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BURUNDI

REPORT ON MISSION TO BURUNDI *

8 - 24 October 1979

by

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General

The purpose of the mission was to prepare industrial profiles for at least 15 industrial development projects in Burundi. The rationale being that UNIDO is frequently unable to properly promote a large number of industrial projects in the developing countries due to lack of data. The consultant's role was thus to,firstly, review projects under preparation and, secondly, gather such data as would be required for the project's promotion by UNIDO.

The eventual outcome of the assignment would thus be partly dependent on the extent to which there existed industrial projects which had been studied or prepared in some measure.

This assumption, as will be detailed below, proved to be incorrect. The problems of industrial development in Burundi are not related to deficiencies with respect to collection or presentation of project data.

Observations with respect to industrial promotion in Burundi

The current situation with respect to industrialization in Burundi has been throughly analyzed by several national and international development institutions and it suffices here to make reference to, for example, the World Bank's Economic Report on Burundi prepared in 1973.

The following local institutions are concerned with planning and promotion of industry:

Ministry of Industry
Ministry of Planning
Banque Nationale de Development
Economique (BNDE) and Burundi Chamber of Commerce.

UNIDO is assisting the Ministry of Industry with a team of permanent experts as well as with short-term industry specialists.

The Ministry of Planning is assisted by a recently established consulting firm SOMEBU which is sponsored in part by the Ministry of Planning.

BNDE has received technical assistance as well as funding from primarily France and Belgium.

In addition one foreign development bank, the Libyan Arab Burundaise Holding Company (Holding), operates an office in the country.

A recent development with respect to project promotion is the World Bank office now established in Bujumbura. This office would, however, be concerned with Government liaison and project supervision in addition to promotion.

In view of the country's modest prospects for industrialization the resources applied to industrial promotion would appear quite substantial. The author has concluded that project promotion per se is not a bottleneck for development of industry in Burundi. Neither does finance appear to be a limiting factor. Burundi, being one of the world's poorest countries, has frequently been in the position of being unable to utilize potential sources of low cost project financing due to lack of feasible projects.

Sources for identifying projects

The following sources were used by the author in identifying potential industrial projects in Burundi:

Report by Mr Bernard Stein, (UNIDO expert), 1974
Reports by Mr Marjan Kacjan, (UNIDO expert), 1977, 1978 and 1979
Plan Quinquennal de Developpement Economique et Social du Burundi, 1978-82
BNDE project lists, 1977, 1978 and 1979
IBRD appraisal of BNDE, 1978
UNIDO draft report on the construction industry in Burundi, 1978

Various reports by Mr Michel Lenoble, (UNIDO resident representative Kinshasa), 1978
Projet de Developpement Urbain du Burundi, Rapport Intermediare, Urbaplan, 1979
Interviews with: Ministry of Industry,
Ministry of Planning,
BNDE,
UNIDO team
SOMEBU and
Libyan Arab Burundaise Holding Company

Of these sources the UNIDO team proved to be the most knowledgeable.

General conditions for industry in Burundi

Burundi, being a very small country with a severe transport disadvantage cannot reasonably aspire to establish export oriented industry except for production and/or beneficiation of specific natural resources and a limited number agricultural products.

Industry must instead be based on local demand i.e. import-substitution. The major problems faced by industry substituting for imports would be the very limited size of the local market due small population and the country's poverty.

Burundi's industry must therefore seek to satisfy only the basic needs of the population for which demand would be larger than for other products. This reasoning led to the definition of five basic needs and the industrial projects identified were grouped accordingly.
The basic needs are thus:

food
shelter
agricultural production inputs
clothing
transport

and the various projects reviewed were as follows:

Food (agrobusiness)

Meat production and processing (ICPO form no 2)
Grain mill (ICPO form no 3)
Fish processing
Sugar milling
Coffee processing (ICPO form no 5)

Shelter (construction materials)

Pozzolanic cement production (ICPO form no 1)
Lime production
Brick manufacturing
Marble tiles manufacturing
Cement blocks manufacturing
Ceramic tiles and kitchen ware
Palm particle boards (ICPO form no 7)
Papyrus particle boards
Stabilized earth
Stone, gravel and pulverized glass

Agricultural inputs

Foundry (ICPO form no 7)
Grain storage implements
Particle boards as per above (ICPO form no 8)

Clothing

Tannery (ICPO form no 4)
Shoe manufacturing (ICPO form no 6)
Ready made clothing

Transport

Bicycle assembly

Only a very limited number of these projects were sufficiently well developed and analyzed to enable the author to fill in the ICPO forms. The other projects are described below.

Description of projects

Fish processing project

There is in Burundi a World Bank and UNDP supported fishery project which encompasses provision of fishing equipment to artisan fishermen, operation of fish drying and receiving stations along the shores of Lake Tanganyika and a small fish processing and retailing facility near Bujumbura.

This project has received very substantial support from initially FAO and subsequently the World Bank and the Abu Dhabi, Fund.

The project can hardly be deemed a success and SUPOBU (Societé Usine de Poissons du Burundi), the corporate entity administering the project, does not appear to have any prospects of ever becoming a self supporting institution. There are principally

three reasons for this state of affairs. Firstly,SUPOBU shall only engage itself in the support of artisanal fishing and fish processing. Secondly, the major part of the catch in Lake Tanganyika is handed by a fleet of commercial purse seining fishing vessels numbering approximately 15 to 20 vessels and thirdly, FAO has,in a recent survey.determined that the Burundi part of the lake cannot sustain a larger number of commercial fishing vessels without the risk of depleting the stock.

The commercial vessels do not sell their catch through SUPOBU and sofar SUPOBU has only been able to purchase a very small portion of the catch landed by artisan fishermen. There is no reason to assume that this situation would change materially in the future and SUPOBU would thus continue to have a very low volume of fish processing although some increases are likely as a result of the expansion of the artisan fishing fleet now underway under the anspices of SUPOBU.

Given this situation the author and members of the UNIDO team discussed ways and means of improving SUPOBU's situation and future prospects.

The possibility of processing and export of the salmon-like fish Capitaine proved not feasible due to the limited catch and high domestic price of this specie.

Another possibility would be for SUPOBU to join with Holding in a project to extend commercial fishing beyond the territorial waters of Burundi and to process and market the catch landed by this venture. Holding has commissioned a study of a project to extend the commercial fishing on the lake. It would involve construction of additional commercial fishing vessels which would partly replace the existing old commercial fishing vessels in Burundi's waters and obtain fishing rights in Zaire's Tanzania's and Zambia's waters.

Although little if any commercial fishing takes place in these waters it could prove impossible to obtain concessions from these countries. The study was not available at the time of the author's visit to Burundi but should be available now.

Another possibility would be to initiate fish farming in Burundi for which the conditions ought to be very favourable. US AID has proposed a project of this nature for the interior of the country but has so far not had any reaction from the government. Several fish farming projects have in the past been successfully implemented and operated in Uganda and there is reason to assume that they could serve to extend the supply to SUPOBU.

Sugar-mill project at Mosso

This project is handled by the Ministry of Planning and the two officials interviewed were most reluctant to part with any relevant information. It was emphasized that UNIDO's previous assistance with respect to contract negotiations with the Mehta Group had been valuable and that the Ministry of Planning would revert to UNIDO should its assistance be required in the future.

The project should be known to UNIDO on account of the earlier visit by two UNIDO experts.

The author gathered that a feasibility study including some measure of engineering and design had been commissioned by the Ministry of Planning and was presently carried out by the Mehta Group. It appeared, however, that no serious efforts had been made to arrange financing for the entire project and Burundi might therefore run the risk of paying for engineering for a plant which it cannot subsequently finance.

The very limited size of the mill, stated to be approximately 18 000 tons of sugar per year, would raise serious doubts as to its viability.

Lime production

Burundi today produces only very limited amounts of lime primarily as a result of inefficient production methods and lack of fuel.

Three limekilns are presently under construction, one with the active assistance of Mr Spinato of the UNIDO team, but these kilns will serve only regional demand in the interior.

Yet another limekiln is under reconstruction in Bujumbura. It would utilize lime in a deposit some 30 km north of the capital but could conceivably also be supplied from other sources in region of Bujumbura which have been identified but not yet exploited.

The lime would be burnt in old oilfried kilns and subsequently be mixed with pozzolan in an existing clinker grinding mill. The entire mill owned by Entreprise Nationale de Fabrication de Chaux et de Ciment (ENACCI) has been in operative since 1968 but is presently being restored. The pozzolanic lime or cement has in tests been found to have a compressive strength of 150 kg/cm^2 whereas ordinary cement would measure 230 kg/cm^2. Due to

the uneven firing in the old kiln it will likely not be possible to maintain consistent quality of the pozzolanic cement.

During the author's visit to Burundi an analysis and evaluation of a pozzolanic cement project utilizing a rotary peat fired kiln was therefore made (see ICPO form no 1).

Brick Manufacturing

The UNIDO report on the construction industry in Burundi suggested that a review of the brick making industry in Burundi should be made in the course of the author's visit.

The following is in summary the author's findings:

At present there are three private and one governmental brick-making plants producing a total of 20 million bricks per year employing artisanal methods of production. It is estimated that some 30 % of the production is lost due to breakages and that some 12 million bricks per year are supplied to the market.

The bricks are of low quality due to impurities, insufficient and uneven firing and lack of standardized dimensions.

Cost of production has been estimated at FrBu 2.50/brick whereas the selling price, although varying, appears to average around FrBu 4/brick.

The low quality of the bricks has forced several local contractors to seek supplies from the interior. Bricks produced in the interior are generally considered to be of good quality primarily due to better firing.

The Ministry of Industry has taken steps to improve supplies and negotiations are under way for the supply of a modern brickmaking plant. Tcheckoslovakia has offered UNIDO to supply one plant with an annual capacity of 10 million bricks. The two possible receiving countries were Gambia or Burundi and a final decision was supposed to be taken in September 1979 but the outcome was not known at the time of the author's visit to Burundi.

It was not known whether the Tcheck gift would involve equipment, freight and erection or whether it would cover, for instance, only equipment.

Total project cost was estimated at FrBu 200 million broken down as follows:

	FrBu million
Civil works	110
Equipment	50
Freight	15
Erection	10
Working capital etc.	15
Total cost	200

The Burundi contribution and therefore the capitalization of a brickmaking company could vary between FrBu 100 million and 150 million depending on the extent of the Tcheckoslovakian gift.

A private sector corporation has been established for the ownership and operation of the plant. It has at present a share capital of FrBu 7 million and about 100 sharenolders. The sharecapital would be augmented by, among others, the Government once project cost has been defined.

Total demand for good quality bricks has been estimated at approximately 20 million bricks per year of which the industrialized plant would account for half with the balance being supplied by a large number of artisanal brick works each with an average annual capacity of approximately 500 000 bricks. UNIDO has assisted in the establishment of three such artisan plant of which two also supported by UNCDF, are in operation.

The selling price for the industrially produced bricks has been calculated at FrBu 12 which, however, seems inordinately high as compared to present production costs which for the brick works operated by Office National du Logement (ONL) outside Bujumbura has been estimated to be as follows:

	Total FrBu '000	Per brick FrBu
Labor (88x FrBu 120 x 90 days)	950	0.51
Fuel (1100 x FrBu 1.500)*	1600	0.86
Transport ($\frac{\text{FrBu } 2.500}{6000}$ x 1,700.000)	700	0.39
Other taxes, maintenance, packages	200	0.11
Total	3.450	

Total production betwen 1.7 and 2 million bricks

*) Wood fuel cost has risen dramatically and the brick works are trying to shift to peat which has not been available in sufficient supply. Cost above is for wood.

Cost of production per brick FrBu 1.86
Losses 30%
Cost of production per saleable brick FrBu 2.65

A modern brick work should have lower labor cost and fuel cost per brick and the same transport cost. In addition it would have charges for interest, depreciation maintenance and electrical power.

The following is a very rough estimation of possible costs for an industrial brick work:

	Total FrBu '000	Per brick FrBu
Labor	3,500	0.35
Fuel	7,000	0.70
Electricity	1,000	0.10
Water	500	0.05
Maintenance	2,000	0.20
Transport	4,000	0.40
Overhead incl expatriate asst.	1,000	0.10
Interest	10,000	1.00
Depreciation	7,500	0.75
Total	36,500	3.65

Assuming losses of 10% production cost per saleable brick would amount to FrBu 4.05 and a selling price of around FrBu 5 per brick would yield a reasonable return on invested capital.

At present /for/ bricks brought to Bujumbura from the interior, transport alone accounts for FrBu 2.50 per brick.

The industrially produced bricks would warrant a higher price on account of their superior strength, their standardized size and even surfaces which would reduce construction labor cost as well as mortar.

One uncertain factor with respect to their production cost relates to fuel. At present brick manufacturing takes place during the four dry months of the year. An industrial plant operating year around might need fuel for the drying of the so called green bricks during the rainy season.

The various calculation made with respect to industrial brick manufacturing in Burundi were in respect of a previously considered joint venture project with a Belgian firm which was subsequently abandoned by the Government. It appears that a revision of operating cost estimates is warranted when the type and cost of plant to be used is better known.

Marble-tiles manufacturing project

This exists only as an idea at this stage and further evaluation is necessary before a project of this nature can be considered for promotion and financing.

The facts are as follows:
Burundi possesses considerable marble deposits of which several are easily accessible for exploitation. The marble is, however, not available for cutting in blocks as it cracked and in parts almost pulverized.

Tests have been made with respect to the production of reconstituted marble tiles from pulverized marble mixed with resin which show that durable tiles can be produced.

A project employing the marble deposits should probably be on a very small scale as the market is limited and product fairly expensive on account of the imported resin.

Cement block manufacturing

The existing cement block plant in Bujumbura (hollow blocks) was restarted in the beginning of 1979 after a long period of no production due in part to lack of cement.

The equipment is severely run down, the supply of cement is infrequent and the organization of the plant almost non-existant. The plant is very small with a maximum capacity 1000 tons per year and has not, in the past, had a meaningful impact on the construction material sector in Burundi.

It is not likely that the present supply situation with respect to cement warrants continued operation of the plant.

The eventual production of pozzolanic cement could, however, justify production of hollow blocks but compressive strength tests should proceed any investment decisions.

If the cement block factory is to continue to operate it would need firstly assured supply of good quality pozzolanic cement and secondly the replacement of virtually all existing equipment.

Ceramic tiles and kitchen ware

This project was originally conceived of by Mr Marjan Kacjan, head of UNIDO's team in Burundi. A preliminary feasibility study has been carried out and contacts have been established with the Belgian firm Villeroy-Bosch. The latter has expressed interest in participating in the project and in providing technical expertise and knowhow. Discussions were initialed several years ago and progress has been very slow in part due to political uncertainties.

The project was estimated to require about FrBu 150 million in investments and would have an annual production capacity of 350 tons of tiles and 150 tons of kitchen ware. Locally available clays would form the bulk of the raw material but some imports of ball-clay, chemicals and glazing materials would be necessary.

The limited size of the market, small scale of production and high cost of imported materials and necessary expatriate expertise makes the project's viability highly doubtful.

Papyrus particle boards

Burundi has ample supply of papyrus which has been successfully employed for manufacturing of particle boards in Senegal. Tests have also been made in Togo.

In order to implement a project of this nature it would be necessary to cultivate papyrus in one or several of the swamps where it presently grows wild. Cultivation should be concentrated for easy harvesting. The plain of Imbo outside Bujumbura has been proposed as a possible site. The UNIDO team as well has proposed to study this project which is considered quite promising.

As the market is fairly limited and as the manufacturing process may, similar to that of the palm particle boards, require a certain minimum volume it would seem unwarranted to establish both a palm particle board and a papyrus particle board project. (For the palm particle board project see ICPO form). The papyrus based project may not face the same difficulties with respect to raw material supply as is the case for the palm based project.

Stabilized earth project

This potential project has been reviewed by Mr Houdain, UNIDO construction materials expert. Burundi has in many parts an iron rich laterite soil which is well suited for the production of stabilized earth blocks.

The laterite could be stabilized with ordinary cement, pozzolanic cement or possibly with burn lime. In the first case the cost has been calculated at FrBu 25 and in the second at FrBu 17. Since bricks one fourth the size of stabilized earth blocks and with higher compressive strength are available at FrBu 4 to 5 the stabilized earth blocks based on cement would not appear competitive.

Local production of pozzolanic cement could, however, make stabilized earth blocks with pozzolanic cement slightly more attractive pricewise. The possibility of stabilizing the laterite with lime appears quite promising. Tests have been made in Belgium with good results in terms of strength. In these tests, however, the laterite was stabilized under heavy pressure which would require large hydraulic equipment and a high volume of production in order to achieve viability. Further tests under less heavy pressure are scheduled to take place and the outcome would determine whether or not the project could be viable as well as whether or not it should be developed on an industrialized or on an artisanal scale.

Stone, gravel and pulverized glass production

A stonequarry north of Bujumbura was previously quarried mecanically but stone cutting has now been reduced in scale and employs only a few artisan stone-masons operating individually and on an ad hoc basis. The stone was reported to be of good quality and well suited for use as building material.

Gravel and sand of very good quality is extracted from several riverbeds mostly by contractors as and when the need arises. The gravel as well as the sand is reported to exist in very large quantities but the extraction would need to be carried out in an organized manner as one could otherwise alter the run of the rivers in respect. Most of these materials are taken where rivers and streams enter Lake Tanganyika.

Near the major sand quarry outside Bujumbura there is a large collection of broken and discarded glass estimated to amount to 100 m^3. This glass could be pulverized and used for mixing with cement along with sand and gravel. This render a very hard cement surface with excellent resistance to wear.

What is presently lacking is organized exploitation, transport and distribution of these building raw materials. This would not solve the basic problem of short supply and high prices for cement but may well for a relatively moderate cost enable the construction industry to become somewhat more efficient.

Grain storage implements

Grain storage projects for individual farms have been considered by several donor countries notably by US AID.

Storage facilities would enable farmers to benefit from surplus production to an extent which may not be possible today and could thus serve to monetarize the farming economy as well as to increase productivity.

Durable storage containers could be made of glass fiber, ferro cement or glass reinforced cement and possibly also by fired clay. The SUPOBU sponsored small workshop for glassfiber work where one expert is engaged in the construction of fishing catamarans could serve as experimental workshop with respect to glassfiber and glasscement storage containers. US Academy of Sciences has carried out research with respect to the adaptation of ferrocement manufacturing methods to the production of grain storage containers which might be relevant to the conditions of Burundi.

The disadvantage with the various storage containers suggested above would be that they require imported raw materials. A thorough cost benefit analysis would be necessary before a project to manufacture and distribute containers could be pursued.

Bicycle assembly project

A project of this nature is currently under execution under an agreement between the Governments of Burundi and Romania but progress was reported to be very slow. No data was made available and the exact status of the project was not made clear. The project should, however, be of considerable importance to the country since bicycles would appear to be the only feasible solution to the very severe problem of transport in and around Bujumbura where a worker may pay as much as 25% of his income for bus transport back and forth to work.

Project profiles

A total of eight project profiles are attached to this report. The cover for the following industries:

pozzolaine cement (no 1),
meat production and processing (no 2),
grain milling (no 3),
tanning (no 4),
coffee processing (no 5),
shoe manufacturing (no 6)
grey iron casting (no 7) and
particle board (no 8)

The problems and difficulties associated with each of those projects are briefly discussed below.

The pozzolanic cement project is justifiable only if this is the best manner in which to supply Burundi with locally produced building materials. A recently claimed discovery of carbonatite may give Burundi a better option with respect to cement. The indications at the time of the author's visit were, however, that the discovered deposit was, firstly, not of the quality suggested by the analysis made by the Ministry of Geology and Mines and, secondly, were covered by such a heavy overburden that the exploitation could prove very costly. These issues should be clarified at earliest opportunity so that it can be determined whether or not a pozzolanic cement mill at Bujumbura would be economically justifiable.

Other issues relate to ownership structure and management - ENACCI is at present wholly owned by the Government. Management and technical supervision is provided by local civil servants and by an expatriate expert. This will not suffice for the commercial operation of the mill. The likely result if management is not induced by performance and profitability would be low effeciency and many shut-downs. The mill would need some arrangement with a foreign cement manufacturer to ensure technical supervision, maintenance and training and such an arrangement should if possible reward performance. Although the Ministry of Industry will agree with such views the Ministry of Planning may not and the Government would in any event need assistance in achieving an arrangement of this nature. The Ministry of Industry would also like to decrease its financial involvement in the project in favor of private interests. It is probably futile to search for a financial involvement by a foreign technical partner but a financial plan could well be prepared which would include national and international development finance institutions. The Government would, however, need assistance in accomplishing such a financial package as well.

La Ferme de Randa may not be entirely within the domaines of UNIDO. It is included here because it would, if realized, be agrobusiness on an industrial scale and could prove to be highly beneficial for Burundi. The project has considerable promise and should be of interest to for instance IFC. The owners, the Government and a group of Italian investors would, however, need assistance in preparing and evaluating the project, in procuring the finance and in determining the future relationship between themselves. A study covering all aspects of the project should be completed in early 1980.

The grain-milling project may not need any foreign finance if BNDE grants the requested loan. What it then needs, however, is management preferably provided on the basis suggested for the pozzolanic cement project.

The tannery project is also quite promising and could lead to the establishment of a viable leather industry in Burundi. The tannery which is wholly owned by the Government has had very valuable technical assistance from a Jugoslav expert. Once the integrated project is completed, however, it would need management support which puts a premium on performance and profitability. A tie with a foreign tannery for continuous training and back-up services would also be of importance.

The coffee processing project is likely to be highly remunerative yet it has the effect of conserving Burundi's dependence on one export crop. The project would in all likelyhood be wholly owned by the Government but substantial expatriate assistance would be needed for negotiating procurement of equipment and finance, for supervision of implementation and for operation of the plant.

The shoemanufacturing project at Gitega is fairly straight forward except for its dependence on local leather as raw material. Originally the study was made on the assumption that leather for the plant would be imported. It still showed a satisfactory profitability. The very severe transport difficulties experienced by Burundi importers in recent years makes it probable, however, that the plant would suffer long periods of closure were it to rely on imported leather.

The foundry project is quite promising in the author's view. It lacks primarily a local sponsor and promotor and reliance would need to be placed on foreign technical knowhow. There is very little likelyhood that this could be acquired through the financial participation of a foreign technical partner. The next best alternative would be management and technical assistance under a contract which would provide rewards for performance. The third alternative would seconded technical experts such as those customarily provided by UNIDO.

The eighth project profile is in respect of a particle board project yet to be fully defined. It is sponsored by Fonds Europeen de Developpement and the Ministry of Planning. It is included here because it could be quite promising both financially and economically although the actual extent to which it would be in need of UNIDO's assistance in respect of promotion is not yet clear.

Other projects

The author also reviewed a number of other projects which were either unfeasible, fraught with unresolved technical problems or otherwise not relevant for a more detailed description. Some of these projects were:

a phosphate mining and beneficiation project which awaits resolution of technical difficulties in respect of evaporation of fluids,

a nickel mining and processing project for which energy yet not available must be provided,

a ready made garment project for which there could not possibly be a market in Burundi,

a glassbottle project already being reviewed by the IFC and

the peat extraction project embroiled in controversy among donor country agencies and various UN agencies.

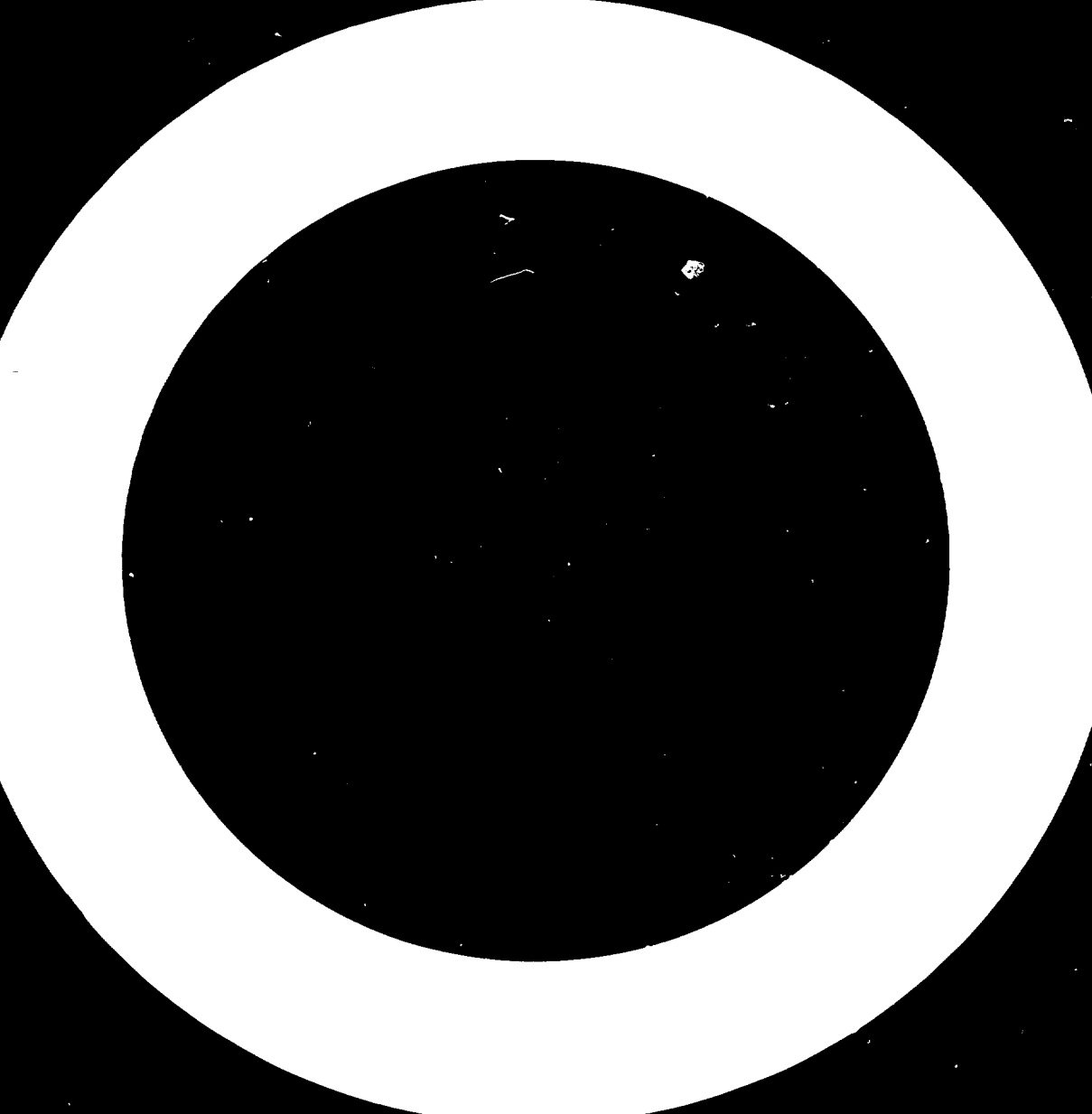
Project promotion in Burundi

The following are the author's subjective views with respect to a very complex subject. These views are likely to be only partly true as would be the case with most statements of a general nature.

Project promotion in Burundi is not likely to be achieved by technical assistance with respect to project evaluation as has been proposed by for instance the World Bank. The competence and capacity with respect to financial project evaluation with which the author was confronted appeared quite adequate for the needs of the country. Nor are projects likely to be promoted as a result of regional development studies as are advocated by the BNDE Most feasible project ideas, and a lot of unfeasible, have already been discovered and there is no need to uncover more until at least some have been realized.

Nor will projects result from the standard UNIDO efforts of pairing local promotors with foreign partners because, firstly, there are virtually no local promotors and, secondly, there are no benefit commensurate with the risks for a foreign investor in Burundi. This leaves precious few options, the only tenable being to remunerate individuals or firms for promoting and implementing projects. To a considerable extent this is what has taken palce by the provision a steady stream of UN and other experts who have developed ideas, analyzed facts and presented conclusions. The many aid agencies would also need to support what comes after the studies, promotion.negotiations, structuring and procurement of finance, etc. Experts are not necessarily best equipped to undertake such tasks so UNIDO should perhaps seek to procure the project promotion or project development services of competent foreign firms instead of trying, in the case of Burundi-unsuccessfully, to engage them as part-owners and knowhow partners.

In summary project promotion in Burundi, and in many countries like it, will not succeed because it is based on a false notion that the development of industries is sought by local individuals and firms but hampered by lack of knowledge, finance, infrastructure, etc. Development of industry is naught but an abstract political concept in Burundi. It is **alien**, it is necessary and by and large it would have to be achieved by **inputs from outside Burundi.**



The Investment Code

The Investment Code of 1967 (Law No. 1/82 of 25 August 1967 and Ministerial Decree No. 026/14 of 29 January 1969) provides for a certain number of fiscal and customs incentives intended to foster private investment in priority sectors. Special emphasis is put on private investment. (The relevant laws are Law No. 1/194 of 20 August 1975 which changes the law on income tax of 21 September 1963, and Law No. 1/19 of 10 July 1978, changing the one of 21 September 1963).

The investment incentives relating to taxes and customs duties are based on the principle that the country benefits from them in the foreseeable future, either in form of accrued income or in form of foreign exchange savings. Therefore, the objective of the Investment Code is to define the guarantees given to private investment, the rights and obligations connected with them, and, last but not least, the various systems under which investments may be carried out.

There are two systems offering privileges: one including "approval" and one including "convention".

1) Approval

A Committee of Investments, the Chairman of which is the Minister of Planning, gives an opinion, and the Minister of Planning approves by decree the status of an enterprise as a priority enterprise and determines the period during which this is valid. The following requirements have to be met by an enterprise in order to be given priority status:

- the planned investment has to exceed a certain amount fixed by law;
- the enterprise has to have sufficient guarantees for the financing as well as for the technical know-how to be applied;
- the staff to be recruited and trained has to be mainly of Burundi nationality;
- the enterprise must not compete with an already existing enterprise in a way that is detrimental to the general public;

- the enterprise must have been established after the Code was put into effect; or, its activities must have been expanded considerably after
- the enterprise must engage in or expand an activity in one of the sectors accorded priority by the Committee;
- the project must contribute directly or indirectly to the objectives laid down in the economic and social development plan;
- the project must participate in the development of Burundi by creating in principle at least 15 permanent jobs, by producing consumer goods or equipment, or by rendering services which lead to the development of existing or the creation of new activities;
- the project must contribute to the balance of trade, either by reducing imports or by expanding exports, or by improving the balance of payments.

Depending on the importance of its contribution, as per the preceding paragraph, every enterprise granted priority status may benefit from the following fiscal exemptions and reductions:

1) Total or partial exemption from import taxes on raw materials and equipment essential for carrying out the investment programme. However, equipment already exempted under article 23 is not included here.

2) Total or partial exemption from import taxes for a period not exceeding five years, starting with the date of first importation for:

   a) certain raw materials and products which are imported wholly or partially as parts of manufactured or transpormed products;

   b) certain raw materials and products which are expendable or which lose their specific qualities during the process of manufacturing, as well as materials and products intended for processing or packaging purposes and which cannot be utilized a second time.

   c) replacement of certain specific equipment and spare parts.

3) Exemption from direct taxes:

   a) for newly established enterprises, exemption from the following taxes for a period of five years beginning on the 1st of January of the year in which operations were started:

(i) Income taxes: tax on profits, tax on shares and bonds, and tax on income from rentals. However, exemption from the latter tax is granted only in case the approval decree expressly provides for it.

(ii) Property tax: tax on land and on vehicles.

b) for existing enterprises which are expanding, the enterprise is exempted from paying property tax (tax on land and tax on vehicles) for a period of ten years beginning on the 1st of January of the year in which the expansion is commenced.

2) Convention

In case an enterprise which fulfils the conditions established for priority enterprises presents a project which is considered to be of fundamental importance for the economic development of the country and which creates at least 50 new jobs and involves long-term capital investment, it can obtain the benefit of a "convention" which guarantees fiscal stability for 15 years. During this period, no modification regarding the laws under which the firm operates may be made. Moreover, it may not be subject to new direct taxes. These benefits are accorded by presidential decree.

In addition to these tax exemptions or reductions, the enterprises may:

- benefit from expropriations for the benefit of the public;
- and obtain land or buildings from the State, which may be either bought or rented.

The Minister of Planning may, upon recommendation of the Committee and following a serious non-compliance with the obligations assumed by the enterprise, withdraw the 'convention' by decree.

Customs Duties

The law prescribes that all machines constituting original equipment of an industrial or agricultural concern may be exempted from import duties (which are about 60 per cent). The same provisions apply to certain raw materials.

On the other hand, provision is made for the payment of preferential import dutice on certain raw materials or products destined for processing, such as sheet metal, welded tubes, and aluminium.