key figures
- Land area, thousands of km²: 274
- Population, thousands (2005): 13,228
- GDP per capita, $ PPP valuation (2005): 1,085
- Life expectancy (2000-2005): 47.4
- Illiteracy rate (2005): 71.5
Burkina Faso

All tables and graphs in this section are available in Excel format at:
http://dx.doi.org/10.1787/830215840706
The country had a very mixed year in 2005. Between January and September a shortfall in the 2004/05 food-crop harvests created a sub-regional food crisis and a return of inflation. The economic climate was also affected by the delayed impact of the Ivorian crisis on transport costs (and thus supply of raw materials for industry) and by the sustained increase in oil prices. But these problems remained under control. The public adapted to higher fuel prices and the excellent 2004/05 cotton harvest (640 000 tonnes, up from 480 000 in 2003/04), all bought from farmers at a high 210 CFA francs a kg, sustained activity in the primary and secondary sectors and buoyed rural household income as well as exports during the first months of 2005. The year’s very good rainfall produced a much higher food-crop harvest from September, (4 million tonnes, including a surplus of about 1 million tonnes), and cottonseed output was expected to be 720 000 tonnes. Locust swarms were predicted but did not materialise. The economy grew 5.4 per cent in 2005, largely boosted by primary sector growth.

The very high 2005/06 food-crop harvest, implementation of certain structural reforms and completion of key infrastructural work (road repairs, electricity link-ups and new dams) in this landlocked country promised more sustained growth in the next few years. Greater competition in the banking sector, with new banks and creation of the Banque régionale de solidarité spécialisée in micro-finance, should make for easier loans and encourage small business projects producing jobs. Cotton production continues to increase rapidly but farmers will get a much lower price (175 CFA francs/kg with no bonus) than in recent years. The national budget is in good shape and aid donors remain supportive, which should enable the government to play a dynamic role. Sustained growth is therefore expected for the next two years (7.6 per cent in 2006 and 5.9 per cent in 2007).

Figure 1 - Real GDP Growth and Per Capita GDP
($ PPP at current prices)

Source: IMF and National authorities’ data; estimates (e) and projections (p) based on authors’ calculations.
Recent Economic Developments

The primary sector (mining apart) accounted for 30 per cent of GDP in 2005 and had a mixed year. After a poor 2004/05 harvest which caused a food crisis during the dry season, the very good 2005 rainy season produced an exceptional 2005/06 harvest and the sector grew 13.5 per cent by volume in 2005.

The food crisis lasted from May to September 2005. Parts of three Sahel region provinces in the north (Soum, Seno and Oudalan) had already been hit by drought as well as by the summer 2004 locust invasion. Cereal prices were immediately affected in markets in the north (the price of a sack of maize rose 37 per cent between September and October 2004 in Dori and 25 per cent in Gorom-Gorom) and the inflation spread quickly to food markets in Ouagadougou (a 26 per cent increase in Sankaryare market). The crisis took hold in about 20 provinces in eight regions (Sahel, Nord, Centre-Nord, Centre, Plateau-Central, Centre-Ouest, Centre-Est and Est) in 2005. The price of maize jumped more than 50 per cent between January and June throughout the country. A 100 kg sack in the capital cost more than 27 000 CFA francs in September 2005 (compared with about 10 000 CFA francs normally).

The seriousness of the crisis was a surprise. Several factors were involved. The 2004 rainy season had been poor (though still average for the previous five years) and its geographical distribution across the country and timing were very uneven. Pockets of drought very quickly appeared and rainfall was too irregular to produce a good crop of maize, the country’s most-traded cereal. The cereal shortage and higher prices were aggravated by speculation by some traders, who hoarded grain until prices rose before selling it. Cereals were exported to neighbouring Mali and Niger, which also had food crises, causing further shortages in Burkina Faso and a sub-regional supply crisis. Exact figures on merchants’ stocks and cereal export volumes are not available to show the relative influence of these factors.

The food crisis was dealt with in several stages. Cereals were handed out free in October and November 2004 and then sold at subsidised prices – 2 000 tonnes in February 2005 (at 5 500 CFA francs a sack compared with the market price of 10 000 CFA francs), 7 000 tonnes in July and 5 000 in August and September (at 10 000 CFA francs a sack, against a market price of more than 20 000 CFA francs). Emergency food aid by the government totalled more than 15 000 tonnes. NGOs helped greatly to ease the crisis, providing 10 000 tonnes free or at low prices, as did private donors (3 000 tonnes). The national food security stock management body Sonagess will in future be allowed to buy up cereal stocks to help with a new crisis. The stocks have hitherto simply been budgeted for. The total reconstitution of these emergency stocks is vital.

The 2005/06 cereals harvest, thanks to very good rainfall from May to October 2005, should exceed 4 million tonnes (up from the previous one’s 2.9 million) and produce a surplus of more than 1 million tonnes. Locusts did not appear in 2005, despite fear that eggs laid during the 2004 invasion would hatch. The authorities are on the alert, as it is not known when the insects will return. The good harvest pushed prices down and the price of a sack of maize fell by about a third between September and November 2005 in most markets. It should return to a moderate price in 2006.

The 2004/05 cotton harvest was a record 640 000 tonnes of cottonseed and farmers were all paid 210 CFA francs a kg despite some collection problems in the Est region. But average world prices were low and the three main cotton firms ran up a combined deficit of 30 billion CFA francs. The banks (an international consortium for Sofitex and local banks for Faso Coton and Socoma) still agreed to fund purchase of inputs for the 2005/06 season. The 2005/06 harvest should reach 720 000 tonnes but the price to farmers will only be 175 francs CFA/kg. The new price was announced before sowing but after loans for inputs had been decided. The cotton firms should recover somewhat with this drop of more than 15 per cent in the price to growers. They are also counting on better world prices to restore the industry’s balance. Export costs will remain high until arterial roads are repaired and security is guaranteed for rail traffic through Côte d’Ivoire.
The secondary sector (including extractive industries) contributed 20 per cent of the country’s total added value in 2005. It has been badly hit by the Ivorian crisis, and temporary or permanent closure of factories in 2003 and 2004 weakened industrial prospects already greatly limited by lack of large processing plants. The sector also suffers from the shortage and high cost of factors of production (electricity, oil products and transport of raw materials) and so manufacturing (12 per cent of GDP) grew only slowly by volume in 2005 (1.3 per cent). Construction (5 per cent of GDP) showed healthy growth (5.1 per cent) because of increased property investment begun in 2004 (government urban renewal plans and a boom in private construction around Ouagadougou) and major efforts to build roads and other infrastructure. Extractive industries registered 26 per cent growth but were less than 0.1 per cent of GDP. The energy sector
electricity, gas and water) accounted for just over 2 per cent of GDP and grew 5.3 per cent.

Mining exploration was spurred by record world prices for gold and precious metals in 2005. The country still has no mining infrastructure. The most advanced project is at Taparko, between Kaya and Dori, run by the Canadian firm High River Gold. The mine should start producing by the end of 2006 at the earliest and produce 100,000 ounces a year from estimated reserves of at least 600,000 ounces. Many other mining projects are under way elsewhere in the country. Construction of the Younga gold mine, in Zabre province (near the Ghanaian border) officially began on 17 October 2005. The biggest project, at Essakan, near the north-eastern town of Dori (near the Niger border), is run jointly by the South African firm Gold Fields and the Canadian firm Orezone and could have reserves of several million ounces. Test boreholes are being drilled. Alluvial gold exports rose to an estimated 10 billion CFA francs in 2005 (from 7 billion in 2004).

Growth in the secondary sector slowed to 3 per cent in 2005 (down from 9.8 per cent in 2004) but should be boosted in 2006 and 2007 by major infrastructure projects funded by the government and aid donors.

The tertiary sector, which also slowed to 3 per cent (from 8 per cent in 2004), provided 50 per cent of GDP in 2005, mainly through import-export activity and telecommunications. The trade sector (14 per cent of GDP) grew 17 per cent. Mobile phones are booming and the number of users has increased by more than 15 per cent annually in recent years. The opening-up of the sector since 2000 has lowered charges and brought in three main firms – Celtel, Telecel, and Telmob, a subsidiary of Onatel – with a combined annual income of more than 80 billion CFA francs (about 3 per cent of GDP). The sector should continue to grow in the next few years, driven by privatisation of Onatel, the end of its fixed-line monopoly on 31 December 2005 and better communication infrastructure through greater bandwidth and connections with the outside world. Fixed phones are also expanding with a big increase in the number of call-centres in 2005 to about 12,000.

Overall growth was about 5.4 per cent in 2005, boosted by the very good 2005/06 harvest that considerably swelled stocks at the end of the year and by a 22.2 per cent volume increase in exports arising from excellent 2004/05 cotton production. Household consumption grew 4.1 per cent as a result of higher income from cotton, though food prices also went up. Investment rose thanks to a 10 per cent increase in private sector funding.

The exceptional 2005/06 food-crop harvest promises economic growth of 7.6 per cent in 2006, driven by an expected 8.9 per cent increase in household consumption. Exports will continue to increase (a predicted 8.1 per cent in 2006) because of higher cotton output. Government investment should rise by 10 per cent. Forecasts for 2007, based on average expected agricultural production, include a 15 per cent jump in private investment arising from implementation

<table>
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<tr>
<th>Table 1 - Demand Composition (percentage of GDP)</th>
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<tr>
<td>1997</td>
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<tr>
<td>Gross capital formation</td>
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<td>Public</td>
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<td>Private</td>
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<td>Consumption</td>
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<td>External sector</td>
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<td>Exports</td>
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<td>Imports</td>
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Source: INSD data; estimates (e) and projections (p) based on authors' calculations.
of structural reforms and infrastructure projects vital to the landlocked country, such as road repairs, electricity link-ups and building of dams. Steady improvement in budget management and relations with development partners should enable the government to take a leading role in 2006 and 2007 and a 10 per cent increase in state investment is expected over these two years. If cotton production stays high, exports should grow somewhat, but the size of harvests and changing trade terms are hard to predict. The economy is thus growing strongly but is fragile and remains vulnerable to the weather and world commodity prices.

**Macroeconomic Policies**

**Fiscal Policy**

Inflation returned to several member countries of the West African Economic and Monetary Union (WAEMU) in 2005. Burkina Faso registered about 5 per cent as a result of the food crisis and higher oil prices. Public sector workers’ salaries went up in 2004 (4 per cent), followed by similar rises for banking and insurance workers. Loans to the economy grew 7.6 per cent in 2005 (according to the Central Bank of West African States – BCEAO). The expected very good harvest should drive down consumer prices and more moderate inflation is expected in the next few years. But the cost of oil could further increase consumer prices although consumers adjusted to them, notably by cutting use of motor transport. The oil-importing firm Sonabhy, after trimming its margins to limit pump price increases, will have to pass on the higher price per barrel. Lower tax on oil products, unlikely anyway, would not be enough to make up for the rise in world prices.

The country will not meet all the WAEMU’s primary convergence criteria in 2005. Inflation (5 per cent) exceeded the WAEMU’s ceiling of 3 per cent. The basic fiscal balance criterion of a having a zero budget deficit will not be met either, with 2004’s 1.4 per cent deficit increasing slightly to 1.6 per cent in 2005. Growth in spending (excluding debt-relief funds and externally-funded public investment) is now 11 per cent, while budget revenue (excluding grants) is only growing by 9 per cent. Other primary criteria will be met. Public external debt stabilised in 2005 at 34.8 per cent of GDP, helped largely by debt relief received under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Burkina Faso reached completion point in 2002. The country will therefore meet the criterion of public debt being under 70 per cent of GDP. Non-accumulation of payment arrears in the 2005 budget also meets the final primary criterion.

Public finances in November 2005 showed a continuing steady rise in tax revenue (of 10 to 15 per cent a year for the past five years), with an 11 per cent increase forecast at the end of the year (it was 6.7 per cent in the first nine months year-on-year). Budget revenue (except from privatisation) in the first nine months of 2005 exceeded IMF targets – at 278 billion CFA francs (the goal was 272 billion) and tax revenue should be 13.8 per cent of GDP (close to the 14 per cent target). Tax revenue performed best in domestic VAT (up 11 per cent in the first nine months year-on-year, an extra 10 billion CFA francs), taxes and duty on foreign trade (17 per cent more, an extra 6 billion CFA francs) and tax on company profits (up 10 per cent, or 3 billion CFA francs more). Tax on petroleum products (PPT) raised more than 17 billion CFA francs in the first nine months and the whole-year figure should be more than 2004’s 23 billion CFA francs.

The first nine months’ results are less than budgeted for but are still net increases. The performances are tied to implementation of the plan to strengthen budget management (PRGB) and especially reorganisation of the central tax administration which now, instead of the national treasury, directly deducts tax from wages and salaries. An office was set up at the end of 2004 to deal with taxation of large firms, which had been badly neglected. Customs revenue was hit by establishment of the customs union but will be partly made up for by the WAEMU’s arrangements. The Sydonia++ system now operating in several customs offices should improve collection and produce more reliable foreign trade figures. The privatisation of Onatel in 2006 should earn 15 billion CFA francs for the government.
This higher revenue and increased government spending are being used to boost the economy and fight poverty as part of a medium-term expenditure framework (MTEF). Current expenditure in 2005 grew 13 per cent, mainly as a result of a 15 per cent rise in wage and salaries planned since 2004 as well as extra recruitment, collectively costing 9 billion CFA francs. Subsidies to enable the electricity firm Sonabel to keep higher oil prices from pushing up the price of power are expected to be more than 20 billion CFA francs in 2005 (up from 13 billion in 2004). Capital expenditure should rise 5 per cent in 2005 and 10 per cent in 2006 reflecting the government’s major infrastructure projects. HIPC funds disbursed in 2005 and deposited in a special anti-poverty account were 20.5 billion CFA francs. Since the start of the HIPC Initiative, the account has received 124 billion CFA francs. Half has been spent on the priority sectors of health and education and half on other anti-poverty action such as support for agriculture, social projects and job creation. The government’s capacity to absorb these new funds is satisfactory. The budget deficit (including grants) in 2005 was stable at 4.1 per cent of GDP. The government’s expansionist budget policy seems sustainable in view of its higher tax revenue.

The four-part priority action programme (PAP), which implements and co-ordinates the poverty reduction strategy framework (PRSF), aims to speed up fair growth, give the poor access to basic social services and protection, increase job opportunities and income-generating activities and promote good governance. Some 402 billion CFA francs were spent on these efforts in 2005. About 390 billion have been allocated for 2006 (3 per cent less) and only 293 billion in 2007 (down 25 per cent). The distribution of the money is also changing. In 2005, the biggest slice (35 per cent) went on fair growth, consolidating macroeconomic stability and supporting the primary sector. In 2006, the priority will be job creation and income generation (35 per cent) and include opening up rural areas, which involves road programmes (which will get 20 billion CFA francs more in 2006). Spending on education and health will be slightly reduced. Good governance, which includes support for democratic and judicial institutions, strengthening the legal framework and decentralisation, gets a steady 10 per cent of PAP spending.

Good relations between Burkina Faso and its foreign funding sources provide substantial and continuous financing that covers the budget deficit and enables gradual implementation of the PAP, which has led to a clear and practical road-map enabling the government and its partners to work together. Total disbursements (loans and grants) in the first nine months of 2005 were 75 per cent of the budgeted amount for the whole year. Budget support funding increased, reflecting new methods of fighting poverty, and some 75 billion CFA francs

<table>
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<th>Table 2 - Public Finances (percentage of GDP)</th>
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<tr>
<td>1997</td>
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<tr>
<td>Total revenue and grants*</td>
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<tr>
<td>Tax revenue</td>
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<tr>
<td>Grants</td>
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<tr>
<td>Total expenditure and net lending*</td>
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<tr>
<td>Current expenditure</td>
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<tr>
<td>Excluding interest</td>
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<tr>
<td>Wages and salaries</td>
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<tr>
<td>Interest</td>
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<tr>
<td>Capital expenditure</td>
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<tr>
<td>Primary balance</td>
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<tr>
<td>Overall balance</td>
</tr>
</tbody>
</table>

a. Only major items are reported.
Source: SP/PPF data; estimates (e) and projections (p) based on authors’ calculations.
Burkina Faso

francs in grants and soft loans were provided for this in the first nine months. Project aid also got 114 billion CFA francs, mainly in the form of loans (65 billion CFA francs). Government and donors signed an agreement in January 2005 setting up an organisational framework for budget support that will better incorporate budgetary aid in the government’s financial planning.

The European Union (EU) will introduce a new disbursement mechanism in 2006 for non-specific budgetary aid. Disbursements in any given year \((n)\) have hitherto been based on performance in year \(n-1\). In view of the time needed to gather data and for donors then to assess progress towards targets, actual disbursement was never made before the second half of year \(n\). That forced the government to take out short-term loans to finance the budget while waiting for the money or for April tax revenues and meant aid was seriously unpredictable. Assessment of performances for year \(n+1\) will now be done in year \(n\) on the basis of year \(n-1\) performances. The announced sum of budgetary aid can thus be incorporated into the annual budget and disbursed in the first half of each year. A review by the EU (the main donor) of the situation in mid-2004, conducted in February 2005, acknowledged good performance and led to increased aid for Burkina Faso.

**Monetary Policy**

The BCEAO tightened its monetary policy in the face of inflation by adjusting reserve requirements, enabling different measures in each member country, unlike the case of intervention rates which apply to all countries. Burkina Faso’s bank reserve requirements were raised from 3 to 7 per cent on 16 June 2005. The money supply, which grew 8.6 per cent in 2005, should be reduced by this restriction of credit. Cotton exports boosted external reserves, which increased by about 8 per cent in 2005.

**External Position**

The country’s trade deficit grew slightly in 2005, to 248 billion CFA francs (from 244 billion in 2004), or 10.2 per cent of GDP. The trade balance remains largely supported by cotton exports and was thus mainly dependent on changing terms of trade which, in view of low cotton prices and high oil product prices, are presently unfavourable.

Merchandise exports increased in value in 2005 by a modest 2.9 per cent compared with 2004 to 7.5 billion CFA francs. Cotton export earnings fell because of lower world prices despite higher production during the 2004/05 harvest. But cotton still represented 57 per cent of total exports, bringing in 150 billion CFA francs in 2005. Merchandise imports meanwhile rose 2.2 per cent to 509 billion CFA francs. More expensive oil products accounted for nearly 8 billion of the 11 billion CFA francs increase. The difficult situation at the start of the year was reflected in the stagnation of imports (except oil products) over the year which rose by less than 1 per cent compared with 2004. French customs mirror statistics showed that Burkina Faso’s imports from OECD countries fell by 6 per cent year-on-year in the first 10 months of 2005. This reflects a smaller share of OECD-country goods in total imports and the strength of Burkina Faso’s Asian trading partners, but also weak domestic demand for manufactured goods. Imports are expected to rise again at the end of the year as conditions improve slightly thanks to strong primary sector growth.

The deficit in the goods, services and income balance grew by 12 billion CFA francs in 2005, to 409 billion CFA francs (14 per cent of GDP). The large current account deficit, of about 10 per cent of GDP, or 342 billion CFA francs, (excluding external budgetary support), makes the country highly dependent on external funding. Net public transfers and drawings on government bodies funded 257 billion CFA francs of the deficit. Debt relief under the Enhanced HIPC Initiative, for which the country reached completion point in May 2002, provided 40 billion CFA francs to fund the estimated 15 billion deficit in the 2005 overall balance. The ratio of external debt to GDP stabilised at 34.8 per cent in 2005 and debt service was 9.1 per cent of exports. These ratios should improve further when multilateral debt relief decided by the G8 nations in 2005 becomes effective.
Burkina Faso reformed its labour law in September 2004 and is waiting for Ohada (the African business law harmonisation organisation) to complete its work. The new law bans sympathy strikes (confining strikes to issues within the workers’ own firms), calculates paid holidays according to the calendar instead of working days (which limits paid holidays to 30 days) and requires a binding order to enforce decisions (which limits the power of bailiffs and increases that of judges in business disputes). The law on trainee and apprenticeship contracts was strengthened and overtime pay officially increased. A significant step in 2005 was creation of a one-stop shop to streamline and speed up formalities for setting up and expanding businesses.

But flaws remain in many areas of business regulation, such as taxation and customs procedures. Firms also complain about the government’s tardy payment for public works projects it contracts out. The WAEMU’s legal framework, which is supposed to encourage sub-regional economic activity, is being implemented only slowly. The right of establishment is not effective and rules for drawing up consolidated accounts of firms operating in several countries do not

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Table 3 - **Current Account** (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005(e)</th>
<th>2006(p)</th>
<th>2007(p)</th>
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<tbody>
<tr>
<td>Trade balance</td>
<td>-11.9</td>
<td>-9.3</td>
<td>-8.4</td>
<td>-8.8</td>
<td>-10.2</td>
<td>-10.7</td>
<td>-11.1</td>
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<tr>
<td>Exports of goods (f.o.b.)</td>
<td>9.7</td>
<td>7.6</td>
<td>7.6</td>
<td>9.1</td>
<td>9.7</td>
<td>10.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Imports of goods (f.o.b.)</td>
<td>-21.5</td>
<td>-16.9</td>
<td>-16.0</td>
<td>-17.9</td>
<td>-19.9</td>
<td>-20.7</td>
<td>-20.9</td>
</tr>
<tr>
<td>Services</td>
<td>-4.7</td>
<td>-3.2</td>
<td>-4.4</td>
<td>-4.0</td>
<td></td>
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<tr>
<td>Factor income</td>
<td>-0.6</td>
<td>-0.7</td>
<td>-0.6</td>
<td>-0.6</td>
<td></td>
<td></td>
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<tr>
<td>Current transfers</td>
<td>6.9</td>
<td>4.0</td>
<td>4.9</td>
<td>3.8</td>
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<tr>
<td>Current account balance</td>
<td>-10.2</td>
<td>-9.2</td>
<td>-8.4</td>
<td>-9.6</td>
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</tbody>
</table>

*Source: INSD data; estimates (e) and projections (p) based on authors’ calculations.*

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Figure 4 - **Stock of Total External Debt** (percentage of GNI) and **Debt Service** (percentage of exports of goods and services)

*Source: IMF and World Bank.*

**Structural Issues**

**Recent Developments**

Burkina Faso reformed its labour law in September 2004 and is waiting for Ohada (the African business law harmonisation organisation) to complete its work. The new law bans sympathy strikes (confining strikes to issues within the workers’ own firms), calculates paid holidays according to the calendar instead of working days (which limits paid holidays to 30 days) and requires a binding order to enforce decisions (which limits the power of bailiffs and increases that of judges in business disputes). The law on trainee and apprenticeship contracts was strengthened and overtime pay officially increased. A significant step in 2005 was creation of a one-stop shop to streamline and speed up formalities for setting up and expanding businesses.

But flaws remain in many areas of business regulation, such as taxation and customs procedures. Firms also complain about the government’s tardy payment for public works projects it contracts out. The WAEMU’s legal framework, which is supposed to encourage sub-regional economic activity, is being implemented only slowly. The right of establishment is not effective and rules for drawing up consolidated accounts of firms operating in several countries do not
exist. Problems with enforcing the new mining law are hampering firms in that sector.

The country pays dearly for electricity shortages and expensive oil which affect the entire population and the productive sector. High electricity rates undermine industrial growth and the hot season brings frequent power cuts, especially in the capital. The biggest of several projects to increase supply is one to link Ouagadougou with Bobo-Dioulasso, the funding of which was completed by a French Development Agency (AFD) loan of more than 10 billion CFA francs in April 2005. The 50 billion-plus CFA francs scheme is co-funded by the AFD, the European Investment Bank, the World Bank, the Nordic Funds and the Danish aid agency. The contracts are being tendered and work should start in June 2006 with the new link fully ready by the end of 2007. The project will extend the existing power line between Ferkessedougou (Côte d'Ivoire) and Bobo-Dioulasso. As well as supplying the capital, the new high-tension line will provide cheaper current to the entire region between the two cities and meet the capital's needs until 2012, when another major project will take over to satisfy the growing demand. This will be connecting Ouagadougou to the Ghanaian national grid by a high-tension line to Bolgatanga (Ghana). Sonabel has very few paying customers and only 14 per cent of households are officially connected.

Stepping up electricity imports will allow Sonabel to cut its thermal production. Imports of fuel-oil and diesel (more than 100 000 tonnes in 2005) will be reduced by three-quarters in 2008 (to just over 25 000 tonnes) because of the new power line. The government presently subsidises half of Sonabel's oil purchases but wants to cap this, so the firm, which is at the mercy of world oil prices, will need to cut its own production.

The economy is handicapped by the rise in oil prices, and pump prices rose an average 20 per cent between January and November 2005 (17 per cent for super, 27 per cent for diesel and 29 per cent for two-stroke), reaching a peak in September (super at 673 CFA francs/litre in Ouagadougou and diesel at 599 CFA francs). Prices are fixed monthly based on an average of prices over the previous 25 days, which has softened the impact and avoided passing on the entire oil price rise to consumers. Without this arrangement, super might have sometimes cost more than 715 CFA francs. Sonabhy's finances are affected but the company gets by with bank loans and uses its stocks to keep prices steady. It currently has 45 days of consumption (though sometimes only 30), while previously it had 60 to 70 days of stocks. Tax on oil products comprises VAT (18 per cent), customs duty and PPT and totals about 38 per cent of the pump price. The PPT is unlikely to be reduced as it raises substantial revenue for the government (17 billion CFA francs in the first nine months of 2005).

High fuel prices keep transport costs high and reduce demand for it. Sales rose less than 2 per cent in 2005, to an estimated 460 000 cubic metres (450 000 cubic metres in 2004), while the economy as a whole grew much faster (5.4 per cent). Vehicle-owners are switching to diesel, which is still cheaper than super, mainly because it attracts lower tax. Diesel sales rose 5.8 per cent in 2005, while only a little over 1 per cent more super was sold. One beneficial side-effect is that Ouagadougou airport is once again more attractive for aircraft refuelling as the fixed costs of transporting the fuel to Ouagadougou are proportionally lower with higher world prices. Burkina Faso suffers less now from refuelling competition from Cotonou and Niamey airports and sales of Jet A1 by Ouagadougou airport were up 16 per cent in 2005.

Three big firms are being privatised – Onatel (telecommunications), Sonabel (electricity) and Sonabhy (oil products). Divestment of Onatel began in 2004 with tendering of 34 per cent of its capital and a management franchise, but this was unsuccessful. A new package was put together, this time of 51 per cent of its capital plus management. The remaining 49 per cent would be reserved for the government (23 per cent), the general public (20 per cent) and the firm's employees (6 per cent). The communications regulator, Artel, is drawing up the terms and conditions for future shareholders which will include public service
obligations. Government revenue from Onatel’s privatisation is expected to be 15 billion CFA francs in 2006. The mobile phone sector was opened up in 1999. The government monopoly of fixed lines ended on 31 December 2005, but there is some doubt about the need for a second fixed-line operation in view of the small size of the market.

Sonabel will be privatised in three stages. An entirely state-owned asset-holding company will be set up and then turned into a state-guaranteed private firm with most of its capital available for purchase by private investors. Finally, its management and energy operations will be transferred to this private firm. But the firm’s accounts are still being audited. Privatisation of Sonabhy will be done slowly, starting with a minority share offering. Appointment of an independent regulatory body raises the question of whether it should supervise both oil products and electricity (and thus regulate the whole energy sector) or if the two sectors should be monitored separately, which seems to be the preferred solution. Whatever happens, the oil sector will have to be supervised and access to it limited in order to fight fraud, tax evasion, poor maintenance of fuel depots and lack of emergency stocks, all observable in countries where the sector is totally unregulated.

The banking sector is being reorganised and in 2005 three new banks joined the eight already operating. These were the Banque Atlantique (a subsidiary of the Banque Atlantique de Côte d’Ivoire), the Banque de l’habitat, which will start up in 2006, and the Banque de la solidarité du Burkina (BRS-B), which is linked to the BCEAO and opened in November 2005. The increased competition should benefit customers by reducing bank charges. The BRS-B, inspired by Tunisia’s BRS and by Bangladesh’s Grameen Bank, aims to serve individual customer projects and micro-enterprises and tap into the enormous number of applications that are overwhelming current micro-finance institutions. Its loan-monitoring and guarantee arrangements have been approved by the BCEAO and the government. The BRS-B is the first bank of its kind in the country and should boost income-generating activity and bank use: only 4 per cent of the population have access to banking services at present.

Transport Infrastructure

The transport sector is rapidly changing. The Ivorian crisis, which blocked the Bobo-Abidjan trade corridor, led to speedy reorganisation of routes and the flow of goods. The rapid adjustments surprised many who expected substantially more trade problems. The crisis showed the need for more energetic government policy on infrastructures and better organisation of transport operators. Infrastructure repairs should help the growth of industry and transport, reduce the cost of transporting goods and open up several economic areas that have suffered from the isolation arising from the closure of the Bobo-Abidjan route.

The country has 15 272 km of graded roads (6 697 km main roads, 3 581 km regional and 4 994 km provincial), of which 2 380 km are surfaced. There are also 46 000 km of rural tracks and 350 km of paved roads in the Ouagadougou and Bobo-Dioulasso conurbations.

Under the 1992-2000 transport sector adjustment programme (Pasec-T), the government largely withdrew from all freight-handling, which involved waves of privatisation, including maintenance of all graded roads. Then came major investment to open up the country to the outside world and the main trade routes to neighbouring countries were surfaced. Good roads to Côte d’Ivoire (Ouaga-Bobo-Banfora), to Togo (Ouaga-Koupela) and to Benin (Ouaga-Koupela-Fada-Pama) gave Burkinabe businesses better access to seaports.

These road network improvements were vital because of the Ivorian crisis which, by closing the Ouaga-Abidjan railway, forced transporters to use the roads much more. In 2002, 37 per cent of all goods crossing the border to maritime countries went by road (296 530 tonnes). In 2003, when the railway was closed down for nine months, this figure rose to 88 per cent (910 000 tonnes) and was 80 per cent in 2004. Goods traffic has tripled across the Togolese border (from 157 209 tonnes in 2002 to 516 861 in 2003) and that to Ghana has risen from 107 906 tonnes in 2002 to 300 640 in 2003.
The rapid deterioration of these now heavily-used roads calls for new efforts by the government and its partners. Since 2000, a second transport sector programme (PST-II) has earmarked more than 783 billion CFA francs for roads, mainly their upkeep (40 billion CFA francs in 2005, supplied entirely by the government). Maintenance and improvement of surfaced roads cost more than 37 billion CFA francs over 760 km in 2005. The EU is the specialist funding agency for this and is paying for more than three-quarters of the programme. The main roads involved are Ouaga-Bobo and Ouaga-Koupela (to Niger, Togo and Benin). Strengthening surfaced roads (104 billion CFA francs for a 507 km stretch) is two-thirds funded by the EU. Periodic upkeep and improvement of unsurfaced roads involves 6 472 km, of which 2 013 km had been done by the end of 2005, with 4 459 km still in progress. The main funders of this part of PST-II are the World Bank, the African Development Bank and the EU. Surfacing of new roads is also planned. The stretches Ouaga-Pô (Ghana), Ouaga-Diebougou-Gaoua-Kampti (Côte d’Ivoire) and Ouaga-Nazinon have been done (406 km) at a cost of 48 billion CFA francs and will speed up traffic to Ghana and Côte d’Ivoire. Surfacing of the stretches Ouagadougou-Leo (Ghana), Bobo-Dedougou, Kaya-Dori and Ouaga-Kongoussi is also under way, costing 73.5 billion CFA francs for 566 km. This is mostly funded by Arab sources, such as Kuwait’s KFDEA (22 per cent), the Arab Bank for Economic Development in Africa (BADEA) (18 per cent) and the Islamic Development Bank (IDB) (17 per cent). An extra 11 910 km of new rural tracks are planned, 6 777 km of them funded largely by the World Bank and the special HIPC Initiative fund, to open up some rural areas and cotton-producing regions. A motorway between Ouaga and Bobo is also planned to decongest the present road and halt its rapid deterioration, caused by its use by more than 2 000 vehicles a day (2 800 on the Ouaga-Sakoinse stretch), but the project is only at the feasibility-study stage.

A very successful project to sell new duty-free vehicles was launched by the government in 2003. Passenger transport now needs to be regulated to include the many small non-professional individual carriers. A set of rules should be ready at the end of 2006.

Road freight haulage has the same problem of non-professional operators, plus that represented by dilapidated and unsafe trucks. This has been aggravated by the Ivorian crisis, which led individuals and small traders to acquire their own vehicles, bypassing the haulage firms. The perilous state of Burkinabe trucks also slows sub-regional integration, which requires a degree of common regulation. About three-quarters of Burkinabe trucks are reckoned to violate safety standards of age, maintenance and load weight.

Urban transport is mainly individual. The bus firm SOTRACO (successor to Régie X9) has run a small bus network (now 60 vehicles) in Ouagadougou since 2003 but most people get around in private cars and on bicycles and motorcycles. Taxis are plentiful but drivers are still little regulated and professional standards are low. The government wants to regulate the profession and monitor the age of imported vehicles to curb an influx of bad-condition second-hand vehicles from Europe.

Rail has historically been the chief way to transport goods, via the Ouagadougou-Abidjan line, which was jointly run by Burkina Faso and Côte d’Ivoire through the Régie Abidjan Niger (RAN), which was split into two national companies for a while and then handed over to a private firm, Sitarail. This saw a massive increase in goods traffic but less passenger traffic, which was not profitable because of the age of the line and slowness of the journey. The Ivorian crisis was a disaster for the railway. The border was closed from 19 September 2002 to 10 September 2003 and Sitarail was only allowed to resume operating inside Côte d’Ivoire in May 2003. Goods traffic fell 80 per cent between 2002 and 2003, from 866 000 tonnes to under 180 000. Reopening of the line enabled merchandise stuck in the port of Abidjan since the beginning of the crisis to be brought out at the end of 2003, but the second political crisis, at the end of
2004, again hit rail traffic, in November and December that year and in the first quarter of 2005. Sofitex, which had used the line to export cotton, switched permanently to road transport and shipment out of Ghanaian and especially Togolese ports. Trains are running again, however, and have no special problems on the run to Abidjan. Sonabhy is using them to bring in some of its oil imports. But the Ivorian situation continues to be unstable and insurance of goods is hard to come by. Passenger traffic has also resumed but now with only three trains a week.

A new Ouagadougou airport is planned to replace the present one, which is too small for the 220,000 passengers it handles each year and is an annoyance and danger to thousands of people through being situated right in the city. The new one, costing more than 80 billion CFA francs and scheduled to open in 2015, will be 35 km northeast of the city and able to process 700,000 passengers a year.

**Political and Social Context**

President Blaise Compaore, in power since 1987, was re-elected in November 2005 with 80.3 per cent of the vote in the first round. The election was peaceful, with no serious irregularities reported after nearly two years of preparation by the independent national elections commission (Ceni), chaired by civil society representative Judge Moussa Michel Tapsoba. Ceni computerised electoral records, enabling nearly 4 million out of an estimated 6 million-strong electorate to register. Introduction of a single ballot paper reduced the cost of the election and chances of fraud. Thirteen candidates ran and Compaore’s candidacy was constitutionally challenged. Article 37 of the national constitution was changed on 11 April 2000 to reduce the presidential term from seven to five years and ban more than one re-election (before, it had been unrestricted). Compaore had served several terms and his opponents asked the constitutional council to ban him from standing again. But the council refused, saying the amended article was not retroactive, so the incumbent president could stand for re-election again.

Voter turnout was 57.5 per cent, according to Ceni, much higher that at previous presidential polls, because the election was well-organised and because of vigorous campaigning by opposition parties which, for the first time, did not boycott the election. Compaore’s landslide win was partly because the opposition did not unite to offer a credible alternative. The main opposition party, the Alliance for Democracy and Federation–Assembly for African Democracy (ADF-RDA), headed by opposition leader Gilbert Ouedraogo, supported Compaore, as did most political parties and groupings. Compaore’s Congress for Democracy and Progress (CDP) party also had much more money than the other parties and campaigned energetically. The party had a nationwide network of support groups and the president was backed by fellow heads of state in the sub-region.

The government’s anti-corruption co-ordination body, HACLC, began work in 2003 but has little money and insufficient staff. The government said it wanted to fight corruption seriously but then did not follow all the recommendations of anti-corruption bodies, such as HACLC, the national ethics committee and the national audit court. HACLC’s most recent report, in March 2005, has been kept secret despite earlier government promises to release it. The justice system has also been criticised by observers as very corrupt and for only rarely challenging high-level embezzlement of public funds, even in virtually-acknowledged cases. On the eve of the presidential election, the government strongly suggested it would crack down on corruption, but this declared intent seemed to go no further than a few symbolic cases pursued partly for reasons of the CDP’s internal politics. The important work of monitoring public finances, by the national audit court set up in 2002, has helped to clarify management of the national budget.

Burkina Faso is one of the world’s poorest countries and ranked 175th out of 177 countries on the 2005 UN Human Development Index, based on the situation in 2003. The National Statistics and Demography Institute (INSD) said the poverty rate in 2004 was 46 per cent and predicted a slight fall in 2005 to just over 43 per cent. This showed the economy’s resistance
to the weather problems (poor rainfall) and external shocks (the Ivorian crisis) that pushed up prices of staples and cut remittances to mainly rural households by citizens living and working in Côte d’Ivoire. Poverty was unequally distributed in 2005, with 18 per cent of urban dwellers considered poor by the INSD and 48 per cent in the countryside. The PAP reckons that 7 per cent economic growth is needed significantly to reduce poverty. The goal is to bring it down to below 35 per cent by 2015.

The government has made major efforts to improve health and education. The capacity to absorb aid and funds released under the HIPC Initiative is satisfactory and the rate of project completion is rising. But health indicators are still worrying. The PAP has fixed eight goals to improve health – boost infrastructure, set care and medicine standards, fight infectious diseases, reduce HIV/AIDS prevalence and look after patients, train more health workers, improve access to healthcare, increase coverage of costs and boost institutional capacity at the health ministry. A nationwide survey in 2004 put the HIV/AIDS infection rate at 1.8 per cent, the result of an active prevention policy.

The sustained effort to upgrade education, with 40 billion CFA francs invested in the sector in 2005 (about 14 per cent of total government spending), has significantly boosted primary enrolment, from 47.5 per cent in 2002 to 56.8 per cent in 2004, and it reached the 59 per cent target for 2005. Enrolment of girls has also risen. But educational conditions are still unsatisfactory and teaching is often very difficult, with an average of 52 pupils per class and a high 15 per cent without desks. The primary school graduation rate is still low, at 33 per cent for boys and under 30 per cent for girls. Repeating years is common and what to do on primary graduation is a serious problem, making the purpose of such education questionable. About 10 per cent of the school-age population is in secondary education and increasing by about one percentage point a year. Vocational training is virtually non-existent and both the children and the economy suffer from its absence.

Literacy is growing but is still very low. The target rate for the adult population was only 30 per cent in 2005. Providing more educational opportunity, by building and equipping more than 3 000 classrooms in 2005 and nearly 4 000 in 2006, is part of the PAP. Improving the primary curriculum through better teacher training and more effective assessment should increase the average number of years children spend at school. Support for adult literacy efforts is also a key goal of the poverty reduction strategy framework (PRS).

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African Economic Outlook

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