DOMESTIC RESOURCE MOBILISATION BURUNDI

KEY STRATEGIES TO STRENGTHEN DOMESTIC RESOURCE MOBILISATION

Introduction

- Introduction
- “Akimuhana Kaza imvura ihise”
- “What comes from the neighbour comes after the rain”
- No country can develop its economy without counting first on its own resources.
- The strategies designed below address the areas of public, private and non formal savings

Public Savings : Increasing Public Revenue by reforming the tax administration

- The main strategy: Tax Administration Reform
- Objective – Increasing public revenue without increasing the tax burden
- The reform will address institutional and human factors
- The reform will broaden the tax base – will help fight corruption

To succeed, the newly created Burundi Revenue Authority must remain autonomous and the Government must refrain from interference, particularly in the hiring process.

To mitigate this risk, donors should be involved and could set two criteria to be met by the Government

- a qualitative criteria: the new Authority should remain autonomous
- free and transparent recruitment of management and staff
- measures to guarantee the effectiveness of the new entity
- (quality of staff, training, equipment, establishment of effective systems and procedures)
- a quantitative criteria: increase government revenue by 1.5% of GDP in one year.

Overall result, increase the ratio public revenue to GDP by 4 – 5% in 3 years. This would put Burundi at 24%, above the African average (21%)

- Two areas need to be explored.
- Extension of the Social Security System.
- Strengthening competition in the banking system

- Social Security System
- Coverage limited to 10% of the population
- A pension and accident scheme has recently been put in place for the civil service
- Coverage should be extended to the health sector for the whole population. The experience exists in Rwanda and is successful.
- Voluntary contributions are being collected by insurance companies, corporations and unions to supplement low pensions
- Tax incentives from Government and other incentives (affordable plots for example)
- Expected result: 1 – 1.5% of GDP

- Increase competition in the banking sector
- Reduce barriers to credit
- Credit reference bureaus
- Increase effectiveness of institutions charged with the protection of private property and the enforcement of commercial contracts
- Establishment of a capital market (bond)
- New banks from Kenya and Nigeria recently established should help increase competition.

- Microfinance Institutions
- Recent but strong growth (40% annually)

- Development of microfinance institutions is the appropriate strategy to mobilise non formal savings.
- Government’s role: regulation and supervision – this has been done.
- Donors assistance needed in these areas:
- technical assistance and training (risk analysis, audit, accounting …)
- financial assistance (credit lines) in the first years
- guarantee fund for small traders and farmers
- Grants for equipment and access to essential infrastructure (computer, electricity)

- Conclusion
- More emphasis from Government and donors is needed to give priority to DRM.
- The above strategies and others could help in the process.