

The Use of Financial Inclusion Data Country Case Study: **BURUNDI**

Using National Survey Data to Formulate a Financial Inclusion Strategy

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1. Country Context

Burundi is ranked as one of the poorest countries in the world. Burundi covers an area of 27,834 km² with a population of approximately 8 million in 2008. The majority of Burundi's population depends mainly on subsistence agriculture composed of farming, livestock rearing, fishing and forestry. The overall economy is largely driven by three export crops, namely coffee, cotton and tea, whose yields are greatly influenced by climatic conditions. The secondary sector has generally grown well - buoyed by food-processing industries producing beverages and sugar, as well as chemical industries manufacturing paints, soaps and plastic crates. Table 1 below shows the trend of each sector's contribution to the Gross Domestic Product (GDP) over 2008-2012.

Table 1: Gross Domestic Product (*)

	2008	2009	2010	2011	2012
A. Billion Burundi francs (at current prices)					
(1) Primary Sector	726.3	797.4	933.8	1 017.4	1 290.2
(2) Secondary sector	294.6	370.8	314.1	374.6	474.2
(3) Tertiary sector	732.4	829.3	1016.9	1 164.6	1 393.0
(4) GDP at factor cost ⁽¹⁺²⁺³⁾	1 753.3	1 997.5	2 264.9	2 556.6	3 157.3
(5) GDP at market prices	1 911.1	2 184.2	2 495.8	2 849.7	3 493.2
B. Changes in percentage (at current prices) ⁽³⁾					
Primary Sector	-0.2	-3.5	-3.0	0.8	5.2
Secondary sector	1.0	8.4	-21.3	7.1	8.0
Tertiary sector	10.3	7.2	17.9	4.2	3.0
GDP as a factor of costs	4.6	3.6	3.4	3.5	4.4
GDP at market prices	4.9	3.8	5.1	4.2	4.2

*: Provisional data for 2010 and estimated as from 2011.

(1) Subsistence agriculture, livestock farming, fisheries and forestry.

(2) Including handicrafts

(3) 2005 Base line.

Source: Ministère des Finances et de la Planification du Développement Economique du Burundi (MFPDE).

Burundi's financial sector includes commercial banks, financial institutions, microfinance institutions, the post office, insurance and the National Social Security Institute. Only banking and microfinance sectors are governed by laws and decrees initiated by the Central Bank, Banque de la République du Burundi (BRB). The postal services, insurance and pensions sector are under their respective parent ministries.

To initiate a law for the banking and microfinance sectors, BRB prepares and submits a draft to its parent ministry, the Ministry of Finance. The latter presents the draft to the Council of Ministers which, in turn, submits it to the Parliament before its promulgation by the President of the Republic who signs it jointly with the Minister of Justice.

The development of a decree follows the same procedure but without going through Parliament. A decree is enacted by the President of the Republic who jointly signs it with the Minister in charge of finance. In addition to law and decree, the Central Bank may issue regulations on its own.

BRB has shown strong commitments to increasing the level of financial inclusion and has led several activities that aimed to expand financial access to the poor. In 2011, through the Alliance for Financial Inclusion (AFI's) Maya Declaration platform, BRB made concrete commitments to: (1) organise a panel discussion on financial inclusion with an aim of pushing the financial inclusion issue to the centre of the national political agenda, and (2) accelerate on-going activities of the national financial inclusion survey project in order to collect scientific data on demand and supply of the formal financial sector¹. These particular commitments were achieved and later updated in 2013.

In addition to making Maya commitments, in 2010-2011 BRB's delegates visited the Philippines and Kenya to study how these countries operate, regulate and supervise mobile financial services. The purpose of these AFI-funded learning trips was to facilitate the development of a regulatory framework for emerging mobile financial services in Burundi.

2. Collaboration to Launch the First National Financial Inclusion Survey

While policymakers correctly perceived the level of financial inclusion in Burundi to be low, the lack of empirical, nationally representative data on financial inclusion often limited their full understanding of the issue. Although financial institutions under BRB's supervision regularly provide financial information to the Bank, this information contains very little about usage and quality of financial services. More importantly, the lack of data prevents policymakers from formulating specific recommendations and setting quantifiable and concrete targets.

Driven by the need to provide better data, BRB launched the country's first national-level financial inclusion survey project funded by AFI. The goal was to establish a baseline to inform policy decisions aimed at deepening the level of financial inclusion in Burundi. Moreover, collecting comprehensive financial inclusion data was seen as one of the steps that the BRB planned to take in its journey towards the establishment of a national financial inclusion strategy in Burundi.

The aim of the survey was to capture information on the supply, access, demand, and quality of both formal and informal financial services, and consisted of three distinct components, namely:

- A nationally representative survey: 3,220 individuals aged 18 years and above in the country's 129 municipalities
- Focus discussion groups (FGDs): 15 FGD's consisting of 300 potential users of financial services from all the provinces
- A survey of financial institutions licensed by the BRB: A total of 33 were covered

To oversee the whole survey process, a steering committee composed of the Ministry of Finance, the Professional Associations of the banking and microfinance sectors and the Institut des Statistiques et d'Etudes Economiques du Burundi (ISTEEBU), was formed.

¹ Full text of BRB's commitments can be found on: <http://www.afi-global.org//library/publications/maya-declaration-commitment-made-bank-republic-burundi>

Data collection, quality check, and analysis involved a number of actors, each with unique expertise and skill sets. The survey was conducted by an international firm known as Développement International Desjardins (DID) which was recruited through an invitation for tender issued by the Central Bank. The firm worked closely with the Institut des Statistiques et d'Etudes Economiques du Burundi (ISTEEBU) in the recruitment of investigators, data entry and analysis. The media were used to publicise and raise awareness prior to the launch of the survey with the goal of facilitating the work of the investigators. Furthermore, information letters were sent to local administrators asking them to help raise awareness within their communities. Investigators wore badges with the logo of the country and the Central Bank for ease of identification and acceptance by respondents.

For licensed financial institutions, the Central Bank sent an introductory letter to facilitate the work of the consultants who were to visit them. Participants in the focus groups were given an incentive after the sessions and village leaders guided the investigators on the ground. To ensure the quality of data collected, the questionnaires were audited in the field at three levels, namely by survey team leaders, the National Coordinator - who was part of the technical firm - and the steering committee tasked with coordinating all project activities.

The survey project concluded in 2012 and fulfilled one of the Maya commitments that the BRB had made in 2011. With extensive and scientifically rigorous data on hand, the BRB was ready to craft evidence-based policy recommendations and a national financial inclusion strategy.

3. The Survey Findings

The overall survey results show that the level of financial inclusion in Burundi is low, consistent with the policymakers' prior belief. The survey found that only 12.5% of Burundi's adult population has an account in a formal financial institution. This is partly due to several socio-economic factors. In fact, the monthly income of more than 60% of the population is less than 25,000 BIF (about 20 USD), over 87.6% of the rural population depends on agriculture and livestock and about 40% are illiterate. Other factors are related to the aspect of the financial system such as account opening, geographical coverage of service points, fees, guarantees and financial services and products that do not meet the needs of certain categories of the population.

Table 2 below summarises the main financial inclusion indicators in Burundi derived from the survey data:

Table 2: Key financial inclusion indicators in Burundi

N °	Indicator	Value
1	Number of licensed financial institutions	33
2	Number of service points	492
3	% of service points in urban areas	34.6%
4	Number of service points per 1000 km ²	17.7
5	Number of service points per 100 000 adults	12.9
6	Number of ATMs	27
7	% of ATMs in urban areas	96.3%
8	Number of ATMs per 100 000 adults	0.7
9	% of municipalities with at least one service point	95.4%
10	% of adult population living in municipalities with at least one service point	97.0%
11	% of the adult population living within less than 8 km from a formal financial services access point	49.4%
12	% of the adult population with at least one deposit account in a licensed financial	12.5%

	institution	
13	Number of accounts / customers	831 454
14	Number of accounts / customers per 1 000 adults	218
15	Total outstanding deposits by individuals (millions of BIF)	554 500
16	% of the adult population with at least one credit account in a licensed financial institution	2.9%
17	Number of outstanding loans	163 389
18	Number of outstanding loans per 1 000 adults	43
19	Total outstanding loans to individuals (millions BIF)	329 590

Other key findings include:

- **High concentration of points of service within the province of Bujumbura where the capital city lies.**
- **Very low level of financial education among Burundi's population:** Only 10% of respondents say they are well informed about the various services available on the market. For example, respondents said that they were not aware of money transfer services by Western Union, Money Gram and the Régie Nationale des Postes and expressed desire to learn more about them.
- **Low level of awareness of financial institutions:** Most financial institutions are not well known to the public. This is especially true for microfinance institutions.
- **Physical distance as barriers to financial access outside the capital:** Outside province of Bujumbura, the distance between service points and lack of motorised transportation are important factors that hinder access to financial services.
- **High use of informal financial services:** Burundi's population uses informal services more than those offered by formal financial institutions, whether in terms of saving, borrowing or transferring money. This is despite the fact that the majority of respondents said they preferred services provided by banks and MFIs compared to other alternatives. Popular uses of informal systems could be the result of many factors including the greater accessibility of these systems, lack of financial education and knowledge of financial institutions, distance from service points of formal institutions and real or perceived barriers to accessing their services, as well as other sociocultural factors. The challenge for financial institutions is therefore to inform and persuade people about the benefits of formal financial services compared to informal systems.
- **Demographic differences in account ownership:** The rate of ownership of accounts varies widely across different social and economic categories. Men are twice as likely as women to have an account. 18-29 year olds are 50% less likely to have an account compared to those older than 30 years. The account ownership rate is 89.5% among state employees, 52.1% for private sector employees, 30.1% for traders and 5.3% for farmers.
- **Few women among MFI clientele:** Women constitute only 28.3% of MFI clients. This is at odds with what has been observed in most other countries where women are highly represented in the microfinance sector.

4. Policy Formulation and Actions Following the Survey Findings

The completion of the first national financial inclusion survey in 2012 provided policymakers and practitioners with baseline information on supply, access, demand and quality of formal and informal financial services on the basis of which they can establish concrete, measurable and verifiable objectives. For example, the finding allowed BRB to update their Maya commitments in 2013 to include "Increase the degree of financial inclusion which is currently at 12.5% to at least 25% by 2015". Noting that the financial

inclusion rate is 12.5% on the one hand, and the rate of use of informal financial services is 14%, on the other hand, it was possible for the Central Bank to commit to increase the level of financial inclusion to 27% in 2015 due to strategies that it would formulate to ensure that at least 14% of the adult working population joined the formal sector through a financial education and consumer protection program and especially by encouraging the provision of financial services through mobile phones and banking correspondents. Without a precise estimate on the level of inclusion and uses of informal services, BRB would find it difficult to make this commitment and to track the progress towards achieving it.

Furthermore, the survey results enabled the formulation of relevant recommendations for all stakeholders in the sector and the Government to improve financial inclusion in Burundi by reforming the legal, regulatory and institutional framework of the sector. The survey report includes recommendations for all stakeholders in the financial sector and the Government. It also includes a form that the various financial institutions (banks and MFIs) are required to complete annually in order to assess their efforts to improve financial inclusion.

In particular the low level of financial inclusion in Burundi and the lack of financial education among the population led to policymakers introducing the following measures:

- The need for a national financial inclusion strategy in Burundi. The onset of this process emanated from AFI and is underway with its completion set for 2014. A technical commission charged with monitoring and evaluating the implementation of the strategy will also be established.
- Analysis of the practical arrangements to start the financial education process in the country. A draft letter of interest requesting funding has already been submitted to AFI by the Central Bank.
- Accelerating the implementation of the payment systems and mobile financial services regulations in order to increase public confidence in the services that are already offered by some institutions.

In November 2013, BRB held a brainstorming workshop to discuss the results of the national financial inclusion survey and raise awareness among stakeholders in the sector of the roles they are expected to play to promote financial inclusion in practice. The workshop also allowed participants to make proposals on actions to be taken in the formulation of a national financial inclusion strategy in Burundi.

Overall, the Central Bank's initiative to conduct a national survey on supply and demand for financial services has been highly acclaimed by both policymakers and service providers. The results of the survey were highly appreciated for their empirical nature and the baseline role they would play for measuring financial inclusion in the country. The survey report has been widely used by the media, which often organises financial inclusion programmes by inviting a diverse range of experts from the financial sector and the Government.

5. Challenges and Lessons Learned

Although the financial inclusion survey project and ongoing development of a national financial inclusion strategy received praise from the public and stakeholders, BRB has faced the following challenges in using data to inform policymakers:

- (1) **Need to prioritise competing policy considerations:** The approval of laws governing the financial sector can be a long process depending on issues undergoing or pending analysis within the Government and Parliament. On the government side, the Central Bank can make efforts to ensure its parent

Ministry is aware of an issue and accelerates its submission to the Council of Ministers, which in turn submits it before Parliament. Such a process involves multiple actors and can be complex to manage.

- (2) **Administrative and political constraints in winning over senior decision makers:** The priorities of the lower hierarchy (e.g. the Central Bank) are not necessarily those of the upper hierarchy (e.g. the Council of Ministers), which can drag the process of improving the legal and regulatory framework and also hinder innovations.
- (3) **The lack of a unit dedicated to financial inclusion and monitoring of implementation of the recommendations from the survey:** Thanks to the introduction of the first nationally representative survey on financial inclusion, Burundi currently has a sufficiently rich statistical database that could help in the formulation of policies and impact measurement. Nevertheless, the country requires good organisation and coordination to determine who will be responsible for future activities in data collection and policy development.