

Republic of Burundi

Strategies for Urbanization and Economic Competitiveness in Burundi

June 19, 2015

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Acronyms and Abbreviations

API	Investment Promotion Agency of Burundi
BBN	Burundian Bureau of Standards
BCR	Central Census Bureau
BTC	Belgian Development Agency
CAADP	Comprehensive Africa Agriculture Development Programme
CERADER	Research Center for Agriculture and for Rural Development
CNAC	National Confederation of Coffee Farmers in Burundi
CNTA	National Center for Food Technologies
DPAE	Provincial Directorates of Agriculture and Livestock
EAC	East-African Community
EU	European Union
FABI	Faculty of Agronomy
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	Food and Agriculture Organization of the United Nations Statistics Division
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoB	Government of Burundi
IC	Investment Climate
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
IITA	International Institute on Tropical Agriculture
INTERCAFE	Coffee Inter-professional Association of Burundi
IPFB	Inter-Profession Fruits Burundi
IRAZ	Agriculture and Zoological Research Institute
IRRI	International Rice Research Institute
ISABU	Institute of Agriculture Sciences
ISTEEBU	Institute of Statistics and Economic Studies of Burundi (<i>Institut de Statistiques et d'Etudes Economiques du Burundi</i>)
ITAB	Agricultural Technical Institute of Burundi
JMP	Joint Monitoring Programme for Water and Sanitation
LPI	Logistics Performance Index

MEEATU	Ministry of Water, Environment, Land Management and Urban Planning (<i>Ministère de l'Eau, de l'Environnement, de l'Aménagement du territoire et de l'Urbanisme</i>)
MICE	Meetings, Incentives, Conferences and Exhibitions
MINAGRIE	Ministry of Agriculture and Livestock
MLKU	Martin Luther King University
MTIPT	Ministry of Trade, Industry, Post and Tourism
NEPAD	New Partnership for Africa's Development
NGO	Nongovernmental Organization
NTO	National Tourism Office
OBPE	Office Burundais pour la protection de l'environnement
OBR	Burundi Revenue Office
ONT	National Tourism Office (<i>Office National de Tourisme</i>)
OSS	One-Stop Shop
PAFE	Burundi Immigration Office
PII	Inter-Institutional Platform
PNIA	National Agriculture Investment Plan
PPD	Public-Private Dialog
PPP	Public-Private Partnership
PTPGU	Public Works and Urban Management Project
R&D	Research and Development
SADC	Southern African Development Community
SME	small and medium enterprises
SNDDT	National Strategy for Sustainable Tourism Development
SSA	Sub-Saharan Africa
SPS	Sanitary and Phytosanitary
TMEA	Trade Mark East Africa
TTCI	Travel and Tourism Competitiveness Index
TVET	Technical and Vocational Education and Training
UNWTO	United Nations World Tourism Organization
UHT	Ultra-Heat Treatment
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VFR	Visiting Friends and Relatives
WBG	World Bank Group
WEF	World Economic Forum
WFP	World Food Programme

Executive Summary

In the next 20 years, Burundi will continue to urbanize, bringing large numbers of new, young job seekers into the labor market. In the absence of a growing and productive private sector, Burundi's cities will be rapidly inundated with the challenges of youth unemployment. Thus, a focus on economic growth will require a two-pronged approach—investments and improvements in urban areas and targeted efforts to develop high-potential sectors.

The growth of cities and towns will reduce costs for service delivery, free up land in rural areas, and expand opportunities for agglomeration economies. At the same time, urban growth will increase demands on land, infrastructure, and service delivery in the cities. Burundi will have to plan for future urbanization, close gaps in the regulatory framework, and invest strategically in its cities to expand access to services and maintain competitiveness and opportunities for the private sector.



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Urbanization is correlated with economic development; no country has ever reached middle-income status without a high level of urbanization. Particular regions, towns, and cities within a country can serve as a springboard for economic development and job creation across the country as a whole. The theories of economic geography do not predict what localities economic specialization, or which areas or sectors will contribute the most to economic growth. In fact, the

empirical evidence suggests that the character of city competitiveness and growth will depend very strongly on local circumstances and diversity, and historical path dependencies will play a key role.

This report argues that urbanization brings significant opportunities for both rural and urban areas and that Burundi needs to prioritize issues of economic growth and job creation. Based on a diagnostic evaluation of the current urbanization and spatial growth, GDP, and job potential, the report highlights the importance of prioritizing policies and investments to address deficiencies in Burundi's urbanization. These remedial actions will help prepare Burundi for coming urban growth and help leverage agglomeration effects, minimize negative externalities associated with rapid urbanization, and potentially reap the demographic dividend of this transition. Getting urbanization right will need to be associated with targeted implementation strategies for growth in the **Agribusiness** and **Tourism** sectors.

A rapid move to cities is a central element of Burundi's development strategy, including an increase in the urbanization rate from 11 percent to 40 percent by 2025. Burundi's *Vision 2025* aims to promote urbanization via rural-urban migration, freeing arable land, providing nonagricultural urban employment opportunities, and in turn, reducing the risks for social conflict and economic fragility.

This report shows that while the Vision 2025 target of rate 40 percent is unrealistic, Burundi's urbanization rate may already be higher than expected due to limitations in the current urban classification and the agglomeration of households along major transport corridors. This uncertainty further underlines the need for government to address the key issues that will affect whether Burundi will achieve effective urbanization or not.

Burundi's urbanization process is characterized by weak links with economic growth and weak land property rights in areas out of the core of main cities; but urbanization is positively associated with better living conditions. Poverty in urban areas is substantially lower than in rural areas and access to services much higher.

The link between economic growth and urbanization is weak, and Burundi will need to strengthen the linkages between the rural and urban areas to harness benefits of urbanization and create jobs. Shifting to more productive activities in urban areas will trigger economic growth and, at the same time, urbanization. This, in turn, can strengthen the link between rural and urban production, and trigger a virtuous cycle and achieve a faster spread of the benefits of economic growth between urban and rural areas.

Urban inefficiencies such as low densities and uncontrolled urban expansion undermine the effective provision of services and increase the cost of doing business. Urban expansion could be unsustainable if Burundi's towns and cities continue to create low-density, unregulated sprawl. Current initiatives to resolve the lack of land and services will temporarily alleviate demands for housing and land in urban areas. However, if applied systematically, these initiatives may threaten the goals of sustainable urbanization. Therefore, it is important that

Burundi develop, identify, finance, and enforce effective urban planning and land-use regulations. These regulations need to be managed by well-equipped institutions that can help achieve efficiencies in urban form and prepare cities for future expansion.

Burundi will need to make large investments in its cities to sustain the current levels of services in urban areas—and even larger investments if density levels do not improve. High urbanization growth rates and low access to services will result in increasing investment requirements for infrastructure—even just to sustain the current levels of service. Therefore, Burundi should apply flexible service standards to enable acceptable solutions within a limited fiscal space.

Agribusiness and tourism are the potentially the highest-yielding job-creating sectors in the short and medium term. This report explains why, and presents the link to the rural transformation.

Agriculture accounts for more than a third of Burundi's GDP and employs more than 90% of the workforce.¹ Production is carried out predominantly by rural households producing small quantities of different products, using few inputs or equipment besides traditional tools.² Agricultural processing is currently very limited, while distribution channels, like wholesale markets, are reported to be informal, fragmented and inefficient. Furthermore Burundi lags behind in facilitating services such as storage and transportation, sanitary and phytosanitary systems, (SPS) and certification services.

Future growth in agricultural production can only be generated from intensification and productivity gains. Production is limited by very low yields stemming from various interlinked factors (e.g. declining soil fertility, low use of improved inputs and modern technologies, limited access to credit, etc.). Commercial agriculture that could mobilize inputs and machinery more efficiently is currently constrained notably by the difficulty to aggregate land. Thus, only market-oriented agriculture will allow rural households an adequate livelihood from their small plots, abundant labor, and relatively ample water resources.

The main constraints preventing the growth of the downstream segments of the value chains (processing and distribution), handled primarily in urban and peri-urban areas, are the following: i) the weakness of domestic demand, ii) the sector's cost-competitiveness versus imports, notably due to energy costs, iii) the low quality perception of domestically processed goods, iv) the limited access to long-term financing and v) the low capacity and lack of organization of the private sector to address the commercial, operational, technical and financial challenges of market development and for which the sector receives little support (from peers, clients, suppliers, and from the public sector).

Burundi's tourism sector is at an emerging stage. Under the right circumstances, the sector can have significant potential to create jobs and increase revenues for micro, small and medium

¹ Government of Burundi, 2011: "Plan National d'Investissement Agricole (PNIA), 2012-2017."

² USAID (2010): "Staple Food Value Chain Analysis, Country Report, Burundi."

scale enterprises (MSMEs). The country annually welcomes around 152,000 international visitors, with the sector directly and indirectly comprising 4.5 percent of national GDP, and 3.9 percent of employment, in total supporting 72,500 jobs³. Informal lodging and restaurants make up the 13.43 percent of value added nationally, the highest in the informal services sector⁴.

Since 2010, important strides have been taken to structure Burundi's tourism sector, with the government increasingly prioritizing tourism as a growth industry, through the Burundi Vision 2025 and its long-term *National Strategy for Sustainable Tourism Development*. The Government has drafted a new tourism law and restructured its National Tourism Office (NTO) in 2013 to better respond to the development, marketing and training needs of the sector.

Despite its potential and recent momentum, however, Burundi has largely been left behind in the growth of tourism within East Africa, a well-positioned and globally competitive tourism region. Reforms have been slow to materialize, as the unpredictability and lack of continuity in policies and regulations have stunted the sector's progress. Burundi's new tourism law remains incomplete, requiring more private sector input and the integration of best practices while taking into account the local and regional context. The institutions with purview over the tourism sector remain fragmented and lack a coordinated approach. Currently, the country suffers from a poor destination image and a lack of knowledge of its tourism offerings. This is further stunted by uncompetitive policies, such as tourist visa fees of USD\$90, compared to the regional average of US\$45. Furthermore, the country's tourism sites and enterprises remain of low quality and variety, with low demand being the largest issue facing tourism in the country.

There are several key areas that Burundi must address to leverage urbanization and yield productivity and jobs from emerging sectors such as tourism and agribusiness.

Recognizing that existing nonfarm employment tends to take place in informal and/or micro-enterprises, the report identifies where this sector adds the most value, and what factors constrain increases in growth and productivity. Household and informal firms will continue to absorb much of the growing labor force in cities. Therefore, the report identifies strategies to target bottlenecks to job creation, while keeping a sharp focus on particular sectors that grow rapidly.

Given scarce resources, Burundi should focus on addressing the underlying constraints to efficient urbanization. This includes identifying key sectoral bottlenecks, prioritizing interventions, and providing clear and detailed implementation strategies and funding streams. The recommendations are organized by the need for additional diagnostics, investments to strengthen institutions and infrastructure, and, finally, targeted interventions focused on city- and sector-specific challenges. The proposals are supported by specific implementation strategies and lessons from international experiences.

³ WTTC Tourism Economic Impact Burundi, 2014

⁴ ISTEEDU, 2014 informal sector and employment survey

As urbanization continues and increases in speed, Burundi will need to undertake vast investments in its cities to sustain the current levels of services in urban areas—and even higher if density levels do not improve. High urbanization growth rates and low access to services will result in increasing investment requirements for infrastructure—even just to sustain the current levels of service. Bridging the gaps in current service provision and expected future demand to 2025 will require investments up to between 25-30 percent of GDP, regardless of the urbanization scenario.

Four areas of critical attention for Burundi to capture the development effects and urbanization benefits of economic growth include: (i) invest in strengthening the capital city, Bujumbura, for potentially the highest returns for the country; (ii) shift the medium- to long-term focus to improving conditions in other cities across the country; (iii) improving access and transportation services connecting rural areas to the capital city; and (iv) policies to improve rural productivity need to respond to a larger demand from urban markets.

Burundi has no overarching urban policy. The process of formulating a policy for regulatory and investment interventions may create a strong coalition for effective and sustainable urbanization. Through the preparation of the Letter of National Policy on Habitat and Urbanism (2008) and the passing of Vision 2025, key policy objectives have been identified. However, several laws and an overarching policy vision for tackling urbanization are still lacking, and the regulations and institutions are not working on conjunction to promote sustainable urban development. Therefore, the formulation of an urban policy may assist in aligning regulatory and policy frameworks and creating a clear framework for implementation of urban priorities.

Critical to addressing Burundi's urban development challenges is the need to improve spatial and land management, urban planning and land and property rights management and strengthening institutional delivery capacity and enforcement. Specifically, Burundi will need to strengthen property rights, reducing obstacles for land registration and finding effective mechanisms to resolve land disputes. Improving the skills of public servants, securing their financing, setting standardized procedures, systematizing registries and achieving coherence across decentralized offices are among the challenges ahead. The Government can consider ensuring effective coordination and enforcement of existing deconcentrated and decentralized land registrations. While decentralized units to inventory property rights are expanding, the Government should seek to collect, systematize and store cadaster data

As part of enhancing increasingly denser and efficient urban land use and spatial development, the Government should undertake a thorough review of the economic and social implications of the current policies of villagization and lotissement. While these policies aim to provide a solution for land scarcity in urban areas, and partially seek to address problems of urban inequality, they also promote sprawl as each piece of land is large while incentives for vertical solutions do not exist.

The two draft laws - on urbanization, habitat and construction and on territorial planning - should be passed. Passing of these laws will trigger the need for implementation of the

institutional mechanism and modalities provided for in the laws. This could also provide impetus for effective urban management (including creation of an Urban Commission to coordinate spatial planning between the national, provincial and commune level). In addition, it will be important to revise and update the current criteria defining urban areas in the country, as this will have concrete implications for investment needs and priorities. The new criteria should take into account spatial variables, such as contiguity of buildings and land-uses, and be coherent with current and future areas of urbanization defined in the master plans.

Given Burundi's food trade deficit and lingering food security issues, the priorities established by the Government's National Investment programme should be extended beyond the period of 2012 to 2017 to support production increases, notably production of staple crops. These efforts will need to be complemented with improvements of basic infrastructure and logistics services, market linkages and market information. Urban and peri-urban areas can play a key role in supporting such improvements by upgrading the quality of some of the services they provide as logistical hubs, as well as market outlets for agricultural products, and by strengthening their infrastructure, notably in terms of roads and energy supply.

Given Burundi's limited resources, efforts should be prioritized toward value chains that have the best job potential for job creation. The following approach is recommended:

1. Assess the competitiveness of Burundi's agribusiness subsectors on the domestic, regional and international markets;
2. Create or strengthen dialog platforms within the private sector in agriculture value chains;
3. Create public-private dialogue platforms for each value chain and for the agribusiness sector overall;
4. Identify priority sub-sectors and constraints that need lifting; and
5. Implement targeted action plans to improve the priority sub-sectors' competitiveness and attract investments.

The targeted action plans implemented in step 5 are likely to include interventions to: (i) develop critical infrastructure such as roads, storage and wholesale markets; (ii) improve access to affordable logistics and storage services; (iii) address human capital challenges; (iv) provide technical support to agribusiness firms; and (v) carry out investor outreach campaigns.

International experience shows that a tourism sector begins elevated growth three to four years after a country completes institutional and enabling environment reforms and invests consistently in the sector. To scale-up the growth and competitiveness of its tourism sector, Burundi should: (i) address the most basic preconditions for tourism and fundamental constraints first, such as safety & security issues, (ii) finish the structuring and regulation of its tourism sector, (iii) start with developing small-scale pilot projects that focus on destinations and market segments with the greatest value generated per investment, (iv) leverage the regional dimension

by further integrating into the East Africa Community (EAC) and its dynamic tourism circuits, and v) undertake sustained skills development and marketing programs.

First and foremost, Burundi needs to finish structuring its sector and to equip its institutions with the resources to meet the needs of an emerging sector. This includes (i) completing its tourism law and application texts with private sector input, (ii) implementing a robust tourism statistics system, (iii) integration into the EAC tourist visa and (iv) implementation of the EAC lodging classification standards. A marketing and promotion program targeted towards two to three growth niches needs to be implemented in close coordination with the private sector, as well as investments in key touristic infrastructure, such as the Bujumbura waterfront, Gishora, Rusizi, Kibira, Kigwena, the Livingstone monument and various hot springs. Tourism enterprises require business development services, skills development and market linkage improvements, specifically targeted towards small and informal lodging, handicraft, catering and activity providers.

Burundi's tourism assets have the potential to be competitive at the regional scale if developed and marketed towards appropriate segments. A short to medium-term strategy would be to build a solid base of regional short-stay tourists from Rwanda, Kenya and neighboring areas visiting for weekend lakeside leisure and entertainment, as well as business travelers, supplemented by a growing variety of niche, or 'special interest' leisure markets, including multi-country adventure tourists looking for lake cruises, authenticity in culture, chimpanzee and bird watching and trekking; mainly from francophone source markets.

1. Setting the Stage

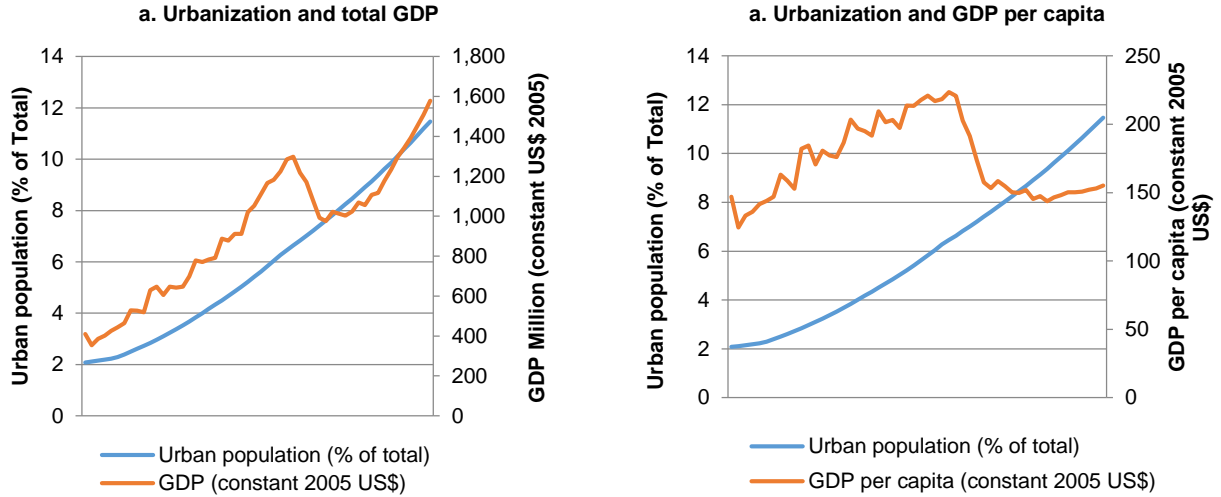
Burundi has made socioeconomic progress in the last decade by establishing a more stable macroeconomic environment, rebuilding institutions and consolidating peace and security. Notwithstanding this progress, there are substantial challenges ahead. Over the past decade, Burundi has enjoyed uninterrupted GDP growth. The government has stabilized the country's economy in a fragile environment. Output growth averaged 4.2 percent from 2004 to 2013 with only one brief episode of decrease in per capita GDP in 2005. However, Burundi continues to have one of the highest poverty rates in the world (66.9 percent). In 2013 Burundi's GDP per capita (US\$267) was just over one eighth of the average GDP per capita of Sub-Saharan Africa, and its Human Development Index (0.282) places it at 166 out of 169 countries.

Burundi remains a fragile state. Burundi has made progress in consolidating peace and security, establishing a relatively stable macroeconomic environment, rebuilding institutions, and improving sector outcomes, in particular in basic health and education. Even though the security environment has improved significantly in recent years, the situation remains fragile. The increasing cost of living triggered by recent volatility of fuel and basic commodity prices placed severe strain on the poor. Scarcity of land and competition for land resources is a continued underlying driver of conflict and fragility.

Urbanization could be a potent tool to address some of these challenges. In particular, its potential could be harnessed to increase economic growth and to benefit from economies of scale in service provision, and could help reduce the pressure on land, and increase opportunities for jobs creation outside the primary sector.

Is urbanization in Burundi contributing to growth? It is central to check whether urbanization by itself will contribute to economic growth and development. So far data from World Development Indicators on long-term rates of urbanization and GDP growth do not lend themselves to a clear answer.—As Figure 1 shows, urbanization is associated, positively and relatively consistently, with increases in total GDP (panel a), but the correlation with GDP per capita is imprecise (panel b). Urbanization may have continued on its own regardless of the ups and downs in economic growth.

Figure 1. Urbanization is increasing—but the impact on growth is unclear



Source: World Development Indicators.

In Bujumbura, growth in economic opportunities has been volatile and relatively low in recent years comparing with other sub-Saharan African cities. Figure 2 shows the city's performance with regard to growth in both—GDP and employment. The higher levels of volatility would make it more difficult for firms and households to make consumption and investments decisions, and therefore a harder environment for policy making. Further worrying in a low-income country, when growth rates did stabilize (somewhat in more recent years) this was at a lower level despite the fact that Bujumbura triple its size over the same period.

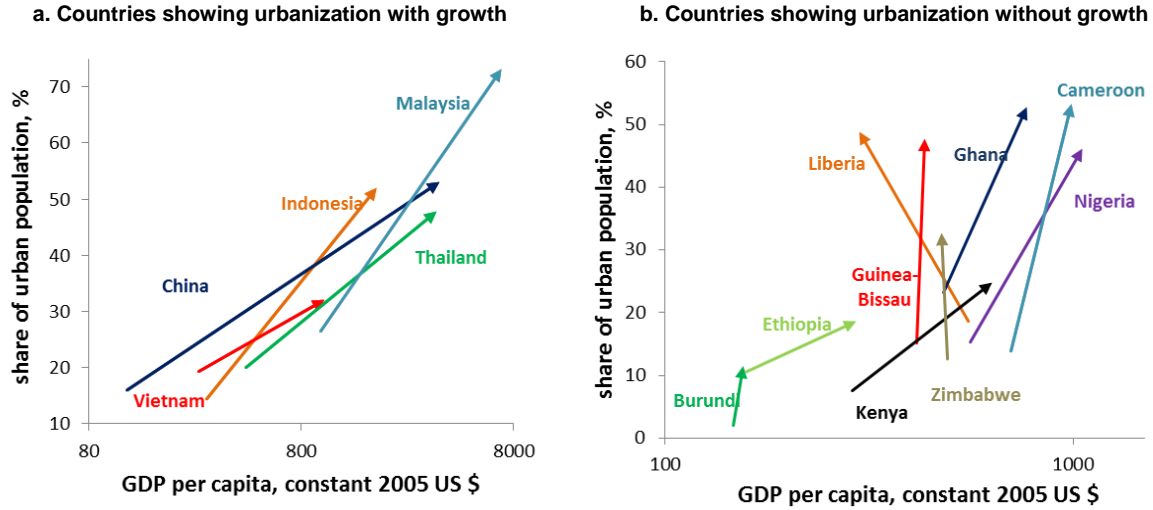
Figure 2. Growth in GDP and employment is volatile, and relatively low in recent years



Source: Oxford Economics Data

Thus, urbanization does not guarantee economic growth. Some countries (such as those in East Asia), but not all, have exploited the benefits of urbanization to improve on economic outcomes. Unfortunately, not all countries are harnessing fully their economic potential. In Burundi, as in other Sub-Saharan African countries, faster urbanization is not always associated with economic prosperity. As Figure 3 shows, a desired correlation between economic growth and urbanization points northeast (panel a), while urbanization without growth moves mostly to the north of the figure (panel b).

Figure 3. Urbanization and Economic Prosperity do not always go hand-in-hand



Source: World Development Indicators

The population is young, with the youth facing both demand and supply constraints, lack of adequate skills, and employment opportunities. This situation exacerbates further division of arable land because children of poor rural families miss alternative opportunities. The child dependency ratio is high, with 0.85 children (between 0 and 14 years old) per working-age person (between 15 and 64 years old), and adolescents and young adults represent a big share (41 percent) of the working-age population. According to UN population prospects (UN 2013), by 2025, child dependency ratio will only fall to 0.83 and adolescents and young adults will be 36 percent of the working-age population. The demographic dividend can spur economic growth through savings, owing to smaller expenditures on dependents and higher incomes of the working-age adults.¹

Urbanization will contribute to the demographic transition toward lower population growth rates. Education, age at first marriage, female employment opportunities in the modern sector and socioeconomic and occupational status and contraceptive use differ markedly between urban and rural areas (UNCHS 1994). Therefore, demographic change tends to first appear in urban areas.

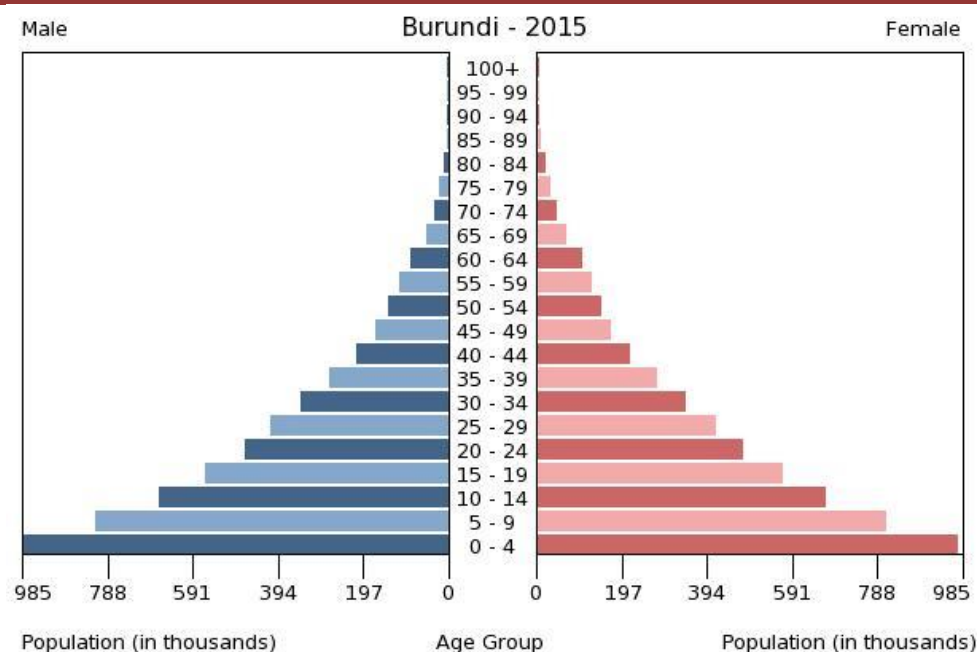
Table 1. Fertility and infant and child mortality rate

	1987			2008		
	Urban	Rural	Total	Urban	Rural	Total
Fertility rate*	5.1	7	6.9	4.8	6.6	6.4
Infant and child mortality rate**	84	86	86	49	81	79

Note: *Children per woman, **Mortality per 1,000 live births.

Exploiting opportunities arising from urbanization for demographic transitions requires a **stronger role of the private sector in employing the youth**. During the next two decades a large cohort of youth will enter Burundi's labor market, given the wide base the country has today of cohorts less than 20 years old (see Figure 4). Many of these young people will be moving to cities in search of jobs, and Burundi's urban regions will face the challenges of youth unemployment. It is essential that labor demand in cities increases steadily so that families self-finance their urban life rather relying on public sector provision. Urbanization could be an engine of economic growth, providing demand from urban households. As the labor force will continue to be young, the needed response should make use of the demographic dividend.

Figure 4. Many more young people will enter Burundi's labor market



Source: U.S. Census, International Data Base

Both farm and nonfarm employment in Burundi is overwhelmingly concentrated in informal activities. According to the Survey of Household Living Conditions in Burundi (ECVMB), formal private-sector employment in nonfarm activities is as low as 3 percent, with the public sector accounting for 23 percent (ECVMB 2013–14). Given the huge bulge of young entrants to the labor force, the performance of formal private firms in job creation is a concern.² At the same time, informal enterprises, particularly in activities like trade, agribusiness, and tourism, do generate productivity increases. Therefore, a two-pronged approach to competitiveness will be required: (i) emphasis on increasing the ability of existing informal enterprises to operate more efficiently, and (ii) facilitating sectors that have the potential to become large engines of economic growth.

If well managed, urbanization and the associated improvements in location of economic activities can increase economic efficiency in service delivery, reduce land pressure, allow for

improved productivity in rural areas, reduce dependency rates, and enhance the economic performance of the country. On the other hand, if Burundi does not start adjusting rapidly for the management of urbanization, the result could be unsustainable land use in urban fringes, with increased congestion, incidence of slums, and urban insecurity, and expansion of the informal sector.

Thus, it is imperative that national and local governments provide strong support in overcoming the challenges faced by the private sector and making most efficient use of resources. Understanding the needs of particular sectors and their linkages with the rest of the economy will help target support for specific investments in infrastructure and institutional development.

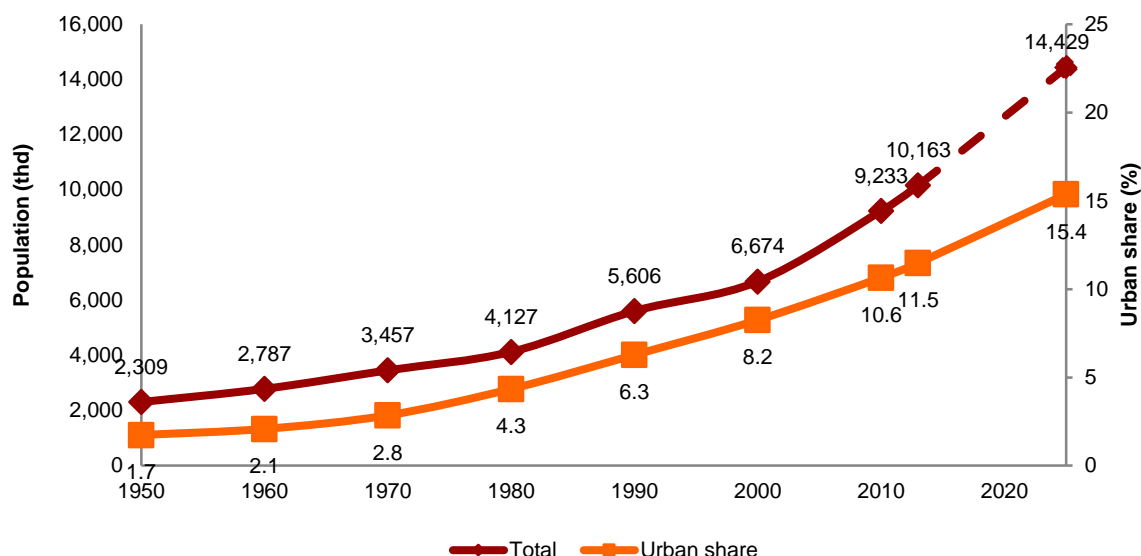
The aim of this study is to diagnose urban challenges, identify potential sectors for growth and the associated bottlenecks, and identify strategic interventions that will help urban areas become more competitive for the future. The study provides inputs to support the design of the framework and building blocks of Burundi's urban strategy, and provides guidance for implementation of the proposed set of actions.

2. Urbanization in Burundi: Trends and Perspectives

Burundi has a low rate of urbanization but will be transitioning to a new stage of development where cities and towns will start playing an important role. Burundi is a small country of 25,680 square kilometers (km²) and slightly over 10 million people by 2015. In 2008, 10.1 percent out of the 8 million people accounted by the census were living in urban areas.³ The urban population has grown at a faster pace than total population, accelerating the growth of the urban share. The growth of urban population in Burundi, of more than 5 percent during the past two decades, doubles that of rural areas and is faster than the average for Sub-Saharan Africa.

A rapid move to cities is a central element of the country's development strategy. Burundi's *Vision 2025* aims to use urbanization "to be able to free up arable lands—rural population density reaches 400 inhabitants per km²—and to provide nonagricultural job opportunities in the urban environment" (UNDP and MPCD 2011). *Vision 2025* proposes to increase the share of the population living in urban areas from the current 11 percent (2011) to 40 percent by 2025 (Figure 5).

Figure 5. Population Growth and Urbanization in Burundi 1950-2020



Source: UNDP and MPCD 2011.

Burundi's urban population share is expected to reach between 15 percent and 30 percent by 2025. Using the implicit urbanization rates between censuses of 1990 and 2008, the 24 percent as of 2015 would increase to 30 percent urban population by 2025⁴ (Table 3), and the number of urban households will similarly increase. By 2025 there will be 2.8 million households, of which 14 percent will live in urban areas for the Census scenario and 28 percent for the New Boundaries scenario.⁵

Table 2. Urbanization rate is potential higher than currently consider, but the goal of 40 percent by 2025 seems unlikely.

Population	1990	2008	2015	2025	Growth rate
Total population	5,292,793	8,053,574	10,097,101	13,474,000	2.9
Urbanization rate					
Census	6%	10%	12%	15%	2.5
New boundaries*		20%	24%	30%	2.5
Vision 2025	6%	10%		40%	8.4
Urban population					
Census	333,044	811,866	1,212,933	2,062,940	5.5
New boundaries*		1,610,715	2,406,419	4,092,804	5.5
Vision 2025	333,044	811,866		5,389,600	11.8

Source: Calculations based on UN (2004), WDI, and Burundi Population Census 1990 and 2008.

Burundi's urbanization process is characterized by weak links with economic growth and weak land property rights in areas out of the core of main cities, but is positively associated with better living conditions.

Urbanization does not seem to be accompanied by any structural changes in the economy

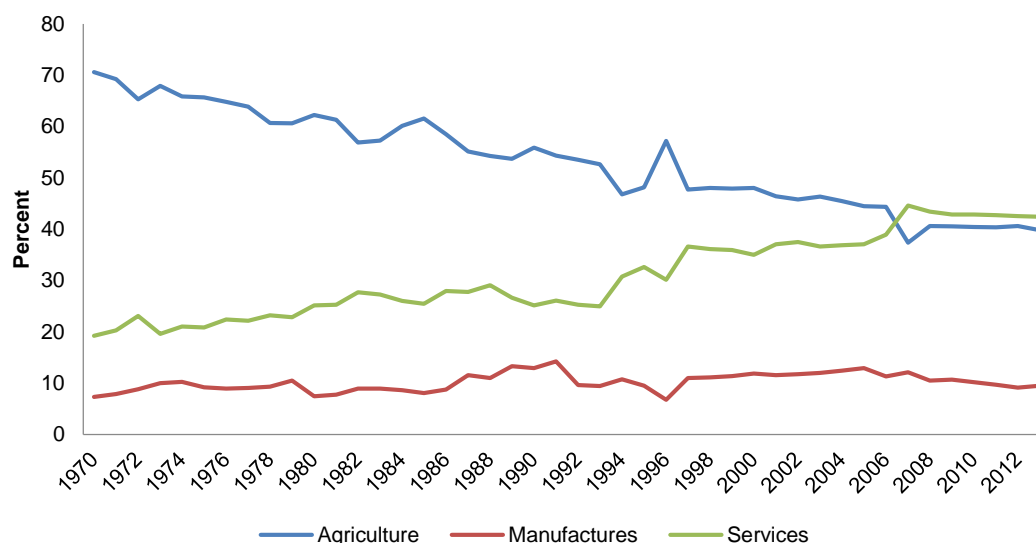
Urbanization has coincided with a decrease in per capita growth, and both agricultural and total productivity are low and declining. While urban population and urbanization grew by 5 percent and 3 percent, respectively, between 1979 and 2008, GDP per capita declined by 2 percent. GDP per worker only had a positive growth between 1962 and 1972 and recently after 2008.

Most economic activities remain tied to the primary sector, even in cities, but the value added of services in the economy has increased while industry and manufacturing has remained stagnant and has not created substantial number of jobs.⁶ According to 2008 Census data, agricultural activities make more than 91 percent of the employment at the national level: 94.9 percent in rural areas and 38.5 percent in urban areas (BCR 2008). Services make most of employment (39 percent) in urban areas, a percentage surprisingly similar to that of agriculture. Nonagricultural jobs in urban areas are concentrated in commerce and vehicle repairs (26 percent), household activities and domestic employment (20 percent), education (10 percent), transport (10 percent), and public administration (10 percent). However, value added of agriculture as a share of GDP has declined from 55 percent to 40 percent between 1990 and 2013, and services has increased from 25 percent to 42 percent as a share, while industry has remain stagnant at 18 percent.

At the aggregate level, Burundi is only at the first stage of the structural transformation, as changes in the structure of production have not been matched with corresponding changes in the employment structure. Value added of agriculture as a share of GDP declined from 55 percent to 40 percent between 1990 and 2013 and industry remained stagnant at 18 percent. Services have increased from 25 percent to 42 percent as a share (Figure 5a). However, agricultural activities make more than 91 percent of the employment at the national level (BCR 2008). A higher level of transformation is still to be seen. For example, in the period from 1987 to 2007, the proportion of the Chinese labor force involved in the agricultural sector declined from 60 percent to 44 percent, while in the Republic of Korea, the proportion declined from 34 percent to 7.4 percent.

This transformation will also require changing urban jobs from non-tradable to tradable sectors. Creating jobs in these sectors may provide a significant number of employment opportunities since their ability to create jobs is not limited by the size of the domestic market. Nonetheless, urban employment is dedicated in similar shares to agriculture (38.5 percent) and services (39 percent). Also nonagricultural jobs in urban areas are concentrated in nontradable sectors: in commerce and vehicle repairs (26 percent), household activities and domestic employment (20 percent), education (10 percent), transport (10 percent), and public administration (10 percent).

Figure 5a. Values added by sector as percent of GDP



Source: World Development Indicators.

Table 3. Employment by sector in rural and urban areas

Province	Rural		Urban		Total	
	#	%	#	%	#	%
Extractive activities	2,867	0.1%	88	0.0%	2,955	0.1%
Agriculture, farming or fishing	2,694,766	94.9%	77,384	38.5%	2,772,150	91.2%
Industry (agroalimentaires & other manufactures)	20,439	0.7%	5,367	2.7%	25,806	0.8%
Production and distribution (gas, electricity)	569	0.0%	1,380	0.7%	1,949	0.1%
Trade and vehicle repairs	30,187	1.1%	31,779	15.8%	61,966	2.0%
Services	68,587	2.4%	78,481	39.0%	147,068	4.8%
Construction	21,119	0.7%	6,724	3.3%	27,843	0.9%
Total	2,838,534	100%	201,203	100.0%	3,039,737	100.0%

Source: BCR 2008.

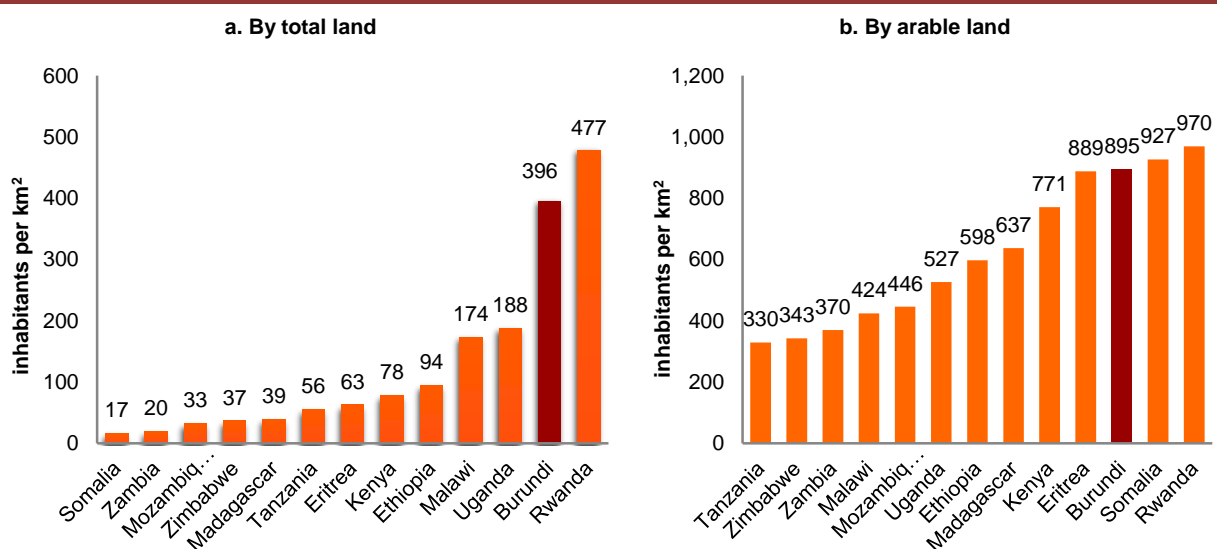
Note: jobs in nonspecified sectors are not included. These jobs represent 4.3 percent of total jobs: 3.9 percent in rural areas and 10.2 percent in urban areas.

Informal jobs proliferate even in nonagricultural activities. Informal sector represents 96 percent of employment—this is true for nonfarm employment and for urban employment, and **only about 120,000 workers have a formal job**. Excluding subsistence agriculture, informality still accounts for 73.8 percent of nonfarm employment, and it accounts for almost 70 percent of total urban employment. Informal jobs account for 61.7 percent of total employment in Bujumbura Mairie Province, suggesting that informality is more widespread in other towns and cities. Certain sectors of the informal economy are more productive than others. More than half of the total value-added generated in the informal sector comes from trading activities (wholesale, retail etc.), and the rest from agribusiness (22 percent) and hotels and restaurants (13 percent).

Productivity in the informal transportation and construction sectors is quite low, although both sectors are mainly informal (with only 10-12 percent public or formal private employment).

High population density, further exacerbated by the hilly nature of the country, increases land scarcity and inhibits productivity increases in the rural sector. Compared to other East African countries, Burundi has high population density. With a density of 395.7 people per km², it is only surpassed by Rwanda in East Africa. (See Figure 6 for comparisons with other Sub-Saharan African countries.) Farm size has fallen as arable land has grown at a slow pace compared to population growth⁷ and geography inhibits farming uses in some areas. The average agricultural plot size has fallen from 1.04 hectares (ha) per household in 1973 to 0.5 ha/household in 2009⁸ and agricultural productivity was US\$128, five times lower than Sub-Saharan Africa's average productivity. In turn, agricultural productivity has been decreasing steadily over last three decades independently from positive or negative trends in economic growth. Further, rural productivity ranges among the lowest in the world. The drop stabilized over the last few years, but sadly when productivity is increasing in other countries.

Figure 6. Population density in East African countries (inhabitants per km²)



Source: World Development Indicators.

Weak land property rights in areas out of the core of main cities

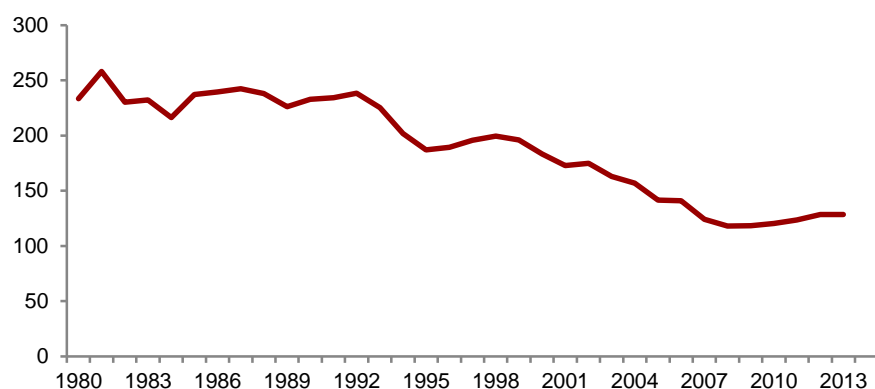
Currently, most land outside Bujumbura and out of urban centers of main cities (Gitega, Ngozi, and Rumonge) is not registered or registries are not updated. Successions, divisions, and sells are not regularly reported to authorities. This might push households to urban areas in search of more secure property rights, but it might also hinder migration since people are unwilling to leave their rural land because they risk losing it (Elbow et al. 2014).

Figure 7. Agriculture productivity

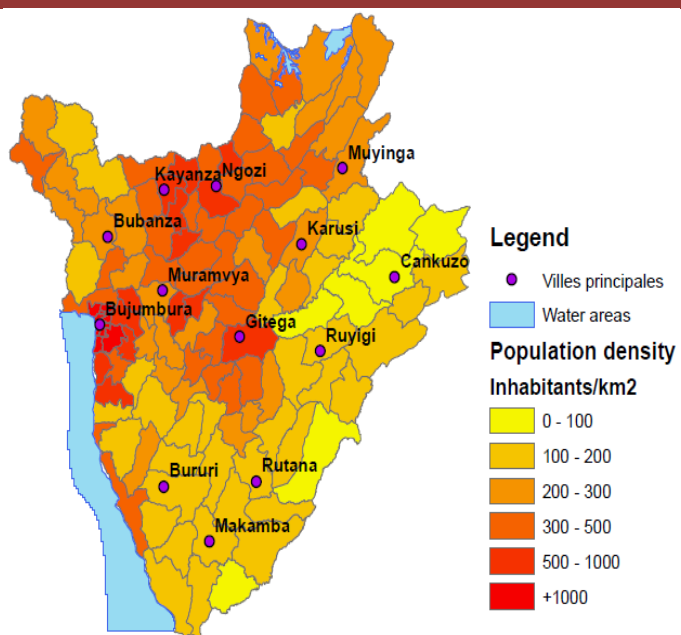
a. Benchmarking Burundi

	Cereal yield kilograms per hectare		Agricultural productivity 2005 \$	
	2000	2013	2000	2013
Burundi	1,224	1,176	183	128
World	3,058	3,851	1,070	1,201
Low income	1,722	2,146	276	336
Sub-Saharan Africa	1,130	1,427	470	690

b. Burundi



Map 1. Population density (2008)



Source: Author's calculations based on 2008 census.

Map 2. Population dispersion (1 point =500 inhabitants)



Source: AFD 2010.

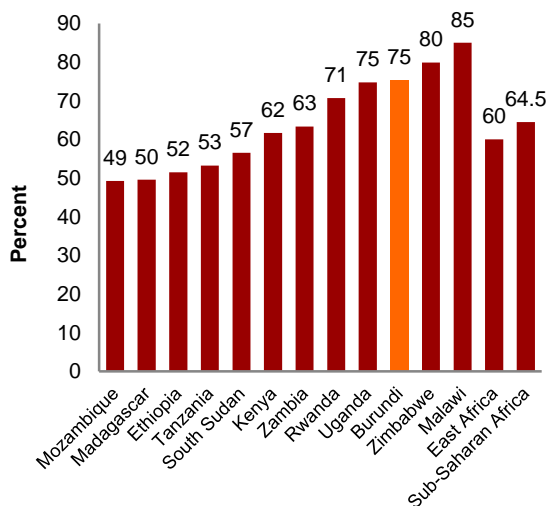
Urbanization is contributing to improvements in living conditions

Evidence points to a positive correlation between urbanization and poverty reduction. About 67 percent of Burundians live in poverty, but rural poverty is higher in rural areas where the poverty rate is twice that of urban areas. Similarly, the multidimensional deprivation indicator measured by the World Bank⁹ shows lower levels of deprivation in urban than in rural areas (48 percent in Bujumbura, 64 percent in other urban areas, and 71 percent in rural areas).¹⁰ Notwithstanding, recent studies indicate that there is also increased inequality within larger urban areas, although inequality levels remain higher in rural areas as well.¹¹

Access to services in Burundi is better than most comparator countries, and better in urban than rural areas across all cities and towns. Compared to East African and Sub-Saharan African countries, Burundi has improved access to water and sanitation facilities, but low access to electricity. Access to improved water facilities is 75 percent, and 15 and 10 percentage points above East African and Sub-Saharan figures, respectively. As in most countries, access to improved sanitation facilities is lower (47 percent) but is still high compared to Sub-Saharan African standards (Figures 8 and 9). Access to electricity is only 5.3 percent, the lowest among East African countries.

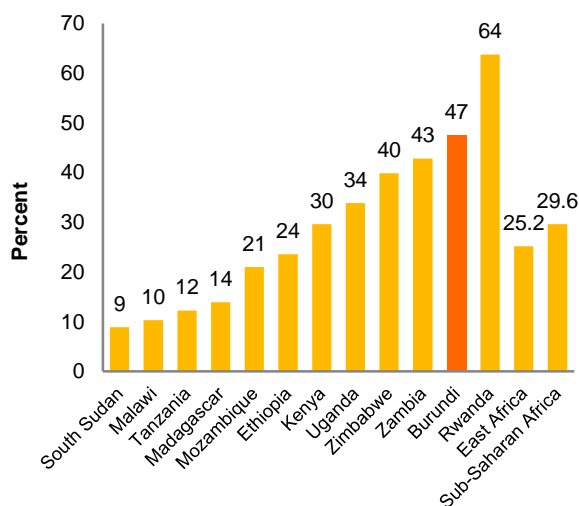
Access to electricity is strongly concentrated in urban areas. In 2012 access to electricity was 40 percent in urban areas (with more than 80 percent consumed in Bujumbura) and 2 percent in rural areas. A total of 23 percent of the rural *population* and 40 percent in urban areas use other sources of energy for lighting, like kerosene lamps and candles.

Figure 8. Access to improved water (%)



Source: JMP 2012.

Figure 9. Access to improved sanitation (%)



Source: JMP 2012.

Disparities in access to water are high between urban and rural areas, but they are not in access to sanitation. Access to improved water sources in urban areas is high reaching 92 percent, 20 percentage points more than in rural areas. Access to modern water sources, as piped lines, is almost negligible in rural areas but covers 48 percent of the urban population. On the contrary, 48 percent of the rural population has access to improved sanitation facilities, while access is 43 percent for the urban population. Nonetheless, 44 percent of the population in urban areas has better sanitation facilities.

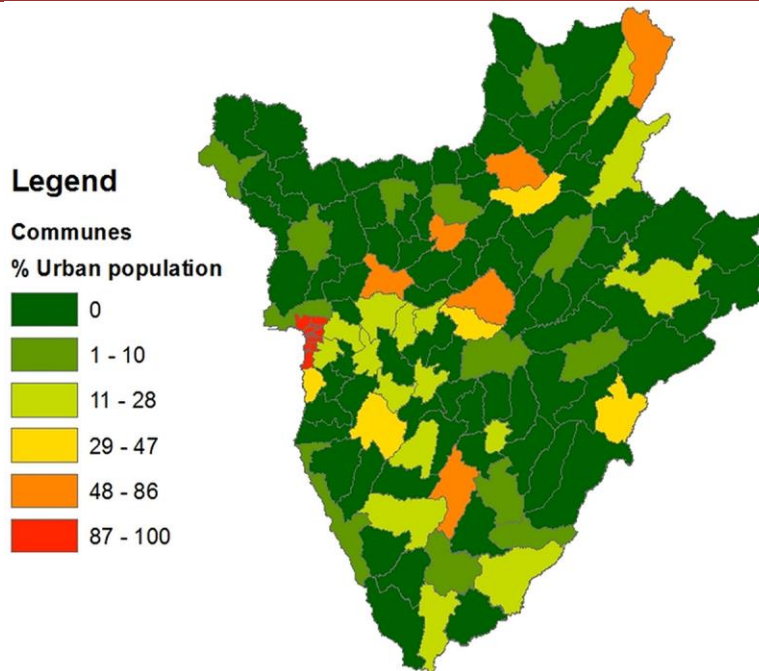
Access to education is also higher in urban than in rural areas, in particular for secondary and tertiary education. Better opportunities for human capital formation are essential for healthy urbanization. Although access to education has been increasing, there seems to be a shortage of skills for the needed increase in productivity. Access to education has increased in both rural and urban areas. School enrollment increased from 51.5 percent to 64.1 percent in rural areas between 1990 and 2008, while it increased from 62.0 percent to 77.5 percent in urban areas. This increase seems to be a result of the policy of free primary schooling started in 2005. The proportion of household's members who completed or are enrolled in secondary education is 2.7 times higher in urban areas while that figure is 12 times for tertiary education. Nonetheless, the proportion of households whose heads have completed primary by 2012 was 27.5 percent and 5 percent for secondary education. That is still a very low figure despite having increased since 2006 from 17.9 percent and 3.2 percent for completed primary and secondary education, respectively.

Bujumbura is a strong primary city although sizeable population is still spread across dense rural areas

Despite high levels of overall density, it is unclear if these have been associated with commensurate returns in terms of economic efficiencies and agglomeration. Whilst this report is unable to measure agglomeration economies (for instance by tracking intra, or inter, industry clustering, or measures of diversification), the overlap between population and low-productivity employment could proxy that Burundi is not being able to exploit the spillovers that are associated with densification. These issues could be exacerbated by lack of access to markets, whether domestic or international, further constraining growth opportunities.

The system of cities aligns along the main transport corridor running from the shores of Tanganyika Lake toward the border with Rwanda. There is a central role to be played by fast growing secondary cities like Ngozi and Kirundo. The northern and eastern border areas with Rwanda and Tanzania along with the southern border areas with Tanzania are growing as fast, in terms of population, as the communes of Bujumbura. Mutimbuzi, in the north part of Bujumbura Rural presented the highest population growth during 1990-2008 period (18 percent), followed by Nyamurenza in Ngozi (9 percent). When looking at the most populated communes in 2008, Giteranyi in Muyinga had the highest population growth (4.3 percent) and Bugendana in Gitega had the lowest growth (1.3 percent). The south-east of the country had high population growth rates, while central areas (around Gitega and Mwaro) had lower population growth rates.

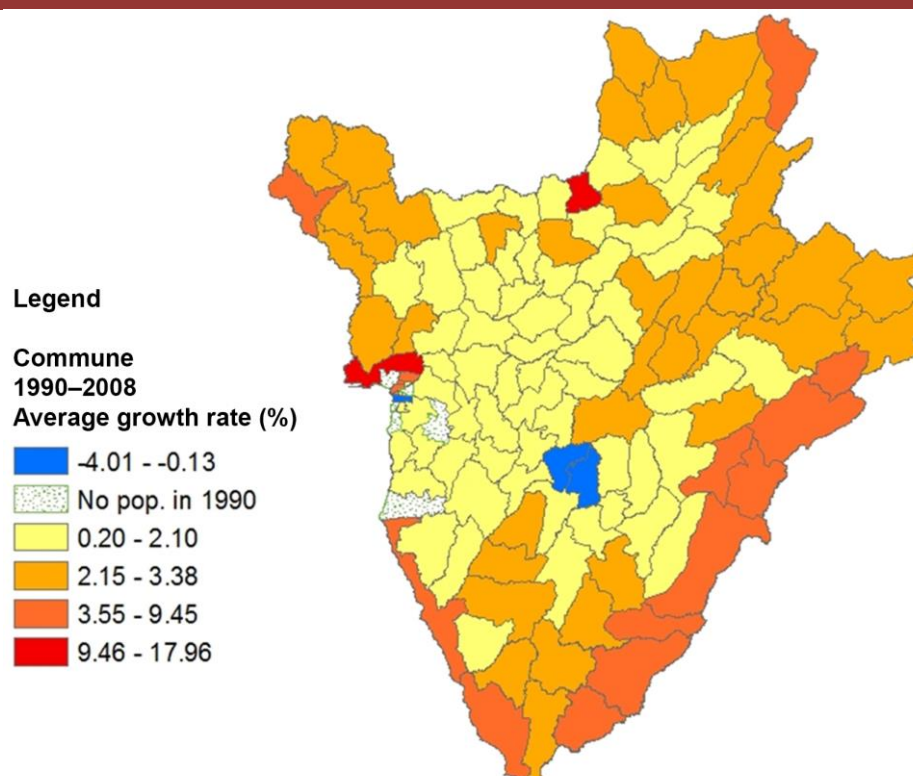
Map 3. Share of urban population in each commune (%)



Source: BCR 2008.

Burundi is characterized by strong urban primacy. With a population of almost 500,000 (and estimates up to 800,000 with the peri-urban area included) Bujumbura's population is at least ten times bigger than that of Gitega (urban population in commune is 46,308 inhabitants) and represents about 61 percent of the country's urban population. Three other cities—Gitega, Bururi and Ngozi—have between 40,000 and 50,000 inhabitants. Other larger settlements have less than 25,000 inhabitants. Bujumbura concentrates a large proportion to total urban employment across Burundi—accounting for 61 percent of all industry, 70 percent of all services, 74 percent of all construction and 79 percent of all electricity, gas and water (79 percent). Other key cities for non-agricultural employment include Gitega (5 percent of national overall industry employment, 6 percent trade and services), Rutana (10 percent industry), Ngozi (8 percent industry) and Bururi (5 percent).

Map 4. Population annual average growth rate by commune (1990-2008)



Source: Ministère de l'Intérieur - Bureau central du Recensement (2008).

Due to its central geographic position, Gitega serves as a transportation hub. The tertiary sector has an important role in the city's economy, in particular trade and public administration sectors.¹² Due to its central location, the city of Gitega concentrates transport infrastructure and equipment that connect the city with the rest of the country, reinforcing its position as the geographic center. It constitutes a transportation hub for people and merchandises around the country (Groupe Huit - SHER, 2013).¹³

Ngozi is an important hub for rural activities. Eight of 10 inhabitants are engaged in agriculture. Among urban areas, the economy is still very rural as most of the employment is also in the agricultural sector followed by transportation sector. Ngozi is a collection center of agricultural products and a place of residence, but most of its inhabitants are still engaged in agricultural activities. Ngozi is a transit point for persons and merchandises between Rwanda and the rest of the country.

Rumonge gets its strength from a relatively more diversified economic structure than other secondary cities. Rumonge commune had at least 150.000 inhabitants in 2012 and the urban center had around 35.000 inhabitants in 2012. A total of 90 percent of the city's employment is located in the tertiary sector, and only 4 percent in the primary sector.¹⁴ Key activities include palm oil at small scale, fishing, lake transport toward Burundi, but also with the Democratic Republic of Congo and Tanzania, trade, and in tourism.

Urban inefficiencies undermine the effective provision of services and increase the cost of doing business

Burundi's towns and cities are often composed of communities scattered across fairly large areas with low densities. For example, assuming that the population density of each of the country's four main cities (Bujumbura Mairie, Gitega, Ngozi and Rumonge) remains constant, their area would have to increase by 135 percent for Bujumbura and by 189 percent for the other three cities to accommodate the increase in number of households expected from 2008 to 2025. Continuing the expansion of these towns with no spatial efficiency gains will have negative implications for the cost of service delivery, livelihoods, and competitiveness.

The expansion of urban print could be potentially unsustainable if Burundi's towns and cities continue to sprawl unregulated at the current low density rates. For example, assuming that the population density of each of the country's four main cities (Bujumbura Mairie, Gitega, Ngozi and Rumonge) remains constant, will need to be almost doubled. If urban expansion continues similar to the ongoing land allocation process, the land needed to accommodate new population would be too high.

On the other hand, if Burundi's urbanization becomes efficient in terms of spatial planning and land use, resulting in higher densities, it will contribute to freeing up space in rural areas, thus enabling increased productivity. Urbanization alone won't drive the plateauing of the pressure that population imposes on rural land, but it would have an impact. The combined effect of population growth and urban expansion would lead to even higher population densities in rural areas. Increasing urban density by 30 percent compared to current levels would not reduce rural density to its 2008 levels, but it can prevent density growing any further (Table 4).

Table 4. Impact of urbanization over rural density

	2008		2025		2025 (30% more density)	
Total population in 2008	8,053,574		13,474,000		13,474,000	
Urbanization	10%	20%	15%	30%	15%	30%
Rural area (km ²)	23,500	21,090	19,726	13,603	21,162	16,452
Rural density (people/km ²)	308	305	578	690	539	570
Urban area (km ²)	2,449	4,859	6,223	12,346	4,787	9,497
Urban density (people/km ²)	332				431	

Note: *Rural area are estimated based on Harre, Mariconi-Ebrard, & Gazel (2010)

Current initiatives to resolve lack of land, services and enable urban expansion does provide temporary solutions and alleviate demands for housing and land in urban areas, but if applied systematically, they may pose a threat to the goals of sustainable urbanization. Currently, expansion is driven by the national Government through two initiatives: *villagisation* and *lotissement*. Both initiatives use peri-urban land to promote new residential areas, and hence, an indirect effect of these initiatives is the promotion of urban expansion.¹⁵, since some of the projects apply very large lot sizes and are located far from city centers. This will pressure on time and costs used in commuting as fewer people would be able to live close to economic centers.

Box 1. Enabling urban development

Villagisation projects target the poorest households and give them both the land and the house with water connection and solar panels. Those houses save on costs by not providing windows or bathroom, which the household can acquire incrementally. They are, however, medium-sized houses (70 m²) within a parcel of 40 m². Hence, there are about 20 houses per squared kilometer which increases spatial expansion and reduces densities. *Projects of lotissement* target middle-income households. They make use public or private land and provide roads and connections to basic services, but not the construction. When land is public, new owners pay for the costs of providing development of services networks. When the land is private, the owner would be expropriated and compensated with 40 percent of his/her land but then with access to basic services. *Lotissements* do not target the poorest households who are more likely to live in informal settlements. The costs of developing these parcels are high for the poorest households and parcels are too large (400m²) and hence too expensive. The fee charged to provide roads and public services is in the rage of 5000 and 7500 FBu/m², hence, 2 or 3 million FBu (about US\$1,200-1,900) for a parcel of 400 m²—hence in effect, the policy subsidizes middle class populations (Groupe Huit - SHER, 2013)

While villagisation and lotissement aim to provide a solution for land scarcity in urban areas, and partially seek to address problems of urban inequality, they also promote sprawl as each piece of land is large while incentives for vertical solutions do not exist. If new urban households locate in these urbanization projects, urban area would need to grow between 7 to 20 times (Table 5). On a regional scale, Bujumbura' and other of the Burundian cities densities are relatively low and hence there is ample opportunity to encourage and promote improved spatial management to enhance densities and reduce costs of services and economic efficiencies.

Table 5. Land expansion

Urban settlements	Density 2008	New households 2008-2025	Extra land needed					
			Current density		30% more density		Lotissement/ Villagisation*	
Unit	hh per km ²	Hh	km ²	% area	km ²	% area	km ²	% area
Census scenario								
Bujumbura Mairie	1,125	130,977	116	135	70	80	52	61
Gitega	260	14,216	55	189	35	122	6	20
Ngozi	360	14,603	41	189	26	122	6	27
Rumonge	691	12,401	18	189	12	122	5	52
New boundaries scenario								
Bujumbura Mairie	1,125	361,500	321	372	227	263	183	212
Gitega	260	36,172	139	481	101	347	17	60
Ngozi	360	37,157	103	481	75	347	18	83
Rumonge	691	31,554	46	481	33	347	15	158

Source: Census 2008 and city SDAU. Hh: households. *2,500 hh per km².

Therefore, one of the most critical policy areas for managing urbanization will be to accelerate the use and enforcement of systematic spatial planning and urban land use management systems to improve densities, improving the capacity of existing institutions, and formulating and enforcing long term spatial development plans. With the ongoing preparation of Bujumbura Vision 2045 and other new master plans in secondary towns, Government has laid the foundations for this, but it will need to be continuously followed up. The implementation and enforcement of these master plans will require a substantial institutional strengthening.

Burundi will need to undertake vast investments in its cities to sustain the current levels of services in urban areas—and even higher if density levels do not improve

High urbanization growth rates and low access to services will result in increasing investment requirements for infrastructure—even just to sustain the current levels of service. People without access to services in 2012 vary between 600,000 and 1 million in urban areas and 6 and 8.2 millions in rural areas. The current demands will keep increasing in the following years adding 1 million people in urban areas and 3.2 million people in rural areas (Table 12). For each type of infrastructure two scenarios are proposed. The first assumes all households will demand first-best services, while the second one assumes households without access to first- or second-best options will demand the latter. The current gaps are units of infrastructure required by 2012 and future requirements new population between 2012 and 2025.¹⁶

Current gaps in services provision and future demands until 2025 will require investments up to between 25-30 percent of GDP, regardless of the urbanization scenario. Investments requirements will reach 611 million dollars per year under the Census scenario, and of 525 million dollars in the New Boundaries scenario (29 percent and 25 percent of GDP, respectively).¹⁷ The costs of services provision could be higher if operational maintenance and water treatment were to be included.

Urban areas would require 12 percent of estimated investments under the Census Scenario and 27 percent in the New Boundaries Scenario. Electricity has the highest share in total costs, between 41 percent and 42 percent, while water and sanitation account for nearly 30 percent each in both scenarios. Since current endowments are small, maintenance represents no more than 30 percent of total investments (Table 6). These levels of investment are hardly affordable for Burundi, hence, they are provided to illustrate the importance of prioritizing as urbanization speeds up. Specific recommendations as to how Burundi may best address this investment gap is provided in chapter 5.

Table 6. Demand for infrastructure (thousand people)

	Access rate			Current gap			Future demand		
	2012			2012			2025		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Census									
Water									
1 best: piped water	13.9	0.4	1.9	882	8,138	9,020	1,038	3,239	4,276
2 best: Standposts	57.0	23.5	27.2	298	6,217	6,515	1,038	3,239	4,276
Sanitation									
1 best: Flush toilet	5.6	0.1	0.7	968	8,167	9,134	1,038	3,239	4,276
2 best: VIP latrine	22.2	1.8	4.1	740	8,019	8,759	1,038	3,239	4,276
Source of lighting/cooking									
1 best: electricity/natural gas	2.4	0.6	0.8	1,001	8,126	9,127	1,038	3,239	4,276
2 best: kerosene, biogas	0.0	0.2	0.2	1,001	8,111	9,112	1,038	3,239	4,276
Electricity									
1 best: Has electricity	39.9	1.8	6.0	616	8,026	8,643	1,038	3,239	4,276
New boundaries									
Water									
1 best: piped water	7.2	0.4	1.9	1,887	7,133	9,020	1,703	1,072	2,774
2 best: Standposts	40.4	23.5	27.2	1,065	5,449	6,515	1,703	1,072	2,774
Sanitation									
1 best: Flush toilet	2.9	0.1	0.7	1,976	7,158	9,134	1,703	1,072	2,774
2 best: VIP latrine	12.1	1.8	4.1	1,730	7,029	8,759	1,703	1,072	2,774
Source of lighting/cooking									
1 best: electricity/natural gas	1.5	0.6	0.8	2,004	7,123	9,127	1,703	1,072	2,774
2 best: kerosene, biogas	0.1	0.2	0.2	2,002	7,110	9,112	1,703	1,072	2,774
Electricity									
1 best: Has electricity	21.0	1.8	6.0	1,607	7,035	8,643	1,703	1,072	2,774

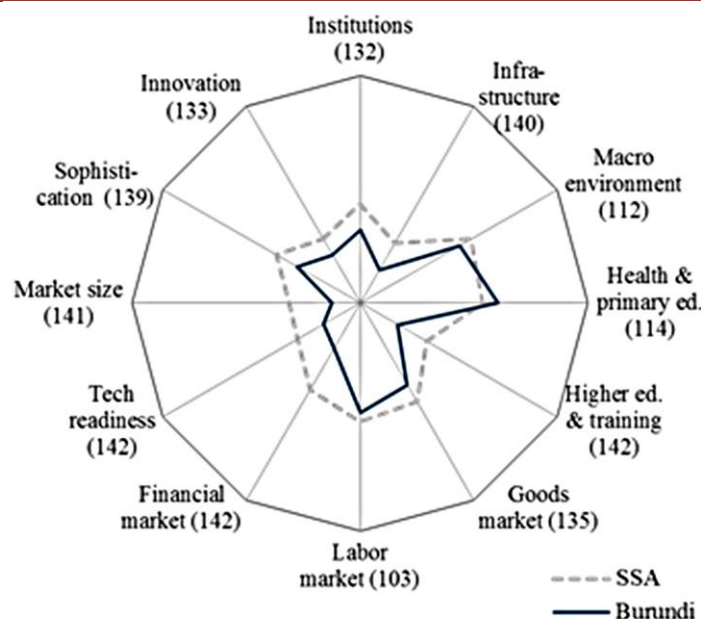
Source: based on PMS and population projections.

Targeted investments in Bujumbura have the potential to yield large returns

Bujumbura lags behind the SSA average with regards to access to electricity, political stability and trade regulations. According to the 2006 World Bank Enterprise Survey, firms consistently identified these factors as their top constraints. In fact, data from the WEF Global Competitiveness Survey (2014-15) reveals that firms perceive that Burundi under-performs across a variety of pillars, including market size, tech-training and higher education. The top constraints identified by informal enterprises are lack of demand or markets, lack of access to credit and to machinery and equipment to upgrade production (ECVMB 2013-14). Other challenges are linked to lack of adequate spaces and access to inputs. Indeed, the constraints to growth are relatively similar across urban and rural areas, and often even across broad sectors—industry, trade and services. This suggests that the challenges could be linked to the status and size of the enterprises.

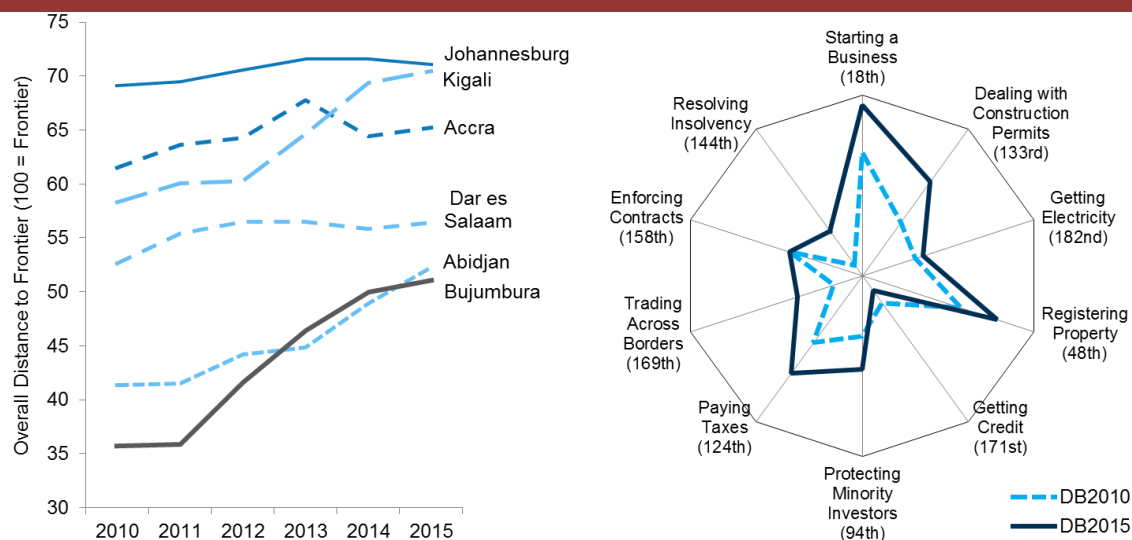
However, Bujumbura has had several achievements in business climate that positions it better as a center for job creation and economic growth. It has progressed well on a number of the Doing Business indicators (see Figure 10), testimony to its ability to make improvements.

Figure 10. Executives perception of Burundi's performance



Source: World Economic Forum Global Competitiveness Report 2014-2015.

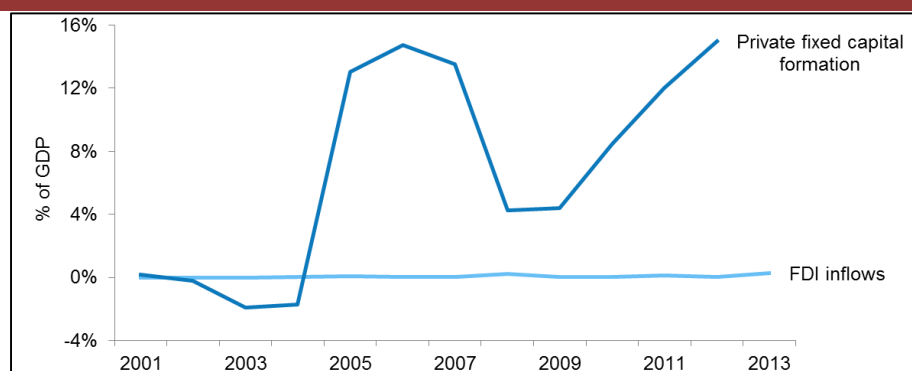
Figure 11. Bujumbura has the ability to improve its business environment and still has some way to go



Source: Doing Business 2015

Local entrepreneurs are already pursuing the growing opportunities. Private investment is outpacing FDI see Figure 12. Most foreign investment is heavily skewed toward a few investments (the largest share of manufacturing investment is reflected by one Egyptian concrete factory), although FDI in finance and distribution is made up of more investors, often from East African countries. This is worrying in a country which will require huge capital investments in years to come, and which unlike other East African countries, is not tapping into foreign investment. Facilitating opportunities for both local investors and smaller FDI should be a priority for Burundi, but especially for Bujumbura.

Figure 12. Domestic Investment outpaces FDI



Source: World Development Indicators

Key areas of attention for Burundi's urbanization

At incipient stages of urbanization, agricultural economic activities prevail and economic densities are low. During that phase incipient markets are often ineffective and inefficient. Thus, an economy requires the government to address such market weaknesses by providing infrastructure and strengthening local institutions in order to match the forthcoming patterns of location of people and firms.¹⁸

Notwithstanding, agriculture and agribusiness are also central for the urban strategy. Incentivizing further urbanization requires higher agricultural productivity to respond the growing local demand, while the trading of agricultural surpluses promotes Nonagricultural activities in urban areas. Nonfarm (manufacturing and service) sectors vis-à-vis demand from rural sectors as they provide inputs. New urban activities require consistent supply from rural areas at the cost of having to rely on imports. The following chapter (chapter 4) expands the analysis of the agribusiness sector.







At early stages of urbanization—as in Burundi—manufacturing and service sectors, along with the agricultural sector, suffer from low levels of productivity. Markets for factor inputs and goods and services are neither flexible nor well-regulated to drive efficient location of firms and households. The risk is that only households are attracted to cities owing to availability of services, but firms do not simultaneously invest and expand their activities due to lack of efficient factor markets and infrastructure, reducing the benefits from agglomeration. Public policy, at

different layers of Government, has an important role to play in helping to facilitate better functioning of factor markets (land, labor and capital) and markets for outputs (goods and services).

Without adequate job creation, the link between urbanization and growth will be inefficient. Cities and towns in Burundi will need to move to more productive activities in urban areas to trigger economic growth and, at the same time, to accelerate urbanization. These activities should strengthen the link between rural and urban production to trigger a virtuous cycle and achieve a faster spread of the benefits of economic growth between urban and rural areas, especially since a large share of the population will continue to depend on rural activities.¹⁹

Four areas of orientation would thus be critical for the opportunities for Burundi benefitting from urbanization for economic growth. **First**, given the lack of resources and the overwhelming importance of the capital city, especially in terms of value-added activities, investments in Bujumbura might be associated with the highest returns for the country. **Second**, the better functioning of other cities cannot be postponed indefinitely. In the medium to long term the balance should shift to improve conditions across cities. **Third**, reaping the development effects of a stronger Bujumbura requires that rural areas have good accessibility and especially better transportation services. As such local producers throughout the country can benefit from having a larger local market. They need to see Bujumbura as their 'export' market rather than targeting foreign markets that are harder to reach. Specifically, cities need to improve their connectivity to Bujumbura so their surrounding rural areas improve their market catchment area at efficient transportation costs. **Fourth**, policies aiming to improve rural productivity are required to respond to a larger demand from urban markets. The country cannot depend on imports as it has important natural resources and there would be hardly enough space in the balance of payments to pay for imports as demand in Bujumbura grows. These four components are presented in Figure 5. The moons consider the distribution of an investment budget; as such they represent the emphasis to be given to each component during each term.²⁰

Figure 13. Burundi's early urbanization stage points to certain emphases.

	Short to medium term	Medium to long term
Better functioning cities Bujumbura		
Better functioning cities, others		
Cities better connected with Bujumbura		
More productive rural areas		

A larger and more productive urban sector enlarges the market for farmers. That is the single most needed effect for Burundi as it would stimulate investment to improve rural productivity and brought cooperation or coordination among small landholders. The raise in agricultural labor productivity should help to reduce pressures on land, and gradually attract rural labor surplus into urban areas.

In the medium to long term the balance should be switched from rural productivity toward improving secondary cities. Reducing the emphases of investment in rural productivity means that once improved in the short term, it should continue progressing on its own as a better connected and functioning Bujumbura would represent a stronger market for the rural produce. A better-functioning, better-connected Bujumbura seems to be the most advisable policy emphasis for both the short and long terms.

As rural-urban transformations are not always smooth regardless of investments, a complementary agenda of institutional development is also needed. At early stages of urbanization - as in Burundi - manufacturing and service sectors, along with the agricultural sector, suffer from low levels of productivity. Markets for factor inputs and goods and services are neither flexible nor well-regulated to drive efficient location of firms and households. The risk is that only households are attracted to cities owing to availability of services, but firms do not simultaneously invest and expand their activities due to lack of efficient factor markets and infrastructure, reducing the benefits from agglomeration. Public policy, at different layers of Government, has an important role to play in helping to facilitate better functioning of factor markets (land, labor and capital) and markets for outputs (goods and services).

Summary

Burundi has a low rate of urbanization but is urbanizing fast, and aims to a rapid move to cities as a central element of its development strategy. The growth of urban population in Burundi, of more than 5 percent during the past two decades, doubles that of rural areas, while it is faster than the average for Sub-Saharan Africa. Fast urban growth is the result of natural growth of population, migration, and changes in administrative boundaries.

Burundi is likely to already be more urbanized than previously assessed, due to inconsistencies between actual spatial expansion and administrative classification. The higher urbanization rate further exacerbates the need for the development of a comprehensive institutional and policy framework that can guide, oversee and implement the policies required for Burundi to use urbanization as a development strategy as articulated in *Vision 2025*.

Burundi's urbanization process is characterized by weak links with economic growth and weak land property rights in areas out of the core of main cities but is positively associated with better living conditions.

The link between economic growth and urbanization is weak and Burundi will need to strengthen the linkages between the rural and urban areas to harness benefits of urbanization and create jobs. Burundi needs to transit to more productive activities in urban areas to trigger economic growth and, at the same time, urbanization. These activities should strengthen the link between rural and urban production, to trigger the virtuous cycle and achieve a faster spread of the benefits of economic growth between urban and rural areas.

Land property rights in areas out of the core of main cities are weak in Burundi. Currently, most land outside Bujumbura and out of urban centers of main cities (Gitega, Ngozi and Rumonge) is not registered or registries are not updated. Successions, divisions and sells are not regularly notified to authorities. In combination with land scarcity, unclear property rights and a high degree of informality in land markets - affects the quality of life for households and impacts negatively the country's economic performance.

Evidence points to a positive correlation between urbanization and poverty reduction. About 67 percent of Burundians live in poverty, but rural poverty is higher in rural areas where the poverty rate is twice that of urban areas. Similarly, there are lower levels of deprivation in urban than in rural areas.

The potential for private-sector led growth and job creation will be crucial to exploit the opportunities of urbanization and avoid unemployment in cities. The combination of a rural-based agrarian economy with a rapid urbanization requires that any economic growth will be closely tied to increased growth in rural areas as well. It is imperative that national and local governments provide greater support in overcoming the challenges faced by the private sector in order to maintain a focus on urban economic development.

Despite the high levels of overall density, Burundi is characterized by a lack of small and medium sized population agglomerations. Burundians are physically close to one another, but separated economically from each other and from the world. They live in high densities but low urbanization shows the lack of functional relationships and inefficient internal mobility, both explained by weak tenure security.

Notwithstanding, agriculture and agribusiness are also central for the urban strategy and good connectivity is essential for the interaction between urban and rural sectors. Incentivizing further urbanization requires higher agricultural productivity to respond the growing local demand, while the trading of agricultural surpluses promotes Nonagricultural activities in urban areas. The connectivity between both rural and urban areas is a prerequisite to increase agricultural productivity and to ensure a better allocation of the workforce between both areas.

Cities have the potential to drive job creation and growth, and their ability to do so will have spillovers for the rest of the economy. Cities will need to provide a better business environment to facilitate private sector growth for existing firms and businesses (whether large or small, formal or informal), and at the same time provide targeted attention to the growth engine of the

economy. Although cities are centers of job creation, they can also become places for social unrest if economic growth is unable to keep up with population growth. .

The form and trend of urbanization and the spatial development of cities will determine the efficiency and productivity of both areas, and the current spatial expansion of most towns and cities is not efficient and require changes. The current practice of spatial development of towns and cities is inefficient in terms of land use, and require adjustment and correction. Otherwise, the combination of overall population and inefficient land use in urban areas will not contribute to reduction in rural densities, which will not enable rationalization of agriculture production, and it will increase the risk of further inequalities within urban areas.

Strengthening property rights at the rural level can help to achieve a healthy migration from rural to urban areas. Reducing obstacles for registration and certification and solving land disputes is key. Improving the skills of public servants, securing their financing, setting standardized procedures, systematizing registries and achieving coherence across decentralized offices are challenges ahead.

Flexible service standards and alternative technologies should be considered to improve service provision. To match the investment requirements with the available budget, Burundi should consider applying flexible service standards and alternative technologies that may provide sufficient service levels. The objective is provided access avoiding the impacts of lacking access in order to later step up quality as the country progresses.

3. Prioritization for Urban Economic Growth and Job Creation

Without adequate job creation, the combination of urbanization and the demographic transition could undermine Burundi's development potential. Given the large numbers of young entrants to Burundi's job market in the next few decades, and given the rapid rate of urban population growth—cities will need to become a springboard for job creation and growth. Although most of the population in Burundi continues to reside in rural regions, cities have the potential to become engines of growth owing to the efficiencies and spillovers associated with agglomeration of firms, people and ideas. For the private sector to grow and create productive employment, policy makers, both local and national, have an important role in enabling cities to provide the right environment for growth.

Given its scarce resources, Burundi should focus on identifying key bottlenecks, and prioritize interventions, with clear and detailed implementation strategies and funding streams in order to leverage the opportunities from rapid urbanization. In addition to cross-cutting interventions and regulations that will guide Burundi's urbanization in terms of urban management, land and

infrastructure (as outlined in the previous chapter), it is of critical importance that Government identifies and targets the needs of sectors with growth potential that can take advantage of urbanization and provide sustainable and productive employment. In this chapter, we focus on demonstrating the process using two sectors as examples of those with high potential with regard to GDP growth, job creation and exports. The parameters for selection of sectors is justified in Figure 14 (with additional information provided in the Annex); however, a similar exercise could be carried out for different industrial and service sectors for a clear understanding of the economy's potential for job creation, and the link to rapid urbanization.

Figure 14. Selection of Sectors for this Study



Agribusiness and Tourism are identified as the two sectors for potential growth opportunities for job creation, wherein most spillovers would be in urban regions with substantial linkages to rural areas. Rapid urbanization, coupled with rapid population growth, will be driven by ‘urban pull’ and ‘rural push’—people will migrate to cities in search of employment, and increasing pressures on agricultural land will release surplus labor and enable more efficient production in agriculture. Productive sectors that target both challenges and convert them into opportunities will deliver a double dividend—i.e. help create more urban jobs and more productive and efficient rural jobs.

Growing competitiveness in tradable sectors drives growth. Tradable goods and services are drivers of growth, especially for countries with small domestic economies and markets. Burundi is a low-income, developing Sub-Saharan African country, and unlike countries with large (and rapidly growing) local markets and economies, much of potential growth opportunities will come from producing goods and services for local, regional and international consumption.

Current performance can be the best predictor of future performance. To understand better the contribution of different sectors to Burundi's economy, we study the distribution of economic activities and employment at the national level, and then provide a breakdown of these across cities in the country. Armed with an understanding of the economic and spatial composition of current trends in jobs and GDP, the focus of the exercise is to prioritize possible policy and other

interventions that would help fuel growth, and help cities help economic sectors reach their full potential.

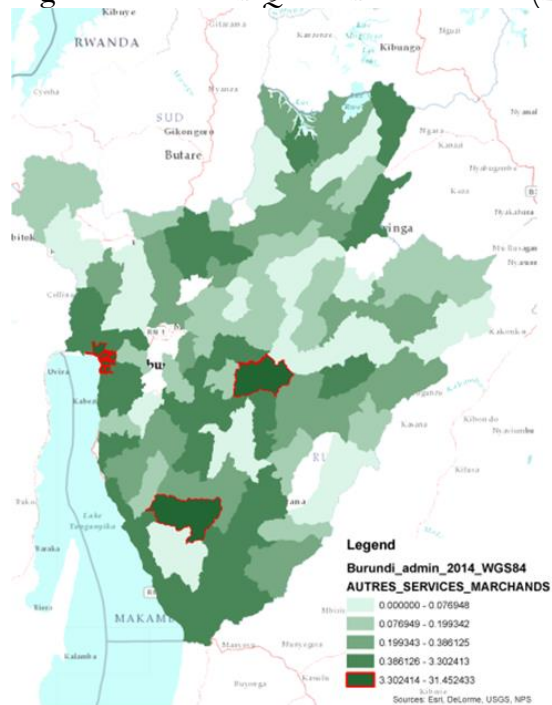
On the basis of existing trends in GDP, employment and exports, agribusiness and tourism were identified as having potential for high growth in the future. The methodology also took into account the extent to which industries influenced economic outcomes (jobs, GDP, exports), their potential for future growth (for instance by leveraging regional markets), the extent to which cities could create an enabling environment, and the extent of linkages with the rest of the economy. Further, work done by the World Bank highlights agribusiness and tourism as sectors with much potential for the economic growth of the country, along with needed services like construction and logistics (World Bank, 2014).

- Agricultural activities and tourism account for a significant proportion of Burundi's GDP. Food crops continue to represent the largest portion of GDP (31.2 percent) over time, with tourism as the second-largest contributor to GDP (estimates for tourism's contribution to GDP range from 7.1 percent to 15.9 percent in 2013). Extractive industries contribute less than 1 percent of GDP.
- Burundi's export basket is becoming more diversified, with sectors such as leather, soap, tobacco and beer tripling in value between 2005 and 2012. Burundi's exports are heavily concentrated in a few products - coffee, tea, gold and other minerals. Only four products represented more than 1 percent of total exports in 2012: raw hides and skins, and leather (3 percent); soap and related products (2.4 percent); cigarettes (1.2 percent); and beer (1.2 percent). From 2005 to 2012, the importance of these products in total exports more than tripled (all four accounted for 7.8 percent in 2012). This is especially noteworthy since Burundi's total exports also doubled during the same time period—indicating extremely rapid growth in absolute terms for these products.

Data gathered from qualitative interviews and focus group meetings was also utilized to provide facts on the ground to back-up the quantitative analysis. These interviews yielded invaluable information on the constraints to growth across industries and sectors, but also provided suggestions on how targeted interventions could help free up potential. Based on the quantitative and qualitative analysis, a small number of economic activities were considered at the outset: extractive industry, transport, construction, tourism and agribusiness. Of these, agribusiness and tourism were selected as the sectors deserving more research and attention owing to a variety of reasons.

Burundi's tourism sector is in a growth stage, with tourism directly and indirectly comprising 4.5% of Burundi's GDP and 3.9% of employment, in total supporting 72,500 jobs (WTTC, 2014). Globally, and in Africa, The industry has considerable potential - A 2013 WTTC benchmarking study found that travel & tourism's contribution to GDP in Africa is greater than that of banking, communications, chemicals manufacturing and auto manufacturing sectors; it is nearly the same size as Africa's education and financial service sectors. Many jobs tourism creates are considered 'quality jobs', allowing the poor to enter and move up value chains in a wide range of sub-sectors and supply services, formally and informally.

Jobs in the tourism sector are found mostly in urban areas, and 49 percent of them are located in the city of Bujumbura (BCR 2008). Urban areas can play an important role in tourism development, and, conversely, tourism can create jobs and catalyze the development of urban areas. Burundi's *Vision 2025* states that “Urbanization will be at the source of the creation of nonagricultural employment, in particular the services industry, mines and tourism sectors” (Burundi *Vision 2025*: 48).



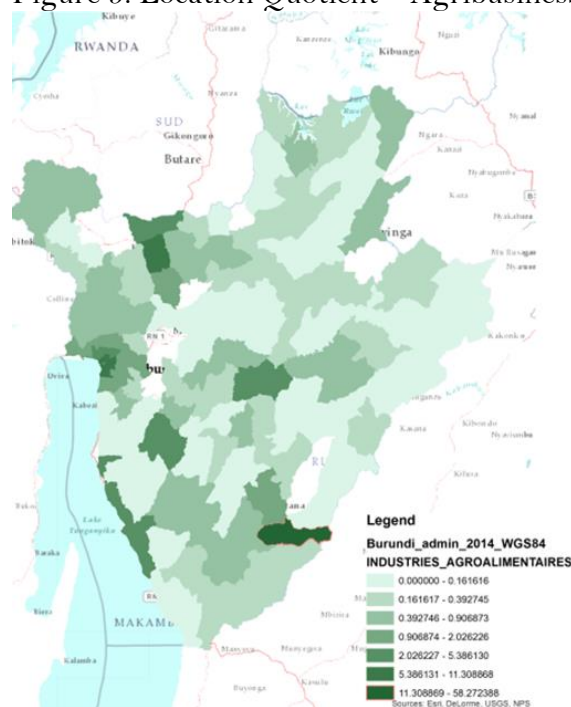
Agricultural products contribute substantially to GDP and to employment—indeed the vast proportion of the population relies in some way on these products. Burundi’s potential to transform and export some of its top products was highlighted multiple times during different qualitative focus group meetings where companies from different industries identified agribusiness as the main priority to create jobs and increase revenues. In fact, regional markets,

such as the EAC, could be avenues for sufficient demand to help producers, especially in sectors like fisheries and palm oil, expand volume and scale of production, provided they can be competitive on these markets.

Agribusiness employment is concentrated in a few locations with 56.4 percent in urban areas (BCR 2008). Two locations account for more than half of agribusiness jobs, namely the city of Bujumbura and Rutana with approximately 25 percent each. The reason for the latter to appear as an agribusiness hub in the statistics is the presence of the sugar company Sosumo that employs hundreds of people.

Agribusiness jobs are concentrated in a few locations and 56.4 percent of them are in urban areas⁵. Two locations account for more than half of agribusiness jobs, namely the city of Bujumbura and Rutana with approximately 25 percent each. The reason for the latter to appear as an agribusiness hub in the statistics is the presence of the sugar company Sosumo that employs hundreds of people. The importance of the agribusiness sector relative to other sectors in these two locations is confirmed by the location quotient map in figure 5, an observation also valid for the provinces of Kayanza, Bururi, Gitega as well as the rural areas of Bujumbura.

Figure 5: Location Quotient – Agribusiness (2008)



Source: RGPH 20

Based on the selection process described above, agribusiness and tourism are singled out for analysis within this report²¹. In addition, sectors that provide crucial inputs to the broader

⁵ Population and Housing General Census 2008 (RGPH - Recensement Général de la Population et de l'Habitation)

urbanization process and to different economic and productive activities are also included within the analysis as ‘input sectors’. These include logistics and construction. While growth within these input sectors is important for growth, the opportunities are driven mainly by growing demand by other sections of the economy. Tourism and construction are a case in point—the growth of construction materials and labor depends clearly on growth in tourism, reflected in the construction of new properties and hotels.

Agribusiness Sector Assessment

The promotion and expansion of agribusiness can have a positive impact on the development of cities through business development and associated job creation and through the multiplier effect from increased demand for goods and services from rural areas. The growth in urban and peri-urban employment can stem from an increase in production and/or from increases in value addition. Agricultural value chains encompass activities that take place at the farm as well as in rural settlements and urban areas. They require input supplies (seeds, fertilizers, pesticides, etc.), agricultural machinery and irrigation equipment, and continue with handling, storage, processing, packaging and distribution activities and other elements, such as power generation, logistics, etc.

An increase of trade and marketing of agricultural goods could be driven by an increase in imports of required goods, from better supplying demand in domestic markets or from increasing exports. This could lead to job creation in urban and peri-urban settings owing to growth in supporting services such as (1) services to increase production (e.g. agricultural research and extension services; production/import and distribution of inputs such as seeds, fertilizers, machinery and equipment; maintenance and repair services; finance and marketing services), (2) services to distribute processed and unprocessed agricultural goods (e.g. domestic wholesale and retail markets; logistics services, such as transport for domestic and export markets), and (3) services for servicing specific market requirements (e.g. sanitary and phytosanitary inspections; certification services).

An increase in value addition is usually labor intensive and often linked to growth in urban regions in Burundi. Even though processing tends to take place close to production in most countries, the requirements for processing like access to energy are likely to be met more easily in peri-urban areas in Burundi as illustrated by Figure 15 on location quotients for agribusiness that shows that employment in processing concentrates around cities like Bujumbura, Gitega, Kayanza or Rumonge (see also differences in access to electricity in Chapter 3 above). Jobs linked to value addition relate to assembling, cleaning, processing, and packing agricultural goods.

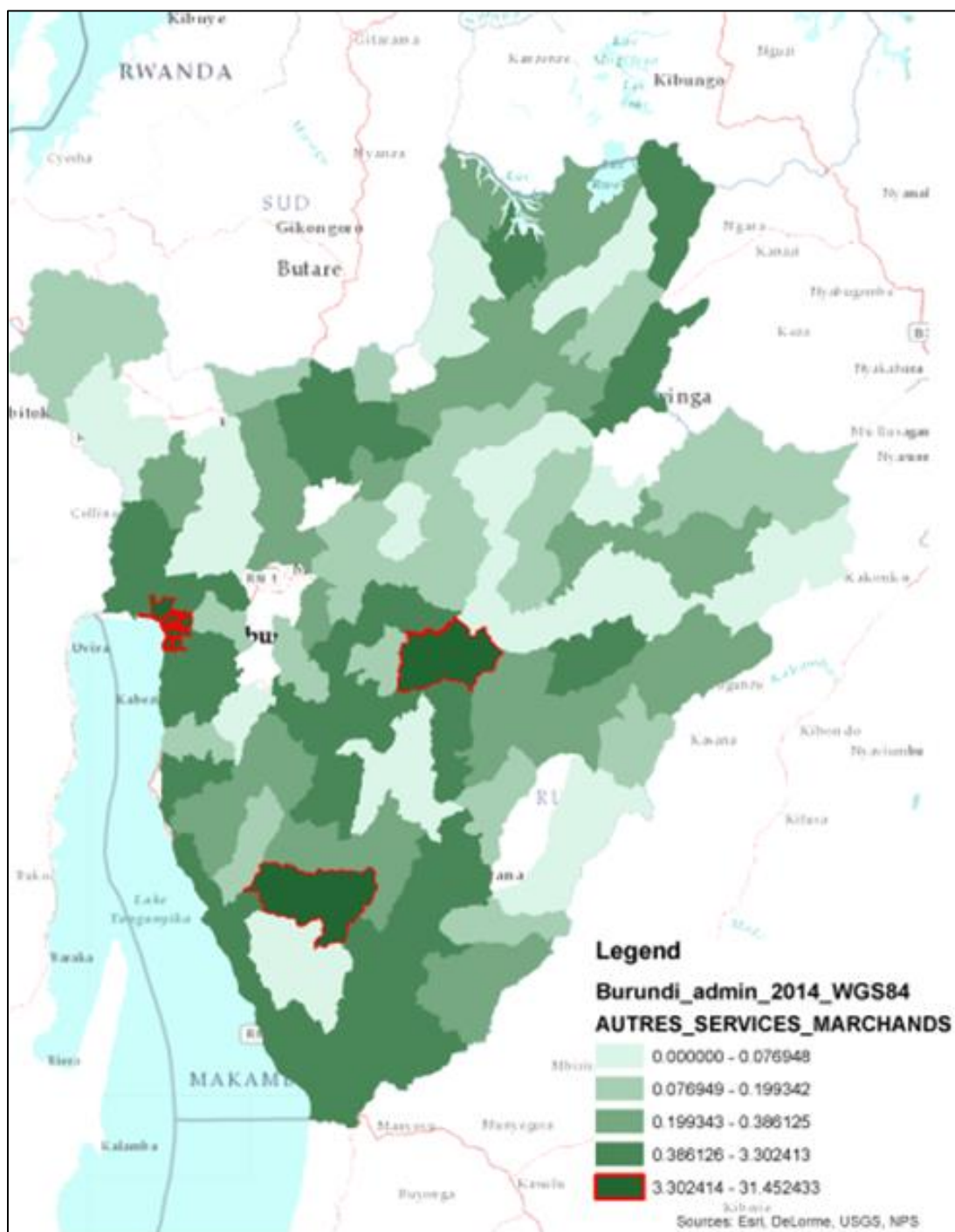
Examples in East African countries illustrate the potential for off-farm job creation that the growth of the agribusiness sector can elicit. For instance, in the coffee sector in Burundi, more than 15,000 workers are deemed to be involved daily in processing during peak harvest season of coffee cherries.²² In Kenya, it is estimated that dairy production generates some 36,000 additional jobs in marketing, processing, and retail, while the fresh vegetable export sector employs between 45,000 and 60,000 workers.²³ Although similar data and statistics are not

available for Burundi outside of the coffee sector, assuming some similarities in technology and labor-intensity in production, similar figures could be relevant.

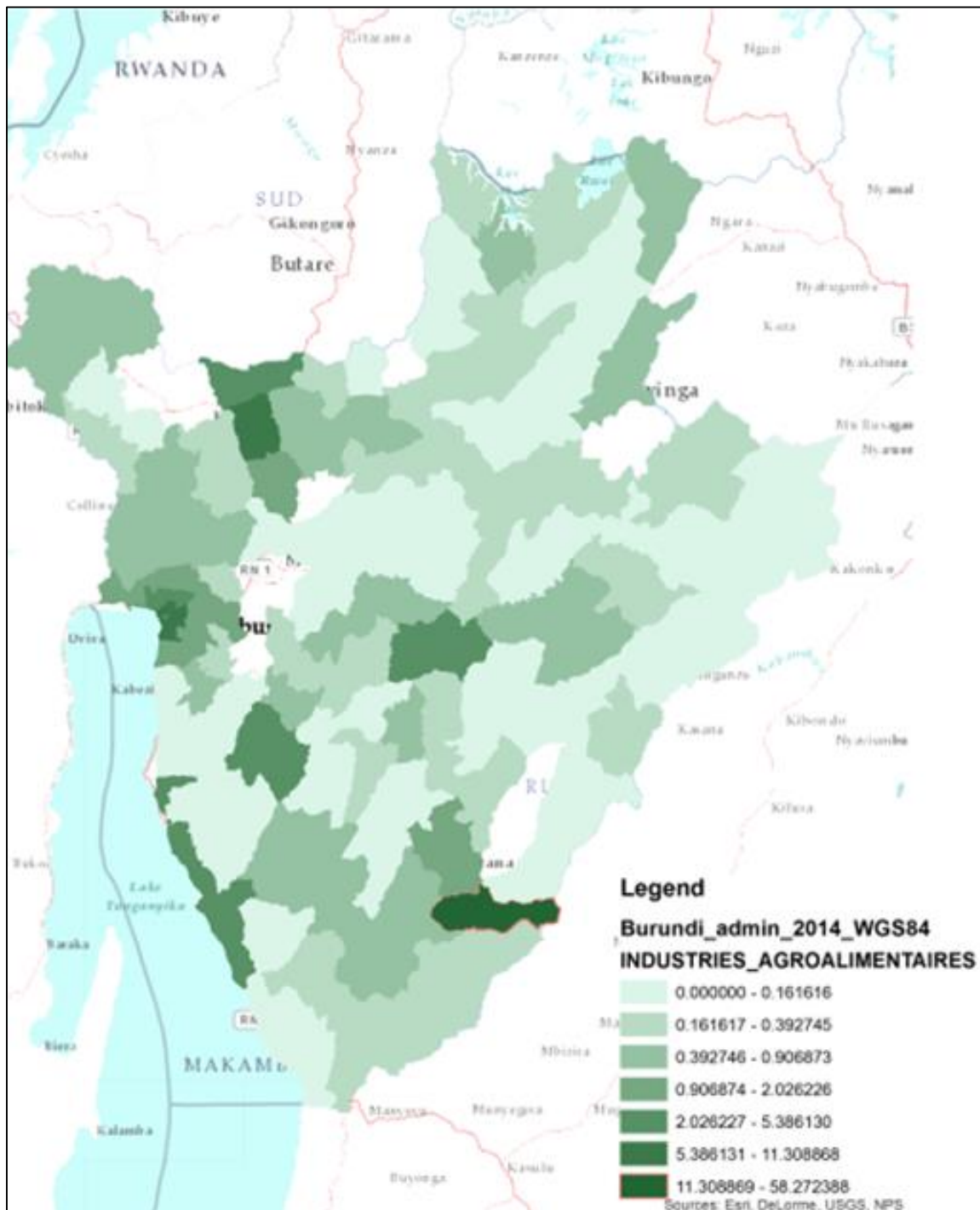
The agribusiness sector assessment explores the potential for growth and job creation in the sector. In particular, the emphasis is on an analysis of the generalized structure of value chains in agriculture in Burundi, so that specific constraints hindering growth can be identified. Section 5 on Implementation Strategies closes with options for moving forward in the sector, and specific policy recommendations.

Figure 15. Location Quotient—Tourism (panel a) and Agribusiness (panel b) (2008)

a. Tourism



(continued next page)

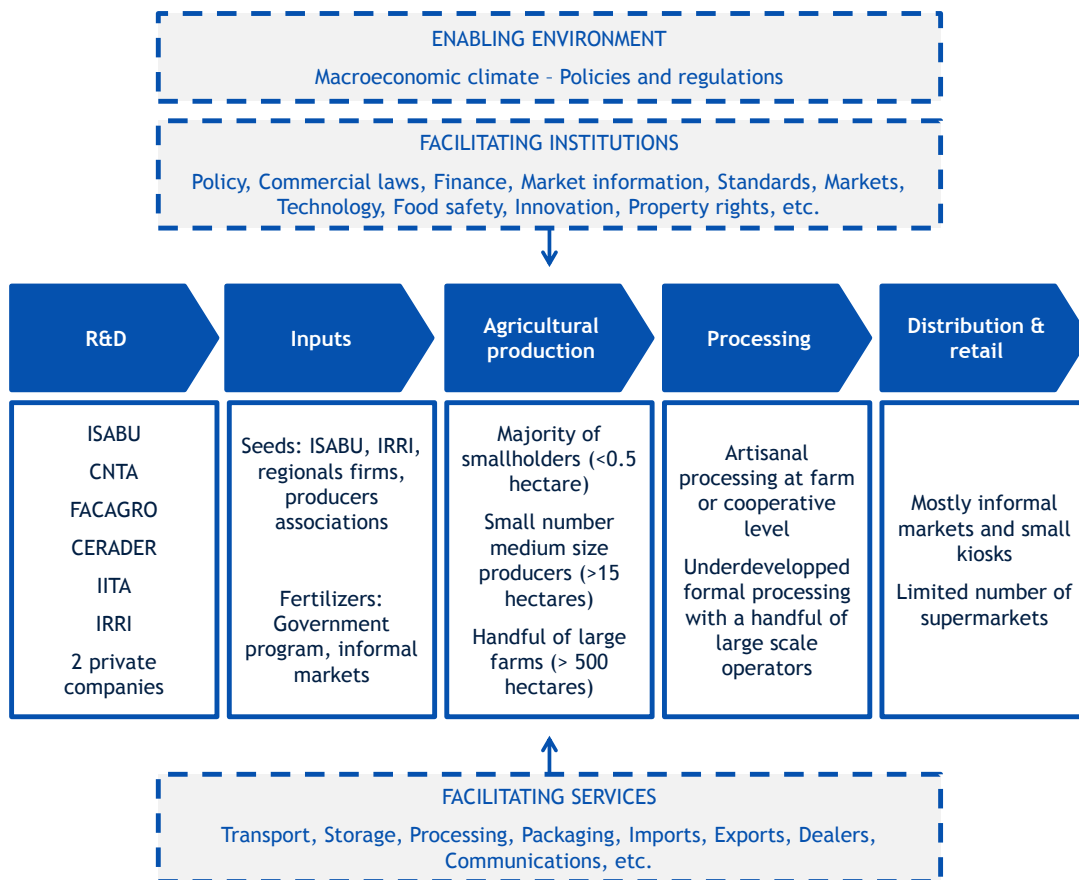


Various types of operators were considered in this diagnostic, ranging from informal smallholder producers to more formal industrial scale processing firms. The analysis of the value chains in agriculture in Burundi notably outlines which types of actors are predominantly involved in each segment of the value chains and attempts to describe their relative role in the whole chain and the challenges they face. Finally the agribusiness assessment focuses mostly on value chains excluding the coffee and tea value chains (especially for the analysis of the main constraints and the presentation of the way forward and recommendations in Section 5), as these value chains are already targeted by development programs.

Analysis of the generalized structure of value chains in agriculture in Burundi

Agriculture accounts for more than a third of Burundi's GDP and employs more than 90 percent of the workforce.²⁴ This section will briefly describe the current status, strengths and weaknesses of each link of the value chains in agriculture in Burundi. Figure 16 presents a simplified overview of the market players for each segment in the value chains in the country.

Figure 16. Value chains in Agriculture in Burundi



Source: Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute, UNIDO and field research.

Agricultural Research and Development (R&D) plays a critical role in agricultural value chains to increase productivity at the production stage or when introducing new techniques for handling and processing agricultural produce and thereby increasing production's shelf life and diversifying usage. In Burundi, agricultural R&D is conducted primarily by the public sector.²⁵ Private sector investment in agricultural R&D is considered low with just one private firm, Agrobiotech, operating in-vitro cultivation laboratories focusing on the bulk production of in-vitro seedlings for commercial purposes.²⁶ Even though agricultural R&D is being progressively reorganized and rebuilt, overall capacity remains below the levels reached before the conflict. Some of the agribusiness entrepreneurs interviewed also reported that better integration between agricultural research centers, agricultural producers and processors could help develop new products and support sectors that are in their infancy in Burundi (e.g. cut flowers).

Access to inputs (seeds, fertilizers, and mechanization): The public sector plays a prominent role in the supply of seeds, with entities like ISABU and IRRI. However, formal seed production represents only 5 percent of the market and interviews with private sector processors suggest that efforts made to improve distribution of seeds would benefit from being complemented with more systematic extension services to promote the use of adequate agronomic best practices. Fertilizer consumption is now higher in Burundi than it is in Rwanda but only 1/9th the level in Kenya.²⁷ Mineral fertilizers are imported informally and are considered expensive, although through the Plan National d'Investissement Agricole there have been improvements. Fertilizer purchases were multiplied by 5 since the program was launched three years ago (from 3,000 tons to over 15,000 tons). Finally, the supply and use of farm equipment is very low due, in part, to the small size of land plots cultivated in Burundi (0.5 hectare on average).²⁸

Extension services: The Government of Burundi has made efforts to increase the budget allocated to extension services (about 3.3 billion Burundian Francs in 2011, i.e. about 7.6 percent of the government's contribution to the agriculture budget, excluding contributions from donors).²⁹ However, some of the other countries in the region, like Uganda and Kenya, devote much higher proportions of their budget allocated to agriculture to extension services (about 25 percent and 50 percent respectively). In general, extension services could be strengthened. It is considered that farmers do not benefit enough from agricultural R&D advances and that their needs could be better identified by using a bottom-up approach for extension services planning.³⁰ An increase in supply and quality of extension services could be achieved by exploring further involvement of private firms as part of contract farming or out-grower schemes.³¹

Burundi's agricultural production is carried out predominantly by rural households (about 1.2 million rural households) farming plots of approximately 0.5 hectare on average.³² These smallholders tend to produce small quantities of different products to reduce risks, ranging from cereals to fresh fruits and vegetables, using little inputs or equipment besides traditional tools.³³

Table 7. Production Models of Principle Agricultural Products, 2013

	Smallholder production	Medium size producers (+15ha)	Industrial production
Cereals	X	X	
Coffee	X		
Fresh fruits & vegetables	X	X	
Palm fruit	X		X
Roots & Tubers	X		
Sugarcane			X

Source: World Bank and Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute.

Efforts are being made by the Government and development programs to organize producers in cooperatives. However, it is estimated that only 20 percent of a smallholder's production is marketed. Within the marketing segment of the value chain, smallholder producers stand at a disadvantage compared to traders and intermediaries and tend to be offered low prices due to poor market information and low bargaining power.³⁴ Only a few number of medium-size and large-scale producers are engaged in commercial agriculture. Medium-size producers tend to use more inputs and improved agricultural practices, be better organized, and market higher proportions of their production.³⁵

Agricultural processing is currently very limited in Burundi, accounting for 0.1 percent of the total workforce. ³⁶ Only a few industrial scale processing companies operate in a handful of industries—see Annex for additional details. There are no external suppliers of packaging materials. As a result some of the largest companies have their own packaging equipment but the others need to import packaging from abroad, which can prove costly. There are also no advanced packing operations for fresh produce at present.

Distribution channels, like wholesale markets, linking producers to traders, processors or end-consumers are reported to be informal, fragmented and inefficient. Agricultural products are sold to end consumers primarily through informal markets and through small kiosks. Distribution channels tend to lack coordination, as there are few links between producers, processors and distributors. For instance, even more formal distributors like supermarkets have not made any attempts to coordinate their purchases, which lead to temporary shortages or oversupply of certain imported goods.³⁷ Only a small number of locally processed agricultural goods are properly labeled and marketed, and enjoy some brand recognition. Burundi also lags behind with regard to facilitating services—storage & transportation, sanitary & phytosanitary systems (SPS), certification services and so on—see Annex for details.

The Government of Burundi plays a crucial role in supporting the agribusiness sector with projects implemented with donors, commitments to New Partnership for Africa's Development (NEPAD), and a National Agricultural Strategy (SAN) (2008-2015) enacted in 2008. The most recent program spearheaded by MINAGRIE is the Plan National d'Investissement Agricole, covering the period from 2012 to 2017, which aims at raising productivity and

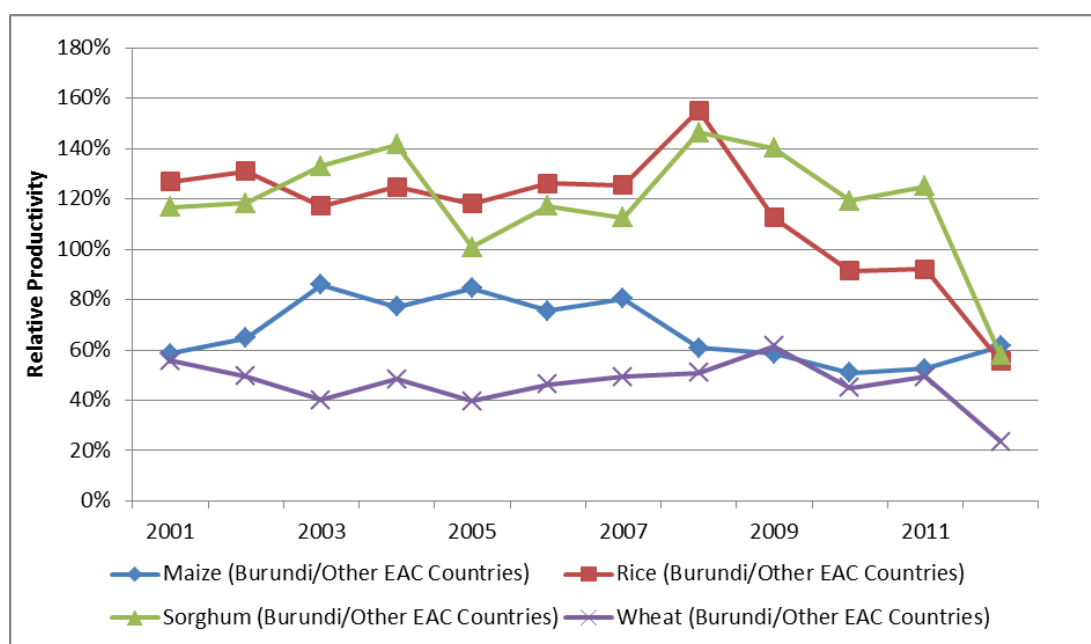
improving management of soil and water resources, and strengthening training and human capital of national institutions and farmers associations. However, there remains a lack of public support to agribusiness including on issues seen above like agricultural R&D, extension services, SPS systems and certification services. Burundi also lacks proper investment promotion to foster the development of the agribusiness sector. Greater participation and support of the private sector could potentially help relieve some of these challenges.

Constraints affecting production

Production is currently limited by very low yields. Figure 17 below shows that Burundi's yields for cereals are not only inferior to those of its neighbors within the EAC but also that the productivity gap has been widening in recent years. Various interlinked factors contribute to the low agriculture productivity in Burundi: climate hazards, declining soil fertility, low use of improved inputs (quality seeds, fertilizers), low use of modern technologies, inadequate access to agriculture extension services, poor physical infrastructure affecting market access and access to improved inputs, limited access to credit and marketing constraints among others.

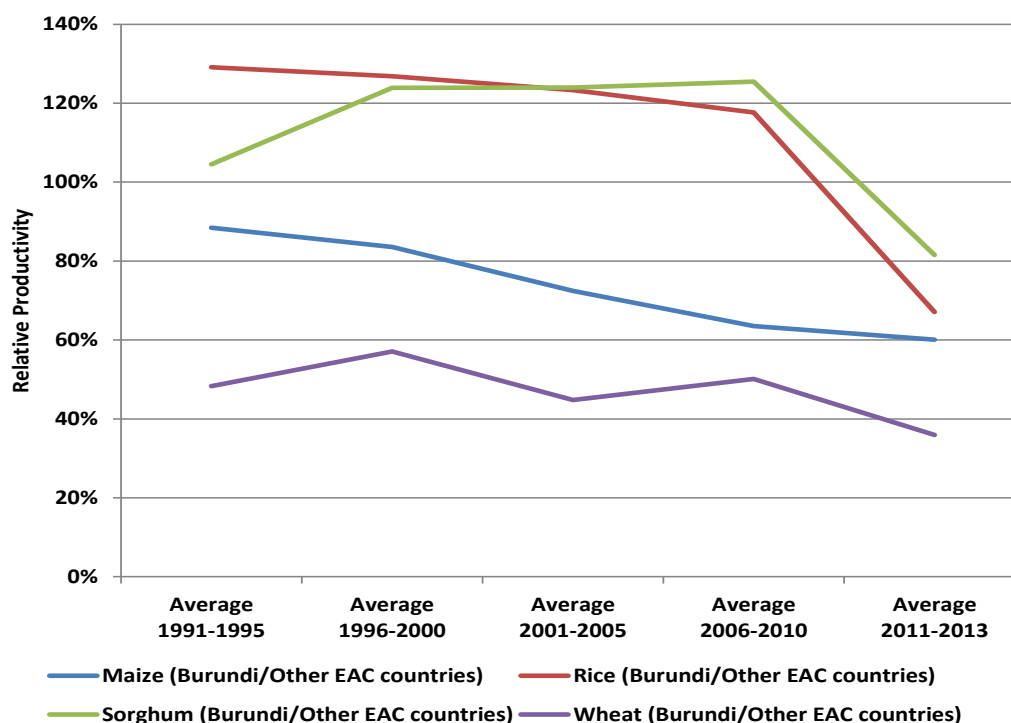
Future growth in agricultural production can only be generated from intensification and productivity gains. Commercial agriculture that could mobilize inputs and machinery more efficiently is currently constrained notably by the difficulty to aggregate land. Thus, only market-oriented agriculture will allow rural households an adequate livelihood from their small plots, abundant labor, and relatively ample water resources.

Figure 17. Burundi's Cereal Productivity Relative to the EAC Countries



(Continued next page)

Figure 17 (continued)



Source: FAOSTAT.

Poor market linkages and poor access to adequate and affordable infrastructure and services:

Insufficient production levels are compounded by post-harvest losses due to sub-optimal connections between producers and downstream markets. Both supply and demand are very fragmented. On the one hand, producers are still not well organized and suffer from poor access to market information and to affordable transportation, storage and credit services to bring their crop to markets.³⁸ On the other hand, the demand, like downstream processing, wholesale and retail markets are either very much underdeveloped (processing) or inefficient and fragmented (wholesale and retail markets).

Constraints affecting processing

Domestic processing remains in its infancy in Burundi. The sector faces several constraints ranging from weak domestic demand to high production costs to an overall lack of structure and organization of the private sector.

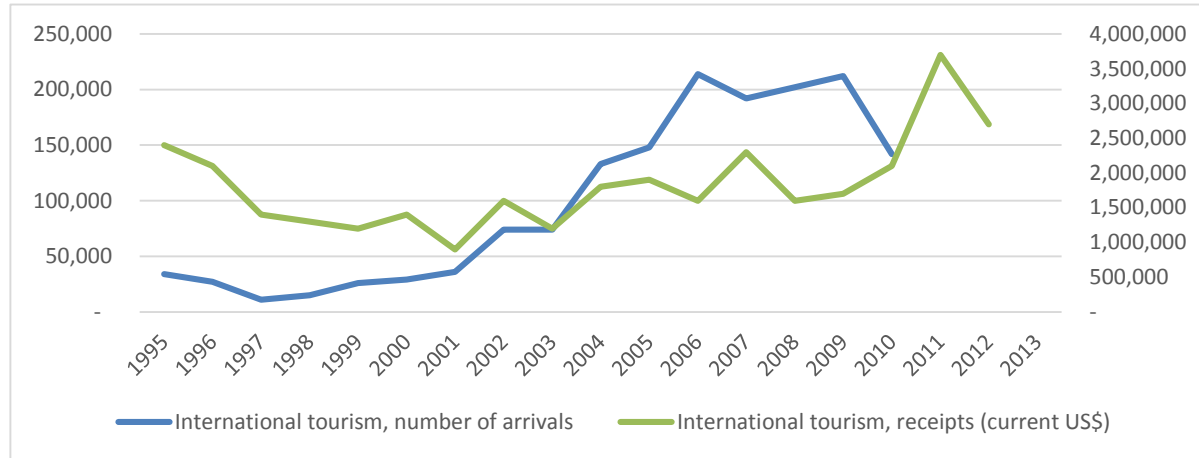
- **Weak domestic demand:** The decline of local purchasing power has reduced an already small market for higher-value processed goods. Thus, processors target neighboring markets to compensate for weak local demand, especially lucrative markets in Eastern Democratic Republic of Congo.³⁹

- **Cost competitiveness versus imports:** Domestic products tend to be expensive compared to imports because of high production costs, mainly driven by the high cost of energy. Electricity supply from the grid is unpredictable and alternative options from generators are expensive.⁴⁰
- **Low quality perception of domestic processed products:** Local consumers also perceive domestic products to be of lower quality. Because of the current absence of norms and standards and of difficult access to inexpensive packaging options, most products sold in kiosks and supermarkets are not properly labeled. The packaging they use is often reclaimed packaging from other brands.⁴¹
- **Limited access to long term financing:** The liquidity constraints in the banking system limit its ability to extend loans going beyond 3 to 4 years, which is an important constraint to the development of processing, especially large scale processing. Interest rates are high (between 16 to 19 percent) but the banks interviewed reported receiving few loan requests from the agribusiness sector. Additionally, some of the projects that did receive loans failed to be profitable.⁴²
- **Low capacity and lack of organization of the private sector:** Finally, an overarching constraint for the development of processing, but also for agribusiness in general, is the low capacity and lack of organization of the private sector along the different agricultural value chains. Most of the private sector firms interviewed were faced with a host of challenges that they, individually, were ill equipped to manage and for which they did not receive institutional support apart from occasional development programs. These challenges ranged from sourcing raw materials from very fragmented and unpredictable supply, to assessing the skills and capital to acquire and maintain equipment or to develop market intelligence to target markets and understand those markets' specific requirements.

Tourism Sector Assessment

Burundi's tourism sector is in its initiation stage, as the country gradually emerges from a dozen years of instability. In 2010 the country welcomed around 152,000 international tourists. Between 2,500 and 14,000 of these are estimated to be leisure tourists; the majority of arrivals are regional business, humanitarian and NGO travelers (52 percent), followed by visiting friends and relatives (VFR, at 19 percent), as is typical for economies in the pre-emerging stage of tourism development.⁴³ However, in terms of daily spending estimates suggest that a leisure traveler generates more tourism revenues than a business traveler to Burundi.⁴⁴ In 2014, 71 percent of Burundi's air arrivals were from Africa, followed by 16 percent from Europe, and 7 and 6 percent from North America and Asia respectively.⁴⁵ More than 70 percent of overall visitors arrived over land.⁴⁶ The average length of stay is high, at 15 days for all segments, and 13 days for leisure travelers, most likely due to longer staying VFR and NGO segments; seasonality is not yet a concern due to low levels of leisure visitors.

Figure 18. Burundi International Tourism Arrivals and Receipts (1995-2012)



Source: World Economic Forum, Travel & Tourism Competitiveness Index (2012).

Trends indicate that i) visitor arrivals tripled between 2003 and 2007 with an end to instability, ii) arrivals plateaued between 2007 and 2010 and iii) latent demand gave way to a period of stable but depressed growth, most likely due to a lack of structuring, development and investment in the sector. In recent years, Burundi's arrivals have been growing at an average of 3.5 percent annually (SNDDT 2011). Visitor projection estimates carried out in Burundi's 2011 National Strategy for Sustainable Tourism Development (SNDDT) shows that by developing the sector, the country could quadruple the amount of international leisure tourists between 2010 and 2020.⁴⁷

A. Governance and Enabling Environment

Important strides have been taken to structure Burundi's tourism sector since 2010. The GoB has recognized the potential of tourism and has committed itself to strengthening the sector, most notably through the drafting of a new tourism law and the adoption of a national tourism strategy in 2011. In 2013 the quasi-independent National Tourism Office (ONT, created in 1972) was restructured and charged with the development, marketing and training of the sector. A new investment code was created in 2008 and its tax code is currently under revision. These reforms have provided the tourism industry with a number of fiscal advantages, such as tax credits on imports of hotel construction materials, leading to a marked increase in small hotels. Its previous 5 percent tourism tax was discontinued, and hotel licenses became a one-time rather than an annual procedure.

However, reforms have been slow to materialize; the unpredictability and lack of continuity in policies and regulations has stunted the sector's progress. Burundi's new tourism law remains incomplete, requiring more private sector input and the integration of best practices while taking into account the local and regional context. The institutions with purview over the tourism sector remain fragmented and lack a coordinated approach. The ONT functions as an implementing agency, while the Ministry of Trade, Industry, Post and Tourism (MTIPT) has an

agency that oversees the regulation and planning of the sector, however this is underfinanced and lacks operational effectiveness. The ONT lacks the financial and human capacity in order to respond to the current needs of the sector. In 2009, 97.2 percent of its annual budget was spent on administrative expenses, with only 2.8 percent spent on promotion (SNDDT, 2011).

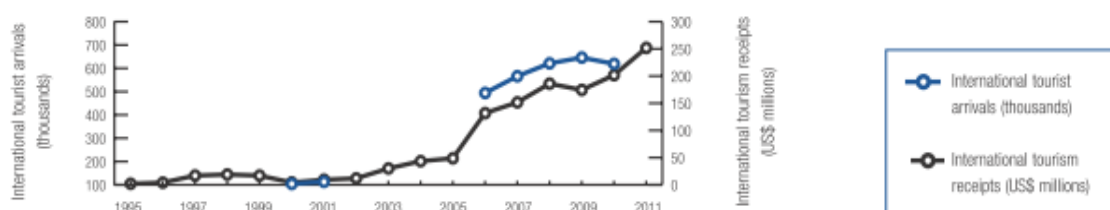
Box 2. Post-Conflict Tourism Development: When is it time to develop the sector?

Post-conflict countries tend to experience an initial rise in visitor arrivals directly after conflict, followed by stagnant arrivals for up to a decade after conflict. As is the case with Bosnia & Herzegovina as well as Rwanda, their travel & tourism sectors only began to grow in earnest a 3 to 4 years after the countries committed to reforming and developing the sector.

For Rwanda, after its conflict ended in 1994, the country's tourism arrivals stagnated for a decade as the country lacked a tourism vision, prioritization, structuring and investments. In 2001, tourism was chosen as one of the pillars of economic growth for Rwanda, and between 2001 and 2006 the country worked to develop and structure the sector through updating laws, regulations and planning, aided by high-level political commitment and concerted public-private dialogue.

International tourist arrivals (thousands), 2010 619.0

International tourism receipts (US\$, millions), 2011 251.8



The commitment to building a safe and unique destination with a core, targeted product offering (gorillas) and a clear focus on high-end tourism with conservation at the core of its plan has led to tourism taking off in 2005, and continuing to grow. The government involved the private sector early on and often and implemented policies that enhanced the business environment and promoted private sector investment in tourism. The reorganization of tourism within the Rwanda Development Board and its grouping with conservation has allowed it to effectively plan, implement and enforce cohesive policy actions.

Source: Rwanda Development Board, n.d; Spencerly, A; 2010, World Economic Forum Travel & Tourism Competitiveness Index 2013.

A major bottleneck is the implementation gap between the objectives set in policy and the institutional capacity to implement and enforce these objectives (World Bank Burundi DTIS, 2012). Most policies and regulations remain partially implemented and lack enforcement and transparency in their application. This is typical in nations at Burundi's development stage, and is of increased relevance in post-conflict situations.⁴⁸ This has led to a generally ineffective institutional and regulatory framework governing tourism and uncontrolled growth of touristic developments, such as hotels, leading to low quality products (SNDDT, 2011).

Burundi's entrance into the East African Community (EAC) in 2009 requires streamlining policy, providing an opportunity to leapfrog into adopting regional initiatives when reforming its national tourism frameworks. The most relevant aspects include i) i) hotel and tourism classification standards, which Burundi has adopted and is in the process of implementing ii) the single regional tourism visa that Burundi is in negotiations to join, and iii) regional capacity building and skills development programs. The private sector is aware of the need for reform and to formalize activities; similarly there is a growing political will and development partner interest in effectively structuring the sector. Burundi's tourism sector is fully liberalized, with extensive commitments on all four of the sub-sectors⁴⁹ in the General Agreement on Trade in Services.

Land and environment planning: Land planning has been completed in 12 provinces, which includes mapping of tourism sites and zones. Tourism site perimeters and buffer zones are not well defined or administered and risk encroachment from other land use activities. A potential tourism development zone has been identified between Nyanza-Lac and the Tanzanian border, 3 hours from Bujumbura. It is unclear what exactly is envisaged and how tourism development would interface with the existing population. Coastal zoning and development plans have begun in the first 20 km south of Bujumbura; the remaining area, until the Tanzanian border remains to be funded. Land use plans are being developed for waterfront zones in and around Bujumbura.

Taxation: Tourism business face a number of taxes⁵⁰ and the framework is not regularly applied in a transparent and consistent manner (SNDDT, 2011). Burundi should aim toward meeting EAC's planned regional harmonized tax regime, planned for finalization by mid-2015, as part of the reforms required to achieve a common market (Kangethe, 2014).

Table 8. Cost of 30 day tourist visa

Country	Cost of 30 day tourist visa (US\$)
Burundi	\$90
Kenya	\$50
Uganda	\$50
Tanzania	\$50
Rwanda	\$30
EAC	\$100

Marketing: Burundi suffers from a poor destination image due to perceived internal instability and limited marketing efforts. Regional and international tour operators lack knowledge of and information on Burundi's offer and linkages to local tourism businesses. Promotion to the end user and travel trade are virtually inexistent, as is in-destination information, with no information center at the airport, poor signage and an underutilized information center in Bujumbura. Only one travel guidebook on Burundi exists, the *Petit Futé*, from 2006.

Visas: EAC member country nationals can enter Burundi without a visa or passport, requiring only a national ID. Visa policies for other international visitors have been fluctuating and unclear since early 2015. Previously, a visa on arrival was attainable for US\$40 for 3 days or US\$90 for

one month. However, this has not been sufficiently communicated and fees are uncompetitive with regards to regional averages (See table on right).⁵¹

Statistics: Burundi's statistical gathering system remains critically weak. 2010 is the latest year for which data on total arrivals (land and air) is available. Only two hotels in Bujumbura have provided the government with the required arrivals information. No data exists on domestic tourism and tourist expenditures and exit surveys are not regularly carried out. Despite having implemented new arrival cards taking into account travel motivation and length of stay in 2010, they are yet to be tabulated and analyzed due to lack of financing.

B. Infrastructure and Service Inputs

Utilities and Basic Services: Burundi has abundant supplies of water, however its quality and piped supply remain unreliable, although improving. Electricity remains a binding constraint, especially in secondary cities and sites. Hotels, especially those of international quality require and consume elevated amounts of electricity, putting excess pressure on an already overloaded grid.

Information and communications technology (ICT) penetration is amongst the lowest in the world, ranked 139 out of 140 countries by the WEF TTCL. Mobile phone systems are rapidly growing, covering most of the country and are en-route to gaining mobile internet and 3G services.

C. Tourism Products and Services

Attractions

A 2014 tourist attraction inventory funded by the UNWTO identified 126 touristic sites in Burundi, of which 57 percent are tangible cultural heritage, and 32 percent are natural heritage (NTO, 2014). A number of key sites and areas are outlined below. Burundi's Key tourism sites are well connected, most of which are located on or a short distance from main highways which are in relatively good state of repair.

Bujumbura: Burundi's capital is the touristic access and lodging hub of the country, its key business and economic driver as well as a growing weekend leisure destination for regional tourists. The fourth and fifth strategic orientations of Bujumbura's current master plan are to *improve the image of the city*, and to *add value to the city's touristic assets*. Such priorities are echoed in the Bujumbura 2045 plan, which discusses the need to *develop the lakefront* and for *attractive urban design*. Despite these goals and strategic orientation, little has been done or is in the pipeline to upgrade or redevelop the city's touristic assets.

A number of lakefront zones over 17km of lakeshore around the city have been identified for nature-based leisure developments (See Annex). Specifically, Bujumbura's core lakefront used to be the entertainment center of town which has since the early 2000s become run down, with garbage issues, security concerns and poor beach services. The current Master Plan highlights the

fact that the city seems to ‘*turn its back*’ on the lake, with difficult access and little development (SDAU Bujumbura, 2013). The nearby *Musee Vivant* is a green space including a zoo, traditional huts, an artisanal boutique and a theater with a 500 person capacity. It was a popular leisure destination before it fell into disrepair in the early 2000s. The zoo would need to be completely refurbished and the museum needs to be better managed to become viable tourist attractions.⁵² The *Cercle Nautique* is a marina that has fallen in disrepair after unsuccessful PPP arrangements.

Lake Tanganyika is one of the longest lakes in the world and borders four countries (Burundi, the Democratic Republic of Congo, Tanzania and Zambia). The lake, still largely undeveloped, is a major potential touristic asset to Burundi, which has a coastline of 160km and some of the finest inland beaches on the continent. The area is amenable to small resorts linking the lakefront and its potential activities, such as sport fishing and sailing, to nearby ecotourism attractions, like the accessible, and compact Kigwena Natural Reserve.

Crafts: There are many craft disciplines that can be marketed to tourists. Pottery, textiles, basketry and drum making have the most potential for linkages. Most crafts are made in homes or small studios with rudimentary tools and limited know-how, leading to poor quality products (SNDDT, 2011). The Directorate of Crafts runs 3 basic artisanal training and support centers near Gitega, and only Bujumbura has a few craft retail outlets. Most craft producers are underemployed and located in rural areas without adequate market linkages; producers associations are few and disorganized.

Hotels

Burundi’s hotel sector, which is concentrated in Bujumbura, is characterized by i) a majority of small (under 10 rooms), owner-operated low to mid-range hotels catering mainly to a transit and business clientele, with an average occupancy of 10 to 20 percent; and ii) mid-size (10-70 rooms), mid to upper scale hotels and resorts, serving regional and international business, meetings and regional leisure travelers, with an average occupancy of 40 to 50 percent.⁵³ As a global average, hotels operating at 60 to 70 percent occupancy are considered healthy businesses.

Following the incentives for hotel construction put in place in 2010, more than 70 hotels have been built. The high costs and short-terms for financing, high operating costs and low occupancies have resulted in many smaller hotels running at a deficit. Anecdotal evidence suggests that the better performing hotels are Category A establishments with diversified markets, a premium location (lakeside or downtown), locally authentic designs and architecture with strong linkages to regional and/or international travel trade.

Table 9. Hotel beds in Bujumbura (2010)

Category	Single	Double	Triple	Suite	Bungalow	Total	Percent
A \$121+	66	302	0	103	9	480	31%
B \$91-120	0	38	0	18	0	56	4%
C \$61-90	18	98	0	25	0	141	9%

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D \$31-60	12	76	0	8	8	104	7%
E \$1-30	53	544	5	4	0	606	39%
Hotel Subtotal	149	1058	5	158	17	1387	88%
Uncategorized	39	132	0	10	0	181	12%
Total beds	188	1190	5	168	17	1568	100%
Total bed-places	188	2380	15	336	34	2953	

Source: SNDDT, 2011.

Burundi remains a challenging place to do business. The tourism sector faces the same general roadblocks to doing business that have been identified in other sectors, specifically: getting electricity, getting credit, enforcing contracts and paying taxes. Electricity makes up around 33 percent of operating costs for hotels in Burundi, and can rise with the intensive use of generators due to blackouts.⁵⁴ Prior to 2009, Burundi's hotel industry received less than US\$40 million in investment over the previous 20 years (World Bank DTIS, 2012). Currently, investment in tourism remains low at 0.8 percent of total investment⁵⁵ (WTTC, 2014).

Hotel investments suffer from two major handicaps compared to other industries: first, the elevated capital requirements in relation to expected turnover, and second, the relatively low levels of economic returns (10-12 percent on average). This translates into stricter terms for project financing by commercial banks, and the need for lower interest rates (around 10 percent) and longer terms (around 15 years). SMEs, in particular, have increased difficulty in financing tourism investments.

The greatest issues faced by hotel & tourism investors are i) political instability: the business costs of crime, and violence are elevated, the reliability of police services is ranked lowest out of 140 countries in the WEF TICI (2013); ii) transparent and consistent enforcement of fiscal regulations, including the unpredictability and inconsistency of the support provided to the sector; and iii) low levels of demand due to an uncompetitive destination.⁵⁶ Another pertinent issue is unclear property rights and a large degree of informality in land markets, despite a new land code being finalized. The purchase of private property is subject to contestation and not recommended by the SNDDT; concessions of state property are preferable through leases for a maximum of 99 years (SNDDT, 2011).

Box 3. Informal Tourism firms in Burundi

Informal firms have a number of unique characteristics and thus face specific challenges in Burundi. According to the GoB's Preliminary Report on Employment and the Informal Sector (2014), hotels and restaurants make up the second largest amount of Burundi's informal enterprises at 12.6 percent of the nation's total, the vast majority of these jobs exist in rural areas (82 percent), while 10 percent are in Bujumbura and the remaining eight percent in other urban areas (ISTEEBU, 2014). This is in contrast to formal firms which are vastly concentrated in urban areas, predominantly Bujumbura.

Two focus areas for upgrading informal enterprises are skills development and access to finance. **Capacity and skills development:** Compared to the worldwide average of 50 percent, in Burundi only 31.6 percent of informal tourism workers are youth (under 25) and the average age of informal workers in the sector is 31, with 3.1 years of education and four years of work experience in hotels and restaurants. Only twenty-three percent of informal workers are not related to the enterprise head, as such, the tourism industry is perceived as offering weak opportunities for wage labor.⁵⁷ There is a specific need to build capacities of informal enterprises and their workers to move them up the value chain and place them on the path to formalization. This is an especially engage process in tourism, where linkages with travel trade and knowledge of markets are crucial, yet difficult for informal enterprises to develop. **Access to finance:** In the informal sector, hotels and restaurants raise 88 percent of their capital from family or friends, 5.8 percent from suppliers and 5.3 percent from clients; only 0.8 percent is obtained from commercial banks, compared to the national average of 4.4 percent (ISTEEBU, 2014). Targeted programs to provide financing for small and informal enterprises to upgrade their product offerings are an important part to stimulating inclusive growth in the sector.

Tour Operators, transport providers, activity providers: These sub-industries are the least developed of Burundi's tourism sector; yet are some of the most required to catalyze leisure tourism. Fewer than 10 tour operators are present in Bujumbura, employing less than 40 people. The low levels of demand and lack of integration of Burundi as an add-on destination to regional packages means that the majority of tourists visiting Burundi are independent travelers. Many tour operators have diversified into providing chauffeur services for business clients, while those that are involved in tourism mainly work on organizing regional circuits for residents of Burundi and their visiting friends and relatives.

D. Capacity and Skills Development

Similar to the rest of the economy, the tourism sector is affected by the low skill base of the population. A 2010 hotel assessment carried out by the SNDDT counted 1,595 direct jobs created in Bujumbura's hotels. 93% were full-time employees and the remaining 7% were seasonal workers (SNDDT, 2011). Around 70% of employees were aged from 16 to 35, and only 5.1% were ages 55+. On average, 1.02 persons are employed per hotel room in Burundi, with higher category hotels employing more than twice as many persons as lower category ones. With just over 8 percent of the working age population (WAP) having completed more than primary school, combined with the general low quality of education provision, employers struggle to find workers with the required skill sets to perform their jobs. The low skill base poses challenges

both to improving the tourism sector's governance and enabling framework and to strengthening infrastructure and service input.

There is a growing demand for and a wide gap in the supply of skilled and qualified hospitality professionals and managers. This is especially noticeable in category C hotels and below, who cannot afford to invest heavily in workforce development and consequently face inferior service quality levels. Figure 4 shows the levels of education and training of hotel workers in Bujumbura in 2010. Ten percent have no education, and 36.2 percent have only completed primary education. Worldwide, the tourism workforce comprises 70% women and 50% youth⁶; however Burundi displays an unusual employment structure, with 81% of hotel workers in Bujumbura being male⁷.

Table 22: Education and training of Hotel Employees in Bujumbura (2010)

Category	Number of Employees	No Education	Primary	Common Core	Humanities	Tourism Studies	Technical Studies	University	Total
A \$121+	681	4.3%	14%	7%	6.5%	0.9%	4.7%	5.3%	42.7%
B \$91-120	98	0.5%	2%	0.5%	0.8%	0.4%	0.5%	1.5%	6.1%
C \$61-90	228	0.8%	4.1%	2.6%	2.6%	0.1%	0.8%	1.3%	7.8%
D \$31-60	124	0.8%	3.2%	0.9%	0.7%	0.1%	0.8%	1.3%	7.8%
E \$1-30	345	2.4%	9.5%	3.3%	2.4%	0.2%	1.2%	2.6%	21.6%
Hotel Subtotal	1,476	8.8%	32.9%	4.4%	12.9%	1.7%	9.2%	12.7%	92.5%
Uncategorized	119	1.8%	3.4%	0.6%	0.2%	0%	0.9%	0.6%	7.5%
Total	1,595	10.6%	36.2%	15%	13.1%	1.7%	10.1%	13.3%	100%

Source: SNDDT, 2011

Skill gaps of (potential) tourism sector employees are the result of (1) systemic weaknesses in the education and training system; and (2) the embryonic stage of the tourism sector.

Systemic weaknesses result in the misalignment of the quantity, quality, and relevance of the overall offer of TVET and HE programs with labor and skill demand. As to tourism-specific training, the *number* of education institutions in Burundi offering formal tourism-related pre-service training is not seen as a roadblock (see table xx), considering the small size of the formal tourism sector. However, these education institutions started tourism-related training programs only recently, focus on hotels and restaurant services only, and do not offer in-service training. The existing programs suffer from several challenges, including weak teacher capacity, outdated curricula, insufficient resources for equipment and consumables, and difficulties in finding on-the-job training for their students.

Identified education institutions in Burundi which offer tourism-specific programs

Name of institution	Features
---------------------	----------

⁶ UNWTO, 2008

⁷ SNDDT, 2011

<i>Post-secondary technical education</i>		
1	Martin Luther King University	<ul style="list-style-type: none"> ▪ Established 2011/12 ▪ Total enrolment 78 students
2	Akilah Institute for Women	<ul style="list-style-type: none"> • Enrolment since 2014 • Enrolment 75 students (total for year 1 and year 2) in hospitality program
<i>Secondary Technical Education</i>		
3	ETS Kigobe	<ul style="list-style-type: none"> ▪ Enrolment since January, 2015
4	ETS Kamenge	<ul style="list-style-type: none"> ▪ Program started in 2011/12 ▪ Total enrolment 112 students
5	Lycée Bukeye	<ul style="list-style-type: none"> ▪ Program started in 2011 ▪ Total enrolment 150 students
6	ETS Karlos Magnus	<ul style="list-style-type: none"> ▪ Program started in 2011 ▪ Total enrolment 45 students

Note: Two other institutions offer tourism-related education: CETS and the Bujumbura Hospitality Institute

Skill gaps risk getting worse in the future. Since skill demand will increase as the sector grows, the misalignment between skill demand and supply is expected to grow unless effective measures are taken to improve the acquisition of appropriate skills by the current and future work force.

Supporting Drivers: Logistics and Construction

Logistics⁵⁸ and construction are essential inputs for other sectors of the economy and critical for a sustainable urbanization process. The demand for these sectors and their potential as a key policy sectors for growth depends on their capacity to generate linkages with firms and industries. An improvement of the logistics and construction sectors tailored to both public and private sectors' needs will help drive city competitiveness.

Logistics

A faster and easier movement of goods and capitals enables firms to be supplied as well as expand their market at a lower cost. In regions with higher concentration of firms (such as cities or industrial zones) better transport infrastructure helps increase agglomeration economies. Efficient logistics help efficiencies in production, by improving predictability and by assisting in mobility for products and workers. Burundi ranks 107 out of 160 countries, and performs better than Sub-Saharan Africa in logistics (LPI⁵⁹ score of 2.57 against 2.46 for the region). Timeliness of shipments seems to be Burundi's most significant challenge, while the country performs relatively well in terms of clearance process by border agencies.

Table 10. Logistics performance ranking: comparison with nearby countries (2014)

Country	LPI	Customs	Infra-structure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Malawi	73	62	48	108	70	100	100
Kenya	74	151	102	50	90	60	45
Rwanda	80	89	113	88	92	68	63
Burundi	107	77	104	111	106	112	126
Tanzania	138	135	114	137	145	150	107
the Democratic Republic of Congo	159	158	156	160	158	151	159

Source: Logistics Performance Index 2014.

Note: Malawi is the best performer among low income countries. There is no updated data for Uganda.

Bujumbura plays a key role in the system of logistics serving as the Burundi's domestic logistics hub and also as its preeminent international trade gateway. It is also the main center for customs and border management, where cargo is processed, consolidated or deconsolidated and transferred between the domestic and international systems. As such, Bujumbura has a concentration of services providers in logistics, trucking, inland water transport, clearing and forwarding, warehousing, and banking among others (Government of Burundi and World Bank, 2012). The Government is planning to construct two new truck stations, one in Gitega and one in Ngozi. These stations are expected to improve storage availability and reduce the time of distribution for nearby regions eliminating trips to Bujumbura. This has been raised during several interviews with the private sector⁶⁰ and should be continued.

The logistic services industry is dominated by foreign enterprises due to economies of scale and regulatory advantages. Tanzanian trucks make more than 85 percent of deliveries between Dar es Salaam and Bujumbura, because it is easier for them to arrange cargo from the port and seek return hauls in other countries. This poses some risk for Burundi, the main ones being that trucks may not be available when they are needed and that costs are much higher than to other countries in the region. This notwithstanding, Burundi's focus should not be to build a competitive trucking industry, given lack of scale economies. Key infrastructure to facilitate logistics like dry ports, storage and hubs for logistics services may serve to increase competition and reduce the prices of transport. The focus on large infrastructure only, like roads, would only improve margins for transportation providers. The strategy should focus in investing in facilities that improve competition and quality. As an example, transport companies indicated the urgent need to improve the truck station in Bujumbura (e.g. its cost, management, security) as it will directly and significantly impact the logistics system.⁶¹

The combination marine/rail transport should be restored. In fact, the demand from the private sector for this transport option still exists as the waiting time to book a container is 3-4 weeks.⁶² Freight using the Lake Tanganyika and the rail from Kigoma to Dar es Salaam is 38 percent cheaper than road transport, although 21 percent slower.⁶³ The time loss is mostly caused by poor infrastructure of both lake ports⁶⁴ and inefficiencies of the rail, and 90 percent of imported and

exported goods are transported by road despite its higher cost. Improving the multimodal option, in particular the rail between Tabora and Kigoma, would make Burundi a lot more accessible to traders. Historically, Lake Tanganyika was a major transport route for the region; unfortunately this is no longer the case, with two ferries currently operating on the lake, and only one which serves Burundi,

Import and export time and cost through land are higher in Burundi than those in Sub-Saharan countries. This results in estimated costs of over US\$2,905 for exports and US\$4,420 for imports through the land supply chain versus US\$2,499 for exports and US\$3,307 for imports in Sub-Saharan countries.⁶⁵ The performance of the logistics infrastructure and services in Burundi therefore penalizes the competitiveness of all the sectors for which goods need to be moved, notably sectors like agribusiness with perishable goods.

Urban market centers remain inaccessible to producers for many reasons. Several factors explain food crop producers' challenge to access marketplaces, including small scale and unconsolidated production, and poor transport services. The priority actions should focus on creating a system of consolidation markets across the country, and improving the connectivity between these markets and the producers. A better access to (urban) marketplaces and higher economies of scale will, on one side, allow producers to further maximize their production (both quality and quantity of production that reaches the marketplaces) and, on the other, benefit consumers by eventually lowering the cost of products, and of inputs.

Access is one of the major determinants to increasing tourism demand. Access is determined by the frequency, price, ease and quality of air, sea and land access; aviation regulations; entry permits; visa requirements; airport capacities and competition among carriers (Dwyer in Anneli, 2012). Improving tourism access can mean physically improving infrastructure such as access roads, airports, port facilities; facilitating the cross-border movement of people through regional visas, shared passports, reducing or abolishing tourist taxes and airline landing fees; easing vehicle border crossing permit requirements, as well as airline deregulation and incentives for development of transport companies.

Air access is poor, but not a binding constraint. Burundi has one international airport in Bujumbura and two local airstrips in Gitega and Kirundo. No domestic air service exists. Air transport infrastructure is ranked as 138 out of 140 countries by the World Economic Forum's Travel & Tourism Competitiveness Index, specifically inhibiting are the low amount of airline seat kilometers per week, number of operating airlines and international air transport connections. The airport and terminal itself, although ageing, is sufficient to accommodate the current demand levels. The EAC is aiming to develop a single airspace, which Burundi is set to implement in 2019.

Construction

A strong construction sector is essential to ensure cost-efficiency, robustness and sustainability of infrastructure that are much needed in Burundi. The construction value chain,

that encompasses the building of physical infrastructure like roads, power plants and irrigation as well as housing, commercial/industrial real estate and key social development facilities (schools, hospitals, etc.), is not well developed in Burundi. The sector is still small and suffers from low productivity and high costs of materials, most of them being imported from Kenya, Tanzania, Uganda and Rwanda. Burundi ranks 133rd position (out of 189) in the 2015 Doing Business indicator “dealing with construction permits”. The main area for improvement is cost, equivalent to 10.1 (as percentage of warehouse value), against 6.2 in SSA and 1.7 in OECD.

Increasing urbanization will create additional pressure on the housing market and public infrastructures, such as roads, electricity grids, water supply, telecommunications networks and waste treatment plants. Rural to urban migration will continue to place pressure on affordable housing and infrastructure access.

Demand for houses in the main cities will grow significantly in the years to come. Although slums in Burundi are not yet a substantial problem, Government action to provide access to affordable housing is crucial to avoid new migrants to settle in largely informal, non-serviced areas. According to population projections, the number of households in the main cities of Bujumbura, Gitega, Ngozi and Rumonge will grow significantly in the period 2008-2025. This translates into 10,000 new houses every year.⁶⁶

Further, existing houses need to be upgraded and maintained. Though most Burundians live in their own houses, construction is incremental and quality is low⁶⁷ Most houses are self-constructed; building incrementally and using cash remaining from basic consumption. 70 percent of homes are built with adobe brick or wood walls, 30 percent of the houses are covered with tiles or sheets and nearly 70 percent of houses are covered with straw or other plant leaves (2008 Census).

But the provision of affordable housing⁶⁸ will remain a challenge. Housing problems in Africa are largely due to affordability. This is particularly true for Burundi where land scarcity and access to finance are major issues, and construction materials are mainly imported. In Kenya, construction materials account for 42 percent of the total housing cost, a number that is expected to be higher in Burundi where such materials are imported and more expensive. Decreasing the cost of construction materials (e.g. by producing them locally) is a requirement to overcome the housing challenge.

Burundi imports almost all construction materials. Imports from the region include materials like: cement, bricks, pipes, iron sheet (light manufacturing). These goods could be produced in Burundi (serving the local market and then eventually exporting to the immediate neighbors) in the short to medium term. For example, although most of cement used in construction is imported, domestic supply has responded to demand. In 2012, the national cement company doubled its production (World Bank, 2014a). In the secondary sector, paint production has also grown somewhat in recent years explained by housing and hotel construction in urban centers (ISTEEBU, 2014). The construction sector is mainly composed of firms producing PVC tubes, which has expanded from 2008 to 2013.

Burundi currently has neither the technical ability nor the appropriate regulatory framework to develop the required infrastructure, especially for agribusiness development. Most of the private agribusiness firms interviewed did not have the in-house capacity to provide specifications to the construction sector to design and build new processing plants. If value addition is to develop in Burundi, some critical skills in terms of design and construction will have to be imported. Similar issues will arise if agribusiness firms decide to target exports in perishable products, which would necessitate choosing, designing and building the appropriate cold chain infrastructure based on the products to be exported.

The construction sector serves as both an important input to tourism development as well as benefitting from the sector's growth. The construction of infrastructure such as roads, water supply, sewerage and solid waste facilities, piers and energy facilities are important requirements for tourism development, especially in urban settings. Inputs into the construction of buildings for tourism use such as information centers, hotels, lodges and restaurants include construction materials, craftsmanship, design and professional skills. These are a key factor in the quality and market fit of facilities, and thus the design and construction quality directly impacts the price points and revenues generated by the tourism sector.

As an output, tourism can bolster the construction industry through increased demand for lodging and facilities and inputs down the value chain; for example 70 new hotels have been built in Burundi between 2011 and 2014 (API, 2014). But impacts on the local materials value chain were minimal, given that much of this construction was prompted by, and took advantage of, incentives for importing of construction materials for hotels (API, 2014). Thus, supporting the improved quality, supply and competitiveness of the local construction materials industry will allow import substitution to bolster the construction value chain linkages. The lack of adequate skills in the construction sector has resulted in loss of employment opportunities with large hotel projects importing manpower from the region for specialized low tech-skills that could not be found locally (e.g. tile cutting, electricians, plumbing).

In terms of supporting infrastructure, utilities and basic services, electricity remains a binding constraint, especially in secondary cities and sites. Around 1 percent of the population has direct access to electricity, with Bujumbura and Gitega being the only urban zones with municipal electricity providers. Agribusiness facilities as well as hotels, especially those of international quality require and consume elevated amounts of electricity, putting excess pressure on an already overloaded grid.

Solid waste and sewerage management is insufficient and a growing concern. Bujumbura's municipal services only cover 38 percent of the cities' needs, and no other city has sewage infrastructure or treatment systems. Industrial runoff from paint, fabric, electronic and other industries is released, untreated, directly into Lake Tanganyika. This is highly troubling if the country is looking to develop lakeside areas near urban centers, one of the country's greatest tourism assets (SDAU Bujumbura, 2013).

The lack of appropriate construction and design professionals in Burundi has led to a low quality and undiversified lodging offer, often resulting in the inability to charge higher rates, thus reducing its economic benefits (Novelli, 2012). Most hotels in Burundi are small (under 10 rooms), owner-operated and designed low to mid-range hotels; such profiles do not usually have a hospitality nor design or engineering backgrounds. Thus, a cadre of skilled architects, engineers and construction workers are required in order to produce quality tourism structures.

4. Implementation Strategies

Following from the city-level and sector-level diagnostics presented above, this chapter presents the key areas of intervention, and specific priorities for implementation in order to address the gaps identified. The chapter outlines a set of horizontal interventions aimed at addressing key bottlenecks for a urbanization to support Burundi's economic growth, and vertical interventions aimed at growing specific sectors—agribusiness and tourism. Each of these are presented in terms of (i) institutional policies and reforms, and (ii) investments in infrastructure.

Given the characteristics of Burundi's urbanization and its economy, achieving and harvesting benefits from the demographic transition will require interventions at different levels: (i) Spatially targeting the core city in the economy (Bujumbura) to improve its competitiveness and increase local demand for products by making the city more efficient in terms of land use and access to services, (ii) connecting production areas with Bujumbura to enhance delivery, and (iii) enhancing rural productivity and expanding access to services in secondary cities. In addition to this, the urbanization in Burundi will require a set of legal and institutional interventions to improve their viability as centers for private sector development and investments, and given its fiscal restrictions Burundi must apply and approach that takes into account the limited fiscal space.

Horizontal Interventions

Institutional Policies and Reforms

Burundi has no overarching urban policy. Through the preparation of the Letter of National Policy on Habitat and Urbanism (2008) and the passing of *Vision 2025*, key policy objectives have been identified. However, several laws and an overarching policy vision for tackling urbanization are still lacking. To further strengthen institutions for cross-cutting reforms, a few important actions emerge (i) Enhance spatial management, urban planning and land and property rights management and strengthening institutional delivery capacity and enforcement; (ii) reduce the regulatory burden for businesses, formal and informal and across different sectors, and (iii) simplify tax burdens to help facilitate improved conditions for firms.

A. Enhance spatial management, urban planning and land and property rights management and strengthening institutional delivery capacity and enforcement

Land-use institutions and plans that promote denser cities are key to impact rural productivity and promoting efficient and sustainable urbanization. This benefits firms and citizens providing space for transport infrastructure, utilities and other urban services. As evidenced in the diagnostics, the existing practice of spatial development is inefficient in terms of land use, and the regulation and enforcement of property rights that require adjustment– otherwise, the combination of overall population growth and inefficient land use in urban areas will increase the risk of creating inefficient low density towns with associated economic and social costs.

Strengthening Property Rights: There are ongoing reforms in land management and securing property rights that will be critical to secure sustainable development and which provide promise for improvement. There is evidence that despite the fact that this is an undergoing reform, legal and institutional changes resulting from the 2010 Constitution and the adjusted Land Code of 2011 have created two very relevant impacts: i) decentralization of cadaster to the commune level; ii) improvement in management of public land (Elbow et al. 2014). However, the changes instituted are yet to have a systematic effect on the urban form.

Strengthening property rights at the rural level can help to achieve a healthy migration from rural to urban areas. Reducing obstacles for registrations and solving land disputes is key. Improving the skills of public servants, securing their financing, setting standardized procedures, systematizing registries and achieving coherence across decentralized offices are challenges ahead.

Three specific changes are needed to strengthen capacity for formalizing and securing land property rights (i) To pursue a policy of decentralization expanding systematic inventorying of land property rights to each hill (colline) within each commune endowed with decentralized land services and expanding establishment of land services to additional communes beyond those currently supported through donor- funded programs, (ii) To reinforce the ongoing initiative to improve, reorganize and modernize traditional government-sponsored land services, and to improve land record keeping and conservation of land records, and (ii) Develop capacity, processes and mechanisms for interaction and overlap of deconcentrated (antennes) and decentralized (Communal Land Services) services within a monitored and managed environment.

Improve Land Registration: The development of the Land Administration Information System is an important step toward reducing transaction time and cost, and improves the reliability of land registration and transfer as well as reducing land related disputes in the country. In a post-conflict country like Burundi, this is an important contribution to the business environment while at the same time reducing opportunities for corruption and continued conflict.

Enhancing Urban Planning and Urban Planning Institutions for effective enforcement and Implementation: It will be critical to focus on deepening and enhancing the framework for urban planning⁶⁹ and management, and the institutions responsible for its implementation. Urban

planning has not evolved fast enough to respond to urban dynamics, and there are still gaps updating, approving, financing and implementing key planning documents for cities.⁷⁰ Master Plans have been expired for more than a decade, hence, they did not respond to the new urban dynamics and the new city perimeters revised in 2000 and 2008. As a consequence, even if urban administrators at the commune have been empowered to execute programs of parceling in new city limits, Master Plans have not been updated to match them. New Master Plans for main cities (Bujumbura, Gitega, Ngozi and Rumonge) were recently designed, but the government has not yet approved them, and their financing is not secured.

Strengthening institutions for urban management and service delivery: In order to tackle these institutional gaps that affect the current development of Burundi's cities, including the urban form and the delivery of services, there is a need to focus on strengthening institutions in urban areas, particularly the role of communes in the management, oversight and implementation of the urban plans. This is associated with the overall decentralization reforms and Government may wish to consider how decentralization can be enhanced in its larger cities, but with the necessary compliments in terms of staffing and resources.⁷¹ Key areas for institutional strengthening involves enabling municipalities to consolidate and strengthen staffing, financing and functions to enhance coordination and reduce inefficiencies of having too many small local government units (this type of reform for consolidation is currently underway Bujumbura, but could be further expanded).

Passing a new decree to revise the criteria of urban areas in administrative and legal terms: Since 1990 the extension of urban areas have been modified twice. The decree 100/111 of 2000 proposes main criteria to define urban areas, these were used in 2000 and, then in 2008 while processing Census data, to set urban borders. The criteria to define the urban perimeters¹ is not conclusive, thus, the procedures used to process the Census are not clear. It is important to revise these criteria to achieve a definition that can be periodically updated. These should take into account spatial variables, as contiguity of buildings and land-uses, and be coherent with current and future areas of urbanization defined in the master plans². According to article 4 of the 2011 Land Code, this should be done by formulating a new decree.

The development of a new urban policy and the passing of the codes on urbanization, habitat and construction and on territorial planning will also trigger the need for implementation of the institutional mechanism and modalities provided for in the laws—and this could also provide impetus to effective urban management (including the creation of a commission of urbanism to coordinate spatial planning between the national level, the provinces and the communes). The passing of codes along with the development of a new national urban policy should be accompanied by a detailed and time specific action plan for their implementation and associated required resources.

In addition to the above, there are three areas that will be critical for managing the next phase of urbanization—facilitating orderly urban expansion, consolidation and completing land registration systems, and enhance urban planning and management capacity in key urban centers.

First, use the planning of streets and roads to designate the extension of land that will be available for urban development, especially in Bujumbura. Abundant extensions of land with proper drawing of streets and road connections will contribute to expand Bujumbura in an ordered manner. Despite the fact that expanding areas may lack access to services in the beginning, in the future as resources become available, it will tremendously much cheaper. Alternatively, settlements will continue to spread informally, especially in risk areas, while landlords and speculators will keep the best land, as it has happened in most Latin American cities. Urban population will keep growing and the country would require up to 30 percent of GDP per year to provide basic urban services. The most probable scenario is that provision of services in the short term will not be feasible due to fiscal constraints; however, establishing ordered and abundant land in which urbanization can settle will reduce the future costs of provision and minimize the negative impacts of speculation.

Establishing these limits in the master plans will not be enough. Roads should be marked in field to demark squares available for new settlements. The construction of unpaved main roads connections across neighborhoods will be the second step. Hence, when economic development and tax revenues increase availability of resources to invest on services provision and transport infrastructure, transport routes and water and sanitation networks can be more easily and less costly extended to this, already organized, city. This should be done in large scale in order to avoid speculation with land prices and restricted access to the richest households.

A program like this can be seen as a “strengthening” of *villagisation* and *lotissements* policies where challenges still need to be solved. For instance, they require extensive use of expropriation or the creation of taxation mechanisms for force best located private land to enter as fast as possible in the market, minimizing speculation. In general, the master plan of Bujumbura “Plan 2045” should be complemented with the roads and specific streets requirements in its spatial strategy. The implementation strategy to demark and provide the basic elements in the field should start with no delay.

Second, Government can consider ensuring effective coordination and enforcement of existing deconcentrated and decentralized land registrations. While decentralized units for inventorying property rights are expanding, the government should seek to collect, systematize and store cadaster data. This process should be guided closely by the central government in order to take advantage of the skills that will be developed as the process advances.

Third, given capacity constraints at commune level and current institutional setup for urban planning, it will be preferable to take advantage of existing urban planning capacity at the national level while gradually building urban planning capacity at local level and through the training of more urban planners and technicians. To exploit the advantage of decentralization - i.e. being close to the local needs, demands and behavior- a program to close the gap between the plans and what actually happens in the field should be put in place in the short term. It has to have a component that clarifies and strengthens the relationship between territorial planning from the national and provincial level and knowledge of the local realities.

Finally, Burundi is already exploring options for land based financing of urban development (as with the lake zone area in Bujumbura). Land prices are rapidly increasing and will continue to do so. Burundi should explore experiences from other countries on land based financing of infrastructure and assess how, if the land registration and valuation improves, Burundi can learn from other countries and use available land to finance infrastructure.

B. Reduce regulatory burdens for businesses:

Burundi recently took important steps to streamline business registration by enacting a new Companies Act in 2011 and creating a one-stop shop (OSS) for business registration in 2012. This reform significantly reduced the steps necessary to register a business from 8 to 3, and the days from 13 to 5. The costs were also reduced from 116.8 percent to 17.5 percent of income per capita. Since the establishment of the OSS, over 1960 companies have been established through its system, with an average of 120 companies per month (source: API). This compares well to the formalization gaps identified in the 2006 Enterprise Surveys (Figure 19). Today, Burundi ranks as the 18th easiest place to start a business globally in DB15—the best in Sub-Saharan Africa.

Figure 19. In the past, micro-scale firms were likely to have registered with a tax authority and obtained a business license, but less likely to have obtained name and commercial registration



Source: Micro Surveys module, Enterprise Surveys 2006.

Burundi is a country with relatively low levels of regulations but the private sector often identifies lack of transparency and information as challenges. Pro-business reforms implemented by the government are not fully maximized by private operators due to limited dissemination and communication. A business licenses portal will be developed as part of the Burundi Investment Climate 2 program to facilitate access to information thus improve improving regulatory compliance and enforcement and reduce incidences of corruption. Efforts to foster dialogue and improve transparency will likely result in reduced instances of corruption that will benefit the private sector at large.

Re-introduce Public-Private Dialog: In an effort to strengthen and improve trust between the public and private sector in Burundi, a PPD Secretariat was introduced in 2012 with the main objective of ensuring more inclusive and sustainable policy reforms through a structured and participatory reform process. Economy wide PPD is an ongoing process and there is need to introduce support sector specific PPD platforms bringing together a broad range of stakeholders in key sectors of the economy. This is already the case on the coffee sector where INTERCAFE

plays the role of an inter-professional organization bringing together producers, processors, regulators, and exports of coffee.

C. Simplify tax payment system:

The GoB has embarked on an ambitious fiscal reform program, in particular with setting up the *Office Burundi des Recettes* as a semi-autonomous revenue authority, a "premiere" among francophone African countries. Phase 1 of the Burundi IC program delivered good results establishing a strong platform to deepen engagement in phase 2 for businesses to experience the improved fiscal regime. The new program⁷² will focus on the following areas of work: (1) strengthening gains in reducing compliance costs for all taxpayers; (2) supporting the implementation of the new Tax Procedures Law and strengthening risk-based auditing; (3) supporting tax appeals mechanisms to provide a credible recourse in case of abuses; (4) rationalization and transparency of the tax incentives regime to ensure that investors have an equal and transparent opportunity to qualify for incentives.

There are a number of specific short term reforms that would help improve Burundi's tax payment system. These begin with simplifying tax declaration forms, and considering the creation of a single application form for tax declaration. Another step is to strengthen the mechanism for post-filing procedures such as tax audits, appeals and refunds; this could be followed by the introduction of a risk-based approach to tax audits in the longer term. Revenue authorities could also conduct a broader analysis of taxpayer interactions with the tax system, which may help provide tax education and training to small and medium enterprises to increase compliance and collection.

Another important change would be the adoption of electronic tax declaration and payment systems. If implemented well and used by most taxpayers, both tax authorities and firms stand to benefit. For tax authorities, electronic filing lightens the workload and reduces operational costs—such as the costs of processing, storing and handling tax returns. At the same time, it increases tax compliance and reduces the time to pay taxes. For taxpayers, electronic filing saves time by reducing calculation errors on tax returns and making it easier to prepare. Introducing electronic filing and payments has a positive impact not simply on the total tax compliance time but also on the number of tax payments. As a prerequisite measure, Burundi should digitize its tax records before adopting an electronic system. By 2013, 81 economies had fully implemented electronic filing and payment of taxes. For example, India made paying taxes easier by introducing electronic filing for the state value added tax in 2010. This lowered the total number of payments from 56 to 33.

Investments in Infrastructure

A. Horizontal Investments and Spatial priorities

Substantial and continuous as well as spatially targeted infrastructure investments is required to maintain current levels of infrastructure and create a competitive environment for industries—such investments should be closely associated with the identification of target

industries, core value chains and geographical target areas for transformation. As part of developing a new urban policy, there is a strong need for the Government to harmonize existing spatial development plans and the regional and city level along with existing core infrastructure investment plans, in order to identify the core investment needs. There is a need for the Government consolidate existing investment plans (sector specific, master plans, regional plans, and others) with the view to assess the potential implications for most efficient job creation and service provision across the urban system and for specific industries, taking into account the findings of existing studies and projects.

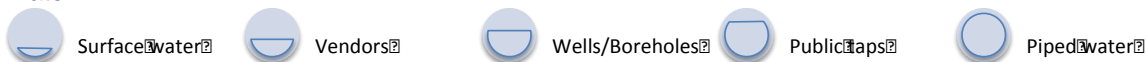
In terms of sequencing and prioritization, Government should consider rolling out investments addressing the urbanization process and the existing concentration of the economy: (i) Spatially targeting the core city in the economy (Bujumbura) to improve its competitiveness and increase local demand for products by making the city more efficient in terms of land use and access to services, (ii) connecting production areas with Bujumbura to enhance delivery, and (iii) enhancing rural productivity and expanding access to services in secondary cities.

Investments sequence and priorities could make use of alternative models for service provision to increase service coverage while providing more cost efficient solutions (the model described in chapter 3).

To match the investment requirements with the available budget, Burundi should consider applying flexible service standards and alternative technologies that may provide sufficient service levels. Alternative technologies that are considered good enough to reach outcomes of access can help to reduce investments requirements significantly. The objective is provided access avoiding the impacts of lacking access in order to later step up quality as the country progresses. Sanitation and access to improved water source can be provided at several levels that may be represented as steps on a ladder—see Figure 20. Each step represents a higher unit cost but at correspondingly lower levels of risk. Estimates show that investment requirements are 27 percent lower if access to good options as stand-posts and VIP latrines are provided instead of domiciliary connections.

Figure 20. Ladder for water and sanitation services

Water



Sanitation



Several countries have succeeded in moving at least 3 percent of their populations across any particular step of the sanitation ladder each year. Countries such as Côte d'Ivoire, Ethiopia, Uganda and the Democratic Republic of Congo have achieved switching about 3 percent of their population each year from the bottom of the ladder into the use of traditional latrines. Other countries, comprising Burkina Faso, Madagascar, and Rwanda, are upgrading more than 3 percent of the population each year into some type of improved latrine. Finally, at higher steps of the ladder, Senegal has achieved a comparable pace of expansion for septic tanks (Morella, Foster, & Banerjee, 2008).

In terms of financing, the current financing model of local governments is biased toward rural areas. There is a need to consider to what extent the current fiscal decentralization framework is sufficiently prepared to take into account the increased financing needs of Burundi's urban areas, including grants provided from central government and revenue collection and distribution.

To improve rural productivity and enhance internal markets, investing in internal logistics to connect procurers with markets will be critical. Identification of specific geographical priorities for these connections should be made in accordance with the identification of key potential crops for agribusiness products (see chapter 4).

To improve infrastructure and logistics Burundi should:

- **Deconcentrate services toward Ngozi and Gitega.** Bujumbura plays a key role in the system of logistics serving as **Burundi's domestic logistics hub and also as its preeminent international trade gateway.** It is also the main center for customs and border management, where cargo is processed, consolidated or deconsolidated and transferred between the domestic and international systems. As such, Bujumbura concentrates services providers in logistics, trucking, inland water transport, clearing and forwarding, warehousing, and banking among others (Government of Burundi and World Bank, 2012). The Government is planning to construct two new truck stations, one in Gitega and one in Ngozi. These stations are expected to improve storage availability and reduce the time of distribution for nearby regions eliminating trips to Bujumbura. This has been raised during several interviews with the private sector⁷³ and should be continued.
- **Invest in key infrastructure like dry ports, storage and hubs for logistics services. The logistic services industry is dominated by foreign enterprises due to economies of scale and regulatory advantages.** Tanzanian trucks make more than 85 percent of deliveries between Dar es Salaam and Bujumbura, because it is easier for them to arrange cargo from the port and seek return hauls in other countries. This poses some risk for Burundi, the main ones being that trucks may not be available when they are needed and that costs are much higher than to other countries in the region. This notwithstanding, Burundi's focus should not be to build a competitive trucking industry, given lack of scale economies. Key infrastructure to facilitate logistics like dry ports, storage and hubs for logistics services may serve to increase competition and reduce the prices of transport. The focus on large

infrastructure only, like roads, would only improve margins for transportation providers. The strategy should focus in investing in facilities that improve competition and quality. As an example, transport companies indicated the urgent need to improve the truck station in Bujumbura (e.g. its cost, management, security) as it will directly and significantly impact the logistics system.⁷⁴

- **Restore the combination marine/rail transport.** In fact, the demand from the private sector for this transport option still exists as the waiting time to book a container is 3-4 weeks.⁷⁵ Freight using the Lake Tanganyika and the rail from Kigoma to Dar es Salaam is 38 percent cheaper than road transport, although 21 percent slower.⁷⁶ The time loss is mostly caused by poor infrastructure of both lake ports⁷⁷ and inefficiencies of the rail, and 90 percent of imported and exported goods are transported by road despite its higher cost. Improving the multimodal option, in particular the rail between Tabora and Kigoma, would make Burundi a lot more accessible to traders. Historically, Lake Tanganyika was a major transport route for the region; unfortunately this is no longer the case, with two ferries currently operating on the lake, and only one which serves Burundi.

On the other hand, the logistics system is part of the solution to improve agricultural productivity. Farmers see little incentive to increase yields, as there is rarely a predictable market where they can trade market-oriented production. Markets trade surpluses from self-consumption. There are no surpluses, therefore logistics-in the form of agriculture consolidation and transportation across the scale of markets- does not develop, and therefore there are fewer incentives for higher agricultural productivity. Data from across countries seems to support that idea, given that there is a positive correlation between performance of local logistics and agricultural productivity measured as value added per worker. Better internal logistics is requirement for higher agricultural productivity.

Investing in large infrastructure projects may facilitate more the access to large consumption centers like Bujumbura by foreign farmers than from local producers if internal logistics continue to be underdeveloped. Internal logistics refers to the local markets for agricultural production of different scale where farmers can find buyers, who in turn can consolidate and ship to larger scale markets. It does require the intervention of the government to coordinate the provision of services, access to information about prices, etc. (refer the section of agribusiness sand logistics).

Urban market centers remain inaccessible to producers for many reasons. Several factors explain food crop producers' challenge to access marketplaces, including small scale and unconsolidated production, and poor transport services. The priority actions should focus on creating a system of consolidation markets across the country, and improving the connectivity between these markets and the producers. A better access to (urban) marketplaces and higher economies of scale will, on one side, allow producers to further maximize their production (both quality and quantity of production that reaches the marketplaces) and, on the other, benefit consumers by eventually lowering the cost of products, and of inputs.

B. Investments in Market Infrastructure

Lack of adequate access to markets continues to impede efficiency in production and trade for urban enterprises in Burundi, across all sectors. At the same time, agglomeration in production and trading activities have the potential to lead to spillovers, and provide scale economies. Thus, providing adequate space and facilities to firms in clusters would have the potential to better target cross-cutting challenges for enterprises, irrespective of sector.

Mid-sized and larger enterprises continue to identify issues of access to credit and electricity, along with goods and technology, as their primary concerns. The provision of targeted services aimed at ameliorating some of the immediate concerns would allow enterprises to function more efficiently. Issues of access to credit and infrastructure have been addressed, with some success, through the setting up of *and* modernization of urban markets in India—see Box 4. Firms were provided with space for setting up shop in some cases, but the main emphasis was on the provision of business development services aimed at enterprise support and training to mobilize value-chains and linkages across firms. Evidence from closer to home, Tanzania (see pilot project undertaken by the Ilala Municipal Council, described in the 2014 Country Economic Memorandum), suggests that encouraging business associations and development of small business incubators in spatially-concentrated spaces could help achieve economies of scale and reduce costs for businesses.

Box 4. Modernizing market infrastructure and market systems

In smaller cities and towns in India, producers, especially of agricultural produce, have had severely limited choices in accessing markets for sale. At the same time, they did not have access to crucial enterprise support services from district municipalities or other public bodies. The state of Maharashtra has piloted interventions in market systems including better cooperation between small and mid-size producers, linking warehouses to commodity exchanges, e-trading platforms with transparent and up-to-date information and so on. These modernization services were provided alongside investments aimed at upgrading market infrastructure, and also included capacity building and training of market functionaries. This approach -- comprising both regulatory change but also investments into physical infrastructure, capacity building and governance, allowing all stakeholders involved (i.e. producers, traders, processors and consumers) to buy into a policy and structural reform process has helped to establish a critical mass for a competitive environment, which over time would move marketing systems in other states toward greater efficiency.

Source: Ghosh 2013.

Targeting smaller and informal firms will be crucial for sustaining growth. Informal and small firms continue to form the backbone of employment, even in Bujumbura and in urban areas in Burundi. Addressing their constraints will be ensure that even in non-tradable service enterprises, Burundi can enjoy increases in operational efficiency and growth. Indeed, informal enterprises seem to compete with their formal counterparts, and finding ways to link them to growth sectors could lead to spill overs for both types of enterprises. Research in India shows that informal and formal firms often cluster together to exploit common labour, technology and input

markets.⁷⁸ Evidence in Burundi suggests that when informal firms are able to deal with constraints, for example access finance, they use the credit judiciously to invest in inputs, working space, and workforce training (EVCMB 2013-14). This suggests that, as in other parts of the developing world, particular kinds of institutional and financial constraints might be keeping informal firms in Burundi small and prevent them from growing into larger, formal and more productive enterprises.

National and city-level policies can also assist informal enterprises in order to get them organized and more productive. For instance access to adequate spaces and markets have demonstrated to have substantial impacts. This includes (i) designating adequate pavement space for both street vendors' stalls and pedestrians, as in Bangkok; (ii) allocating greater amounts of street space to vendors on weekends, as in the case of Delhi's Sunday book market; and (iii) open-air markets on given days for informal vendors—on either public or private land—as in the case of Nairobi's Maasai markets (UN-Habitat, 2006). As cities grow, these type of policies help improving business climate and job creation. The Bangkok case shows, for example, that a pragmatic regulatory approach to street vending—which is recognized as a legitimate operation for traders with permits—has also allowed street vendors to use such permits as collateral assets in order to obtain formal sector loans under a conversion-of-assets-to-equity program (UN-Habitat, 2006).

Vertical Interventions

Catalyzing the development potential of the tourism sector

Burundi's tourism sector remains at a very early development stage, with years of political instability and an unfavorable destination image stunting the sector's development. The country has begun, but is yet to complete, the restructuring of its tourism sector required to successfully compete in the international marketplace. Despite having nationally important natural and cultural touristic assets with significant potential to attract tourists, the country lacks a clear regional competitive advantage. Located in a highly competitive region, Burundi's EAC neighbors possess more iconic forms of Burundi's principal attractions offering some of the best wildlife viewing, coastal and protected areas in the world. Given this, the government's tourism strategy and industry stakeholders agree that mass tourism is not a viable option for Burundi. A more effective short to medium-term strategy is to build a solid base of regional short-stay tourists, from Rwanda, Kenya and neighboring areas visiting for weekend lakeside leisure and entertainment, as well as business travelers, supplemented by a growing variety of niche, or 'special interest' leisure markets, including multi-country adventure tourists looking for lake cruises, authenticity in culture, chimp and bird watching and trekking; from mainly francophone source markets. Sustained political and financial commitment is required to successfully develop tourism to its full potential.

In order to scale-up the growth and competitiveness of its tourism sector, Burundi should:

1. Address the most basic preconditions for tourism and fundamental constraints first, such as safety & security issues
2. Finish the structuring and regulation of its tourism sector
3. Start with developing small-scale pilot projects that focus on destinations and market segments with the greatest value generated per investment
4. Leverage the regional dimension by further integrating into the EAC and its dynamic tourism circuits
5. Undertake sustained skills development and marketing programs

These recommendations will be grouped under institutional policies & reforms, and investments in infrastructure, and other targeted interventions.

Given the early stage of development of tourism in Burundi, the sector's most critical constraints are also cross-sectoral, systemic ones affecting the economy as a whole, and which the tourism sector has less ability to influence directly. The more that systemic roadblocks are improved, the greater the impact that tourism-specific interventions will have.

Safety and security is an important prerequisite of any destination (Novelli, 2012). Tourism is fully dependent on a destination's safety and security situation, and unlike shorter-term disasters, civil unrest takes longer for the tourism industry to recover from. It is also a major deterrent to potential investors. Travel advisories tend to discourage tour operators from including the country in itineraries due to insurance and perception issues. Burundi has yet to recover from its war-time image, and the recent travel advisories leading up to its May 2015 elections have led to a marked drop in leisure visitation since mid-2014. Additional fundamental constraints, tourism-specific critical constraints and key sectoral weaknesses are listed in Table 10.

Box 5. Re-launching the tourism sector: The Case of Mozambique

In the early 1990s, Mozambique was one of the poorest countries in the world, with extremely weak infrastructure and human resources. Although tourism was well-developed in its colonial period, it collapsed with its independence and subsequent civil wars since the 1960s. In its post-war period, the Government formulated a tourism strategy with the World Tourism Organization based on the development of both high-end facilities for international tourists and medium-end infrastructure for regional visitors.

The important drivers of its success were a clear road map with high-level political buy-in, legislative reforms and the removal of visas for visitors from SADC countries. In the five years following the return to stability, the sector received significant amounts of FDI. Marginalized regions benefitted from a new dynamism thanks to spatially dispersed investments



in tourism. The growth of tourism remains sustained, with international tourist arrivals growing by 284 percent between 2005 and 2010; the government expects 4 million tourists annually by 2025.

Source: Tourism Portfolio Review, The World Bank, 2010.

Table 11. Fundamental barriers and tourism-specific critical constraints

Fundamental, Systemic Barriers	Tourism-Specific Critical Constraints
<ul style="list-style-type: none"> • Safety and security • Limited availability and quality of health services • Availability, cost and unreliability of electricity • Undefined and unregulated land markets • Inconsistent application and enforcement of policies and regulations • Underdeveloped financial services, from the low penetration of ATMs and credit card use to long-term credit availability at favorable rates • Industrial discharge into Lake Tanganyika threatens the future sustainability of the tourism sector 	<ul style="list-style-type: none"> • Lack of/poor image of the country both by tourists and travel trade • Poor skills leading to low levels of service • Poor touristic infrastructure at sites, and problematic last mile access makes them difficult to visit and promote • High cost of flights to Burundi • Air safety and airport operations • Cost and lack of information on obtaining a visitor visa • The absence of planning controls and quality standards for tourism establishments • The lack of reliable tourism statistics

Source: Author compilation; SNDDT, 2011; World Bank Burundi DTIS 2012; Novelli, 2012.

Institutional Policies & Reforms

Currently, Burundi's tourism institutional framework is ineffective, under-funded and untargeted to the needs of the sector. A priority in catalyzing tourism development is for Burundi to finish its reform and reorganization process. In the immediate term, the NTO, which was restructured in 2013, needs capacity building and the phasing-in of a strengthened budget in order to implement its new mandate. The National Tourism Commission, the multi-stakeholder advisory and steering body to the NTO also requires operational and capacity support in order to carry out its functions.

In the medium-term, the institutional framework of the tourism sector will require reorganization to increase the regulatory and political abilities of a tourism administration and better integrate the diverse aspects of wildlife management and environmental conservation, investment promotion, infrastructure and skills development. This can be achieved through establishing a Ministry of Tourism and Environment, similar to Uganda's approach to create a Ministry of

Tourism, Wildlife and Antiquities; and/or integrating institutions with similar mandates at the operational level through a semi-autonomous institution, such as Rwanda has opted to do under the *Rwanda Development Board*, creating a unit for Tourism and Conservation under an institution aimed at accelerating economic development through private sector growth.

Burundi's tourism legal and regulatory reforms need to be completed and implemented. Its tourism law requires revision and finalization through a participatory public-private dialogue process, drawing on relevant international best practices adapted to the local and regional context. Importantly, the law must be written within the scope of integration into EAC legal frameworks. A number of texts, such as the regulation of tour operation, guiding and tourism transport companies require completion, as well as lodging design and construction guidelines, and the updating of Burundi's environmental impact assessment code. More importantly, a phased framework must be created and sufficient budget allocated to assume the communication and enforcement of regulations, which remains a critical constraint. The quality of hotels and their design need to be improved in order to better meet guest expectations; as such, tourism businesses can benefit from guidance in the development of appropriate products and facilities, such as minimum room sizes, parking, security and decor. This can be pursued by implementing hotel and tourism classification standards, providing hotel design and construction guidelines, or implementing a sound licensing regime that sets minimum requirements. Burundi could implement the EAC's comprehensive regional (voluntary) hotel & tourism classification standards.⁷⁹

Travel Facilitation

Visas: According to the World Travel and Tourism Council, an extensive analysis of case studies reveals that visa facilitation has historically increased international tourist arrivals of affected markets by 5-25 percent following the implementation of policy changes (WTTC, 2012). Having a visa on arrival is an important competitive advantage; it is important for Burundi to clarify and communicate its visa on arrival process and ensure continuity in these policies.

In addition to easing visa requirements, Burundi has the significant opportunity to sign on to the EAC's single tourist visa, launched in 2014. This initiative includes Rwanda, Kenya, Uganda and most recently Tanzania. Burundi is currently in the process of undergoing negotiations to joining the EAC tourism visa. This will lay the groundwork for Burundi's integration into lucrative regional tourism circuits.

Box 6. Reducing visa requirements: The case of Jordan

In 2009, Jordan lifted restrictions on the entrance of Indian nationals in order to diversify its source markets following the global financial crisis. Visa fees were waived, and visas were obtainable at the point of entry provided a group of 5 or more were traveling with a government certified tour guide. The reform was a success: arrivals increased by 92 percent in the first 6 months of 2010 and the initiative was subsequently extended to individuals and other nationalities as well. This success was sustained; in 2012 the Indian market grew by 45 percent.

Source: Transforming Tourism Opportunities in Uzbekistan, The World Bank, 2013.

Air travel facilitation requires the finalization of ICAO airport and civil aviation reforms, as well as the strengthening of aviation operations and processes. Supporting the creation of an *Airline Operator's Association* can assist the Civil Aviation Authority in finalizing reforms and creating a more competitive aviation sector. In terms of air infrastructure, the upgrading of the current airport terminal and facilities is recommended in the medium-term until air traffic increases enough to ensure the viability of constructing and operating a new air terminal.

Statistics: Comprehensive, timely and regular visitor statistics are important for three main reasons: i) they allow policymakers and communities to prioritize the sector based on its size and impact, ii) data helps plan and evaluate the strategic development of the sector, iii) robust statistics attract investors as they are able to project and design appropriate products. Burundi's statistical capacity is critically weak and in need of strengthening. This is an easily implemented intervention with immediate and significant impacts.

Burundi will need to revive the Inter-Institutional Platform (PII),⁸⁰ and its technical committee to guide the reform and implementation of Burundi's tourism information management and distribution system. This includes i) the tabulation, analysis and dissemination of backlogged entry cards, ii) the training of PAFE border officials and ISTEEBU technicians; iii) the provision of equipment and updating of systems. In the short-term a system for tracking tourism's contribution to employment and GDP will form the basis for later implementing *Tourism Satellite Accounts*; while visitor exit surveys and target market surveys should be carried out to better understand the current and potential visitor attributes and needs.

Investments in Infrastructure

Spatial Development Strategy

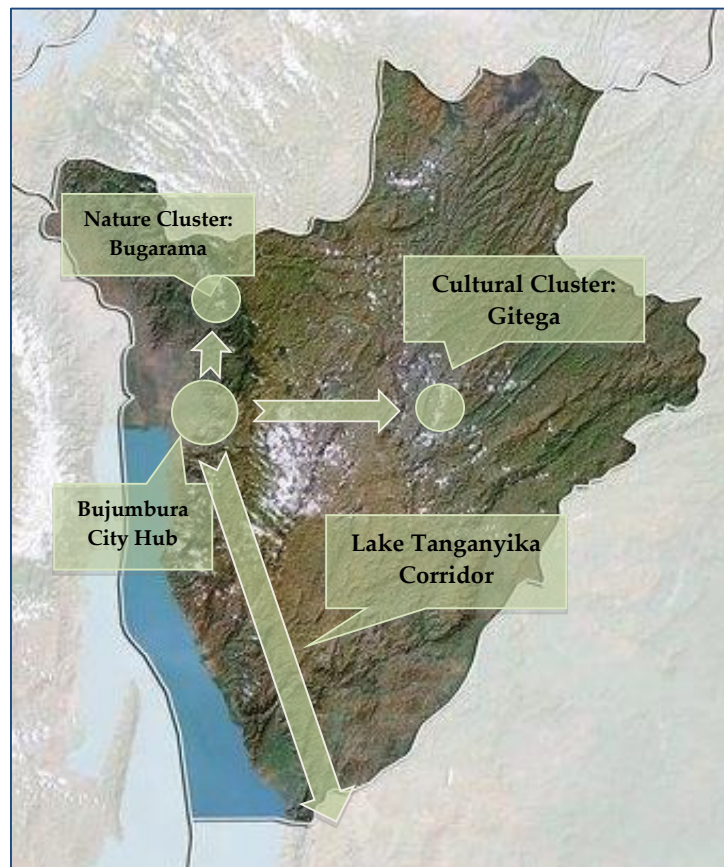
A hub-and-spoke tourism development model leverages the country's agglomeration of touristic facilities and access points in urban areas (mainly Bujumbura) and links them with its dispersed touristic draws located in rural or peri-urban areas. This includes:

1. Increasing the competitiveness and improving the supply of touristic services in Bujumbura, the country's business and access hub
2. Developing touristic corridors that link Bujumbura with key assets, beginning with the north-south lakeshore tourism zone
3. Upgrading Burundi's main tourism clusters of *culture* (Gitega and environments) and *nature* (Kibira) by supporting tourism development in gateway cities (Gitega and Bugarama) and their nearby sites

Figure 21 shows the hub, clusters and touristic corridors in Burundi. The development of these national assets can be integrated into complementary regional circuits, such as with the Democratic Republic of Congo, Rwanda and Tanzania, beginning with terrestrial circuits incorporating the lakeside, niche and community-based activities. Regional circuit add-ons can be an important source of visitor growth, as has been the case in Lao PDR and Cambodia, where the extension of Thailand's popular tourism packages launched the initial growth of its neighbors' leisure industries (SNDDT, 2011).

The transformation of touristic assets into attractions

Most touristic assets are situated along key transport corridors with relatively good access conditions, thereby requiring minimal infrastructure investments in order to transform assets into viable attractions. The following main product and destination infrastructure needs have been identified in each of the three spatial development nodes and corridor. These proposals would have to be undertaken in close coordination with the stakeholders involved in preparing the master plan for Bujumbura 2045 (and in other spatial development plans for other regions), and priorities for tourism in this master plan should be analyzed and integrated into these overall proposals for tourism development. The proposed model for Bujumbura would be integrally linked with strategic investments for supporting services to the tourist industry.

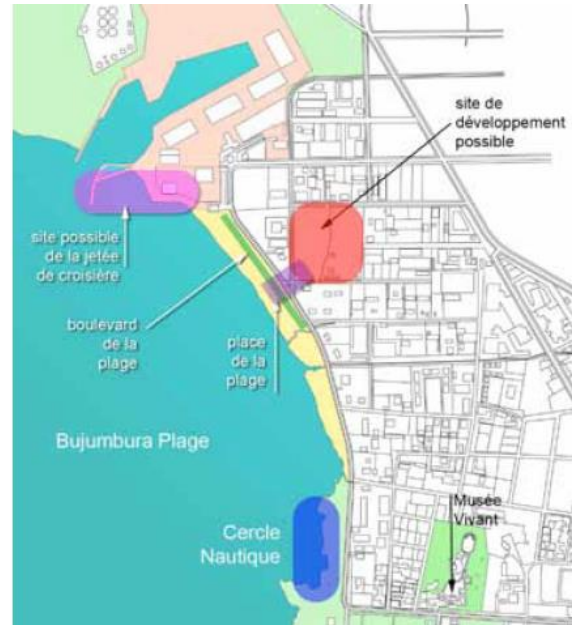


Source: Author compilation; SNDDT, 2011.

Figure 21. Hub-and-spoke tourism development model

1. Increasing the competitiveness of Bujumbura by promoting it as a regional tourism, business and MICE center and upgrading the Bujumbura waterfront into a leisure and entertainment zone

This requires i) the rehabilitation and landscaping of the main boulevard of Bujumbura's waterfront, and ii) the creation of a pedestrian mall 'place de la plage'; a pre-feasibility study for the development of a touristic jetty should be undertaken as a medium-term output. In addition to this, a participatory management plan needs to be established to oversee the operations and maintenance of the front du lac zone. The recommendations from convention and expo center feasibility studies should provide guidance on the size and timing of these investments. In the medium-term the rehabilitation and requalification of the *Musee Vivant* into a domestic attraction and conservation learning center should be explored.



2. Developing touristic corridors that link Bujumbura with gateway cities, beginning with the north-south lakeshore, clustered around Resha, Rumonge and Nyanza Lac

The Lake Tanganyika coast is Burundi's most iconic natural asset with high potential, where domestic and regional leisure tourism developments can be clustered to create a tourism zone. The lake's coastal development-planning needs to be completed, as does the enacting legislation. The implementation and enforcement of the schema should begin by selecting a small pilot tourism development zone in *close collaboration* with private sector stakeholders and potential investors. It is recommended that such a zone be located within 60km of Bujumbura for leveraging access, infrastructure and target market conditions. Wastewater runoff into the lake is an immediate hazard and long-term threat to tourism development along its shore, plans and regulations should be developed to control and reduce the direct industrial release of wastewater.

Box 7. Destination Development investments in Georgia

The Government of Georgia has developed a regional approach to tourism development, highlighting its wine-growing Kakheti region as a pilot for targeted growth. With the objective of attracting various tourism SMEs to invest in restaurants, lodging, facilities and activities, authorities first began by upgrading the region's destination infrastructure. In Kakheti's towns, such priorities included street lighting in parking facilities, information centers, public toilets, picnic areas, maps and signage; as well as 'soft' aspects, such as electronic mapping and a destination product database.



Providing the required infrastructure to support tourism growth has enabled them to start engaging in targeted investment promotion to secure the private sector development of facilities and tourism products.

Source: Transforming Tourism Opportunities in Uzbekistan, The World Bank, 2013.

3. Upgrading Burundi's main tourism clusters of i) culture (Gitega and environs) and ii) nature (Kibira) by supporting tourism development in gateway cities (Gitega and Bugarama) and their nearby sites

A pilot cultural cluster can be based around Gitega, Burundi's second largest city and cultural capital and its surrounding sites. Investments would improve the quality and linkages of crafts, provide small-scale touristic infrastructure in *Site de Kiganda* à Muramyva, *Le Fort Bomani* à Gitega, and the *Sanctuaire des tambours sacrés* de Gishora and support cultural events and festivals to draw visitors to these areas. A pilot nature cluster includes the Kiriba National Park as the flagship for international niche tourism, located 49km from Bujumbura. Investments in infrastructure, site management and linkages would need to be undertaken, including the upgrading of hiking and wildlife viewing trails and access roads, rehabilitating visitor facilities, signage and interpretation. Trainings and linkages would involve upgrading the skills of guides, park rangers and establishing community-based tourism products around tea and Batwa community life. Similar, smaller scale investments should be undertaken at Kigwena Forest Reserve and the Rusizi National Park.

Targeted Interventions

Undertake sustained skills development

Capable and trained human resources are one of the most important assets of the tourism industry as hospitality and service quality is unique to a destination and defines the visitor experience. Based on the diagnostics of the tourism-focused skills sector, two categories of recommendations are suggested:

- a) ***Strengthen the overall national workforce development system:*** An effective program to provide the skill base to support the development of the tourism sector cannot be implemented without interventions that address systemic weaknesses of the overall skill development mechanism, especially since the sector requires skills produced by a broad range of education and training programs at various levels. While by no means exhaustive, recommendations that can be considered essential first steps include: i) Setting a clear strategic direction for workforce development in the update of *Burundi's Sector Plan for Education and Training 2012-20* (SPET); ii) revitalizing dormant sector coordination mechanisms in order to enable them to serve their critical role; and iii) generating and using labor market data to promote a demand-led approach to inform policy decisions on education and training programs.
- b) ***Recommendations to strengthen the tourism skills development system:*** In the short to medium term, as the sector grows, improving the quality and relevance of existing programs of formal tourism-specific education provision should take priority over expanding enrolment capacity. Recommendations to strengthen formal education include: i) Focusing on behavioral and entrepreneurship skills which will enhance the likelihood of productive employment of graduates, including in the informal and tourism-related sectors; ii) strengthening post-secondary level education programs; iii) turning the new public school in Kigobe into a “model school” for secondary level hospitality education; iv) improving the quality of education by developing (secondary-level) teaching guides, v) supporting teacher capacity development, vi) facilitating coordination between education institutions and the private sector to bridge the gap between education and the world of work; vii) increasing the efficient use of resources by facilitating the sharing of education and resources between schools; and viii) establishing a Bachelor-level hospitality program to produce higher-skilled graduates. In addition, it is recommended to introduce in-service training in the sector at three levels: first, capacity building (by international providers) of a select number of key individuals in strategic positions in sectoral managing and governing bodies on both the public and private sector side⁸; secondly, strengthening of the offer of entrepreneurship and business management training for informal and formal micro and small enterprises; and third, the provision or facilitation of hospitality training to current employees.

Marketing Programs

Burundi needs to rebrand itself from an unsafe destination of little interest to a welcoming and safe naturally and culturally diverse country. Its marketing activities should follow three preliminary stages: First, creating short-term momentum by promoting tourism to its domestic market and foreign residents of Burundi, second, growing its markets based on current products and visitor segments by increasing regional (EAC) promotion and creating linkages with regional tour operators, and third, diversifying its target markets by undertaking promotional campaigns

⁸ Including the ONT, the OBPE and the Sector Chamber of Commerce for Hospitality and Tourism

to international niche markets and linking national to regional tourism itineraries. This includes creating a branding and marketing strategy, promotional collateral, expanded business-to-business collaboration and organizing familiarization trips.

Box 8. Marketing and Promotional Strategies in Lesotho

A World Bank Project provided financing for a travel-trade focused marketing strategy in Lesotho. This included a variety of activities, such as i) launching an online reservation platform for tourism business (Worldhotel-link.com), supported by providing listed enterprises with technical assistance on small-business tourism marketing; ii) brand development for the Lesotho Tourism Development Corporation, focusing on consistency in marketing efforts, standard graphics packages, outlining packages and product offerings for target market segments; iii) organizing investor missions to showcase Lesotho; and iv) developing Lesotho's commercial concessions framework.

Source: Tourism Portfolio Review, The World Bank, 2010.

Investment Promotion and Business Development Services

Given hoteliers' low occupancy rates, high operating costs, high cost of financing and short repayment terms, support measures are needed to guide Burundi's tourism businesses to grow the sector from its infancy by developing competitive products and improving demand. This includes business development services, income tax exemptions for the first five years, incentives on purchasing vehicles and equipment for tour operators and activity provision companies and the clear and consistent application, monitoring and enforcement of existing incentives by the Investment Promotion Agency (API) and the Burundi Revenue Office (OBR). Programs should be targeted to priority segments, locations and products (see box below) and toward improving the operation and offer of the current lodging stock rather than incentivizing new investments in the immediate. As hotel occupancies rise with increased visitation, assistance can then be scaled back. In the medium term, the GoB should consider creating targeted hotel investment promotion in tourism zones along Lake Tanganyika's shore, once land use schemas and governing regulations are implemented.

An overarching program in each target destination is needed in order to link destination investments with job creation and revenue generation. It is critical to improve the quality of current tourism products and offerings by providing business and development services to tourism-related enterprises (accommodation, catering, tourist transport, tour operation, travel agency, activity provision and craft production, for example). This can include a preferential loans, handholding or grants program for MSMEs to increase productivity, attract new markets formalize business activities and upgrade facilities.

Table 12. Incentives and Investment Promotion Programs from Kerala and Singapore

Investment Incentives in Kerala, India	Investment Promotion in Singapore
<p>Kerala, India, created incentive packages targeted specifically to grow its beachside tourism industry in a sustainable manner, as Burundi may want to consider to develop the Lake Tanganyika corridor. These included:</p> <ol style="list-style-type: none"> 1) Investment subsidy of 10% of capital costs, including land, building, furniture, furnishings, equipment and landscaping to a maximum of US\$21,000 2) Additional subsidy of 15% on investment in pollution control facilities, equipment for recycling wastewater, sanitation facilities, captive power generation to a maximum of US\$10,000 3) Special incentives packages for capital investments exceeding US\$10 million 4) One-stop window to clear tourism ventures, within 60 days for major projects 	<p>In 2005, the Singapore Tourism Board launched an ambitious plan to double visitor arrivals and triple receipts by 2015. In order to do so they created targeted investment promotion programs to increase hotel rooms. In close consultation with industry stakeholders, three main types of hotels were identified:</p> <ol style="list-style-type: none"> 1) Business Hotels 2) Family-Friendly Hotels 3) Luxury Boutique Hotels <p>The Tourism Board worked with the Urban Redevelopment Agency to identify appropriate buildings and sites for hotels and mixed-use developments and market such opportunities to investors meeting the product criteria. By 2011 Singapore had already grown its room inventory by 30%.</p>
<p><i>Source:</i> Ministry of Tourism India, 2004 in Ethiopia's Tourism Sector: Strategic Paths to Competitiveness and Job Creation, World Bank, 2012; Transforming Tourism Opportunities in Uzbekistan, The World Bank, 2013.</p>	

Box 9. Support for Value Chain Development: The case of Ethiopia

A matching grants scheme is currently being undertaken in three key destinations in Ethiopia in order to support technical assistance for private sector initiatives and allow entrepreneurs to increase, upgrade and innovate in the tourism value chain. The program, through 50-50 cost sharing with individual firms, and 70-30 with associations/groups is helping to: i) upgrade technological and managerial skills, ii) improve market intelligence and access, and iii) foster backward and forward linkages within the private sector and eventually increase the spill-over effects of the entire sector.

Source: Tourism Portfolio Review, The World Bank, 2010.

Catalyzing the development potential of the agro-business sector

Investments in Infrastructure

Given Burundi's food trade deficit and lingering food security issues,⁸¹ the priorities established by the Government of Burundi's Programme National d'Investissement Agricole should be kept beyond the period of 2012 to 2017 to support production increases, notably production of staple crops.

These efforts will need to be complemented with improvements of basic infrastructure and logistics services, market linkages and market information. Agro-based countries are expected to experience very high and sustained increases in urban demand for food. The future urban demand growth of the agro-based countries category is projected to be a little less than 4 percent

per year on average from 2007 until 2050. The policy implications for such countries are that they should focus on supporting production increases and better connection between rural production and urban demand by meeting the agribusiness sector's needs identified in the constraints analysis, such as the need for basic infrastructure and logistics services, market linkages, market information, finance and productivity enhancement tools like improved seeds or fertilizer.

Urban and peri-urban areas can play a key role in supporting such improvements by upgrading the quality of some of the services they provide as logistical hubs, as well as market outlets for agricultural products, and by strengthening their infrastructure, notably in terms of roads and energy supply. Given the urgent need to create jobs in urban and peri-urban areas and given Burundi's limited resources, the Government of Burundi will need to determine which value chains or sub-sectors have the best job creation potential and prioritize its efforts to support them. The potential for job creation is likely to be maximized through better serving existing markets or expanding to new markets and/or increasing value addition of the products sold.

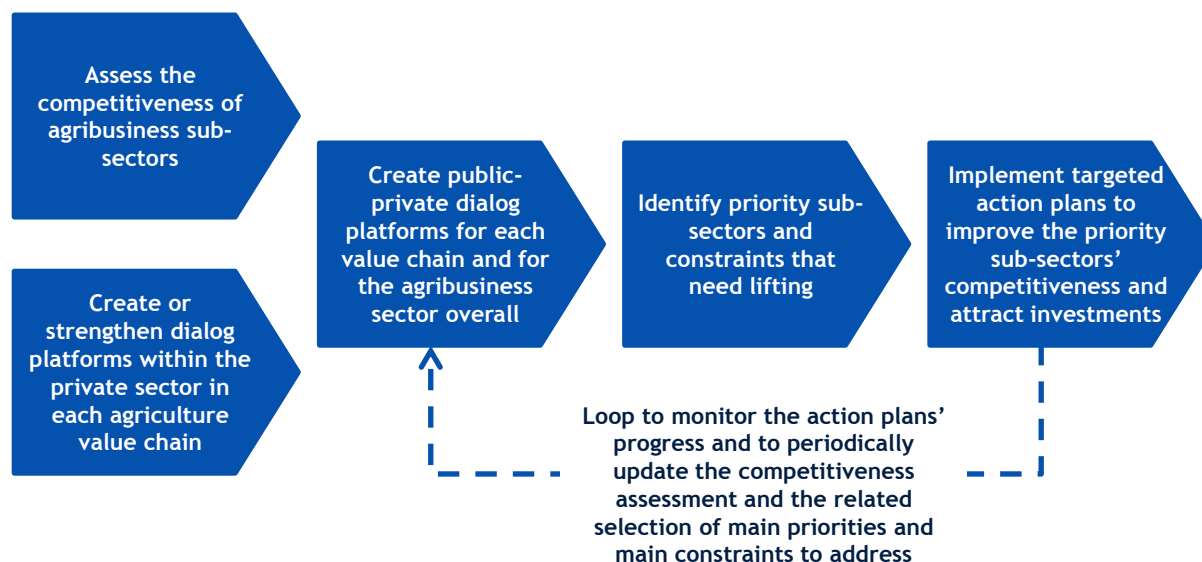
Development of infrastructure and logistics services: A number of the inefficiencies of agriculture value chains in Burundi derive from the difficulty in accessing infrastructure and services. Roads, storage and wholesale markets infrastructure as well as access to affordable logistics and storage services would need to be upgraded. For instance, public investment to set up more advanced and strategically located wholesale markets can stimulate the growth of regional and urban wholesale markets. They can also help improve quality and safety standards. Given the country's resources constraints, detailed needs assessments will have to be carried out to determine the nature and location of the required infrastructure and services upgrading efforts that will support the competitiveness of the priority sub-sectors identified.

For instance, to develop the fresh fruits and vegetables value chain, some targeted infrastructure and services upgrading would be needed to develop the country's capacities in terms of cold chain. Public-private partnerships have worked in certain countries to address high capital investments and startup costs to develop such cold chains for fresh produce. This was especially so in Kenya's fresh fruit and vegetable terminal and Ghana's cold storage facilities at the main port—both were financed partly by the public sector and managed by private firms. It should be noted that different kinds of products would require different types of cold storage conditions (e.g. different temperature and humidity levels). As a result, the choice of priority products and markets within a broader value chain like fresh fruits and vegetables should guide the nature of the desired infrastructure in terms of purpose (long *vs* short-term storage) and scale, as well as influence the infrastructure's appropriate location and best management model.

Targeted Interventions

Given the resource constraints faced by Burundi, targeted investments should focus on priority value chains identified earlier. Figure 22 below summarizes the proposed steps to support the development of the agribusiness sector in Burundi.

Figure 22. Supporting agribusiness development in Burundi



Create a competitiveness enhancement and sector prioritization public-private dialog platform for the agribusiness sector

A successful dialogue between the public and private sector, from production to distribution of agricultural products, ensures that policies and support to agribusiness are aligned with market opportunities and are geared toward identifying and alleviating constraints affecting the sector. Most of the countries that have developed successful agribusiness sectors have had such a forum for exchanging ideas and information. Such arrangements are in place in European countries, but also in Brazil and Chile in South America, and the highly successful horticultural export sector in Kenya.

Create or strengthen dialog platforms within the private sector in each agriculture value chain.

There are few vertical linkages between producers, traders, processors and distributors or exporters within agriculture value chains in Burundi. There are also very few horizontal linkages, for instance in the form of producers associations and cooperatives at the production level. The lack of vertical linkages and overall coordination within agriculture value chains prevents exchanges of market information and requirements expected by each segment of the value chain, and results in inefficiencies, as illustrated by the difficulties met by processors to source raw materials or by high post-harvest losses in certain sectors. Improvements in horizontal linkages could help overcome some of the weaknesses of private sector operators in terms of access to market information for exports or access to credit for capital investments.

The efforts made to organize the coffee value chain with the creation of Intercafé could be replicated to address the above mentioned issues as well as to facilitate the needed dialog between value chains and the public sector to formulate and voice the constraints and the issues they face. A new inter-profession, Inter-Profession Fruits Burundi (IPFB), was for instance

recently created for the fruit sector in Burundi with the support of SPARK and UNIDO and some positive outcomes are beginning to emerge. Four fruit processors, members of IPFB, are exploring the opportunity to create an export consortium to overcome their respective small sizes and to make the needed investments to export to regional markets.⁸² Based on an interview with the President of the *Chambre Sectorielle de l'Agriculture*, the lack of structuring of the different value chains hinders the Chamber's ability to play its role of voicing out the needs of the private sector. Thanks to the introduction of inter-professions and dialog platforms for each value chain, the better organized value chains could in turn play a more active and productive role within the *Chambre Sectorielle de l'Agriculture* that is currently designing its strategy with the support of USAID.⁸³

Box 10. The process to create an inter-profession

Prior to setting up a public-private dialog platform in the agribusiness sector, there is often a need to organize private stakeholders, so as to get them to speak with one voice, articulate their position, collaborate and express the potential need for regulation of their sector. One of the most common trends today with regard to the organization of the private sector in any agribusiness sector is the creation of inter-professions. Inter-professions come in different forms depending on the context and the product. However, if there is no single blueprint for inter-professions, there are a few main practical steps needed to support the creation of an inter-profession, including mapping stakeholders, designing the charter, organizing workshops and so on.

Case Profile of Relevant Experience: Shallots and onions producers and traders in Mali

A recent example of a successful new inter-profession comes from Mali. Shallot/onion producers were having problems selling their output during the rainy season because traders did not come to rural areas at that time due to poor road access. The traders on their end were also frustrated by the difficulty they faced in sourcing onions of quality during the rainy season. Some producers eventually took the initiative to reach out to traders and both parties started a process in 2008 that led to the creation of the inter-profession in 2011. Today, the inter-profession facilitates exchanges between 12,000 producers and 500 traders. When traders need shallots or onions, they contact the inter-profession that puts them in touch with producers. Conversely, producers can call traders when they have produce to sell.

Source: Word Bank.

Box 11. Key principles for effective Public-Private Dialog engagement in agribusiness

There is no one ideal format for Public-Private Dialog (PPD) that works for all types of dynamics, stakeholders, and issues to be addressed. The following principles should be considered as PPD mechanisms are developed to support reforms that address gaps in the agribusiness value chain.

1. Prioritize issues. PPD in agribusiness mobilizes small to large operators as well as policymakers and stakeholders directly involved in agri-food sectors. Tackling all the issues and products at once can jeopardize the achievement of any complex reforms or those addressing specific bottlenecks, while addressing the most pressing challenges and showcasing the positive impacts of successful implementation can generate momentum for further reform.

Case example: Agricultural inputs in Honduras

In Honduras, agribusiness accounts for about 13 percent of GDP and 2/3rds of exports. However, key agriculture inputs such as pesticides and fertilizers cost more than in neighboring countries, and variety and quality are limited, affecting the sector's international competitiveness, profitability, and productivity. Past regulations intended to ensure the safe use of fertilizers and pesticides have benefited certain suppliers, and cumbersome registration procedures have delayed commercialization of potentially better products. The Honduran Secretary of Agriculture and Livestock is introducing reforms that increase competition in the agricultural inputs market. An estimated 35,000 farmers have benefited from a wider range of fertilizers and crop protection products (400 new products registered in the past year) and lower prices of some chemicals (by as much as 9 percent).

2. Analyze the governance and performance of the sector. An analysis of the sector's governance will help shape how PPD is organized. In agribusiness, government tends to share responsibility with the private sector counterparts in managing the sector.⁸⁴

Case example: The peanut industry in Senegal

The country's peanut industry is mainly managed by an inter-professional association. The association has a mandate to defend the common interests of its members, fix the peanut price based on indicators and the world market prices to ensure productivity improvement, and facilitate negotiation among its members. The government has responsibility for defining, controlling, and monitoring policies and regulations.

3. Create linkages. The value chain in agribusiness works well when its stakeholders cooperate for the greater good. Linkages can be dictated by food safety and quality control requirements to access some markets. PPD can help facilitate alliances in which international and local companies work with the farmers, cooperative, or those at the cultivation level to control the commodity production process. In these cases, companies may sign contracts with farmers in delivering their foodstuffs to market.

Case example: The mango trade in Malawi

Malawi Mangoes is a start-up that aims to become the country's first large-scale fruit processing facility by capitalizing on a worldwide gap in supply of fruit pulp. A banana plantation will provide raw banana supply, but the entire supply of mangoes will come from the firm's contract farming arrangements with local farmers. Supply volumes are critical and this system, with all necessary skills and support, will ensure supply. Malawi Mangoes is expected to begin the country's formal trade of mangoes, providing farmers with top grafting technology, training, field officers, and necessary transportation arrangements.⁸⁵

4. Develop good communications. Some civil society organizations and citizens have negative views of agribusiness because they associate the sector with land grabbing. Protests against agribusiness investors in some countries have accused the government of taking and selling community lands and other policies the protestors believe hurt local farmers. Transparent and strategic communication is necessary to dispel such misconceptions.

Conclusion. PPD offers stakeholders the opportunity to identify problems and suggest solutions in a safe and structured environment, and it helps address and overcome issues of good governance and communication between public and private actors. It is a tool as well as a process that enhances transparency, accountability, and sustainability around reforms and other outcomes that will ultimately improve the investment climate, foster growth, and create jobs.

Source: World Bank "Public-Private Dialogue for Specific Sectors: Agribusiness."

Create public-private dialog platforms for each value chain and for the agribusiness sector overall: Given the need for prioritization of reforms and improvements of the agribusiness sector in Burundi, the current public-private dialog secretariat in Burundi could be complemented with a platform specifically oriented toward enhancing the competitiveness of the agribusiness sector and identifying priority sectors for reforms and investments. Public-private dialog platforms would have to be created first for each value chain and then for the agribusiness sector overall. Such forums where private sector firms, farmers and the public sector interact have played an active role in decision-making processes in other countries that have improved the functioning of particular value chains. Examples include the dairy legislation in Kenya, national strategies for cotton developed in Burkina Faso, for rice in Zambia, for coffee in Rwanda and for sunflower in Uganda. A common feature of all these successes has been clear market opportunities both for external and internal markets.⁸⁶

Prioritize agribusiness sub-sectors and implement targeted support action

Addressing human capital challenges: The analysis also highlighted the low capacity of some of the market players in the agribusiness sector in Burundi. Support to producers from agricultural R&D and extension services needs to be boosted to facilitate the adoption of improved agronomic practices to increase production, while management and technical skills need to be developed for the processing sector to grow as well. As a result, supporting the agribusiness sector's development will require addressing the current skills gap thanks to the provision of new training programs to develop the missing critical skills and to the intensification of capacity building programs to reach the fragmented market players in need of those new skills. Box 9 below describes the new job profiles that would need to emerge if, for instance, increases of processing and exports of fresh fruits and vegetables were identified as priorities by the public and private sectors in Burundi.

Box 12. New job profiles that would be needed in Burundi for cold storage, packing and processing of fruits and vegetables

Cold Storage:

- Storage Unit Manager: Oversees rules and procedures for incoming and outgoing loads; manages service contracts and financial accounts; etc
- Operator/ Technician: Responsible for operation and maintenance of refrigeration equipment to ensure proper air circulation and changes, etc

Packing: - Packer: Ensures appropriate packaging.

Processing:

- Quality Control Technician: Ensures that the processing conditions meet domestic and regional markets quality requirements particularly related to food safety and hygiene during processing and packaging.

Source: Bamberet al. 2012.

The Government of Burundi has already started to address skills gaps issues by passing a new legislation in 2011 to align education programs with those of the EAC and to encourage the development of post-graduate programs in the country. However, further efforts are needed to address the current inadequacy of the programs offered and the needs of the private sector. There are for instance no education programs available to develop skills at the marketing and distribution levels of agricultural value chains. When programs are available, they are not always designed appropriately to meet the private sector's expectations. For instance, agronomists graduating from university degrees are considered to lack practical training and to have acquired outdated knowledge. The initiatives launched by the Government will take time to yield results and should be further supported.⁸⁷ Strengthening the involvement of the private sector in the development of new training and education programs could be one of the ways to identify the most pressing priorities in terms of skills development.

Investor outreach campaigns: In order to expand to new products and/or markets, Burundi might need to attract expertise from domestic or foreign investors. Such lead firms or champions would help bring technical and/or marketing leadership to develop new products, target new markets and organize their value chain accordingly. Beyond such catalytic investments and the emergence of champions in priority sub-sectors, general increases in investments should be targeted. Along with the action plans mentioned above, investment promotion campaigns should therefore be carried out by l'Agence de Promotion des Investissements (API) to attract investments in identified sub-sectors. The preparation and implementation of such campaigns require careful planning as illustrated in Box 13.

Box 13. Preparing for a targeting campaign

When preparing for an investor outreach campaign, the investment promotion agency of a country will need to follow certain steps described below in order to maximize the campaign's success.

Developing marketing messages and materials: Solid subsector information serves as the foundation for an effective marketing message. From this, investor-specific needs are identified and matched to the solutions that a location has to offer. This builds toward proven results from other investors who have been satisfied with their experiences in the location. With the necessary information in hand, a clear value proposition can be articulated.

Setting targeting campaign parameters: At the core of the targeting campaign is a trip to make face-to-face presentations to high-potential investors, usually at their headquarters abroad.

Securing cooperation from partners and stakeholders for facilitation and reforms: Investor targeting is only truly successful when it leads to investments, jobs, and their various developmental spillovers. Between a targeting campaign and the point of investment, there is much work to be done in supporting investors through their due diligence, satisfaction of government requirements, and start of operations. Most of this investment facilitation work should be a regular part of the job for both the investment promotion agency and its counterparts in the various government offices with responsibility over one aspect of an investment project or another.

Finally, the targeting team should engage stakeholders proactively and strategically with the objective to create a shared commitment to attract investors. This allows stakeholders to understand the importance of their cooperation in facilitating investment projects and investment climate reforms.

Source: World Bank Group: "A Guide to Investor Targeting in Agribusiness."

5. Conclusions

Getting it done and generating impact

There will be no one-size-fits-all solution as to how Burundi can leverage urbanization to accelerate the competitiveness and performance of its key industries, among these agribusiness and tourism, and create jobs. This report outlines some of the critical areas that Burundi needs to address over the next decade for urbanization to contribute to economic development and for cities to become engines of growth.

Burundi must target several efforts at the same time to (i) exploit effectively increased agglomeration to create more productive jobs in urban and peri-urban areas, (ii) make cities and towns function efficiently and effectively, and (iii) systematically target industries that can create jobs in the short and medium term, both in terms of regulatory reform, institutional support and specific infrastructure and other investments.

The actions matrices below group the policy recommendations discussed in Chapter 5, along thematic areas of intervention, and provides additional information on the sequencing of the required policies and the key stakeholders involved. While specific intervention strategies are discussed earlier, the summary below re-emphasizes the need for sequential, yet overlapping, actions that will help Burundi target economic growth by using its cities and towns efficiently. Attention needs to be paid to foundational and cross-cutting issues of institutions and infrastructure, supported by targeted interventions aimed at more short and medium-term returns.

Action Matrices for Implementation Strategies in Urbanization, Tourism, and Agrobusiness

Recommendations for Urbanization – Action Matrix

1. Institutions ,Policies , Laws and Regulations		
Activity	Timeframe	Entities
Consolidating and expanding property rights and land reforms	Year 1-2	
Passing the codes on (a) urbanization, habitat and construction and (b) on territorial planning	Year 1	Cabinet
Creation of a commission of urbanism to coordinate spatial planning between the national level, the provinces and the communes (as per the new law on urbanization, habitat and construction and (b) on territorial planning	Year 1	MEEATU
Initiate formulation of a National Urban Policy with specific targets, time plan and financing needs	Year 1	MEEATU (e.g. in collaboration with UN Habitat)
Pursue a policy of decentralization expanding systematic inventorying of land property rights to each hill (colline) within each commune endowed with decentralized land services and expanding establishment of land services to additional communes beyond those currently supported through donor- funded programs	Continuous	DG Cadastre DG Titre Fonciers MEEATU
Reinforce the ongoing initiative to improve, reorganize and modernize traditional government-sponsored land services, and to improve land record keeping and conservation of land records	Year 1-2	DG Cadastre DG Titre Fonciers MEEATU
Develop capacity, processes and mechanisms for interaction and overlap of deconcentrated (antennes) and decentralized (Communal Land Services) services within a monitored and managed environment.	Year 1-2	DG Cadastre DG Titre Fonciers MEEATU
Consolidate land registration system, including collection, systematization and storage of cadaster data.	Year 1-2	DG Cadastre DG Titre Fonciers MEEATU
Complete approval of urban master plans	Year 1	Cabinet
Preprepare and pass a new decree to revise the criteria of urban areas in administrative and legal terms to better reflect the reality on the ground	Year 1	MEEATU Cabinet
Strengthening institutions for urban management and service delivery: Assessment of options for further enhancement of staffing and financing envelopes for	Year 1-2	MEEATU, MoF

Burundi's core municipalities (and the new Bujumbura Metropolitan area)		
Update land use demarcation or all core urban areas along key and future corridors starting with Bujumbura – and provide incentives and regulations for land use plan enforcement		MEEATU Municipalities Cadastre and Foncier
2. Investments and Resource Mobilization		
Mobilize financing for Master plans	Year 1-2	MoF and MEEATU
Harmonize existing spatial development plans and the regional and city level along with existing core infrastructure (sector) investment plans, in order to identify the core investment needs, including assessing the potential implications for most efficient job creation and service provision across the urban system and for specific industries, taking into account the findings of existing studies and projects.		MoF and MEEATU
Initiate technical assessments to explore options for exploring options for land based financing of urban development and integrate lessons from other countries	Year 2	MEEATU and MoF
Review service standards for urban services and encourage the use of flexible standards where needed to ensure that cost efficient solutions are provided (e.g. in sanitation, water, roads)	Year 2	MoF, Sector Ministries
Continue targeting investments the core city in the economy (Bujumbura) to improve its competitiveness and increase local demand for products by making the city more efficient in terms of land use and access to services,		MoF
Invest in connecting production areas (agribusiness) with Bujumbura and larger secondary cities (access roads)		MoF
Invest in key infrastructure like dry ports, storage and hubs for logistics services – e.g. the truck station in Bujumbura (e.g. its cost, management, security) as it will directly and significantly impact the logistics system		MoF
Explore options to mobilize finance to Restore the combination marine/rail transport		MoF
Consolidate markets and conditions for informal sector		MoF, City of Bujumbura

Recommendations for Tourism Development: Action Matrix

1. Governance and Enabling Environment		
Activity	Timeframe	Entities
<i>1.1 Institutions, Policies and Regulations</i>		
Operationalize the reorganization of NTO by providing an operating budget, equipment and training to match its new functions	Year 1	NTO MTIPT
Finalize the new tourism law through inclusive, private-public dialogue: draft key decrees, regulatory texts and conditions of application	Year 1	NTO, NTC, MTIPT
Undertake a hotel quality improvement program through either strengthening licensing requirements of establishments, providing hotel construction and design guidelines or drafting a decree on the regulation of design, construction, refurbishing and extension of tourism establishments	Year 1	NTO, CSTH, MEATU
Update Burundi's Environmental Impact Assessment code and train enforcers	Year 1	MEATU, OBPE
Strengthen the capacity and functioning of the National Tourism Commission	Year 2	NTO, NTC, MTIPT
Creation of an institutional framework and training program to enable the enforcement of tourism regulations	Year 2	NTO, NTC, MEATU
Draft Regulations on tour guiding	Year 2	NTO, CSTH
Strengthen the Directorate of Tourism under the MTIPT	Year 2	MTIPT, NTO, NTC
<i>1.2 Investment Climate</i>		
Pursue international accords on the protection of investments	Year 1	MTIPT, MF, API
Reinforce commercial arbitration courts	Year 1	MTIPT, MF, API
Provide targeted incentives and tax exemptions for key touristic investments	Year 1	MF, API, OBR, NTO,
Provide investment incentives for tour operator and touristic activity provision companies	Year 1	API, MF, OBR, NTO, CSTH
Provide implementation support to the application, monitoring and enforcement of incentives to the API and the OBR	Year 2	MF, API, OBR
<i>1.3 Travel Facilitation</i>		
Join the EAC single tourist visa	Year 1	MISP, MTIPT
Clarify visa on arrival availability and procedures, including undertaking a communications campaign toward travel trade	Year 1	MISP, MTIPT

Support the formation and operationalization of an Airline Operator's Association	Year 1	CoC, AACB
Align the cost of 1 month tourist visas to regional norms	Year 2	MISP, MTIPT
Finalize ICAO airport and civil aviation reforms	Year 2	CoC, AACB
Upgrade airport terminal and operating procedures	Year 3	AACB
Construct new airport terminal	Year 10	AACB
1.4 Tourism Statistics and Data Systems		
Revive the PII with ISTEEBU, PAFE and NTO on sustainable systems for tourism statistical gathering. This includes instituting information management and distribution systems and training for implementation	Year 1	Ministère de la Sécurité, Ministère du Plan, PAFE, Université, BRB, HTB, NTO, ISTEEBU
Carry out exit surveys and target market surveys to better understand the current and potential visitor attributes and needs (Domestic tourism, regional travelers)	Year 1	Université, HTB, NTO, ISTEEBU
Provide support to finish implementing and institutionalize the tourism arrivals statistics system. This includes the input, analysis and dissemination the backlog of entry cards, the training of PAFE border officials and ISTEEBU technicians, provision of equipment and updating of systems.	Year 1-3	Ministère de la Sécurité, Ministère du Plan, PAFE, Université, BRB, HTB, NTO, ISTEEBU
Establish a system for tracking tourism's contribution to employment and GDP	Year 3	OBR, ISTEEBU, NTO, MF

2. Developing products through infrastructure and destination development		
Activity	Timeframe	Entities
2.1 Developing Bujumbura as an access and services hub		
Pre-feasibility studies for the development of a touristic jetty at the Bujumbura waterfront	Year 2	NTO
Rehabilitation and landscaping of the main boulevard of Bujumbura's waterfront; creating a pedestrian mall 'place de la plage'.	Year 2	MEATU, Ville de Bujumbura, NTO
Upgrading of the <i>Musee Vivant</i> as a domestic tourism destination and conservation learning center	Year 3	MEATU, INECN, NTO, OBPE
Redevelopment of the <i>cercle nautique</i> in Bujumbura through PPP frameworks	Year 4	MEATU, Ville de Bujumbura, NTO, API

Build a convention center (dependent on findings of ongoing feasibility studies)	Year 5 (Based on feasibility study recommendation)	MTIPT, NTO
<i>2.2 Developing the Lac Tanganyika Corridor</i>		
Implement the first phase of coastal zoning and development plans (Bujumbura to km 20)	Year 2	MEATU, MTIPT, CSTH
Complete the remainder of coastal zoning and development plans (km 20 until the Tanzanian border)	Year 3	MEATU, MTIPT, CSTH
Selection and piloting of an initial tourism development zone	Year 3	MEATU, MTIPT, NTO
<i>2.3 Developing Culture and Nature Clusters</i>		
Undertake small-scale investments in touristic and public infrastructure in key cultural heritage sites in the Gitega Cluster (Bomani, Gishora Drum sanctuary, Site de Kiganda à Muramyva)	Year 2	UNESCO, MoC, NTO
Develop the Kibira national park as flagship international niche tourism product through infrastructure and management upgrades	Year 2	INECN, NTO, OBPE
Develop Kigwena Forest Reserve and Rusizi National Parks as touristic circuit attractions	Year 3	INECN, NTO, OBPE
Reduce entry fees to Natural and National Parks (Rusizi, Kigwena, Kibira) to bring in line with the level of facilities available	Year 2	INECN, NTO, CSTH
<i>2.4 Upgrading and Diversifying Tourism Products and Services</i>		
Provide business and development services to tourism-related enterprises (accommodation, catering, tourist transport, tour operation, travel agency, activity provision)	Year 1	CSTH, NTO
Operationalize the EAC's regional hotel & tourism classification standards: i) Refresher training to hotel graders, ii) design of a program to incentivize businesses to gain classification, iii) pilot grading for a subgroup of 20 establishments	Year 2	NTO, CSTH, EAC
Through market assessments and product development planning, develop 5 international niche products	Year 2	NTO
Undertake national hotel & tourism classification	Year 3 (After tourism law is implemented)	NTO, CSTH, EAC
Program to improve the quality and variety of crafts and their linkages to the tourism sector	Year 3	CSAA, Direction Artisanat

3. Sustained skills development and marketing programs		
Activity	Timeframe	Entities
<i>3.1 Capacity and Skills Development</i>		
Include a clear strategic direction for workforce development in the update of the Sector Plan for Education and Training 2012-2020 (SPET).	Year 1	MoBSE, MoHE
Promote critical coordination by operationalizing existing but dormant coordination mechanisms	Year 1	MoBSE, other ministries, private sector representatives
Leveraging regional centers of excellence and international programs (exchanges, scholarships, visiting lecturers) to inject international tourism development and management experience in the sector	Year 1	ONT
Secondary education: develop teaching guides and provide teacher training, incl. a focus on behavioral and entrepreneurship skills	Year 1,2	MoBSE
Facilitate coordination between schools with tourism-programs, and between those schools and the private sector	Year 1-6	CSTH, NTO, MoBSE, Schools (possibly comite de pilotage and convention de partenariat)
Provide or facilitate hospitality training to current employees	Year 2,3	CSTH, NTO, enterprises
Provide school-management training to selected secondary and post-secondary schools (incl. Kigobe) including focus on private sector coordination, internships, and revenue generation	Year 2, 3	MoBSE, MoHE
Post-secondary: Strengthen quality and relevance of post-secondary level tourism-specific education	Year 2-5	MoHE, MLKU, Akilah
Provide 'international' education or training to a select number of key individuals in strategic positions	Year 2-5	NTO and other relevant institutions
Strengthen the offer of entrepreneurship and business management training for informal and formal micro and small enterprises	Year 3,4	MTIPT
Bachelor: Establish a Bachelor-level hospitality program	Year 4	MoH and MLKU, Akilah OR UoB
Promote a demand-led approach by initiating the generation of labor market data and using these to adapt education and training supply.	Year 4	Ministry of Labor and other relevant ministries, Office for Statistics
<i>3.2 Marketing</i>		

Strategies for Urbanization and Economic Competitiveness in Burundi

Undertake product development and marketing studies on key international niche markets and regional leisure markets	Year 1	NTO
Creation of a national branding and marketing strategy	Year 1	NTO
Promote key events as a draw for international and regional tourism	Year 2	NTO
Creation of a destination sales manual and promotional collateral	Year 2	NTO
Undertake a promotional campaign toward residents of Burundi	Year 2	NTO
Undertake promotional campaigns toward regional leisure markets	Year 2	NTO
Organize familiarization trips with media, regional package operators and international adventure companies	Year 2	NTO
Undertake promotional campaigns to attract international niche markets and operators	Year 3-5	NTO
Contract a representative agency for promotion of Burundi to attract European markets	Year 4	NTO

Recommendations for Agribusiness Development in Burundi: Action Matrix

1. Assess the competitiveness of Burundi's agribusiness sub-sectors		
Activity	Timeframe	Entities
Identify the demand potential , the competition landscape and the market requirements for the different markets (domestic, regional and international)	Year 1	MINAGRIE, Ministry of Commerce and Industry, API
Determine the assets that Burundi has to compete (i.e. natural resources, infrastructure, skills, business environment...) on each market based on the competitive pressure and the requirements identified		
Gauge the ease with which current constraints could be lifted quickly to compete on the most promising markets targeted		
Assess the potential impact that an increase in production, exports or processing to serve the markets identified would have in terms of job creation or other criteria of interest (e.g. capital inflows, environmental and social impacts...)		
Estimate investment potential based on the perception of current untapped opportunities, on obstacles to investments and on the history of similar investments in the country or the region		

2. Create or strengthen dialog platforms within the private sector in each agriculture value chain		
Activity	Timeframe	Entities
Perform a mapping of stakeholders	Year 1	MINAGRIE, Ministry of Commerce and Industry, Chambre Sectorielle de l'Agriculture
Support the organization of the stakeholders in different groups or "collèges" (i.e. producers, traders, processors...)		
Design and elaborate the governance charter of the inter-profession		

Organize workshops to validate the governance charter		
Organize the general assembly for setting up the inter-profession		

3. Create public-private dialog (PPD) platforms for each value chain and for the agribusiness sector overall		
Activity	Timeframe	Entities
Perform a mapping of stakeholders	Year 2	MINAGRIE, Ministry of Commerce and Industry, Chambre Sectorielle de l'Agriculture
Analyze the governance and performance of each sector		
Set up each PPD platform		
Prioritize with members the issues to be tackled by each PPD platform		

4. Identify priority sub-sectors and constraints that need lifting		
Activity	Timeframe	Entities
Analyze the results of the competitiveness assessment of agribusiness sub-sectors	Year 2	National agribusiness PPD platform
Establish priority sub-sectors with private and public sectors members of the national agribusiness PPD platform		

5. Implement targeted support actions		
Activity	Timeframe	Entities
5.1—Development of infrastructure and logistics services		
Based on the constraints identified for priority sectors, develop detailed needs assessments for new infrastructure and logistics services	Year 2 onward	MINAGRIE, Ministry of Commerce and Industry, MEATU and other relevant agencies at the local or provincial levels
Carry out feasibility studies for selected new infrastructure and logistics services projects		
Launch competitive bidding process for implementation when relevant		
Implement projects		
5.2—Addressing human capital challenges		
Facilitate coordination between schools with agribusiness-related programs	Year 1	MINAGRIE, Ministry of Commerce and Industry, Schools,
Identify needs for changes in training programs provided at the secondary and post-secondary levels through the	Year 2 onward	

national agribusiness PPD platform (including programs to develop skills at the marketing and distribution levels of agricultural value chains)		national agribusiness PPD platform
Implement changes identified		
5.3—Investor outreach campaigns		
Based on the competitive sub-sectors identified, develop detailed sub-sector information, marketing message and communications materials	Year 2 onward	API (with support of relevant ministries, agencies and other stakeholders)
Set targeting campaign parameters (i.e. objectives and main activities) and implement		
Secure cooperation from partners and stakeholders for facilitation and reforms		

Annexes

ANNEX 1: The rate of Urban Population Growth in Burundi

Urbanization might be higher than accounted by official figures deepening the divergent paths of urbanization and growth

The urban perimeter seems larger than acknowledged in administrations of the territory. Urban perimeters have been modified to recognize urban dynamics, first in 2000 by the Decree 100 that redefined urban areas and then, less formally, in 2008 when Census data was processed. At the local level, urban planners have also seen the need to change city boundaries. In Gitega, for example, the perimeter was changed in 2000 to include the previously considered urban expansion area but was already developed as a part of the city. Today new constructions and new *lotissements* are going also beyond the current administrative perimeter. The definition of what is urban or not is not only semantic, recognizing patterns of scattered urban expansion from dense rural areas may make the difference for services provision in Burundi.

Population living in urban areas seems to be more than two times the official urban share, some of this growth might have come with the expansion of cities. GIS data show most of the urban areas have expanded from its original limits. Estimates of a revised urban population share use measurements on the length of this expansion area, the average household size by province and different assumptions on the number of houses per kilometer.

The rate might even be at 23 percent urban population if expansion areas are included in the estimates. Table 3 shows total urban population and urban population share with different assumptions of houses per kilometer of urban expansion. If an average of 200 houses per kilometer of urban expansion is used, urban population would be 88 percent higher than estimated in 2008 with the official definition, this means, urban population of 1.5 millions and urbanization of 19 percent. Considering an average of 250 houses urbanization will increase to 23 percent. Counting houses per kilometer, using Google Earth, in periurban areas of Gitega and Bujumbura gives an average between 200 and 250 houses per kilometer of urban road. Hence we find that a reasonable assumption is to consider that the urbanization rate of Burundi is 20 percent.

Urbanization rate revisited

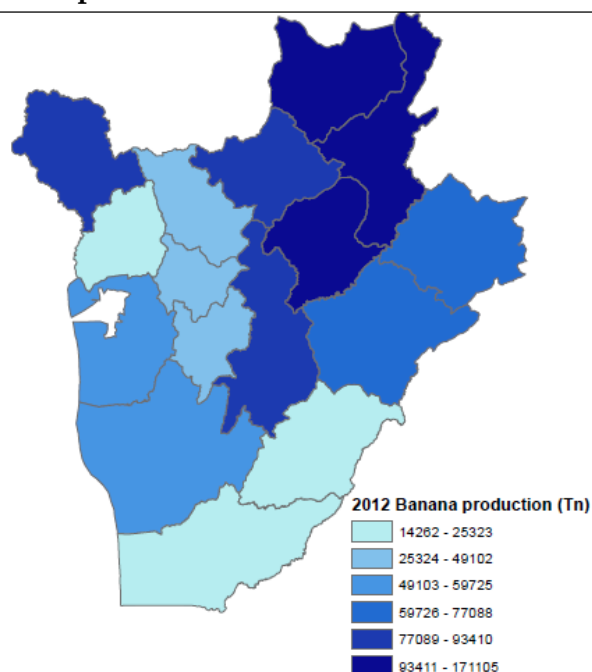
Average (house/km)	2008 Census	Average houses per km of urban roads		
		150	200	250
Urban population	811,866	1,174,059	1,527,282	1,880,504
Urban population rate	10%	15%	19%	23%

Average urban household size at the province level. 53 communes with urban population, 48 with urban expansion areas.

ANNEX 2: Crops Production - distributions

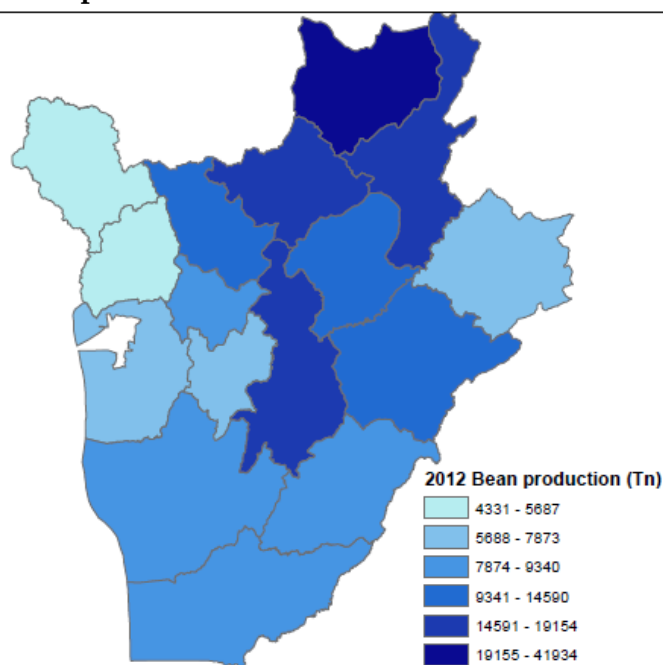
The geographical location of the production of some of the main crops listed above for 2012 is described in the figures below.

Figure 2—Banana Production per Province in 2012 (in tons)



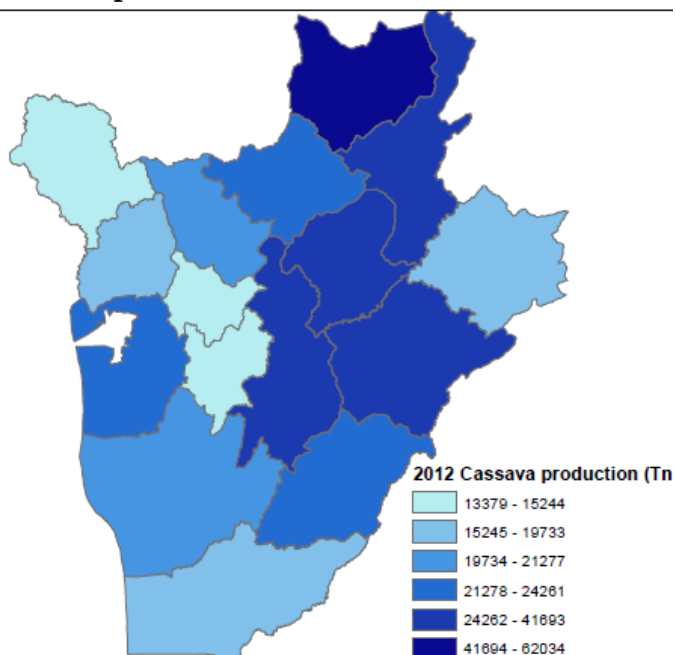
Source: FAO.

Figure 3—Bean Production per Province in 2012 (in tons)



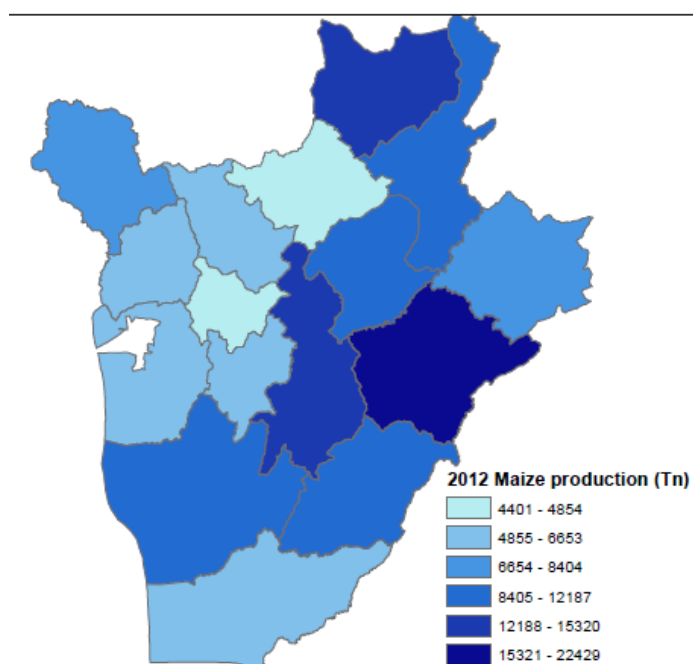
Source: FAO.

Figure 4—Cassava Production per Province in 2012 (in tons)



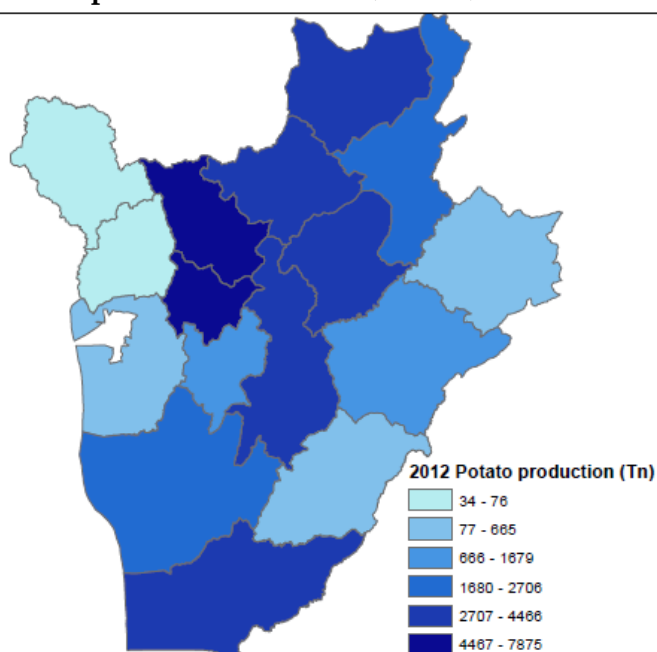
Source: FAO.

Figure 5—Maize Production per Province in 2012 (in tons)



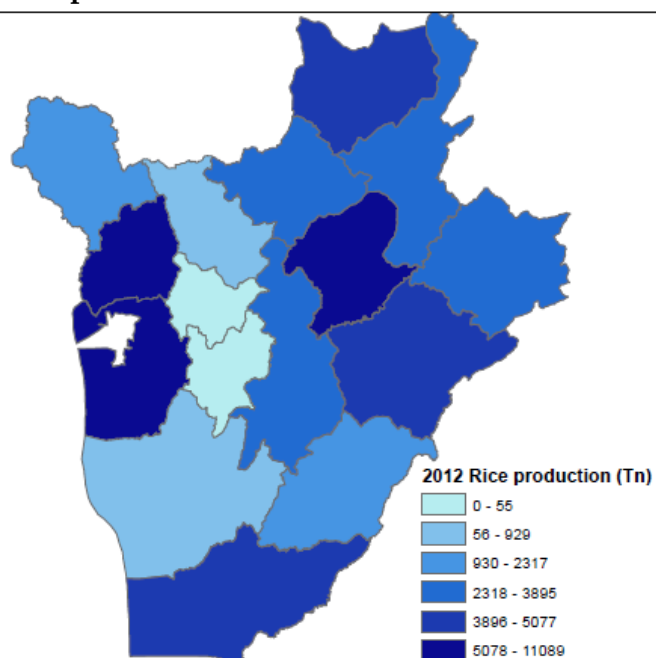
Source: FAO.

Figure 6—Potato Production per Province in 2012 (in tons)



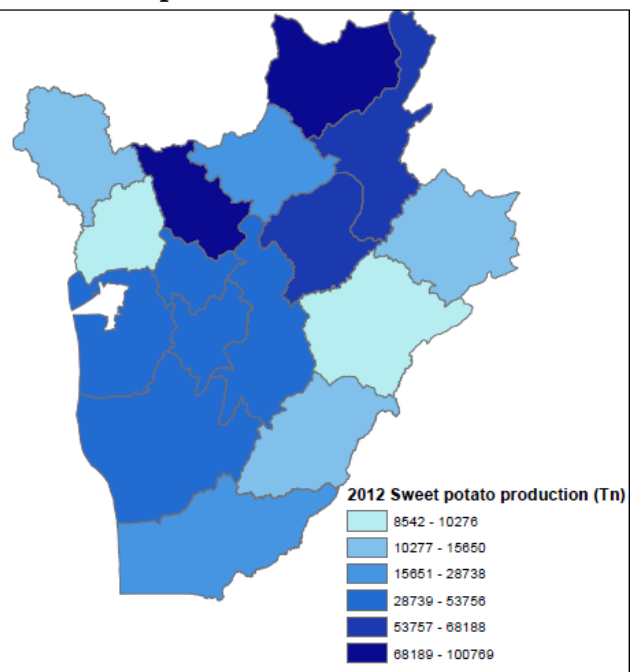
Source: FAO.

Figure 7—Rice Production per Province in 2012 (in tons)



Source: FAO.

Figure 8—Sweet Potato Production per Province in 2012 (in tons)



Source: FAO.

ANNEX 3: Preliminary assessment of opportunities for sub-sectors with agribusiness in Burundi

Based on desk research, expert interviews and stakeholder interviews in country, a preliminary assessment was performed to identify competitive sub-sectors within the agribusiness sector (excluding tea and coffee) on which to focus for more in-depth value chain analyses. This assessment can be used as an input for the competitiveness analysis recommended in Section IV.2.

The sub-sectors covered in this analysis are the following: cassava / cut flowers / dairy / fish / forestry / fruits / livestock / maize / palm oil / rice / specialty products / sugar / tobacco / vegetables / wheat.

For each sub-sector, the structure of the analysis is as follows:

- Current production and markets reached;
- Market demand potential for existing and new products;
- Assets to compete on each combination of product and market;
- Constraints to lift.

Because of resources and time constraints as well as overall scarcity of information, the depth of the inputs that could be gathered varies substantially from one sub-sector to the next. One of the main limitations that will have to be addressed in the competitiveness analysis will be to better qualify the market demand potential for existing and new products that could be explored for each sub-sector.

Finally, because of the preliminary nature of this assessment, the analysis of the impact potential, including job creation, of growth in the selected sub-sectors has been left to be explored through the more in-depth competitiveness analysis.

A. Cassava	
<i>Current production and markets reached</i>	<u>Domestic market:</u> <ul style="list-style-type: none">- Unprocessed and processed products: the yearly production of cassava reached about 735,000 tons on average from 2009 to 2012 (see Figure 4 for geographical breakdown of production in 2012). Artisanal processing takes place close to production areas whereas industrial processing to make cassava flour is done in urban centers.⁸⁸

	<p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: cassava is one of Burundi's main staple crops. No evidence was found of imports of cassava in official statistics. However, given the country's still high food insecurity, increases in production would probably be absorbed by domestic demand. <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Processed products: stakeholder interviewed suggested that Burundi could export cassava paste similarly to what is apparently done from Rwanda and Tanzania. Further research is needed to qualify the regional and international demand for such products.
<i>Assets to compete on each combination of product and market</i>	<p><u>All markets for processed products:</u></p> <ul style="list-style-type: none"> - Competitiveness in terms of cost and product quality to be confirmed.
<i>Constraints to be lifted</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Increases in production could be achieved thanks to the introduction of mosaic resistant varieties of cassava.⁸⁹ <p><u>All markets for processed products:</u></p> <ul style="list-style-type: none"> - Competitiveness in terms of cost and product quality to be confirmed (see above).

B. Cut flowers	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no data could be found on the domestic market for plants and cut flowers. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: CHRISTAFLORE exports small quantities of plants and flowers to European markets.⁹⁰

<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no data could be found on the domestic market for plants and cut flowers. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: countries like Kenya or Ethiopia have managed to build export industries of plants and flower to Europe and other high value markets that are profitable for producers. Further research would be needed to determine whether Burundi could do the same.
<i>Assets to compete on each combination of product and market</i>	<p><u>Regional and international exports:</u></p> <ul style="list-style-type: none"> - Favorable climatic conditions for horticulture production.
<i>Constraints to be lifted</i>	<p><u>Regional and international exports:</u></p> <ul style="list-style-type: none"> - Access to irrigation to produce all year around. - Lack of technical expertise and agricultural research. - High transportation costs. - Need for reliability in quality and quantity of exports. - Access to cost-competitive airfreight contracts. - Lack of cold chain from farm to export markets (including lack of refrigeration equipment at the Bujumbura airport).

C. Dairy	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: the yearly production of milk reached about 51,000 tons on average between 2009 and 2012. The bulk of the production came from cow milk (about 33,000 tons on average), followed by goat milk (about 17,500 tons) and sheep milk (less than 1,000 tons).⁹¹ It is assumed that most of the milk produced was sold unprocessed to the domestic market. Stakeholder interviews indicated high spoilage rates as well. - Processed products: a few companies like LAITERIE NTAZIMBA, NATURA or MUTOYI process raw milk to make and sell pasteurized milk and yogurt. Exact figures for the production and sale of processed milk could not be found.⁹² <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.

<p><i>Market demand potential for existing and new products</i></p>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: milk production has been increasing over the past few years in Burundi thanks to the support of Government and development programs (from about 42,000 tons in 2009 to about 50,000 tons in 2012, with a peak at about 62,000 tons in 2011). Interviews with stakeholders seem to indicate that the domestic market is not yet saturated. - Processed products: imports of dairy doubled in value from 2009 to 2012 (from about 1,700 million in 2009 to about 3,300 million Burundian Francs in 2012, with a peak at about 5,200 million Burundian Francs in 2011). Based on interviews, at least two companies are considering building a plant to produce UHT milk and substitute UHT milk imports, notably from Rwanda. Stakeholders interviewed believe that the market demand for UHT milk goes beyond the current level of imports and is limited by the high cost of such imported products. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Processed products: further research would be needed to determine whether Burundi could export dairy to some of its neighbors, notably UHT milk to Eastern Democratic Republic of Congo. <p><u>International market:</u></p> <ul style="list-style-type: none"> - Processed products: exports of processed dairy to international markets seem challenging in the near future (cost competitiveness).
<p><i>Assets to compete on each combination of product and market</i></p>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Cost competitiveness to substitute imports to be confirmed. - Some milk collection centers created thanks to development programs (IFAD and USAID notably). <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Proximity to Eastern Democratic Republic of Congo (demand for dairy to be confirmed).
<p><i>Constraints to be lifted</i></p>	<p><u>Domestic and regional markets for processed products:</u></p> <ul style="list-style-type: none"> - No UHT plant and need to acquire the technical expertise to operate one if one of the current investment projects comes to fruition.

	<ul style="list-style-type: none"> - Limited number of milk collection centers and difficulty to operate them at a profit (high operations costs like energy, inputs such as veterinary experts, quality tests, packaging). - Cost competitiveness of the overall value chain to be confirmed because of the difficulty to source raw materials (unorganized production and value chain) and the high cost of energy, transport and financing of capital investments and working capital. - High rate of product returns from small kiosks because of unreliable cold chain (access to energy). <p><u>Additional constraints for regional exports:</u></p> <ul style="list-style-type: none"> - Lack of recognized quality standards, norms and certification.
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D. Fish	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: exact figures for the yearly production of fish could not be found. Stakeholder interviews indicated that domestic production has been declining in the past few years. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: Burundi exports small quantities of fish (about 162 million Burundian Francs in 2012), probably to its close neighbors, especially Eastern Democratic Republic of Congo.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: imports of fish are high and increasing rapidly (from 172 million Burundian Francs in 2009 to 2,774 million Burundian Francs in 2012). Stakeholder interviews indicated that imports came from Uganda and Tanzania and that, despite being of better quality and taste, domestic product supply was insufficient and too expensive to satisfy domestic demand. <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: stakeholder interviews suggested that there are some promising opportunities to raise tilapia in Burundi (in farms and/or in cages in Lake Tanganyika)

	for lucrative regional export markets, especially Eastern Democratic Republic of Congo.
<i>Assets to compete on each combination of product and market</i>	<u>All markets:</u> <ul style="list-style-type: none"> - Local fish (like mukeke or sangala) are reported to be of high quality. - According to stakeholder interviews, Burundi's climatic conditions are ideal for raising tilapia.
<i>Constraints to be lifted</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Cost competitiveness of fishing in Lake Tanganyika against regional imports. - Access to finance constraints to resume industrial fishing in Lake Tanganyika and bring cost down. - Overfishing, pollution and maintenance issues in Lake Tanganyika. - Higher value demand from Eastern Democratic Republic of Congo for farm raised tilapia. <u>Regional markets:</u> <ul style="list-style-type: none"> - High technology of raising fish in farms (in terms of inputs, feeds and maintenance).

E. Forestry	
<i>Current production and markets reached</i>	<u>All markets:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: Burundi has been suffering from deforestation over the past few years due to land scarcity and the expansion of agriculture to forest areas.
<i>Market demand potential for existing and new products</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: based on a stakeholder interview, there might be an opportunity to import a new variety of bamboos that can be used to produce coal and combat deforestation.
<i>Assets to compete on each combination of product and market</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Suitability of introducing such bamboo variety to be confirmed.
<i>Constraints to be lifted</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Suitability of introducing such bamboo variety to be confirmed.

F. Fruits	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: the yearly production of fruits reached 1.8 million tons on average from 2009 to 2012 (see Figure 2 for geographical breakdown of banana production in 2012). It is assumed that most of it was sold unprocessed to the domestic market. Fruit production is dominated by banana production (1.7 million tons on average from 2009 to 2012). - Processed products: companies like FRUITO, MUTOYI, FRUITOPIC, NATURA, MANDARENA and others make fruit juices and concentrates sold mostly to the domestic market (95% of production).⁹³ FRUITOPIC and MUTOYI also process fruits to make marmalade sold in Burundi. Finally, BURUNDI BREWERY makes beer and wine out of fruits like pineapple and banana. Exact figures for the production and sale of processed fruits could not be found. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Unprocessed products: according to statistics, about 152 million Burundian Francs worth of fruits were exported per year on average from 2009 to 2012. Interviews with local fruit processors seem to indicate that other unofficial exports take place toward regional markets (especially Rwanda). - Processed: based on interviews with local fruit processors, little of the production of processed fruit products is sold abroad (mostly syrup to the Democratic Republic of Congo by FRUITO).⁹⁴ <p><u>International markets:</u></p> <ul style="list-style-type: none"> - No evidence found that unprocessed or processed fruits are exported from Burundi to markets outside of East Africa.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: imports of fruits are limited (about 50 million Burundian Francs per year between 2009 and 2012). More research would be needed to determine if increases in production of fruits would be absorbed by domestic demand. - Processed products: imports of processed fruits and vegetables more than doubled in value from 2009 to 2012 (from about 1,600 million in 2009 to about 3,200 million Burundian Francs in 2012).

	<p>Based on interviews and field research, imports of processed fruits include notably fruit juices from Rwanda and Europe, and the potential for import substitution for such products could maybe be explored. Other suggestions were made by some stakeholders regarding the potential for processing bananas into cookies or other products given the high domestic production volumes of bananas. Further research would be needed to determine the market demand for such products.</p> <p><u>Regional market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: Burundi already exports fruits to neighboring countries (about 150 million Burundian Francs per year between 2009 and 2012). According to a recent report, intra-regional trade remains limited in East-Africa.⁹⁵ Further research would be needed to refine what could be market opportunities for fresh fruit exports from Burundi to its neighbors. - Processed products: some of the companies interviewed were receiving support from Trade Mark East Africa or from UNIDO to explore regional exports opportunities. Further research is needed to qualify the regional demand for such products. <p><u>International market:</u></p> <ul style="list-style-type: none"> - Unprocessed & processed products: countries from the Persian Gulf and from the EU import processed and unprocessed fruits of the types produced in Burundi. Further research is needed to qualify those market opportunities.
<i>Assets to compete on each combination of product and market</i>	<p><u>All markets:</u></p> <ul style="list-style-type: none"> - Exceptional climate for growing horticulture along with multiple growing seasons.⁹⁶ - Very high quality of fruits produced in Burundi according to stakeholder interviews. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Proximity to Eastern Democratic Republic of Congo (demand for unprocessed and processed fruits to be confirmed).
<i>Constraints to be lifted</i>	<p><u>Domestic market for processed products:</u></p> <ul style="list-style-type: none"> - Low quality perception from consumers and lack of quality certification and standards. - Cost competitiveness to be confirmed because of the difficulty to source raw materials (unorganized production and value chain)

	<p>and the high cost of energy, transport and financing of working capital.</p> <p><u>Regional and international exports of unprocessed and processed products:</u></p> <ul style="list-style-type: none"> - Lack of national capabilities in processing, packing and packaging. - Lack of storage facilities, especially cold chains for perishable products. - Insufficient knowledge of international norms and standards, particularly sanitary and phytosanitary standards, as well as market operations requirements, pricing, competition, and potential niches. - Cost competitiveness to be confirmed (see above). <p><u>Additional constraints for extra-regional exports:</u></p> <ul style="list-style-type: none"> - Access to cost-competitive airfreight contracts. - Lack of sophisticated packaging. - Lack of refrigeration equipment at the Bujumbura airport.
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G. Livestock	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: Burundi produced about 51,000 tons of meat on average per year from 2009 to 2012 and about 3,000 tons of eggs. It is assumed that most of the production was consumed by the domestic market. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: exports of raw hides and skins are high, the largest in value after coffee and tea, at about 5,900 million Burundian Francs a year on average between 2009 and 2012.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: a few stakeholders interviewed mentioned plans to diversify into egg production. Further market research would be needed to determine whether such an increase could be absorbed by the domestic market. <p><u>Regional & international markets:</u></p>

	<ul style="list-style-type: none"> - Unprocessed and processed products: according to stakeholder interviews, exports of raw hides and skins may increase thanks to the increase in the number of heads of cattle brought about by Government and development programs. However, stakeholders seemed to think that there was little potential for processing the hides and skins currently exported.
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Investment projects in egg production. <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Expansion of the number of heads of cattle that should lead to more material for raw hides and skins exports.
<i>Constraints to be lifted</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Access to feed for egg production. <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Constraints to raw hides and skins to be identified.

H. Maize	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: the yearly production of maize reached about 129,000 tons on average from 2009 to 2012 (see Figure 5 for geographical breakdown of production in 2012). Artisanal processing takes place close to production areas whereas industrial processing is performed to make composite flour.⁹⁷ <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: maize is an important staple crop in Burundi. No evidence was found of imports of maize in official statistics. However, given the country's still high food insecurity, increases in production would probably be absorbed by domestic demand. Stakeholder interviews indicated that the increase of livestock that is being achieved thanks to

	<p>Government and development programs creates a need for maize feed.</p> <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: few opportunities identified at this stage.
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Expanding and cost conscious market for maize feed.
<i>Constraints to be lifted</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Fragmented production. - Limited access to inputs for producers. - Difficult access to affordable transportation, storage and financing services for producers.

I. Palm oil	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: the yearly production of palm fruits reached 79,000 tons on average from 2009 to 2012. A large number of entities engage in artisanal processing, while SAVONOR is the only company processing palm fruits industrially to produce soap and other adjacent products (e.g. cosmetics). 70% of SAVONOR's production is sold in Burundi.⁹⁸ <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: according to statistics, Burundi's exports of soap more than quintupled from 2009 to 2012 (from about 1,570 million Burundian Francs in 2009 to about 8,000 million Burundian Francs in 2012). Exports are likely to have made toward the Democratic Republic of Congo, Rwanda and, to a lesser extent, Western Tanzania.⁹⁹ <p><u>International markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: imports of soap and maintenance products remain high (about 2,800 million

	<p>Burundian Francs per year between 2009 and 2012). Increases in production would probably be absorbed by domestic demand.</p> <p><u>Regional market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: neighboring countries have high demands for palm oil based products. Burundi already exported about 4,100 million Burundian Francs per year on average between 2009 and 2012, most probably to those countries. <p><u>International market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of export opportunities of palm oil based products to markets beyond the East African region (cost competitiveness).
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Cost competitiveness because of the high transportation costs from Mombasa or Dar es Salaam. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Proximity to Eastern Democratic Republic of Congo (even though competition for this market is reported to be increasing).
<i>Constraints to be lifted</i>	<p><u>Domestic and regional markets:</u></p> <ul style="list-style-type: none"> - Production limited by land availability (palm fruit plantations require large production areas that are harder and harder to find in Burundi). - High energy costs. - Difficult access to long term financing (palm trees take 4 to 7 years to reach peak production levels, so expanding production requires long term investments). - Lack of organization of the value chain and need for better extension services to palm fruit producers. - Palm oil processing can be challenging from an environment protection standpoint.

J. Rice	
<i>Current production and markets reached</i>	<u>Domestic market:</u>

	<ul style="list-style-type: none"> - Unprocessed and processed products: the yearly production of paddy rice reached about 79,000 tons on average from 2009 to 2012 (see Figure 7 for geographical breakdown of production in 2012). Rice mills tend to be small and to have poor yields.¹⁰¹ <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: rice is one of Burundi's important staple crops and one of the country's main food imports with about 9,400 million Burundian Francs worth of imports per year on average between 2009 and 2012. Increases in production would probably help substitute imports. <p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: given the country's trade deficit in rice, exports are unlikely in the near future.
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Certain areas like the Ruzizi plain are suitable for intensive, high yield rice production.
<i>Constraints to be lifted</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Competitiveness in terms of price due to high energy costs (rice milling is very demanding in energy).¹⁰² - Fragmented production and poor organization of producers. - Limited access to inputs. - Difficult access to affordable transportation, storage and financing services for producers.

K. Specialty products	
<i>Current production and markets reached</i>	<p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: stakeholder interviews suggested that Burundi exports small quantities of patchouli to international markets. No exact figures were found.
<i>Market demand potential for existing and new products</i>	<p><u>Regional and international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: stakeholder interviews suggested that there are some promising opportunities to

	produce and export specific niche specialty products like patchouli or products used in certain essential oils.
<i>Assets to compete on each combination of product and market</i>	<u>Regional and international markets:</u> <ul style="list-style-type: none"> - Suitability and export opportunity to be confirmed through further market research.
<i>Constraints to be lifted</i>	<u>Regional and international markets:</u> <ul style="list-style-type: none"> - Suitability and export opportunity to be confirmed through further market research.

L. Sugar	
<i>Current production and markets reached</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: the yearly production of sugar cane reached about 129,000 tons on average from 2009 to 2012. <i>La Société Sucrière du Moso</i> (Moso Sugar Company, SOSUMO) is the only large scale industrial processor of sugar. According to official statistics, all of its production was sold in the domestic market between 2010 and 2012 (no exports of sugar during that period). <u>Regional markets:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: according to statistics, Burundi does not export sugar to neighboring countries anymore (some exports in 2009). <u>International markets:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<u>Domestic market:</u> <ul style="list-style-type: none"> - Unprocessed and processed products: imports of granulated sugar are one of the main food imports in the country. They tripled in value from 2009 to 2012 (from about 5,700 million Burundian Francs in 2009 to about 16,300 million Burundian Francs in 2012). Increases in production would probably help substitute imports.

	<p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: neighboring countries have high demands for sugar, especially the Democratic Republic of Congo (more than 80 million USD of imports in 2010 and in 2011).¹⁰³ <p><u>International market:</u></p> <ul style="list-style-type: none"> - Unprocessed & processed products: no evidence of export opportunities of sugar to markets beyond the East African region (cost competitiveness).
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic and regional markets:</u></p> <ul style="list-style-type: none"> - Cost competitiveness thanks to high productivity levels.¹⁰⁴ - High quality of Burundi's sugar.
<i>Constraints to be lifted</i>	<p><u>Domestic and regional markets:</u></p> <ul style="list-style-type: none"> - Highly regulated market in Burundi and still largely controlled by the state-owned company, SOSUMO. - According to stakeholder interviews, large investments planned by a new entrant, Tanganyika Sugar Industry, are yet to be confirmed.

M. Tobacco	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: the yearly production of tobacco reached about 1,300 tons on average from 2009 to 2012. - Processed products: the size of the local market for cigarettes could not be determined. However, stakeholder interviews and trade data seem to indicate that most of the tobacco produced and the tobacco imported is processed into cigarettes and then exported outside of Burundi. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Processed products: the value of exports of cigarettes is one of the highest in value with about 2,200 million Burundian Francs per year on average between 2009 and 2012.

<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Processed products: according to stakeholder interviews, production and consumption of tobacco receded in the past few years following health campaigns warning against cigarettes. <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Processed products: further research would be needed to see if Burundi could import more tobacco and process it into cigarettes for export markets.
<i>Assets to compete on each combination of product and market</i>	<p><u>All markets:</u></p> <ul style="list-style-type: none"> - Interest in expanding production to be confirmed.
<i>Constraints to be lifted</i>	<p><u>All markets:</u></p> <ul style="list-style-type: none"> - Interest in expanding production to be confirmed.

N. Vegetables	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: the yearly production of vegetables reached about 438,000 tons on average from 2009 to 2012. Most of it was sold unprocessed to the domestic market. The breakdown of vegetable production could not be found. - Processed products: part of the vegetable production is processed to make vegetable oil. Exact figures for the production and sale of processed vegetables could not be found. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Unprocessed products: according to statistics, about 94 million Burundian Francs worth of vegetables were exported per year on average from 2009 to 2012. - Processed: according to statistics, about 72 million Burundian Francs worth of vegetable oil were exported per year on average from 2009 to 2012. It is assumed that those exports are made toward regional markets. <p><u>International markets:</u></p> <ul style="list-style-type: none"> - No evidence found that unprocessed or processed vegetables are exported from Burundi to markets outside of East Africa.

<p><i>Market demand potential for existing and new products</i></p>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: imports of vegetables are high (about 3,120 million Burundian Francs per year between 2009 and 2012). Increases in production of certain vegetables to be identified might help substitute current imports of vegetables. - Processed products: imports of processed fruits and vegetables more than doubled in value from 2009 to 2012 (from about 1,600 million in 2009 to about 3,200 million Burundian Francs in 2012). The potential for import substitution for processed vegetables could maybe be explored. <p><u>Regional market:</u></p> <ul style="list-style-type: none"> - Unprocessed products: Burundi already exports vegetables to neighboring countries (about 94 million Burundian Francs per year between 2009 and 2012). According to a recent report, intra-regional trade remains limited in East-Africa.¹⁰⁵ Further research would be needed to refine what could be market opportunities for fresh vegetable exports from Burundi to its neighbors. - Processed products: further research is needed to qualify the regional demand for processed vegetable products. <p><u>International market:</u></p> <ul style="list-style-type: none"> - Unprocessed & processed products: countries from the Persian Gulf and from the EU import processed and unprocessed vegetables of the types produced in Burundi. It was mentioned during stakeholder interviews that Burundi used to export green beans to Europe in the early 1990's. Further research would be needed to qualify those market opportunities.
<p><i>Assets to compete on each combination of product and market</i></p>	<p><u>All markets:</u></p> <ul style="list-style-type: none"> - Exceptional climate for growing horticulture along with multiple growing seasons.¹⁰⁶ <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Proximity to Eastern Democratic Republic of Congo (demand for unprocessed and processed vegetables to be confirmed).
<p><i>Constraints to be lifted</i></p>	<p><u>Domestic market for processed products:</u></p> <ul style="list-style-type: none"> - Low quality perception from consumers of processed domestic products in general (except a few selected items) and lack of quality certification and standards. - Cost competitiveness to be confirmed because of the difficulty to source raw materials (unorganized production and value chain)

	<p>and the high cost of energy, transport and financing of working capital.</p> <p><u>Regional and international exports of unprocessed and processed products:</u></p> <ul style="list-style-type: none"> - Lack of national capabilities in processing, packing and packaging. - Lack of storage facilities, especially cold chains for perishable products. - Insufficient knowledge of international norms and standards, particularly sanitary and phytosanitary standards, as well as market operations requirements, pricing, competition, and potential niches. - Cost competitiveness to be confirmed (see above). <p><u>Additional constraints for extra-regional exports:</u></p> <ul style="list-style-type: none"> - Access to cost-competitive airfreight contracts. - Lack of sophisticated packaging. - Lack of refrigeration equipment at the Bujumbura airport.
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O. Wheat	
<i>Current production and markets reached</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: the yearly production of wheat reached about 8,000 tons on average from 2009 to 2012 (the main provinces producing wheat in 2012 were Kayanza, Bujumbura, Bururi, Muramvya and Mwaro). Large flour mills like AZAM, FARISANA, MINOLAC and PEMBE MILLS import most of the wheat they process to produce flour and sell it to the domestic market.¹⁰⁷ <p><u>Regional & international markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: no evidence of exports found.
<i>Market demand potential for existing and new products</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: wheat and wheat flour are some of the main food imports of Burundi (about 9,200 million Burundian Francs per year for wheat between 2009 and 2012 and about 3,350 million Burundian Francs for wheat flour). Increases in production of wheat would probably help substitute imports.

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	<p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: the recent increases in milling capacity seem to indicate that millers intend to serve regional markets from Burundi, especially Eastern Democratic Republic of Congo. <p><u>International markets:</u></p> <ul style="list-style-type: none"> - Unprocessed and processed products: exports to markets beyond the East African seem unlikely in the near future (cost competitiveness).
<i>Assets to compete on each combination of product and market</i>	<p><u>Domestic market:</u></p> <ul style="list-style-type: none"> - Probable cost competitiveness of locally produced wheat versus imports. <p><u>Regional markets:</u></p> <ul style="list-style-type: none"> - Proximity to Eastern Democratic Republic of Congo.
<i>Constraints to be lifted</i>	<p><u>Domestic and regional markets:</u></p> <ul style="list-style-type: none"> - Multiplication of seeds to produce wheat locally. - Fragmented production and poor organization of producers. - Limited access to inputs. - Difficult access to affordable transportation, storage and financing services for producers.

ANNEX 4: Tourism Indicators of EAC Member Countries

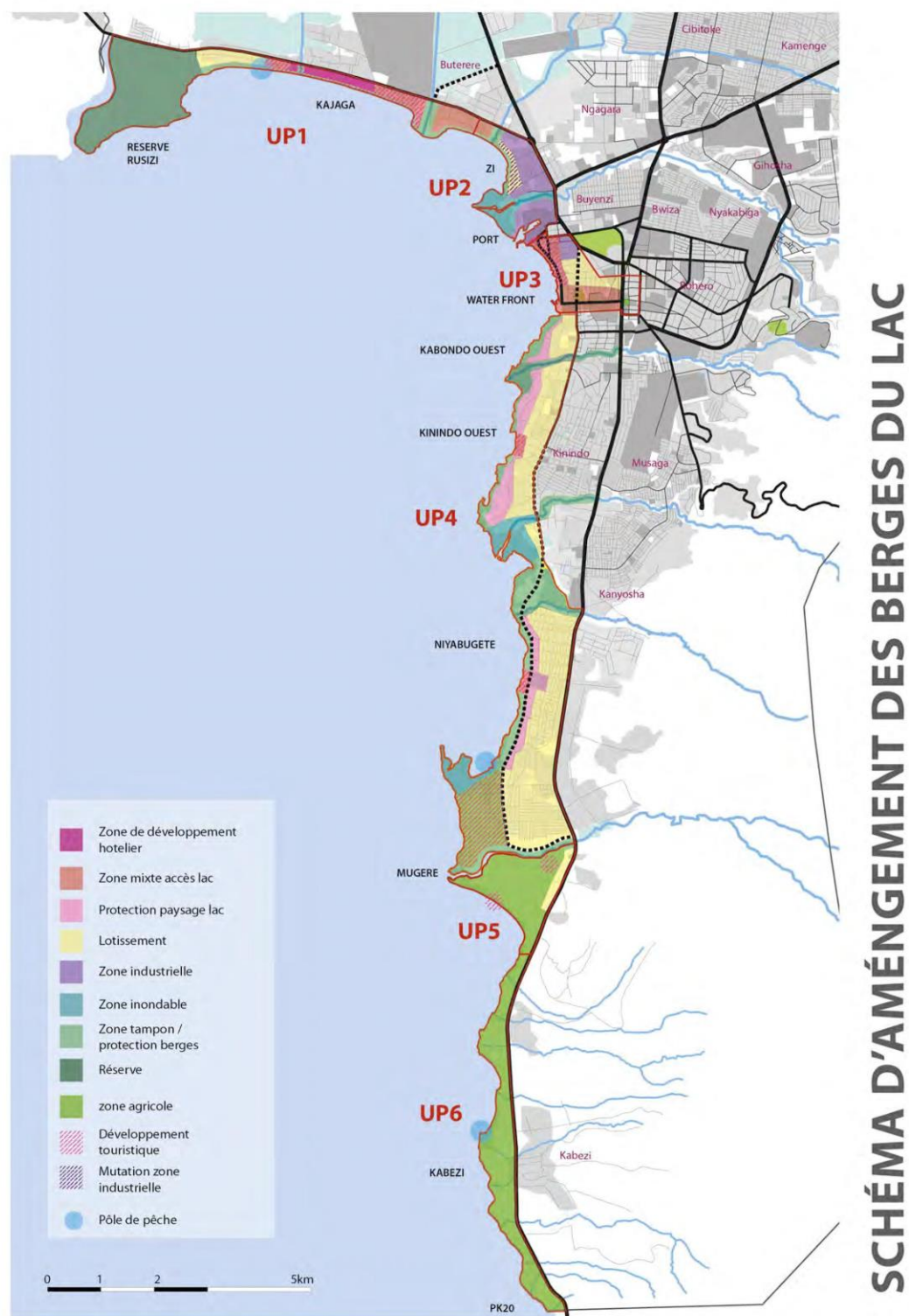
Indicator	State	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Foreign visitors/tourists, number '000	Buru	-	-	86	87	175	137	138	152	165	183	195	228
	Tanza	502	525	575	576	582	613	644	719	765	714	783	868
	Ugan	503	205	254	306	512	468	539	642	844	806	982	1151
	Keny	1,03	994	1,00	1,14	1,36	1,47	1,60	1,81	1,203	1,49	1,60	1,82
	Rwan	4	6	10	16	27	24	531	646	704	651	666	908
	East	-	-	1,92	2,13	2,65	2,72	3,45	3,97	3,681	3,84	4,23	4,97
	Buru	1	1	1	1	1	1	1	1	1	1	1	1
	Tanza	17,3	18,2	45,5	55,5	55,9	56,5	56,7	56,9	57,20	58,1	-	-

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Hotel beds, number '000	Ugan	-	-	-	-	-	789	0	946.	1656.	-	-	-
	Keny	9,38	8,32	8,18	7,76	10,0	10,8	13,0	14,7	14,23	17,1	17,1	17,4
	Rwan	-	-	-	-	-	3,3	4,5	5,7	6,9	8,3	9,5	-
	East					-	68,1	69,7	72,6	73,09	75,2	-	-
Hotel rooms, number '000	Buru	1	1	1	1	1	1	1	1	1	1	1	1
	Tanza	10,0	10,3	25,3	30,6	30,8	31,3	31,6	31,8	32,04	32,3	-	-
	Ugan	-	-	-	-	-	534	0	801.	1255.	-	-	-
	Keny	5,96	4,75	4,41	4,75	5,56	5,95	6,92	8,28	8,143	10,3	10,1	10,5
	Rwan	-	-	-	-	-	1,7	2,3	2,9	3,5	4,2	4,8	6,3
	East	-	-	-	-	-	37,8	38,6	40,9	41,44	-	-	-
National parks, number	Buru	-	-	-	-	-	3	3	3	3	3	3	3
	Tanza	15	15	15	15	15	15	15	15	15	15	15	15
	Ugan	10	10	10	10	10	12	12	12	12	12	12	12
	Keny	23	23	23	23	23	23	23	23	23	23	23	23
	Rwan	3	3	3	3	3	3	3	3	3	3	3	3
	East	-	-	-	-	-	56	56	56	56	56	56	56
Game reserves, number	Buru	-	-	-	-	-	11	11	11	11	11	11	11
	Tanza	17	17	17	17	17	17	17	17	17	17	17	17
	Ugan	-	-	-	-	-	9	9	9	9	9	9	9
	Keny	11	11	11	11	11	11	11	11	11	11	11	11
	Rwan	-	-	-	-	-	1	1	1	1	1	1	1
	East	-	-	-	-	-	49	49	49	49	49	49	49
Tourist expenditure, US million dollars	Buru	-	-	-	-	1	1	1	1	1	2	2	2
	Tanza	739	725	730	731	746	823	950	1,03	1,354	1,16	1,25	1,35
	Ugan	-	-	185	265	321	327	375	449	590	564	662	805
	Keny	284	309	226	335	533	647	779	972	762	806	929	1,10
	Rwan	-	-	-	-	-	-	131	151	186	175	200	252
	East	-	-	-	-	-	-	2,23	2,61	2,893	2,71	3,04	3,51

Source: East African Community, EAC Partner States

ANNEX 5: Bujumbura Lakeshore Development Plan



Source: Schema d'Amenagement de la Zone Littorale du Lac Tanganyika dans la partie Urbaine de Bujumbura. Ministere des Transports, des Travaux Public et de l'Equipeement. 2015.

ANNEX 6: Bujumbura Urban Core Waterfront Development Plan



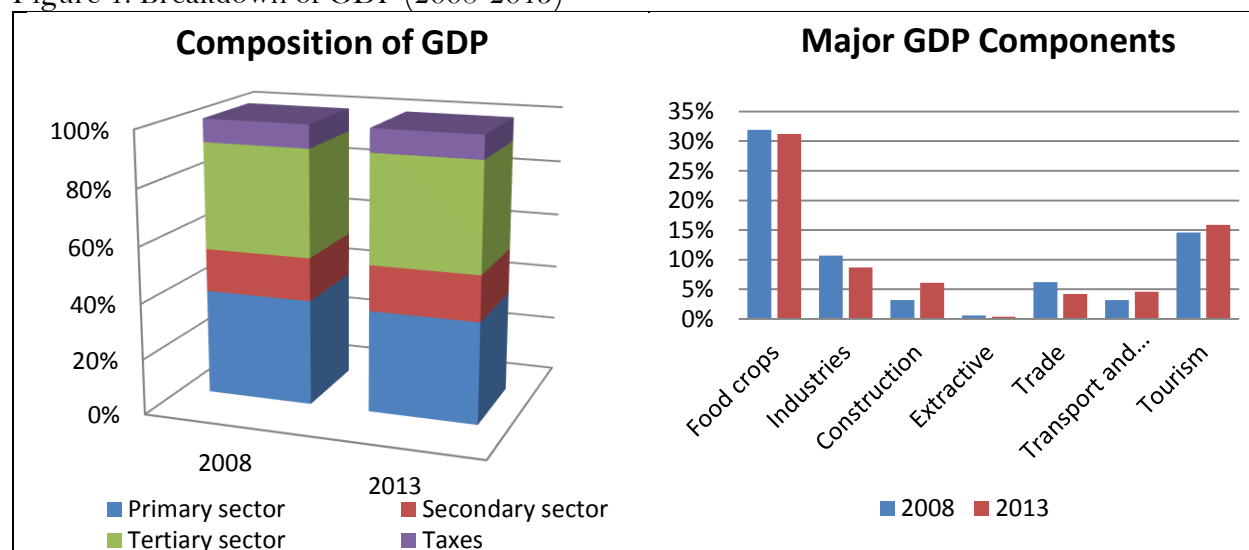
Source: Schema d'Amenagement de la Zone Littorale du Lac Tanganyika dans la partie Urbaine de Bujumbura. Ministere des Transports, des Travaux Public et de l'Equipement. 2015.

ANNEX 7: Sector Selection Note

An overview of economic activities and employment across Burundi

1. This note first presents a broad overview of the distribution of economic activities and employment in Burundi at the national level, and then provide a breakdown of these across cities in the country. The aim of the note is to understand better the economic and spatial composition of current trends in jobs and GDP, so as to identify sectors with the highest potential for growth. The focus of the exercise is to prioritize possible policy and other interventions that would help fuel growth, and help cities reach their full potential.
2. **Agricultural activities and tourism account for a significant proportion of Burundi's GDP.** Figure 1 below provides a breakdown of GDP in Burundi between 2008 and 2013. In all, the composition of GDP is fairly stable. The share of the primary sector declined marginally, whilst that of the secondary sector has increased. The contribution of the tertiary sector and of taxes has remained broadly unchanged between the two periods. The main activities that contribute to GDP (within the main sectors) are shown in the right-hand side chart. Food crops continue to represent the largest portion of GDP (31.2%) over time, with tourism⁹ as the second-largest contributor to GDP (15.9% in 2013). The contribution of industries seems to have declined over this period, whilst that of construction doubled (albeit from a small base percentage). Extractive industries contribute less than 1% of GDP.

Figure 1: Breakdown of GDP (2008-2013)

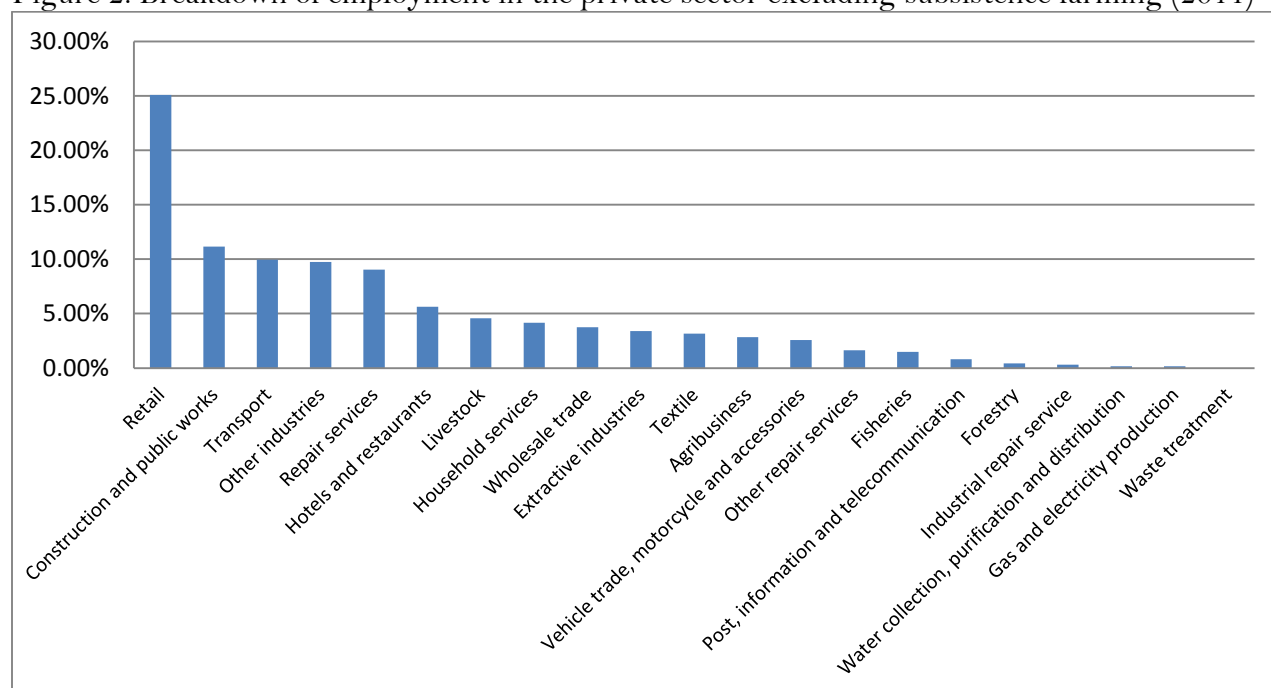


Source: ISTEEDU and World Bank

⁹ Tourism refers to the category “accommodation, restaurant and other market services”. It should be noted that there is a relatively important variance in estimates due to Burundi's poor statistical capacities and limited data available on tourism. Its contribution to GDP in 2013 ranges from 7.1% (World Economic Forum Travel & Tourism Competitiveness Index, 2012) to 15.9% (National Strategy for Tourism Development, Ministry of Trade, Industry, Posts and Tourism, July 2011).

3. **Productive, private-sector employment is accounted mainly for by retail, construction and transport.** Overall, informal and formal private sector account respectively for 96% and 0.6% of total employment, while the remaining 3.4% are found in the public and parapublic sector. An overwhelming proportion of total private sector employment is accounted for by subsistence farming – 89% in 2014. Of the remaining 11%, almost half of employment is accounted for by three occupations – retail, construction and transport, see Figure 2.

Figure 2: Breakdown of employment in the private sector excluding subsistence farming (2014)



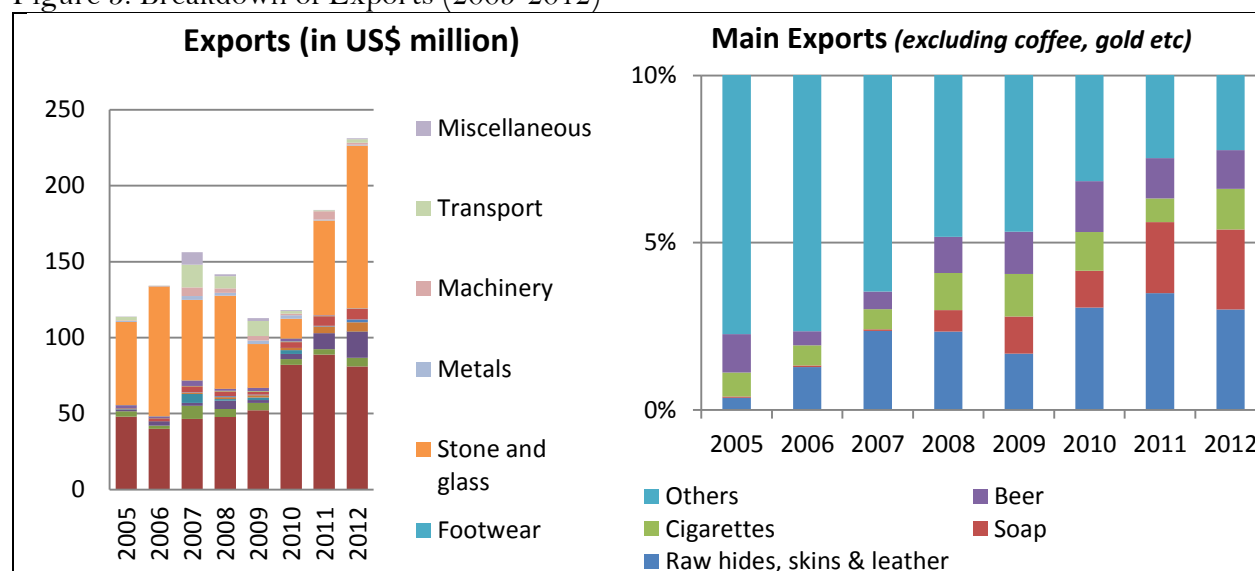
Source: ECVMB, 2013-2014¹⁰

4. **Burundi's export basket is becoming more diversified, with sectors such as leather, soap, tobacco and beer tripling in value between 2005 and 2012.** Burundi's exports are heavily concentrated in two products: raw gold (under "stone and glass" in Figure 3a) and coffee, and to a lesser extent tea (both are under "vegetable"). Minerals come in third, accounting for 7.5% of total exports in 2012. Besides coffee, tea, gold and other minerals, at the product level, only four products represented more than 1% of total exports in 2012: raw hides and skins, and leather (3%); soap and related products (2.4%); cigarettes (1.2%); and beer (1.2%). From 2005 to 2012, the importance of these products in total exports more than tripled (all four accounted for 7.8% in 2012¹¹). This is especially noteworthy since Burundi's total exports also doubled during the same time period – indicating extremely rapid growth in absolute terms for these products.

¹⁰ ECVMB – Enquête modulaire sur les conditions de vie des ménages, de la main-d'œuvre, la protection sociale et la nutrition au Burundi, 2013-2014, ISTEEBU

¹¹ Comtrade data

Figure 3: Breakdown of Exports (2005-2012)



Source: Comtrade Data

Selection of potential industries and sectors for growth

5. **On the basis of existing trends in GDP, employment and exports, certain sectors were identified as having potential for high growth in the future.** There were several reasons for the need for industry selection and the methodology underlying the selection process. In particular, given scarce resources available to urban local governments in Burundi, prioritization between different industries and needs would help focus attention on the most pressing constraints keeping growth from its potential. The methodology also took into account the extent to which industries influenced economic outcomes (jobs, GDP, exports), their potential for future growth (for instance by leveraging regional markets), the extent to which cities could create an enabling environment, and the extent of linkages with the rest of the economy.
6. **Data garnered from qualitative interviews and focus group meetings was also utilized to provide facts on the ground to back-up the quantitative analysis.** The different sources of quantitative data utilized (including from national and other sources) provide an excellent overview of industry descriptions and trends over time. However, they mainly capture economic outcomes, and do not provide a sense of the range of institutional, infrastructure-related or other factors that might affect performance. To supplement the analysis, thus, qualitative focus group meetings¹² were carried out with different industry and private sector actors in Burundi, including with city and national officials. These interviews

¹² Focus group meetings have been organized on tourism, transport, mining and light manufacturing / agribusiness. Each meeting lasted between two and three hours and was attended by 5 to 12 participants, usually representing firms with 20+ employees. A short questionnaire was distributed at the beginning of the meetings.

yielded invaluable information on the constraints to growth across industries and sectors, but also provided suggestions on how targeted interventions could help free up potential.

7. **Based on the quantitative and qualitative analysis, a small number of economic activities were considered at the outset: extractive industry, transport, construction, tourism and agribusiness.** Of these, *agribusiness* and *tourism* were selected as the sectors deserving more research and attention owing to a variety of reasons. These are outlined below, alongside an explanation for why other, also potentially high-performing sectors, were not chosen for further study.
8. **Tourism is considered the world's largest industry and an important driver of growth in African economies.** Tourism employs 1 out of every 11 people globally, generating US\$ 1.4 trillion in export earnings and 9 percent of global GDP¹³. In Sub-Saharan Africa, tourism has attracted 33.8 million international visitors in 2012, a more than 500% increase since 1990, generating US\$ 36 billion in tourism receipts with a total contribution of 7.3 percent to the regional GDP in 2012¹⁴. In developing countries an average of two jobs are created for each hotel room, and each job directly created in tourism can create 4.62 jobs in related areas; similarly, research in developing destinations has shown that every dollar spent on tourism can generate \$2.07 down the line¹⁵. Many jobs tourism creates are considered 'quality jobs', allowing the poor to enter and move up value chains. Globally travel & tourism employs 70% women and 50% youth, an important factor to potentially address Burundi's growing youth employment gap¹⁶.
9. **Burundi's tourism sector is in a growth stage, with tourism contributing 7.1 to 15.9 percent of national GDP¹⁷, and between 4 and 6.2 percent of total employment¹⁸.** Burundi welcomed 142,000 international tourists in 2012, the latest year for which data is available, around 10 percent of these are estimated to be leisure tourists, with the majority being on business and visiting friends and relatives, as is typical for economies in the 'initiating' stage of tourism development¹⁹. The country has a number of undeveloped natural and cultural assets: some of the best inland beaches on the continent on Lake Tanganyika, pristine national parks and waterfalls, regionally renowned drummers, crafts and customs. It

¹³ UNWTO, 2014; WTTC, 2014

¹⁴ Including direct, indirect and induced contributions. WTTC, 2013

¹⁵ IFC, 2007; Tata Consultancy Services (TCS), n.d.

¹⁶ UNWTO, 2008

¹⁷ As explained above, the relatively important variance in estimates is due to Burundi's poor statistical capacities and limited data available on tourism.

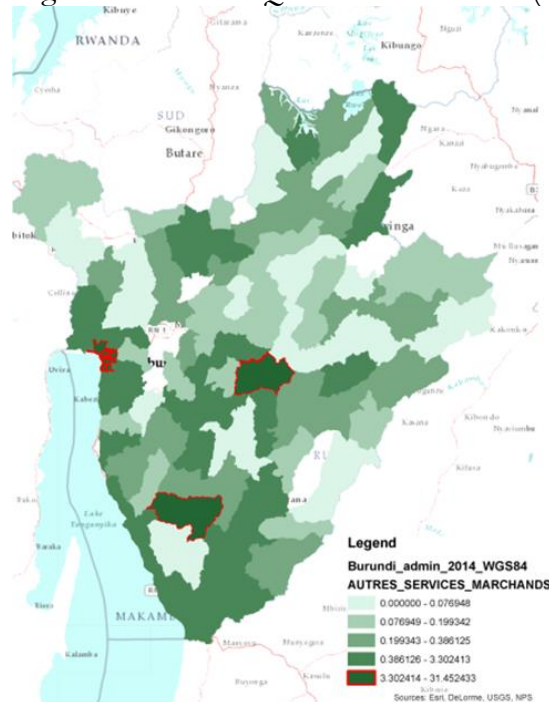
¹⁸ *Travel & Tourism, Economic Impact 2014, Burundi*, World Travel & Tourism Council; World Economic Forum; World Economic Forum Travel & Tourism Competitiveness Index (2012)

¹⁹ World Economic Forum Travel & Tourism Competitiveness Index (2012); Tourism in Africa, The World Bank, 2013

has the potential to grow as a Francophone tourism hub in East Africa, as well as leveraging its neighbors' tourism flows by integrating into regional circuits. Recently, the government has prioritized tourism as a growth area (The GoB's *Vision 2025*); it has adopted a long-term tourism vision and strategy in its 2011 *National Strategy for Sustainable Tourism Development*. A number of preconditions such as the improving security situation and increased political stability and have set the stage for increased tourism growth; as such, visitor exports are expected to grow by 14.1% in 2014²⁰.

10. **Jobs in the tourism sector are found mostly in urban areas, and 49 percent of them are located in the city of Bujumbura²¹.** 63.5 percent of jobs in the tourism sector are in urban areas against 36.5 percent for rural areas as indeed, most hotels and restaurants are located in cities and towns. Along with a high urbanization rate, employment in this sector is expected to keep growing. Most tourism-related jobs are in the city of Bujumbura and the provinces of Gitega and Bururi with 49 percent, 15.7 percent and 6.3 percent respectively. The tourism sector not only employs many people in these locations but also plays an important role relative to other sectors as shown in the location quotient map featured in figure 4.

Figure 4: Location Quotient – Tourism (2008)



Source: Population and Housing General Census 2008 (*RGPH - Recensement Général de la Population et de l'Habitation*)

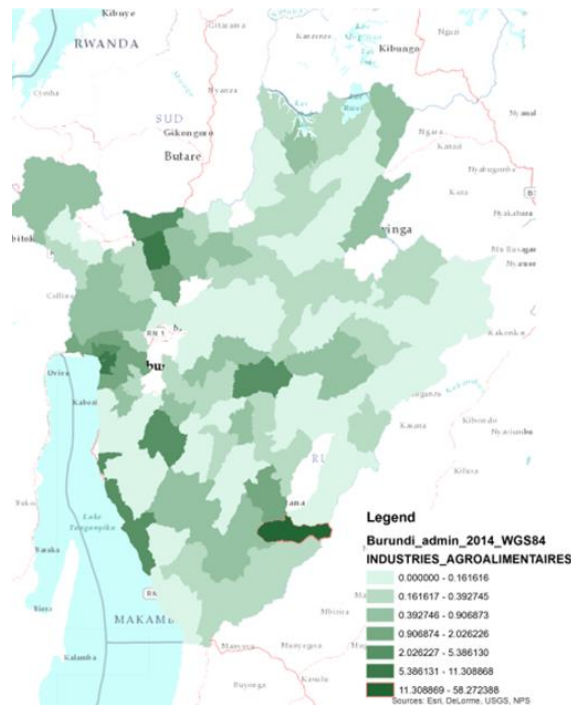
²⁰ *Travel & Tourism, Economic Impact 2014, Burundi*, World Travel & Tourism Council

²¹ Population and Housing General Census 2008 (*RGPH - Recensement Général de la Population et de l'Habitation*)

11. **Despite the potential for tourism to create jobs and further contribute to GDP, the country remains regionally and globally uncompetitive, with outdated policy and regulatory frameworks, inhibitive access conditions, infrastructure gaps and underdeveloped products stunting the growth of the sector.** Burundi's unmet potential is largely due to structural, budgetary and capacity constraints that continue to remain unaddressed by its public sector. Adequate policies, regulations and focused public investment is a prerequisite for the effective development of its tourism sector. Unlocking the gap between Burundi's potential and its performance requires i) legislative, regulatory and institutional reforms to remove structural bottlenecks to tourism development and growth, and ii) catalytic public sector investments at both national and destination-specific levels.
12. **Although Burundi's exports are highly concentrated in coffee and gold, four agriculture-related products are increasing their share of total exports: beer, cigarettes, soap, and hides and skins.** Also, agricultural products contribute substantially to GDP and to employment – indeed the vast proportion of the population relies in some way on these products. Burundi's potential to transform and export some of its top products was highlighted multiple times during different qualitative focus group meetings where companies from different industries identified agribusiness as the main priority to create jobs and increase revenues. In fact, regional markets, such as the EAC, could be avenues for sufficient demand to help producers, especially in sectors like fisheries and palm oil, expand volume and scale of production.
13. **Agribusiness jobs are concentrated in a few locations and 56.4 percent of them are in urban areas²².** Two locations account for more than half of agribusiness jobs, namely the city of Bujumbura and Rutana with approximately 25 percent each. The reason for the latter to appear as an agribusiness hub in the statistics is the presence of the sugar company Sosumo that employs hundreds of people. The importance of the agribusiness sector relative to other sectors in these two locations is confirmed by the location quotient map in figure 5, an observation also valid for the provinces of Kayanza, Bururi, Gitega as well as the rural areas of Bujumbura.

Figure 5: Location Quotient – Agribusiness (2008)

²² Population and Housing General Census 2008 (RGPH - *Recensement Général de la Population et de l'Habitation*)



Source: RGPH 2008

14. The private sector involved in agribusiness mentioned as key constraints the access to energy and to finance, human capital (poor basic education makes on-the-job training complicated), and the regulatory framework and taxation system. But once again, their top priority would be a more effective PPD. Working on these constraints and picking products with the highest potential would help the country industrialize its agricultural sector, and transform subsistence farming into activities that actually generate revenues.
15. Burundi has impressive mineral reserves, and extractive industries have much potential for growth – this is clear from the importance of raw gold in the export basket. **However, extractives have low potential, especially with regards to this study, for a variety of reasons.** Firstly, the industry does not generate much employment and only accounted for 1% of total employment in 2008. In addition, it does not add commensurate value to GDP. This could be explained by several factors. The industry is not well developed with regard to technology use, with only one semi-industrialized company, the rest being artisanal. In addition, taxation of extractive activity is low owing to the high level of informality. And lastly, some of the constraints that hinder industrialization and growth in extractives (such as access to energy and finance) impede investments in heavy machinery²³.
16. **Transport services contribute to the GDP and employ more than the extractive industry but both indicators remain relatively low.** This economic activity, led by the road

²³ While the second constraint could be solved by attracting foreign investors, access to energy in addition to the poor knowledge of the actual deposits (location and quantity) are complex issues that must be tackled to promote the industry and boost private investments.

transport that benefits from the poor quality of the rail Dar-Kigoma, suffers from a high competition with Tanzanian truck companies. According to the private sector, the Government of Burundi could change the trend by implementing well-targeted regulations. However, other issues would need to be addressed, including the need for a road freight center in Bujumbura (management, security, cost, and time to clear the goods and unload), the port and the lack of a shipyard, access to finance and availability of leasing, skills and training, and a strong absence of dialogue between public and private sectors. While it seems there is room for improvement and job creation in the short/medium term, transport services were not selected mainly due to the nature of the activity. Transport services are upstream activities that drive the growth of, and conversely depend on the growth of, other industries. The industry will be treated in the analysis as an input to other industries, and recommendations, policy and otherwise, will be made accordingly.

17. **Construction seems to have enjoyed a substantial increase in its contribution to GDP, and offers a non-negligible number of jobs.** Similar to transport services, construction services and products are mainly an input into other industries, and is expected to respond to the needs created by the development of other economic activities. The industry faces several obstacles that prevent it from reaching its full potential, such as issues related to adequate skills, the regulatory framework and taxation system, and access to finance and to energy. However, the study prioritized demand-based activities, which could serve as engines of growth for industries such as construction.

The following table summarizes the quantitative and qualitative findings described above.

Economic activity	% of GDP	Employment	Exports	Qualitative info
Extractive industry				
Transport				
Construction				
Tourism				
Agribusiness				

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Notes

¹ There are four stages of a demographic transition. During the first stage, mortality and fertility rates are high, so they almost equalize. During the second stage, improvements in food production, health services, safe drinking water and sanitation enhance a drop in mortality rates so population growth accelerates. It can take one or two generation to enter the third stage. In this stage fertility rate falls because households confirm mortality rates have come down persistently and reliably and cultural norms associated with marriage age, birth spacing, family size, contraceptives and abortion also change. During this phase mortality and fertility rate levels up. In the four stage, both fertility and mortality rates are low leading to a slow growth, or even a reduction, of total population.

² The 2013 IFC Jobs Study (“Assessing private sector contributions to job creation and poverty reductions”) illustrates that low-paid jobs, informal jobs, and vulnerable jobs do not have the same development impact as well-paid and formal ones.

³ According to Groupe Huit - SHER (2013) there is no precise definition of an urbanized area or urban population that could be used to process the data because communes and collines, the smallest administrative units collected in census data, have a mix of rural and urban uses.

⁴ Both scenarios use growth rates of total population and urban population share from the UN World Urbanization Prospects to project population until 2025. The difference between scenarios relies on the baseline urbanization rate. One uses the official urbanization rate from the 2008 Census data (this scenario is called Census), while the other (referred to as New boundaries) takes a revised current urbanization rate of 20% as the baseline.

⁵ Households are projected assuming constant households size at the national level. The split between rural and urban areas is estimated projecting the number of households for each area based on household size and population projections, and applying the resulting distribution to total households at the country level.

⁶ Urban economic activities and performances of secondary cities analysis is challenging in Burundi, because cities are not defined administratively because communes are vast rural territories (it is not possible to make conclusions about cities from indicators at the level of commune).

⁷ Availability of arable land grew on average 0.3% between 1981 and 2004 - from 930,000 hectares in 1981 to 990,000 hectares in 2004 (Ahishakiye, N.A.), while population grew on average 3% each year.

⁸ Burundi Poverty Reduction Strategy (Cadre Stratégique de Croissance et de Lutte contre la Pauvreté – CSLP II).

⁹ World Bank, 2014a

¹⁰ This indicator includes 14 indicators in five dimensions –education, housing conditions, access to basic services, living standards and assets ownership- and uses the Akire-Foster methodology to add them up.

¹¹ The Gini coefficients for rural areas, rest of urban, and Bujumbura were respectively of 45.3, 41.3 and 40.9 in 2012. Similarly, although consumption deprivation was reduced from 67% to 61% at the national level and from 69% to 62% in rural areas, consumption deprivation increased in urban sectors, particularly in Bujumbura where it increased from 30% to 41%. The worsening of consumption levels in urban areas, especially in Bujumbura, is explained to a large extent by the recent migrations from rural to urban areas World Bank (2014a).

¹² In urban areas, 15.7% of employment is dedicated to the trade and repair sector, 9.2% in the education sector, 6.3% are related to public administration and 28.7% to self-sustaining agriculture.

¹³ It is the starting point of 6 roads of national interest, and some of international interest: RN2 toward the

north-west is the most frequented, as it connects with Bujumbura, the West, Rwanda, and the North supply corridor of the country. RN12 serves also as a supply corridor to the city, particularly of fuel, and connects Muyinga and Tanzania. RN15 toward Ngozi is being asphalted, RN connects with Bujumbura toward the east, RN1 connects with the south of the country toward Bururi province and RN8 connects with Ruyigi province and Tanzania.

¹⁴ Groupe Huit—SHER (2013)

¹⁵

¹⁶ Though transport infrastructure such as roads and sidewalks are key for cities to function, there is no data availability on this sector so it is not included in the analysis.

¹⁷ Investment requirements are estimated based on the number of people that do not have access to public services. Infrastructure provision for these people is then valued using prices and depreciation rates as in Yepes (2008) for first best alternatives. Second best alternatives, mostly shared connections, are assumed to cost two-thirds the best solution, while depreciation rates do not vary.

¹⁸ World Bank, 2009

¹⁹ For a detailed analysis of logistics, please refer Chapter 3 on “Logistics and Construction”.

²⁰ The detailed implications of this strategy is outlined in Chapter 5.

²¹ The detailed sector selection note is attached to this report as Annex 6.

²² World Bank (2015).

²³ World Bank (2013): “Growing Africa: Unlocking the Potential of Agribusiness.”

²⁴ Government of Burundi, 2011: “Plan National d’Investissement Agricole (PNIA), 2012-2017.”

²⁵ Public sector actors include the Institut des Sciences Agronomiques du Burundi (ISABU) and the Centre National des Technologies Alimentaires (CNTA) focusing on processing and storage technologies. The Universities of Burundi and of Ngozi also have agriculture research departments. Finally, international institutions like the International Rice Research Institute (IRRI) and the International Institute on Tropical Agriculture (IITA) are involved in applied agricultural research in Burundi.

²⁶ Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute (2012): Bamber, P. et al. “Burundi in the Agribusiness Global Value Chain: Skills for Private Sector Development”

²⁷ Data.worldbank.org.

²⁸ Government of Burundi, 2011: “Plan National d’Investissement Agricole (PNIA), 2012-2017.”

²⁹ Government extension services to farmers are channeled through the MINAGRIE and its Directions Provinciales de l’Agriculture et de l’Elevage (Provincial Directorates of Agriculture and Livestock, DPAE). A number of development partners, like the International Fund for Agricultural Development (IFAD) or the Food and Agriculture Organization of the United Nations (FAO), play a key role in supporting the Government’s efforts to provide technical assistance to producers.

³⁰ ActionAid (2013): “Why and How African Governments Should Transform Their Agriculture Spending.”

³¹ For the coffee sector, extension is provided by the Confédération Nationale de Caféiculteurs du Burundi), the coffee growers association. Extension is performed by around 730 monitors. The funding for these monitors comes from CNAC members’ contributions and from InterCafé (World Bank, 2015).

³² Government of Burundi, 2011: “Plan National d’Investissement Agricole (PNIA), 2012-2017.” In some regions, average plot size can be as low as 0.2 hectare based on an interview with a senior representative from a donor agency.

³³ USAID (2010): “Staple Food Value Chain Analysis, Country Report, Burundi.”

³⁴ Ibidem.

³⁵ Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute (2012): Bamber, P. et al. “Burundi in the Agribusiness Global Value Chain: Skills for Private Sector Development”

³⁶ BCR (Central Census Bureau): results of the 2008 census.

³⁷ Interview with a supermarket owner.

³⁸ World Bank (2012): "Burundi, Diagnostic Trade Integration Study (DTIS) Update." Results of a qualitative survey administered to small producers of horticulture products.

³⁹ Interviews with agribusiness stakeholders indicate that large-scale processors are interested in marketing or are already marketing their products in the Eastern Democratic Republic of Congo, notably flour and palm oil products. Other smaller agribusiness operators also target that market (e.g. for fish exports).

⁴⁰ A member of senior management of one of the industrial scale processors explained that the low supply of electricity from the grid during the last dry season doubled the company's cost of energy and wiped out almost all of its profit for that period.

⁴¹ For instance, fruit juice sold in a Heineken beer bottle.

⁴² Interview with senior management executives from Interbank.

⁴³ World Economic Forum Travel & Tourism Competitiveness Index (2012); Tourism in Africa, The World Bank, 2013

⁴⁴ Leisure travel comprises of around 10% of arrivals and contributes 25.7% of T&T's contribution to GDP. SNDDT, 2011; WTTC, 2014

⁴⁵ This data takes into account all air arrivals, including Burundian nationals and residents. PAFE, 2014

⁴⁶ Airport arrivals fact sheet

⁴⁷ The strategy's projections are based on incomplete data and should be thus viewed as a broad estimate; in reality Burundi will find it difficult to attract significant numbers of long-haul tourists with the current structure and levels of investment in the sector. Annex 4 includes comparison tables with EAC member countries on arrivals, hotel capacities and tourist expenditures.

⁴⁸ "For instance, while tourism is included as a possible pathway to prosperity in over 80% of low-income countries' poverty reduction strategies, there is an evident implementation gap, which ... is even wider in countries regarded as 'situations of fragility', due to their weak capacity, problematic state-society relations, deep social divisions and/or the legacy of violent conflict" (Novelli et al, 2012: 1448).

⁴⁹ The GATS sub-sectors include: i) Hotels and Restaurants (including catering), ii) Travel agencies and tour operator services, iii) Tourist guide services, and iv) other

⁵⁰ Tourism businesses face the following applicable taxes: i) corporate taxes at 35% of earnings, ii) VAT at 18%, which in 2009 replaced the transaction tax (20%) iii) Operating license paid once upon registration of US\$12 for bars, US\$19 for restaurants and US\$32 for hotels, iv) local taxes: business taxes and annual property taxes; and v) customs taxes. Comparatively, the corporate tax rate in Botswana is 15 percent and 30 percent in South Africa, Tanzania and Zimbabwe. The value added tax (VAT) for Zambia is 17.5 percent, whereas in Botswana it is 10 percent.

⁵¹ Burundi is currently in negotiations for joining this program, a process which TradeMark East Africa is supporting through technical assistance for regional integration.

⁵² A pre-feasibility study for a convention center on the outskirts of Bujumbura is currently being financed by the IFC and the possibility of an expositions center is being explored on the lakeside near the the Democratic Republic of Congo.

⁵³ SNDDT, 2011; Author interviews, 1014

⁵⁴ In 2008 firms experienced power outages 40-45% of the time; Burundi faces the highest fuel charges in the EAC. World Bank (2008); African Development Indicators 2008/9 in AfDB 2009; Author interviews

⁵⁵ The average for Africa is 6.5% of total investment

⁵⁶ SNDDT, 2011; Author interviews

⁵⁷ Author interviews

⁵⁸ Logistics includes here transport (of goods and people).

⁵⁹ The Logistics Performance Index (LPI) is the weighted average of the country scores on the six key dimensions:

Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;

Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);

Ease of arranging competitively priced shipments;

Competence and quality of logistics services (e.g., transport operators, customs brokers);

Ability to track and trace consignments;

Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

⁶⁰ This recommendation has been raised mainly by companies involved in transport and agribusiness during focus group meetings held in Bujumbura in September 2014.

⁶¹ This recommendation was made during focus group meetings held in Bujumbura in September 2014.

⁶² This has been mentioned by transport companies during a focus group meeting held in Bujumbura in September 2014.

⁶³ Nathan Associates Inc., 2011, "Corridor Diagnostic Study of the Northern and Central Corridors of East Africa"

⁶⁴ In May 2014, Japan signed an agreement to finance (USD 28 million) the improvement of the port of Bujumbura (including dragging, construction of a shipyard). The project is expected to start in February 2015 and end in October 2016.

⁶⁵ World Bank: Logistics Performance Index, Burundi 2014.

⁶⁶ Calculation based on the Census 2008 and city SDAU

⁶⁷ According to the 2008 Census 96.2% of households own homes and 3.8% rent homes.

⁶⁸ Affordable housing is broadly defined as that which is adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights **Invalid source specified.**

⁶⁹ Burundi already has a tradition on urban planning. Instruments for urban planning have been present in Burundi's law since 1986. The first city master plans were designed during the 1980's. Gitega's Master Plan, for example, dates 1980-1981. The content of these Master Plans is quite extensive as they project population growth and production sectors and define consolidated and expansion areas, as well as land use.

⁷⁰ The 1986 land code set the main tools for territorial planning. This code introduces as planning instruments the general, regional, local and sub-local plans (art.392 to 406), which help to plan the allocation of land uses and to establish the rules for their application. The General Land Use Plan covers the national territory, the Regional Plan a geographic or economic group that is not necessarily established by administrative limits, the Local Plan covers a rural zone inside a region or urban zone in process of expansion, and the Sub-local plan covers a subdivision of the local plan. The Master Plan for Urban Development is a new instrument that covers spatial planning over all urban areas; it has the same place in the hierarchy as Local Plans. These instruments are an important asset for the formulation of public policy, but they give little guidance on how to formulate and execute plans.

⁷¹ The code for territorial planning defines Communes as responsible of territorial planning and sets the limits of their power compared with that of the national government. It establishes the contract plan as the tool for Communes to receive help from the government (PTPGU, 2013).

⁷² Activities in this component are undertaken in close collaboration with different global practices of the Bank. They are also closely related to the EAC IC Program, which aims at harmonizing elements of the MSME tax regime, tax procedures, and tax incentives across the East Africa region.

⁷³ This recommendation has been raised mainly by companies involved in transport and agribusiness during focus group meetings held in Bujumbura in September 2014.

⁷⁴ This recommendation was made during focus group meetings held in Bujumbura in September 2014.

⁷⁵ This has been mentioned by transport companies during a focus group meeting held in Bujumbura in September 2014.

⁷⁶ Nathan Associates Inc., 2011, “Corridor Diagnostic Study of the Northern and Central Corridors of East Africa”

⁷⁷ In May 2014, Japan signed an agreement to finance (USD 28 million) the improvement of the port of Bujumbura (including dragging, construction of a shipyard). The project is expected to start in February 2015 and end in October 2016.

⁷⁸ Mukim, M (2015) “Coagglomeration of formal and informal industry: Evidence from India”, Journal of Economic Geography, 15(2): 329-351. Available at: <http://joeg.oxfordjournals.org/content/15/2/329.abstract>

⁷⁹ These have already been adopted by Burundi, and now require the design of a program to incentivize businesses to gain classification, its piloting to a small group of tourism businesses, followed by a wider national roll-out.

⁸⁰ The multi-stakeholder steering committee for upgrading Burundi’s tourism statistics system, comprising ISTEEBU, NTO, PAFE, HTB, BRB and the University

⁸¹ Based on an interview with a senior executive from a donor agency, about 10% of the population of Burundi is food insecure.

⁸² Interview with the President of IPFB.

⁸³ Interview with the President of the *Chambre Sectorielle de l’Agriculture*.

⁸⁴ Extracted from J. E. Austin Associates, Using Value Chain approaches in Agribusiness and Agriculture in Sub-Saharan Africa (2007), prepared for the World Bank.

⁸⁵ Extracted from the Practitioner Hub for Business Innovation Facility, Inside Inclusive Business Issue No. 6, June 2013.

⁸⁶ ODI (2013): Steve Wiggins & Sharada Keats, “Linking Smallholders to Markets.”

⁸⁷ Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute (2012): Bamber, P. et al. “Burundi in the Agribusiness Global Value Chain: Skills for Private Sector Development”

⁸⁸ USAID (2010). “Staple Foods Value Chain Analysis: Country Report-Burundi”

⁸⁹ USAID (2010). “Staple Foods Value Chain Analysis: Country Report-Burundi”

⁹⁰ Interview with representative from CHRISTAFLOA.

⁹¹ FAOSTAT.

⁹² Based on interviews with representatives from LAITERIE NTAZIMBA and MUTOYI, those two firms process about 800 tons of milk per year combined to make pasteurized milk and yogurt.

⁹³ UNIDO (2014): “Etude de l’état des lieux des UT des F&L au Burundi.”

⁹⁴ Ibidem.

⁹⁵ USAID (2013): “The Fresh Fruit and Vegetables Markets of East Africa.”

⁹⁶ Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute (2012): Bamber, P. et al. “Burundi in the Agribusiness Global Value Chain: Skills for Private Sector Development”

⁹⁷ USAID (2010). “Staple Foods Value Chain Analysis: Country Report-Burundi”

⁹⁸ Interview with a representative of SAVONOR.

⁹⁹ Ibidem.

¹⁰⁰ Ibidem.

¹⁰¹ USAID (2010). “Staple Foods Value Chain Analysis: Country Report-Burundi”

¹⁰² Based on an interview with a representative from a donor agency, white rice from Burundi is currently not competitive in terms of price compared to imported rice.

¹⁰³ FAOSTAT.

¹⁰⁴ FAOSTAT.

¹⁰⁵ USAID (2013): “The Fresh Fruit and Vegetables Markets of East Africa.”

¹⁰⁶ Duke Center on Globalization, Governance & Competitiveness at the Social Science Research Institute (2012): Bamber, P. et al. “Burundi in the Agribusiness Global Value Chain: Skills for Private Sector Development”

¹⁰⁷ Interviews with representatives from FARISANA and MINOLAC.