.9	365 737.8	462 964.5	619 573.6
Gross credits	225 468.8	283 950.6	374 151.7	474 882.2	638 663.7
Provisioning rate	36.9%	51.8%	46.1%	39.9%	43.4%
Deterioration rate	6.1%	5.6%	4.9%	6.3%	6.6%

Source : BRB

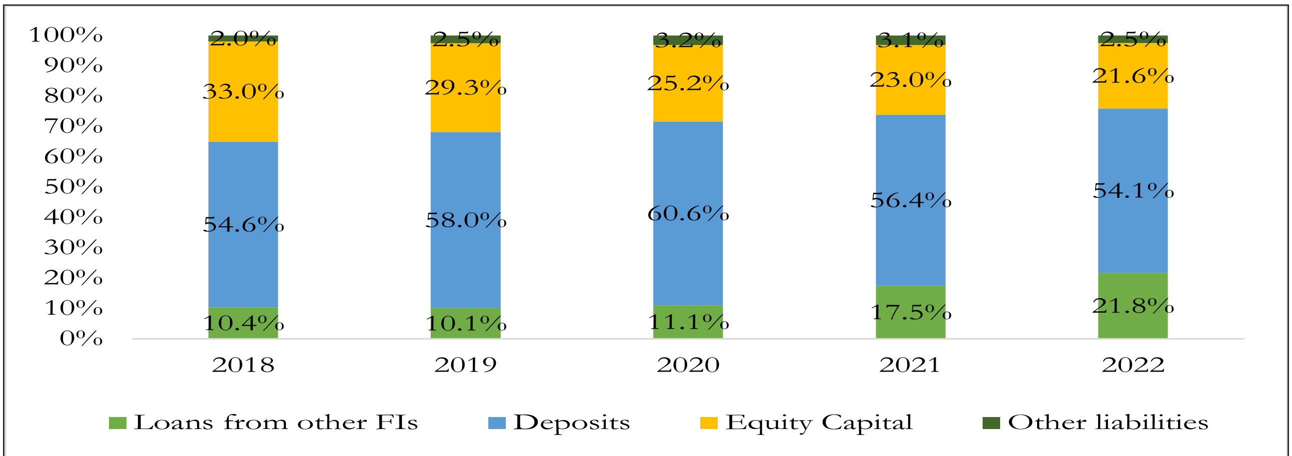
The assets of MFIs are highly concentrated in cooperatives (3rd category) with 82.78% of total assets while microfinance companies (1st category) occupy 17.21%.

2.3.2. Microfinance Sector liabilities

MFIs find resources in deposits, loans, equity and various operations. The resources of MFIs increased by 25.18%, reaching BIF 948.6 billion in 2022 compared to BIF 757.7 billion in 2021.

This development is essentially linked to the increase in deposits of 20.18%, standing at BIF 513.3 billion compared to BIF 427.1 billion in 2021. Resources also changed following the increase in borrowing from the microfinance sector to 55.61%, amounting to BIF 206.9 billion. BIF compared to BIF 132.9 billion in 2021. At the end of December 2022, the equity increased by 17.51% to 204.8 compared to BIF 174.3 billion at the end of December 2021.

Figure 19 : Distribution of MFI liabilities in MBIF



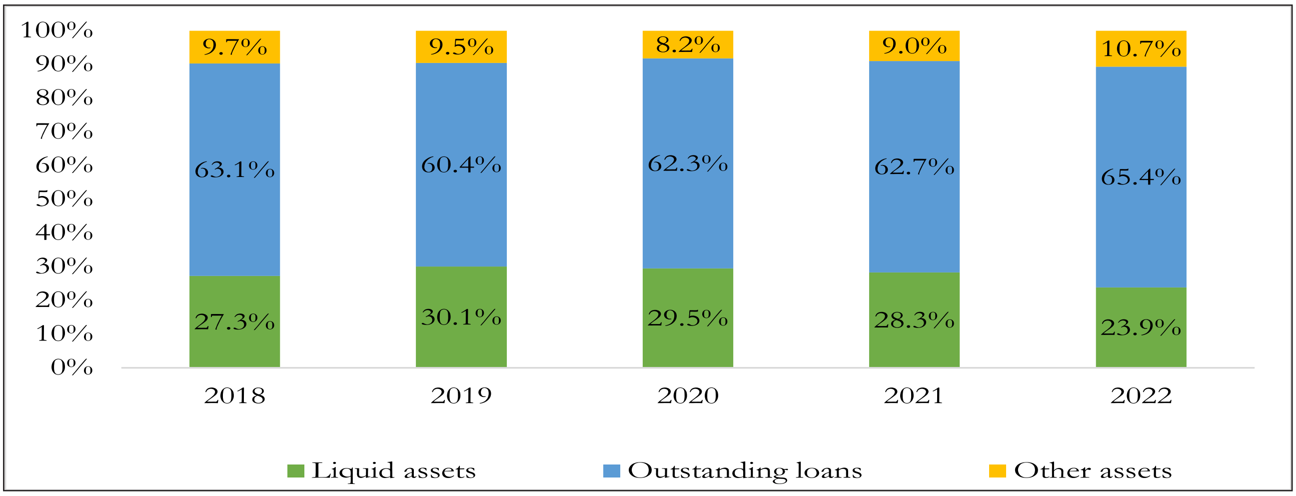
Source : BRB

2.3.3. Microfinance Sector assets

The gross credit outstanding of MFIs reached 620 695.9 MBIF in 2022 compared to 475 275.4 MBIF in 2021, an increase of 30.59%.

However, the share of credits in the total employment of MFIs increased by 2.73 p.p, going from 62.7% in 2021 to 65.43% in 2022.

Figure 20 : Evolution of MFI assets in MBIF



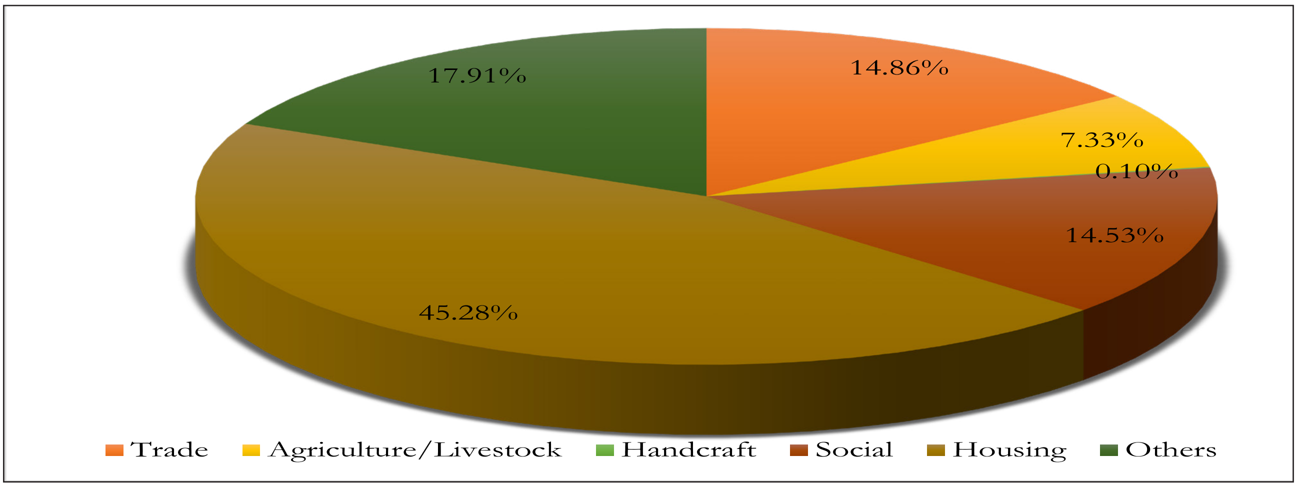
Source : BRB

2.3.4. Financing structure per sector

The housing sector is the most favored by MFIs compared to other sectors with 45.3% of the loans allowance. Being one of the sectors driving growth, the agriculture sector is the least financed by MFIs with only 7.3% at the end of 2022.

The graph below gives details on the distribution of credit by sector of activity at the end of December 2022.

Figure 21 : Credit distribution per sector of activities



Source : BRB

2.3.5. Loan portfolio quality

The deterioration rate of the loan portfolio increased by 0.3 points of percentage on basis of year-on-year, from 6.3% to 6.6% in 2022, exceeding the maximum acceptable sector limit of 5%.

Table 15 : Loan portfolio quality

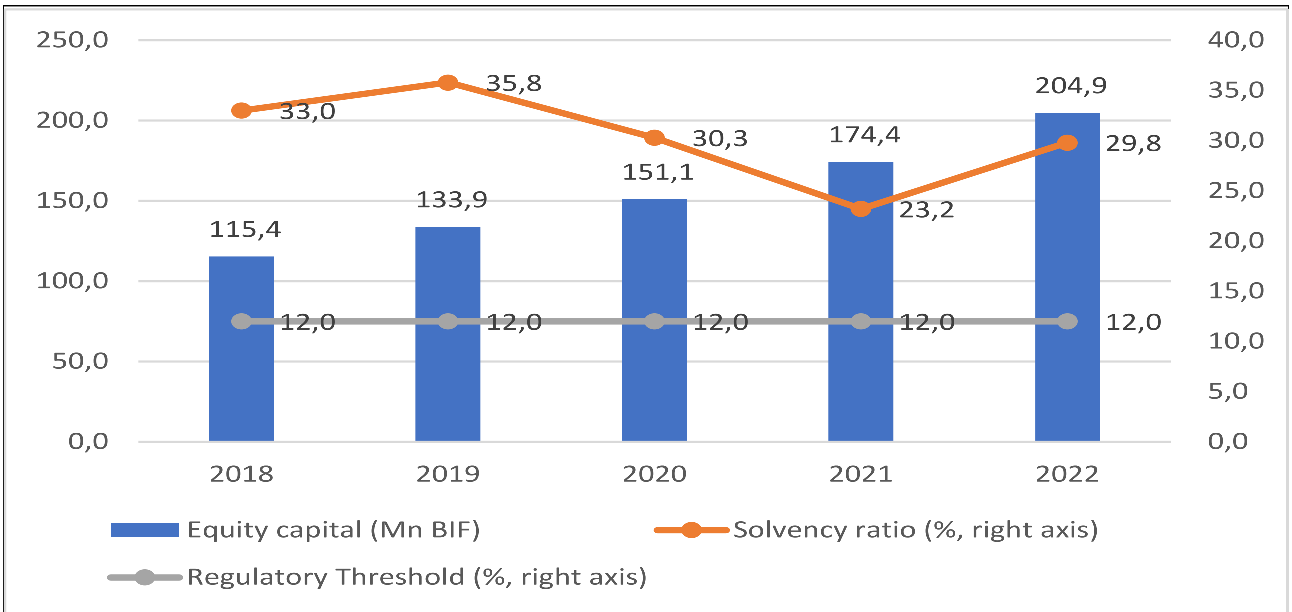
	2018	2019	2020	2021	2022
Loans(in MBIF)	225 468.8	283 950.6	374 151,7	474 882.2	638 663.7
Healthy credit	211 787.9	268 135.4	355 899,7	445 008.2	595 665.0
Outstanding credits	13 680.8	15 815.2	18 252,0	29 874.0	42 259.4
Loan Provisions	5 042.8	8 194.6	8 413.9	11 917.7	18 350.9
Net credits	220 426.0	275 755.9	365 737.8	462 964.5	619 573.6
Gross credits	225 468.8	283 950.6	374 151.7	474 882.2	638 663.7
Provisioning rate	36.9%	51.8%	46.1%	39.9%	43.4%
Deterioration rate	6.1%	5.6%	4.9%	6.3%	6.6%

Source : BRB

2.3.6. Capital adequacy of the Microfinance sector

The microfinance sector remains sufficiently capitalized and equity increases year-on-year, from BIF 174.4 billion in 2021 to BIF 204.9 billion in 2022, translating into an increase of 17.5%. As a result, the overall solvency ratio of the sector increased by 6.6 p.p, standing at 29.8% against 23.2% in 2021, but remaining above the regulatory standard of 12%. However, this ratio contains disparities because some MFIs do not respect this ratio.

Figure 22 : Evolution of capital adequacy



Source : BRB

2.3.7. Microfinance Sector Liquidity

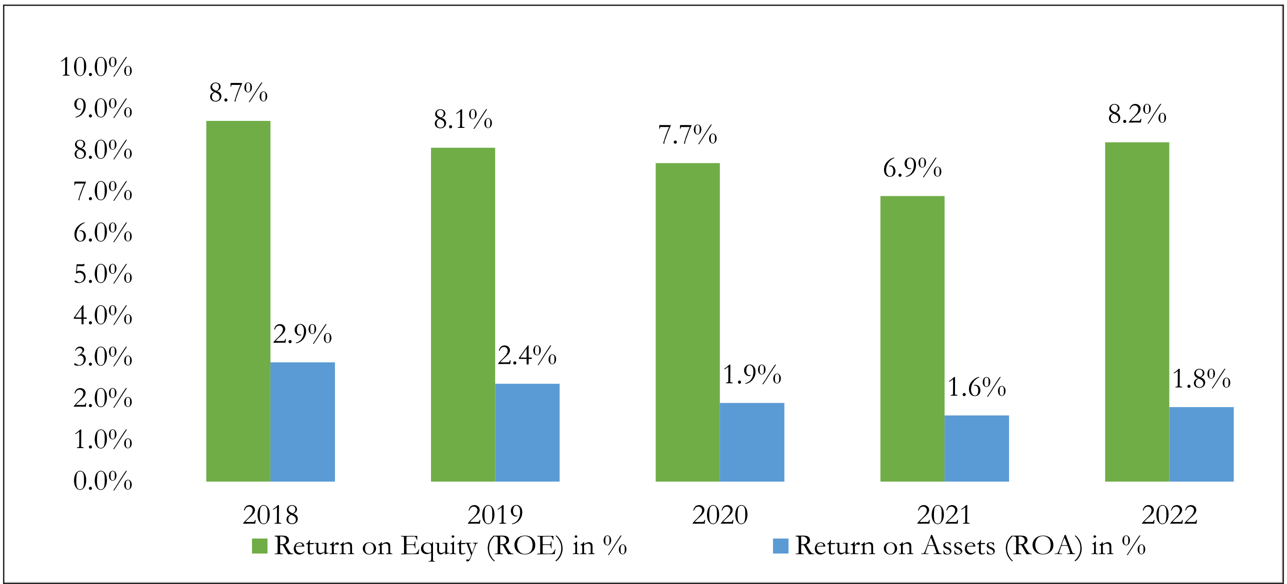
At the end of 2022, the microfinance sector was sufficiently liquid at 110.8% in line with the minimum regulatory standard of 20%. However, some MFIs remain below this standard. The credit to deposit ratio is 158.0%, effectively beyond the maximum acceptable standard of 100%, in relation to borrowings from the banking sector.

2.3.8. Microfinance Sector profitability

The microfinance sector remained profitable at the end of 2022. The net result of the sector varied by 38.4%, going from 12 095.4 MBIF in 2021 to 16 745.1 MBIF in 2022. However, this result is largely concentrated in 3 MFIs which hold 81.8% of the sector's net income.

Return on equity (ROE) increased by 1.3 p.p, standing at 8.2% compared to 6.9% in 2021. Likewise, return on assets (ROA) increased by standing at 1.8% in 2022 compared to 1.6% in 2021.

Figure 23 : Evolution of MFIs profitability indicators



Source : BRB

2.3.9. Banking sector exposure from MFIs

The operations of MFIs with the banking sector are mainly focused on investments of cash surplus as well as loans. The investments made are identified through forward deposits with 96 782.9 MBIF in 2022 against 82 268.4 MBIF in 2021, or 10.2% of total assets while borrowings amount to 201 041.8 against 132 966.5 MBIF in 2021, or 21.2% of total liabilities.

2.3.10. MFIs' Main Risks

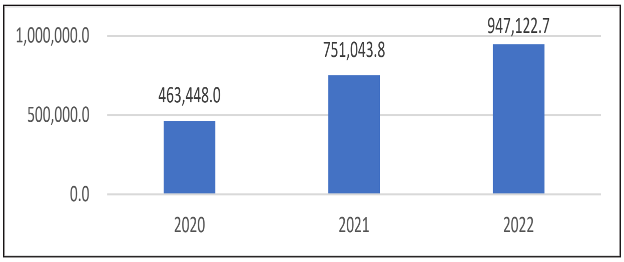
The main risks that MFIs often face in carrying out their daily activities are notably linked to solvency and liquidity.

In addition, Burundi's microfinance sector also suffers from persistent inadequacies from an organizational and overall management point of view, in particular, operational risk and governance risk.

2.3.10.1. Credit risk

After an increase of 62.1% in 2021, credit risk-weighted assets totalised BIF 947 122.7 millions, making an increase of 26.1% in 2022.

Figure 24 : Evolution of the Credit risk-weighted assets (MBIF)



Source : BRB

2.3.10.2. Operational risk

With regard to operational risk, it is often noted that almost all MFIs are exposed to this risk, to the extent that most MFIs do not have an efficient Information and Management System and that others still process their data manually.

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

2.3.10.3. MFIs governance challenges

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

In 2022, to prevent governance defaults of some MFIs, discussion meetings were often organized, as is good practice, by the Central Bank and corrective measures took place.

2.4. Insurance Sector

The insurance sector is one of the components of the Burundian financial system accounting for 3.9 percent in terms of assets, and the sector's activities extend ceaselessly with the entry of new market actors. The sector roles indispensably, in favour of policy holders, in the coverage of life and physical risks.

2.4.1. Structure of the insurance sector

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

The insurance penetration rate indicates the extent to which the insurance sector contributes to the national economy. It is obtained by use of the ratio between the total insurance premiums collected in a given country and the country GDP. Compared to 2021, the penetration ratio of the Burundian insurance sector slightly decreased by 0.03 p.p in 2022, standing at 0.98% compared to 1.01% in 2021. This rate remains low compared to the African average of 3.0%.

The concept of insurance density is the calculation of the volume of premiums per capita in a given country. It indicates how much each resident spends on average on insurance. Insurance density is often expressed in dollars but, in this case, it was expressed in BIF. It increased by 18.8%, reaching BIF 7 136.1 in 2022 compared to BIF 6 006.0 in 2021.

Table 16 : Penetration rate and insurance density

	2018	2019	2020	2021	2022
GDP (in billion BIF)	5 914.4	6 216.9	6 655.6	7 506.4	9 213.9
Turnover (Billion BIF)	46.4	54.3	62.2	75.5	89.9
Penetration rate (%)	0.78	0.87	0.93	1.01	0.98
Insurance density (BIF)	3 933.1	4 527.8	5 053.3	6 006.0	7 136.1

Source : ARCA

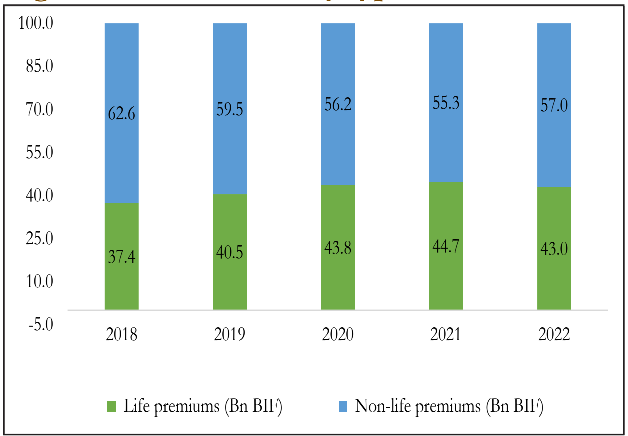
2.4.2. Insurance Sector Performance

The assets of the insurance sector increased by 20.1% in 2022 from BIF 248 803.9 million to BIF 298 813.9 million in 2021. Life insurance is in a growth phase although its activity remains weak by in relation to non-life insurance.

2.4.2.1. Evolution of insurance premiums

Year-on-year, premiums collected by insurance companies increased by 15.6% in 2022, standing at 87 314.9 million compared to 75 524.8 million BIF in 2021. Non-life insurance is in the phase of growth, as a result premiums reached 43.0% in the life branch compared to 57.0% in the non-life branch.

Figure 25 : Premiums by type of insurance

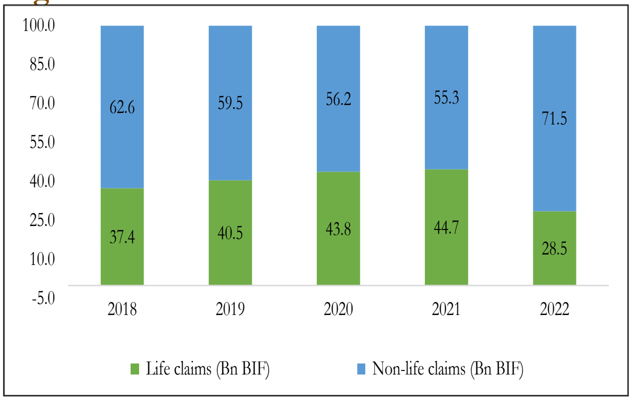


Source : ARCA

2.4.2.2. Evolution of claims

Sector expenses linked to claims coverage increased by 8.0% in 2022, going from 30 403.7 to 32 836.8 MBIF in 2021. They are distributed between the life branches (28.5%) and non-life (71.5%). Claims in the life branch fell significantly by 19.5%, standing at 9 374.6 in 2022 compared to 11 639.9 MBIF in 2021. On the other hand, claims in the non-life branch increased by 25.0 % amounting to 23 462.2 against 18 763.8 MBIF in 2021. The claims rate in the life branch fell by 9.5 p.p in 2022, varying from 34.5% in 2021 to 25.0 % in 2022, when that of the non-life branch increased by 2.3 pp, standing at 47.2% compared to 44.9% the previous year.

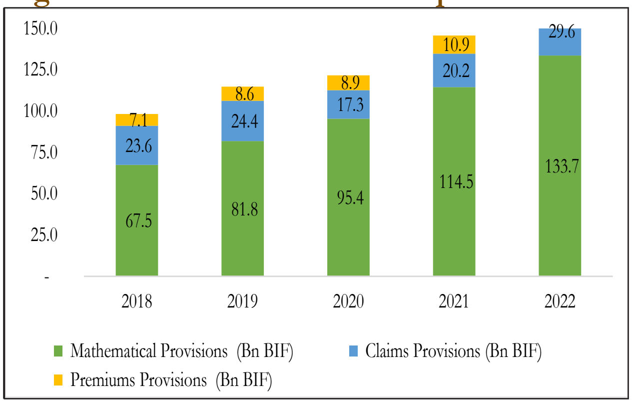
Figure 26 : Sector claims



Source : ARCA

Technical provisions increased by 20.4% year-on-year, standing at BIF 175 419.9 billion at the end of 2022 compared to BIF 145 706.2 billion at the end of 2021. This increase yields, at the same time, from the notable increase in provisions claims (46.0%), the modest increase in mathematical provisions (16.7%) and provisions for premiums (11.6%). Furthermore, the structure of technical provisions often shows high mathematical provisions. They are high at 76.2% in 2022, 16.8% for claims provisions while provisions for premiums reach 7.0% of total technical provisions.

Figure 27 : Insurance technical provisions



Source : ARCA

2.4.2.3. Profitability of the insurance sector

The net income of the insurance sector increased slightly by 0.2% at the end of 2022, varying from BIF 8 901.6 Million to BIF 8 917.9 Million at the end of 2022. The return on assets (ROA) and that of equity (ROE) decreased, reaching 3.0 and 10.6% respectively at the end of 2022 compared to 3.6 and 13.2% at the end of 2021.

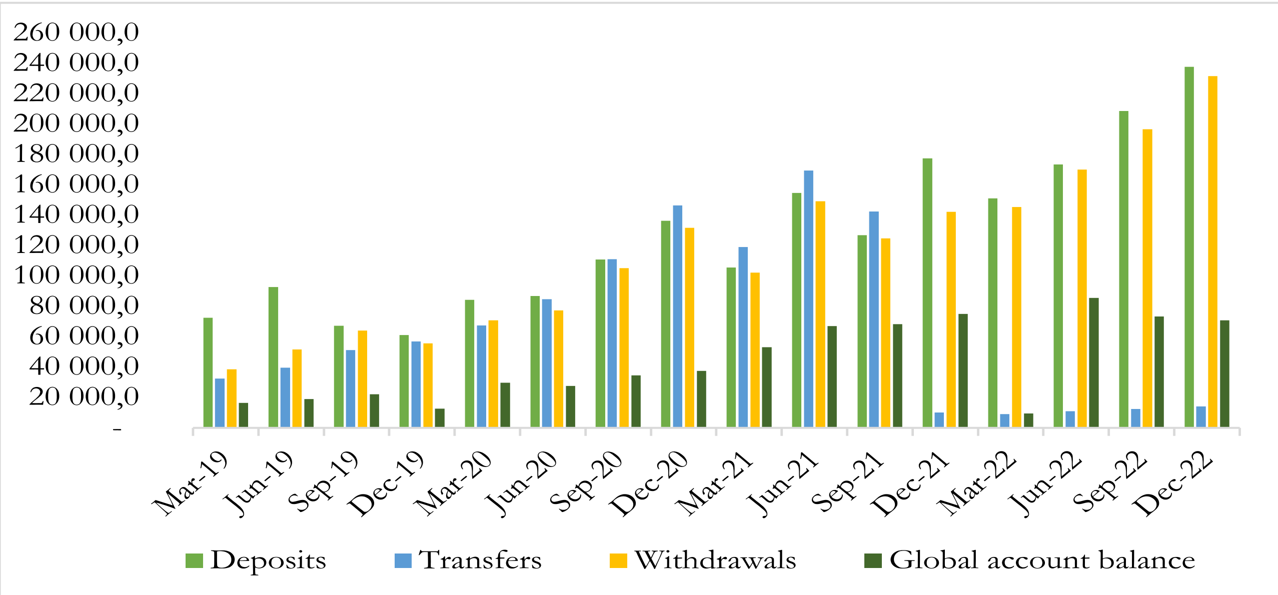
2.5. Digital financial services

In 2022, digital financial services were provided by fourteen institutions including four electronic money payment institutions, five commercial banks and five microfinance institutions offering mobile banking services. In addition to the institutions mentioned above, there are 9 payment institutions for transmitting funds.

The Burundian electronic money market continues to grow significantly.

At the end of 2022, the digital financial services distribution network was made up of 19 071 primary agents and 97 417 secondary agents.

Figure 28 : Evolution of transactions carried out by payment institutions

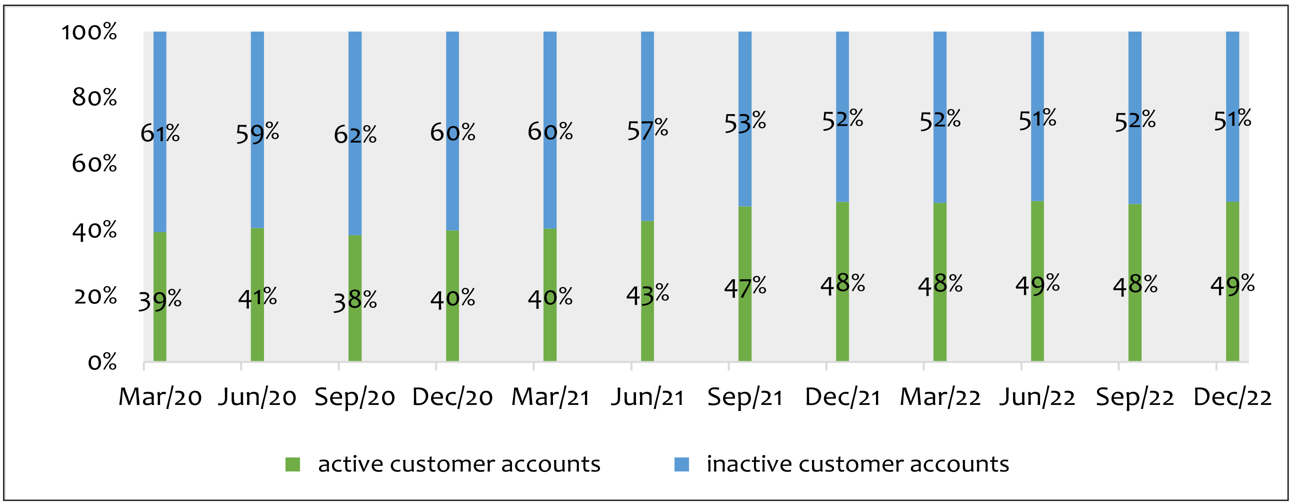


Source : BRB

Digital financial services experienced growth in terms of transactions in 2022 compared to the same period of 2021. Cumulative deposits at the level of Payment Institutions increased, standing at BIF 237 827 Million at the end of December 2022 compared to BIF 177 472 Million at the end of December 2021. That is a net increase of 34%.

The balance of the overall account (Trust Account) saw a decrease of around 5.8%, standing at BIF 70 724 Million at the end of December 2022 compared to BIF 75 027 Million at the end of December 2021.

Figure 29 : Number of payment institutions' accounts



Source : BRB

The number of customers of Payment Institutions increased, standing at 7.8 million customers at the end of December 2022 compared to 6.6 million at the end of December 2021. Which represents a net increase of 18.1%.

The number of inactive customers increased by 19.5%, going from 3 382 992 accounts in 2021 to 4 043 993 in 2022, but the share of these accounts remains very high at 51% compared to 49% of active accounts.

CHAPTER 3 : DEVELOPMENTS IN THE MONEY MARKET AND MARKET INFRASTRUCTURE

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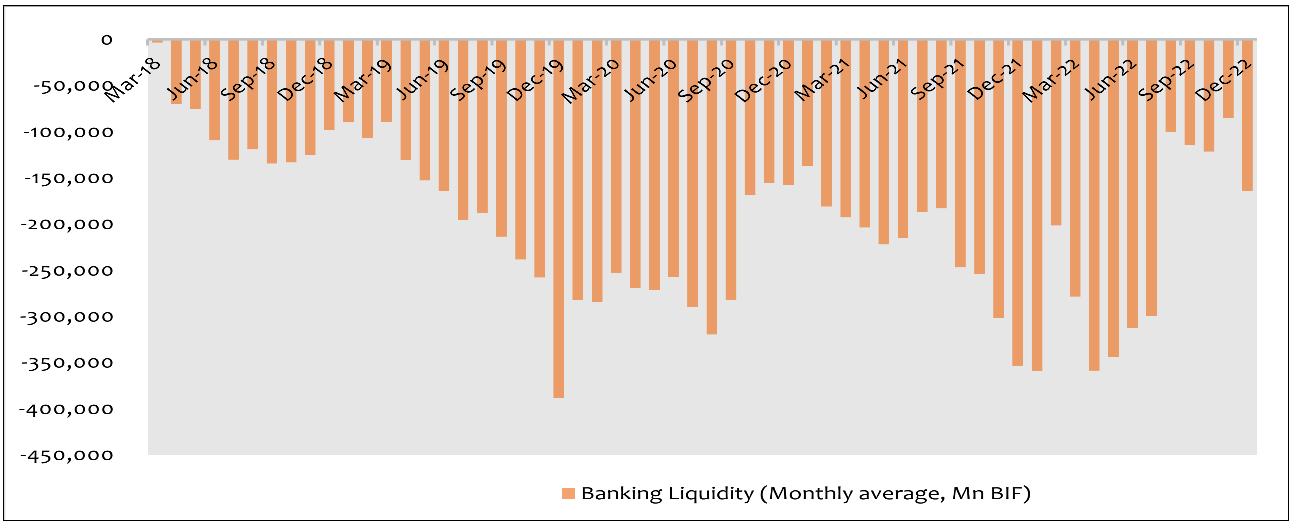
The level of bank liquidity has remained in deficit since the end of the first quarter 2018, despite improvements recorded from one year to another. Year-on-year, the bank liquidity increased by 53.6%, standing at –163 764 MBIF in 2022, without BRB interventions and on a daily average, compared to –353 284 MBIF in 2021.

Figure 30 : Evolution of Bank liquidity on a monthly average (in BIF million)



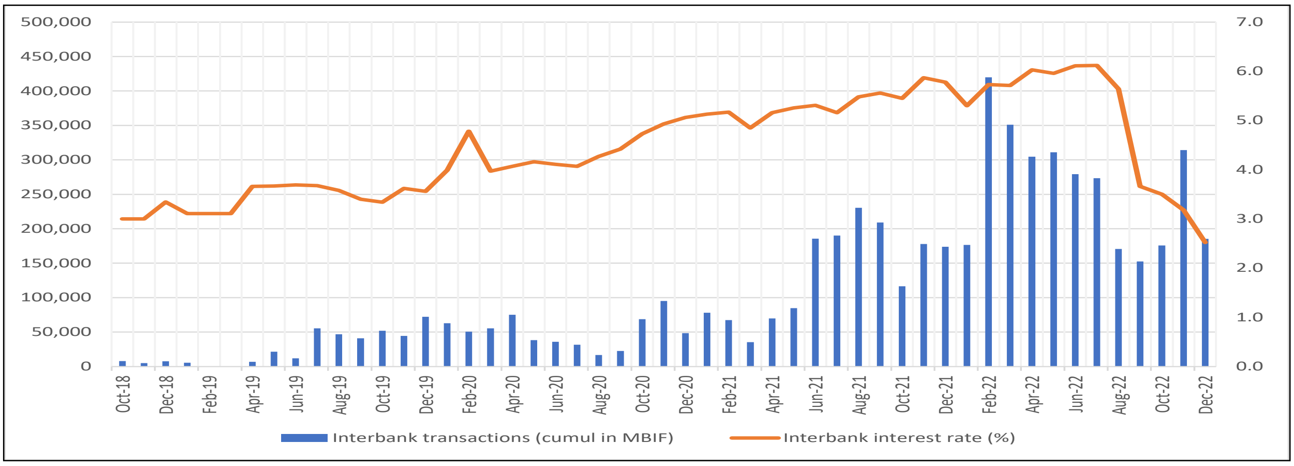
Source : BRB

3.1. Money Market

3.1.1. Interbank Market

In 2022, the volume of interbank operations increased compared to 2021. Indeed, the cumulative volume of liquidity exchanges through the interbank market increased from 173 770 to 185 400 MBIF from one year to another. Over the same period, the interbank interest rate fell, falling from 5.8% at the end of 2021 to 2.5% at the end of 2022.

Figure 31 : Interbank market transactions

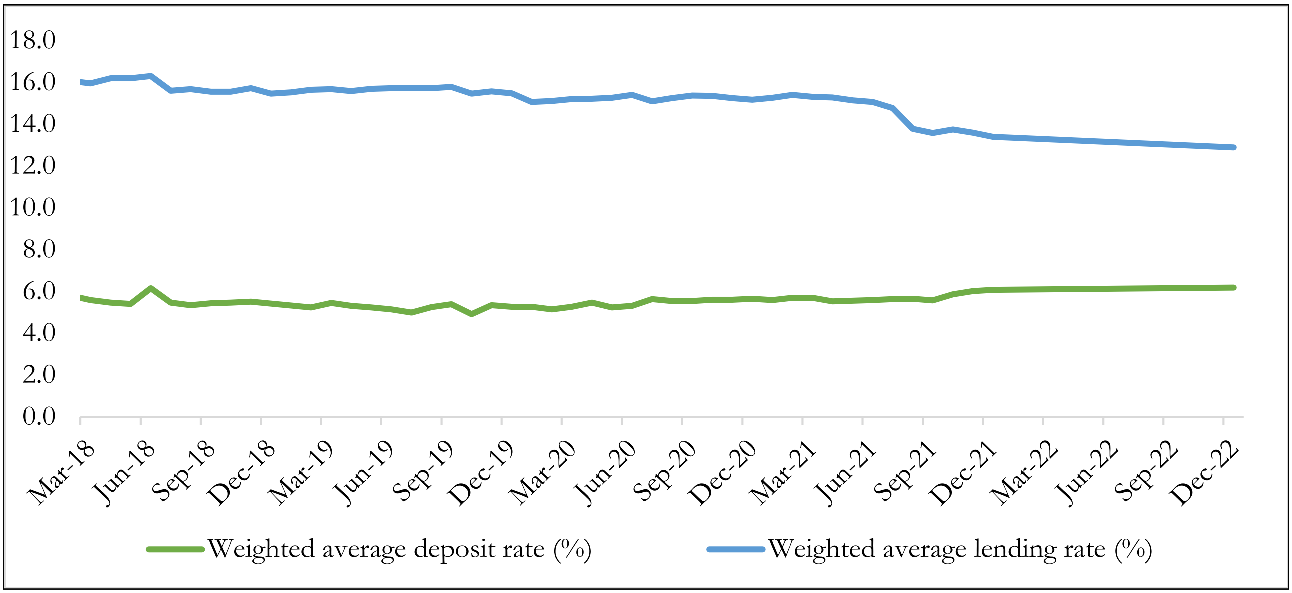


Source : BRB

3.1.2. Interest rates on loans and deposits

The mean interest rate on credits allowed by credit institutions fell by 0.5 p.p. in 2022, standing at 12.9% compared to 13.4% in the same period of 2021. This drop is in connection with the measures adopted by the Central Bank to finance growth-promoting sectors. On the other hand, interest rates on deposits also increased by 0.1pp, standing at 6.2% at the end of 2022 compared to 6.1% at the same period of 2021.

Figure 32 : Mean lending and deposit rates



Source : BRB

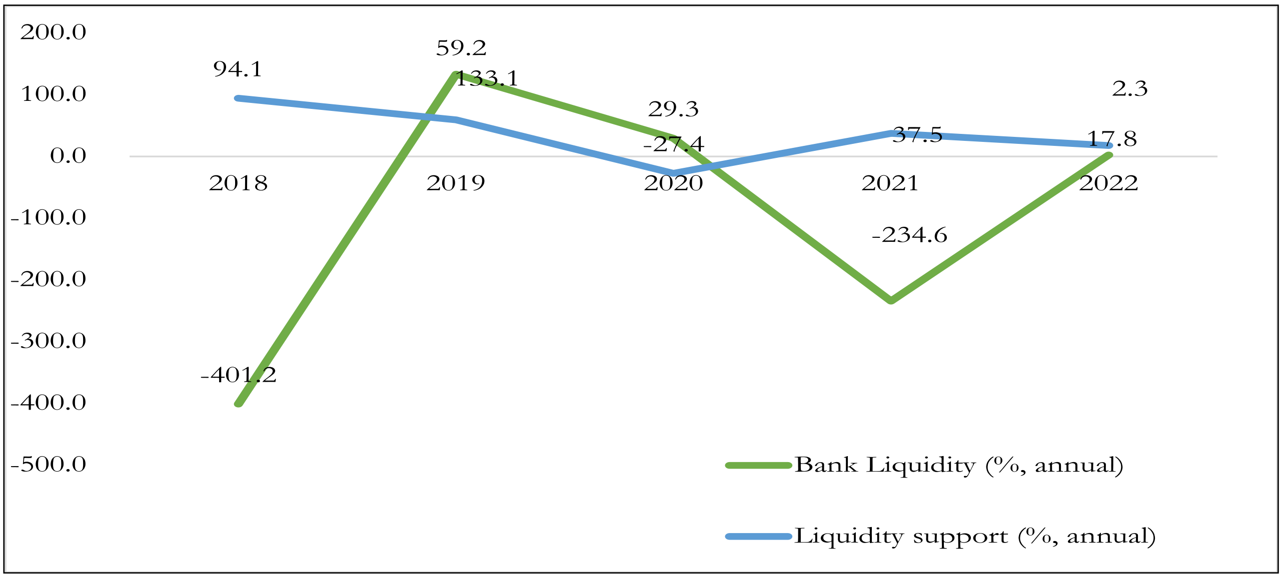
3.1.3. Liquidity provision operations by the BRB

As part of the implementation of monetary policy, the BRB carried out liquidity injection operations in the banking sector. The amount of liquidity contributions stood at 518 627 MBIF at the end of 2022 compared to 440 169 at the end of 2021, translating into an increase of 17.8%. As a result, the liquidity provision interest rate decreased, standing at 2% at the end of 2022 compared to 2.9% at the end of 2021.

In 2022, liquid reserves improved by 53.6% on an annual average, standing at -163 764 MBIF compared to -353 284 MBIF in 2021 following the increase in interventions by the Central Bank at the sector level.

The sector vulnerability to the liquidity problem can be understood through this level of reserves of credit institutions which has remained low for almost four years. However, this state of affairs did not have a negative impact on the stability of the financial sector given that a large part of the banks' reserves were used to accumulate public debt securities in the form of Treasury bills and bonds.

Figure 33 : Bank liquidity vs. refinancing

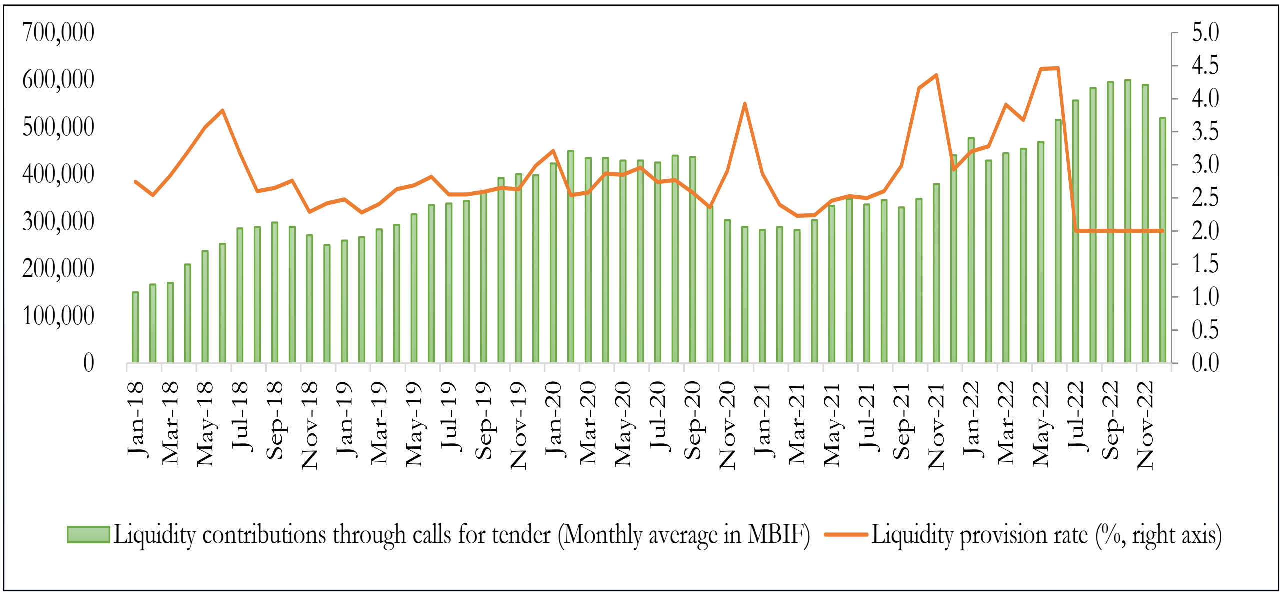


Source : BRB

It is clear that when sector liquidity is low, Central Bank refinancing increases especially over the period from 2018 to 2022.

Refinancing follows the trend of reserves, which indicates a certain reduction in the sector's dependence on Central Bank interventions.

Figure 34 : Liquidity provision by liquidity tender



Source : BRB

3.1.4. Treasury securities market

In 2022, the BRB continued the issue of Treasury securities by auction as well as the allocation of Treasury obligations resulting from the securitization of State arrears to its suppliers. The total outstanding amount of Treasury securities increased by 6.8%, reaching BIF 2 185.5 billion at the end of 2022 compared to BIF 2 046.1 billion at the end of 2021. Treasury bonds equivalent to BIF 5 billion were allocated at the price of this period compared to BIF 37.6 billion during the year 2021.

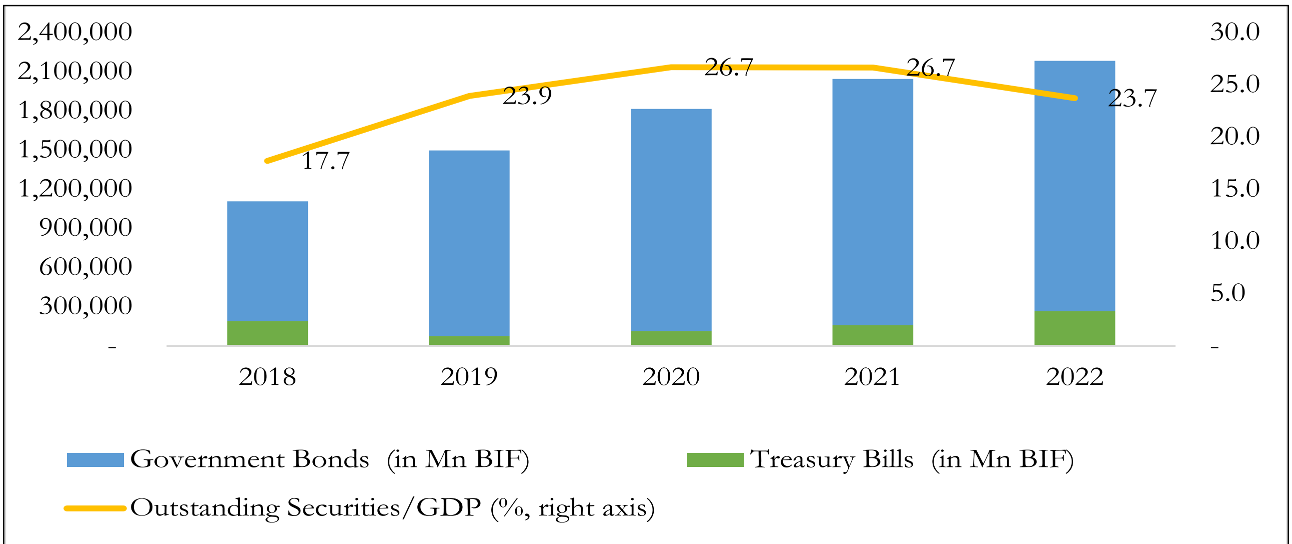
The increase in State financing through the market and the purchase of bonds resulting from securitization led to the increase in the portfolio of Treasury securities held by the banking sector (Treasury bills and bonds). The outstanding amount increased by 9.9% in 2022, going from 1 816.1 billion at the end of 2021 to BIF 1 994.5 billion at the end of 2022. The share of Treasury securities stood at 23.7% of the GDP compared to 26.7% of GDP at the end of 2021.

The sale of Treasury bonds resulting from the securitization of State arrears was facilitated by the secondary market for Treasury securities operationalized by the Central Bank since 2018, which allowed the beneficiaries of the securitization to have liquidity in order to maintain their economic activities.

Besides the lower risk involved in investing in Treasury securities, the secondary market for these securities has contributed to the broadening of the base of investors other than banks, and to the increase in the volume of investments by the latter.

As an illustration, the number of individuals investing in Treasury securities increased from 270 at the end of 2021 to 330 at the end of 2022 and the outstanding of investment amount increased from 32 801 MBIF at the end of 2021 to 37 727.3 MBIF at the end of 2022. However, the outstanding of investment amount from insurance companies increased from 117 790 MBIF at the end of 2021 to 122 459 MBIF at the end of 2022.

Figure 35 : Outstanding Treasury securities held by the banking sector



Source : BRB

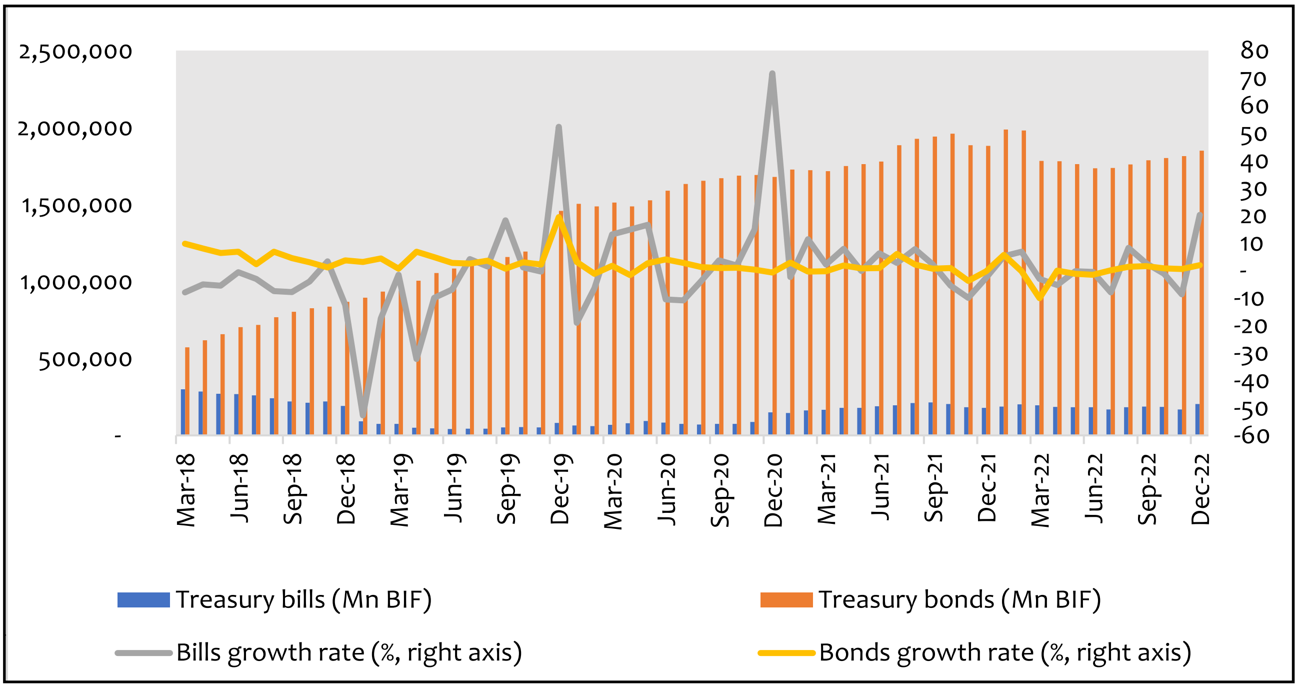
3.2. Securities settlement system

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

The outstanding amount of Treasury securities processed in the CSD stood at BIF 2 060 394 Million at the end of 2022 compared to BIF 2 053 932 Million at the end of 2021, a decrease of 0.3%.

The rate of increase in the volume of Treasury securities processed in the CSD was less significant for Treasury bills and more significant for Treasury bonds, i.e. 13.9% and -1.7% respectively.

Figure 36 : Evolution of government securities traded via CSD



Source : BRB

CHAPTER 4 : LEGAL AND REGULATORY FRAMEWORKS DEVELOPMENT

CHAPTER 4 : LEGAL AND REGULATORY FRAMEWORKS DEVELOPMENT

During 2022, the various financial sector regulatory authorities have strengthened the regulatory framework to ensure supervision of the financial system.

4.1. Banking sector regulation

On January 13, 2022, under the auspices of the Bank of the Republic of Burundi (BRB) and in collaboration with the Telecommunications Regulation and Control Agency (ARCT), there was organized, at the headquarters of the BRB, a meeting to discuss payment services offered by Agents and Super Agents of electronic money payment institutions.

The meeting focused on the change of prices by the institutions, without any consultation or awareness being raised for targeted agents and super agents. The participants were also informed about their tax obligations, the need to be well recognized by the local administration authority for any agent and super agent, as well as the methods of managing the multiple grievances of their customers that are often submitted to the ARCT.

4.2. Microfinance sector regulation

In accordance with article 2 of Regulation No. 001/2018 relating to microfinance activities, Community Financial Groups (GFCs) are classified in the fourth category of institutions carrying out microfinance activities. And in accordance with article 80 of the aforementioned regulation relating to the change of category for a financial group which will reach a threshold determined by the Central Bank in terms of contributions and/or credit.

A GFC can be transformed into another category of microfinance institution and obtain approval from the Central Bank. The latter, on 15 July 2022, informed the public that GFCs which have the advanced level of activities have to set necessary steps to be allowed to move to another category of microfinance of their choice. This is how 8 GFCs submitted their files to request for change of category.

During the year 2022, the Bank of the Republic of Burundi registered 42 community financial groups (of the fourth category) and approved 27 microfinance institutions of the first and third category.

4.3. Capital Market Regulation

On July 18, 2022, there was Decree No. 100/085 authorizing the participation of the Bank of the Republic of Burundi in the share capital of the mixed company called "Bourse du Burundi". The decree authorizes the BRB to participate up to 25% in the share capital of the Burundi Stock Exchange.

4.4. Insurance companies regulation

In 2022, as for a view to strengthen the supervision of the insurance sector, new regulations were issued. These include the regulatory texts listed below:

- Regulation No. 540/93/001 of 01/09/2022 setting the conditions for approval and practice of statutory auditors in the insurance sector in Burundi;

- Decision No. 540/93/023 of 06/10/2022 revising Circular No. 540/93/001 of 03/24/2021 relating to the setting of minimum and maximum rates of commissions of brokers and brokerage companies property and casualty insurance.
- Circular No. 540/93/002 of 11/11/2022 relating to methods of sharing management costs and financial products as part of the preparation of the C1 statistical statement.

4.5. Macroprudential supervision framework

As part of crisis management, the Bank of the Republic of Burundi is being assisted by the Bank Al-Maghreb in the process of setting up a Deposit Guarantee and Resolution Fund (FGDR) whose members will be the credit institutions and Microfinance Institutions. Drawing inspiration from regional and international good practices in this area, and taking into account the national context, the BRB has developed draft regulatory texts which will govern the FGDR at the BRB, namely:

- The Regulations establishing the creation, mission, organization and operation of the Deposit Guarantee and Resolution Fund; And
- The Circular relating to the terms of payment of premiums, compensation and other costs.

The BRB recruited a consultant to carry out a conceptual and strategic study for the establishment of an Electronic Financial Identification Center, aimed at providing a Unique Identifier to each client in the banking and Microfinance sectors, in order to produce the report solvency of customers in these two sectors, and provide the BRB with reliable data allowing monitoring of the supervision of the financial system.

The BRB is also working on a draft Memorandum of Understanding between the various regulatory authorities of Burundi's financial system with a view to establishing a National Financial Stability Committee.

4.6. Takeaway measures in the exchange policy framework

In order to modernize exchange rate policy, on October 7, 2022, the Bank of the Republic of Burundi processed to lift measures taken in 2020 restricting currency exchange. The new measures have been communicated to the public and are as follows:

1. The Bank of the Republic of Burundi lifts the restrictions dating from March 16, 2020 and relying on the settlement conditions for instant transfers received from abroad.

   From now on, the beneficiaries of these transfers have the flexibility to receive them in foreign currency or transfer them to their foreign currency accounts;

2. The measure dating on February 7, 2020 for withdrawing the approval of some exchange offices is lifted.

   Former operators in the sector and anyone wishing to operate there are invited to register at the Central Bank. The approval is conditional on the signing of an act of commitment on compliance with the regulatory framework for exchange offices.

OUTLOOK

OUTLOOK

As part of ensuring the stability of the financial system, the BRB will continue to strengthen the macroprudential supervision and crisis management framework. Thus, the BRB will continue the project of establishing a Deposit Guarantee and Resolution Fund. It will also continue the project of setting up an Electronic Financial Identification Center.

As part of the coordination of the supervision of the financial system, the Bank of the Republic of Burundi will coordinate the process of establishing a National Financial Stability Committee including all the Regulatory Authorities of the financial system of Burundi.

APPENDICES

Appendix 1 : EAC, Financial Soundness Indicators

Indicators	Countries	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Capital/Risk Weighted Assets	Burundi	18.1	22.7	23.2	23.6	22	22.4	23.0	20.4
	Kenya	21.7	18.9	18.5	17.2	18.8	19.2	19.6	19.0
	Tanzania	18.9	19.1	19.7	14.2	17.9	17.9	19.5	18.6
	Uganda	21	19.8	23.2	18.7	21.8	22.2	23.7	23.9
	Rwanda	22.2	23.1	21.4	19.8	24.1	21.5	21.5	21.7
	South Sudan	N/A	N/A	N/A	13.9	11.6	14.8	14.8	8.3
Non performing Loans/Total loans	Burundi	17.9	14.7	14.7	9.0	5.7	5.3	3.4	2.7
	Kenya	6.0	11.7	10.6	12.0	12.0	14.4	13.1	13.3
	Tanzania	8.6	9.6	12.5	10.2	9.8	11.8	8.4	5.8
	Uganda	5.1	10.4	5.6	3.4	4.9	5.3	5.3	5.4
	Rwanda	6.2	7.1	7.6	5.0	9.8	4.5	4.6	3.1
	South Sudan	N/A	N/A	48.0	44.4	N/A	3.1	3.1	2.4
Return on Equity (ROE)	Burundi	11.5	8.5	16.5	20.6	32,6	32.3	28.0	20.3
	Kenya	23.8	24.8	20.8	22.5	21.23	13.8	21.6	21.5
	Tanzania	13	8.9	6.9	5.9	8.1	1.9	2.8	14.2
	Uganda	16	8.3	16.4	14.4	16.7	14.2	15.6	15.1
	Rwanda	11.8	9.1	6.3	11.7	NA	11.8	15.0	17.8
	South Sudan	30.7	21.6	16	24.8	NA	19.7	19.7	48.1
Return on Assets (ROA)	Burundi	1.9	1.3	2.2	2.4	3,7	3.8	3.4	2.4
	Kenya	2.9	3.1	2.7	2.7	2.5	1.6	2.6	2.5
	Tanzania	2.7	2.1	1.7	1.5	1.9	53.6	49.8	3.4
	Uganda	2.6	1.3	2.7	2.5	2.9	2.4	2.7	2.8
	Rwanda	2.9	2.5	2.1	3	NA	2.0	3.7	4.3
	South Sudan	3.4	2.3	2.3	3.4	NA	2.6	2.6	5.2

Source : BRB

Appendix 2 : Financial sector Soundness Indicators for credit institutions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
APITAL ADEQUACY												
Core capital (tier1)	136,188.5	162,524.4	189,541.4	200,630.6	210,323.5	229,217.6	224,608.6	286,587.8	335,858.9	398,124.5	536,753.6	670,346.5
Total capital	157,829.8	185,430.9	223,415.7	231,350.9	243,523.4	265,744.0	247,559.8	312,326.5	364,790.7	421,913.6	570,998.5	726,973.8
ASSET QUALITY												
NPLs Ratio	6.9	7.7	9.4	11.1	16.9	12.1	14.7	8.9	5.7	5.3	3.4	2.7
Performing Loans												
Pass loans	533,927.0	506,820.0	592,607.0	528,871.0	300,915.0	611,508.0	638,481.0	804,866.6	923,173.5	1,000,051.0	1,813,869.6	2,637,192.8
Special mention loans	4,350.0	6,278.0	7,189.0	8,768.0	37,364.0	32,131.0	41,098.7	54,517.3	61,324.9	46,936.4	113,729.0	131,374.2
Non-Performing Loans												
Substandard loans	3,703.0	7,137.0	4,821.0	8,625.0	32,811.0	33,734.0	14,031.8	8,144.4	8,776.1	7,392.5	19,010.5	23,943.5
Doubtful loans	4,730.0	4,056.0	7,591.0	6,583.0	8,472.0	6,925.0	21,644.0	8,371.8	16,658.4	13,055.5	13,035.4	25,131.9
Loss loans	31,329.0	39,044.0	53,400.0	75,763.0	94,149.0	50,918.0	80,237.7	68,407.8	35,774.0	39,718.2	36,250.3	28,477.0
Total NPLs	39,762.0	50,238.0	65,812.0	90,971.0	135,433.0	91,577.0	115,913.0	84,924.2	61,208.4	60,166.2	68,296.2	77,552.4
PROFITABILITY												
Net income	33,984.3	20,705.9	18,855.1	14,066.1	22,579.7	21,863.2	35,731.7	61,662.7	119,359.3	130,881.6	166,615.3	154,740.0
ROA (%)	6.9	4.2	4.5	1.9	1.9	1.3	2.2	2.4	3.7	3.8	3.4	2.4
ROE (%)	34.9	18.6	18.7	9.4	11.5	8.5	16.5	19.7	32.6	32.3	28.0	20.4
Interest Margin	61,814.6	71,955.9	80,686.8	81,335.0	112,289.5	90,834.4	107,678.0	147,155.0	196,645.4	210,102.4	251,289.5	317,210.1
Margin on commission	33,378.2	18,070.1	35,969.6	44,373.9	32,766.9	103,534.5	71,994.6	40,956.0	43,869.7	45,510.8	56,184.9	78,183.6
Average lending rate	15.3	15.7	16.2	16.7	16.9	16.8	16,16	15.4	15.5	15.2	13.4	13.0
Average deposit rate	7.6	8.8	9.0	8.8	8.7	7.2	5,96	5.4	5.3	5.7	6.1	6.2
LIQUIDITY												
Liquid asset	312,317.5	317,691.7	420,546.1	514,743.3	493,719.2	758,972.1	285,645.0	233,363.4	293,874.1	318,411.3	273,589.4	585,728.0
Liquid Asset/ Deposit ratio	47.0	47.0	48.0	54.0	50.0	80.0	24.0	20.0	28.3	14.5	9.8	15.3
Loans/Deposit ratio (%)	87.0	95.0	84.0	88.0	81.0	68.0	59.0	56.0	57.9	50.3	68.8	71.7
MARKET												
Loans in foreign currency	3,141.0	81.2	2,315.8	36,394.6	34,634.1	23,163.7	16,958.3	55,526.8	68,955.0	165,178.2	187,600.4	313,326.3
Deposit in foreign currency	155,089.7	185,108.5	199,349.5	225,790.8	154,231.8	180,504.9	119,675.0	159,047.0	165,465.9	231,875.6	260,532.2	278,998.4
Assets in foreign currency	157,129.0	210,111.3	218,810.2	219,025.9	260,502.6	167,374.0	187,039.8	218,519.9	293,874.1	413,037.0	452,383.4	590,013.2
Liabilities in foreign currency	157,869.0	203,792.6	222,629.7	252,723.5	248,580.5	180,504.9	201,694.8	236,643.7	257,797.7	399,795.7	484,073.7	643,632.4
Loans in foreign currency / Core capital	2.3	0.0	1.2	18.1	16.5	10.1	7.6	19.4	20.5	41.5	35.0	46.7
Loans in foreign currency/Deposits in foreign currency	2.0	0.0	1.2	16.1	22.5	12.8	14.2	34.9	41.7	71.2	72.0	112.3
Assets in foreign currency/Liabilities foreign currency	99.5	103.1	98.3	86.7	104.8	92.7	92.7	92.3	114.0	103.3	93.5	91.7

Source : BRB

Appendix 3 : GDP per Branch (BIF Bn)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Primary Sector	472.8	466.3	476.3	516.4	497.9	488.0	497.1	498.2	535.2	550.3	552.3	578.5	569.6
- Food Crops	387.1	398.9	404.2	465.7	442.2	427.4	431.8	431.5	462.8	486.2	490.1	515.8	507.0
- Agriculture exports	32.8	14.3	19.3	16.6	18.4	21.3	17.6	20.4	21.9	17.9	21.2	18.2	19.6
- Coffee	23.7	5.7	9.8	2.6	3.2	4.9	4.2	6.5	7.1	2.8	5.5	2.1	3.1
- Tea	8.3	7.5	7.7	13.0	14.2	15.4	12.3	12.1	12.5	13.6	13.6	13.8	13.9
- Others agricultural exports	0.8	1.1	1.8	1.0	1.0	1.0	1.1	1.8	2.4	1.5	2.1	2.3	2.6
- - Forest	10.7	11.3	10.2	11.2	11.9	13.4	12.2	13.7	14.3	14.0	14.9	15.0	15.3
- Livestock	38.5	38.6	39.0	20.2	22.4	22.5	31.6	28.5	31.9	28.1	21.7	25.0	23.0
- Fishing	3.7	3.2	3.6	2.6	3.0	3.4	3.8	4.1	4.2	4.1	4.4	4.5	4.6
Secondary Sector	270.6	275.7	290.2	297.3	315.7	290.2	322.6	347.2	355.9	360.0	400.6	408.9	419.8
- Extraction	7.3	8.3	9.0	9.5	8.4	7.9	7.7	10.7	11.0	11.3	11.2	11.3	8.5
- Industries	173.9	178.0	183.5	187.5	211.9	192.3	220.8	238.6	242.4	243.7	255.8	255.5	255.2
- Agro food Industries	128.3	129.3	131.6	134.5	155.7	143.1	168.4	186.7	191.4	192.5	200.7	201.8	206.0
- Manufacturing Industry	45.6	48.7	51.9	53.0	56.2	49.2	52.4	51.9	51.1	51.3	55.1	53.7	49.1
- Textile industry	4.5	4.6	4.7	5.8	4.3	3.9	9.5	9.2	8.8	8.0	8.9	9.0	8.1
- Other manufacturing industry	41.1	44.0	47.2	47.3	51.9	45.3	42.9	42.7	42.3	43.2	46.1	44.7	41.0
- Power, gas and water	8.1	6.3	7.3	7.7	7.9	7.5	7.7	9.1	9.5	9.2	8.7	9.7	10.9
- Construction	81.3	83.0	90.4	92.5	87.5	82.5	86.3	88.8	93.0	95.8	124.9	132.4	145.2
Tertiary Sector	612.8	655.6	701.3	721.1	784.3	828.9	821.4	853.9	881.4	945.1	913.3	935.8	965.4
- Trade	79.9	82.7	85.9	71.2	79.4	68.5	62.0	65.5	71.3	74.2	70.1	71.6	65.1
- Transport and communication	49.1	49.8	54.4	51.4	67.6	73.4	66.7	70.2	73.4	80.8	61.8	72.2	72.5
- Transports	24.0	17.5	17.7	14.4	15.6	16.8	17.6	18.5	19.2	21.0	16.1	20.7	18.8
- Postal, Telecom, Internet Services	25.2	32.4	36.7	36.9	52.0	56.6	49.2	51.7	54.2	59.8	45.7	51.5	53.7
- Banks and Insurances	69.4	78.7	85.1	85.9	98.2	100.0	102.8	111.6	122.7	156.6	156.0	187.7	205.5
- Hotels, Restaurant and other merchant services	131.2	133.9	136.2	138.0	124.9	114.0	108.7	111.9	114.1	119.3	69.7	74.4	81.8
- Public Administration	160.3	180.5	200.9	228.2	272.9	298.9	316.7	334.0	344.0	353.7	370.7	382.5	401.6
- Education	133.4	162.8	187.2	188.1	195.6	209.1	211.7	219.7	226.3	233.7	244.9	246.1	254.7
- Health and Social Actions	7.5	10.8	12.3	12.8	13.4	14.0	14.4	15.1	15.5	16.0	17.6	18.8	19.5
- Collective or Individual Activities	58.2	47.9	26.7	33.0	47.1	54.4	45.6	45.9	59.4	61.6	61.9	56.9	60.3
- Household services	5.3	5.4	5.1	4.8	4.7	5.4	4.6	4.6	4.6	4.8	4.8	4.9	5.2
- SIFIM	-81.7	-97.1	-92.5	-92.4	-119.5	-108.9	-111.8	-124.7	-149.9	-155.6	-144.1	-179.3	-200.8
GDP at Factor Cost	1356.2	1397.6	1467.8	1534.7	1597.9	1607.1	1641.1	1699.3	1772.5	1855.4	1866.2	1923.2	1954.7
Taxes	151.6	171.1	170.7	184.4	194.0	177.5	200.6	213.1	240.6	247.9	243.7	252.1	259.0
GDP at Market Price	1507.9	1568.7	1638.4	1719.1	1791.9	1784.6	1841.7	1912.4	2013.1	2103.3	2109.9	2175.3	2213.7

Source : MFBPE, cadrage macroéconomique 2022

Appendix 4: Key macroeconomic indicators

	2016	2017	2018	2019	2020	2021	2022
GROSS DOMESTIC PRODUCT AND PRICES							
Real GDP Growth (in %)	3.2	3.8	4.2	4.1	-0.5	3.1	1.8
Inflation Rate (annual average)	5.6	16.1	-2.6	-0.7	7.5	8.3	18.9
EXTERNAL SECTOR							
Exports, f.o.b. (in millions of dollar)	124.7	172.6	180.2	176.6	162.4	163.7	207.9
Imports, CIF (in millions of dollar)	616.2	756.0	793.5	871.0	909.6	1,025.0	1,260.5
Volume of exports (in tons)	84,613.5	93,125.1	103,217.8	103,030.0	105,857.8	110,208.4	124,293.3
Volume of imports (in tons)	708,203.3	822,513.7	976,693.6	1,143,866.4	1,175,731.2	1,270,832.6	1,338,119.5
Current Account Balance (in millions of dollar)	-339.7	-360.0	-348.9	-342.3	-315.8	-421.9	-609.5
Exchange Rate BIF/USD (period average)	1,654.6	1,729.1	1,782.9	1,881.1	1,915.1	1,976.0	2,034.3
Exchange Rate BIF/USD (end of period)	1,688.6	1,766.7	1,808.3	1,878.6	1,946.4	2,006.1	2,063.4
Gross Foreign Reserves (in millions of USD, end of period)	98.6	109.8	80.5	128.7	94.3	266.6	176.2
Gross Foreign Reserves(in months of imports of the following year)	1.4	1.7	1.0	1.5	1.1	3.2	1.8
MONETARY SECTOR							
Net Foreign Assets (MBIF)	-176,523.1	-154,400.0	-203,201.0	-206,340.3	-205,016.1	-322,390.5	-561,926.3
Domestic Loans (MBIF)	1,767,122.4	2,004,966.2	2,369,485.6	2,827,585.3	3,463,032.7	4,307,712.6	5,944,924.7
Net Claims on the Government	905,857.4	1,112,214.4	1,337,534.0	1,618,917.6	2,025,750.7	1,930,723.8	2,532,697.6
Loans to private sector	861,265.0	892,941.6	1,031,951.6	1,208,667.7	1,437,282.0	2,376,988.8	3,412,227.1
Money supply (M3)	1,187,101.8	1,499,512.9	1,797,468.9	2,202,818.6	2,733,847.0	3,289,945.4	4,512,504.7
Money supply (M2)	1,093,131.8	1,340,926.6	1,625,958.7	2,014,729.8	2,526,518.5	3,035,234.7	4,212,292.6
Money velocity (GDP/M2, end of period	4.4	4.3	4.4	3.1	2.6	2.5	2.2
Monetary base (Gross Rate)	29.2	39.0	-3.3	23.6	11.6	1.1	44.5
Liquidity supply interest rate (in%)	3.1	2.8	2.9	2.7	2.9	3.0	2.0
Overnight facility rate (in %)	8.6	7.1	5.8	5.4	6.2	6.8	5.0
Average Deposit Rates (in %)	7.7	6.0	5.6	5.3	5.5	5.8	6.2
Rate on Treasury bonds of 5 years and over	-	14.0	12.6	12.6	12.2	11.2	10.5
Average lending rate (in %)	16.5	16.2	15.9	15.7	15.2	14.5	13.0
PUBLIC FINANCE							
Revenue and grants (in % of GDP))	15.6	15.7	18.0	19.7	20.0	19.9	13.4
Expenditure (in p.c. of GDP)	21.5	20.0	22.6	24.0	26.1	22.7	24.5
Overall budget balance (in percentage of GDP, accrual basis)							
- Grants excluded	-8.4	-6.8	-8.2	-8.2	-9.9	-6.2	-8.5
- Grants included	-5.9	-4.3	-4.5	-4.3	-6.1	-2.9	-5.0
Domestic Debts (MBIF)	1,374,178.2	1,648,219.7	1,937,821.9	2,314,985.5	2,851.2	3,063.2	4,005,281.9
External Debts (in MUSD, end of period)	429.1	440.5	451.1	502.3	532.2	638.1	647.4
External debts service ratio (in % of exports)	6.3	8.0	3.2	5.0	5.3	5.5	5.9
External Debts (in % of GDP)	14.9	13.6	14.0	15.1	15.6	17.0	14.5
GDP at market price (in billions of BIF)	4,938.2	5,702.1	5,914.4	6,216.9	6,805.6	7,676.4	9,213.9

Source : BRB

Appendix 5: Burundi compliance to EAC convergence criteria

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1.Annual Inflation rate (ceiling= 8%)	9.6	18.2	8.0	4.4	5.5	5.6	16.1	(2.6)	-0.7	7.5	8.3	18.9
2.Budgetary Deficit Grants included in% of GDP (ceiling = 3%)	3.0	3.6	2.9	4.1	8.0	6.0	4.3	4.5	4.3	6.1	2.8	5.0
3.Public Debt in % of GDP (ceiling = 50%)	33.7	34.1	31.8	31.0	39.8	42.5	43.2	46.6	52.5	57.3	56.7	57.9
4.Foreign Exchange Reserves in Months of Imports (min= 4,5 months)	4.0	4.0	4.2	4.1	2.0	1.5	1.7	1.0	1,5	1.1	3.2	1.8

Source : BRB

Appendix 6: Public debt structure

	2018	2019	2020	2021	2022
INTERNAL DEBT	**1,937,821.9**	**2,314,927.1**	**2,850,353.5**	**3,063,201.0**	**4,005,281.9**
1. Treasury bills and bonds	1,106,829.2	1,497,527.9	1,816,692.6	2,046,057.7	2,185,496.9
2. Commitments to the B.R.B.	772,108.5	746,479.4	894,667.8	901,529.1	1,731,217.0
3. Others	58,884.2	70,919.8	138,993.1	115,614.2	88,568.0
EXTERNAL DEBT	815,659.1	948,429.4	1,046,573.0	1,290,078.5	1,334,152.7
1. Direct debt	813,791.5	946,831.8	1,045,131.6	1,288,596.5	1,332,844.8
2. Indirect debt	1,867.6	1,597.6	1,441.4	1,482.0	1,307.9
TOTAL PUBLIC DEBT	**2,753,481.0**	**3,263,356.5**	**3,896,926.5**	**4,353,279.5**	**5,339,434.6**
As a percentage of total outstanding					
INTERNAL DEBT	70.4	70.9	73.1	70.4	75.0
1. Treasury bills and bonds	40.2	45.9	46.6	47.0	40.9
2. Commitments to the B.R.B.	28.0	22.9	23.0	20.7	32.4
3. Others	2.1	2.2	3.6	2.7	1.7
EXTERNAL DEBT	**29.6**	**29.1**	**26.9**	**29.6**	**25.0**
1. Direct debt	29.6	29.0	26.8	29.6	25.0
2. Indirect debt	0.1	0.0	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0
As a percentage of GDP					
INTERNAL DEBT	32.8	37.2	41.9	39.9	43.5
EXTERNAL DEBT	13.8	15.3	15.4	16.8	14.5
TOTAL PUBLIC DEBT	46.6	52.5	57.3	56.7	57.9
GDP	5,914.4	6,216.9	6,805.6	7,676.4	9,213.9

Source : BRB