

# Burkina Faso

## Burkina Faso



● Ouagadougou

### key figures

- Land area, thousands of km<sup>2</sup> 274
- Population, thousands (2001) 11 856
- GDP per capita, \$ (2001) 210
- Life expectancy (2000-2005) 48.1
- Illiteracy rate (2001) 75.2



# Burkina Faso

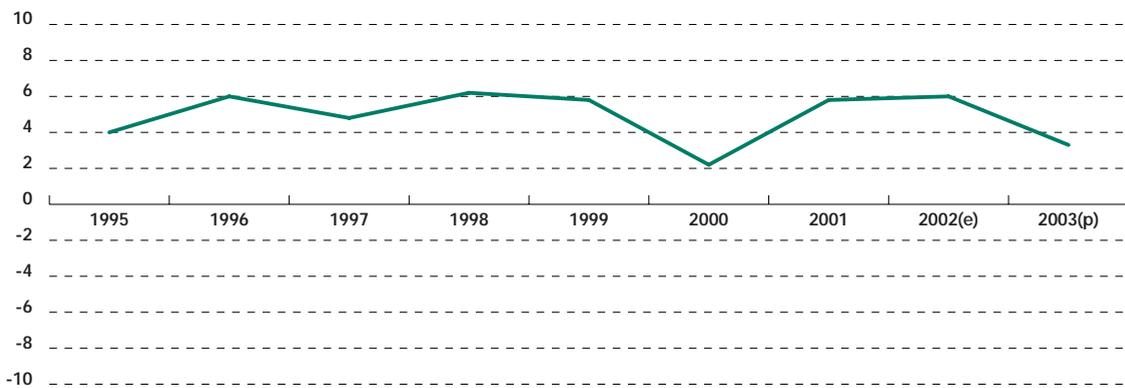
BURKINA FASO'S ECONOMIC PERFORMANCE is heavily dependent on what happens beyond its borders because the country lives mostly off agricultural exports, mainly cotton and cereals, and receives substantial foreign aid. The economy slowed down sharply in 2000 due to the international situation and poor rainfall, but activity picked up in the last quarter of 2001 thanks to very good cotton and cereal harvests. This produced 5.7 per cent overall growth for 2001 after a drop to only 2 per cent in 2000. Growth is expected to top 6 per cent in 2002 because of increased consumption triggered by the much higher farm incomes at the end of 2001. The weakness of world commodity prices – and the resulting lower prices paid to farmers – may mean a

smaller cotton harvest at the end of the 2002/03 season, which would pull down the growth rate again, to around 3.3 per cent. The renewed troubles in Côte d'Ivoire from September 2002 could also disrupt the flow of exports and imports, despite a policy of diversifying trade routes through Ghana, Togo and Benin. This could upset prices and push inflation above 3 per cent in 2003 after a fall to 2.5 per cent in 2002. Diplomatic tensions and the threat of a major influx of refugees could aggravate these economic side effects. So the country's short-term development depends very much on a solution to the Ivorian crisis.

Despite increased economic growth, Burkina Faso's short-term development depends very much on a solution to the Ivorian crisis

Figure 1 - Real GDP Growth

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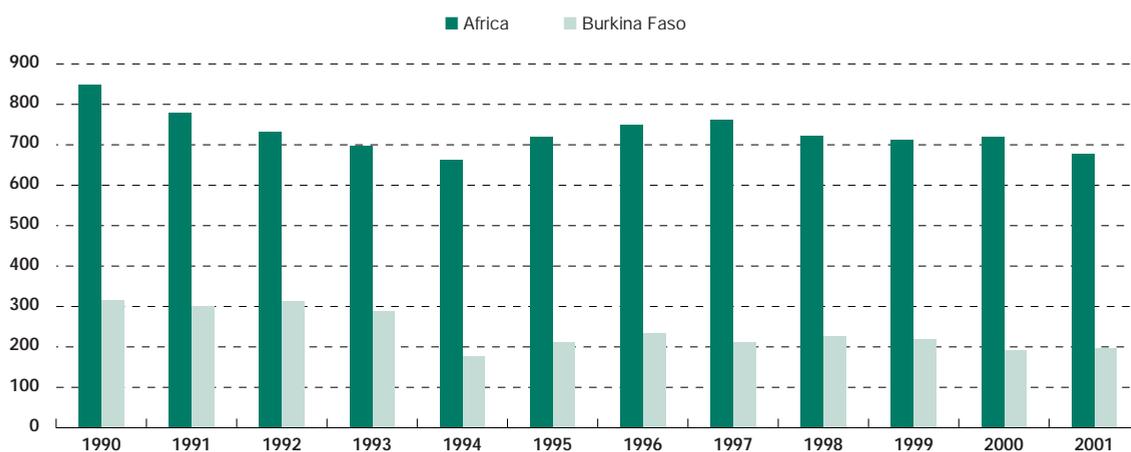


Source: Authors' estimates and predictions based on IMF data.

After a very difficult season in 2000/01, agriculture and related processing have again been the motor of growth since the end of 2001. The primary sector registered growth of 10 per cent thanks to a record cotton harvest and restored cereal production after the previous year's poor results. Agriculture, cattle-raising, forestry, hunting and fishing employ virtually all the population (88 per cent in 1997) and accounted for 75 per cent of export earnings and more than 40 per cent of GDP in 2001.

Apart from heavy dependence on the weather, the cereals sector is badly organised, resulting in very low prices to farmers, bad management of stocks and pockets of activity outside the normal market structure that have a big effect on prices. To remedy this, the government in early 2001 helped set up *Soprofa*, a three-quarters privately-owned firm, to organise inputs, credit and harvesting. This should improve marketing in 2002, with the firm's planned purchase of 13 billion CFA francs worth of cereals, but the arrangement is

Figure 2 - GDP Per Capita in Burkina Faso and in Africa (current \$)



Source: Authors' estimates based on IMF data.

controversial because it will eliminate intermediaries in the sector.

The 1994 devaluation and structural reforms (especially towards greater involvement of farmers in running the state-owned cotton firm *Sofitex*) greatly boosted cottonseed production — from 143 000 tonnes in 1994 to 214 000 in 1996 and 338 000 in 1997. Despite lower world prices and problems with insects, these gains held due to greater productivity and better management at *Sofitex*. The 2001/02 harvest was a record 400 000 tonnes due to well-distributed rainfall and a higher price (200 CFA francs/kg) for producers,<sup>1</sup> whose income was boosted by two-thirds and is expected to have a significant impact on rural poverty. The 2002/03 season looks less rosy in view of still-low world prices. *Sofitex* has said it will not distribute profits but the authorities hope this will not discourage farmers much since they have been brought into the running of the sector. The good management at *Sofitex* as well as farmer participation in decision-making would seem to rule out the kind of broad strike that occurred in Mali in 2000.

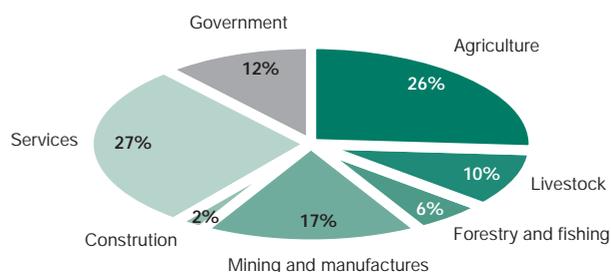
Despite strong competition from Asian rice since import restrictions on the grain were eased in 1996, rice

cultivation is increasingly important in the Burkinabé economy. The government has encouraged this with irrigation and other measures and production has nearly doubled in six years (from 53 800 tonnes in 1993 to 94 200 in 1999 and 103 100 in 2000). A 10 billion CFA franc (\$14 million) support plan funded by the European Union is under way to sow an extra 6 000 hectares and produce 18 000 tonnes a year more by 2006, but these improvements are hampered by small farm-size and the country's limited hulling facilities. The higher productivity in the sector in recent years can only be maintained by better water management and more co-operation among farmers. The government is also relying on fruit and vegetables to expand and diversify agriculture, despite poor transport and handling facilities.

Substantial investment in mineral prospecting has not produced as much growth as expected. Gold production reached four tonnes in 1997, from the mine at Poura. Lower world prices since then have sharply reduced prospecting and mining. Below a price of \$300 an ounce, large-scale mining in Burkina Faso is not very feasible due to high production costs. In 2001, mining accounted for less than 1 per cent of GDP. However in 2002, the price of gold increased slightly, raising hopes in the sector. Several projects (notably at

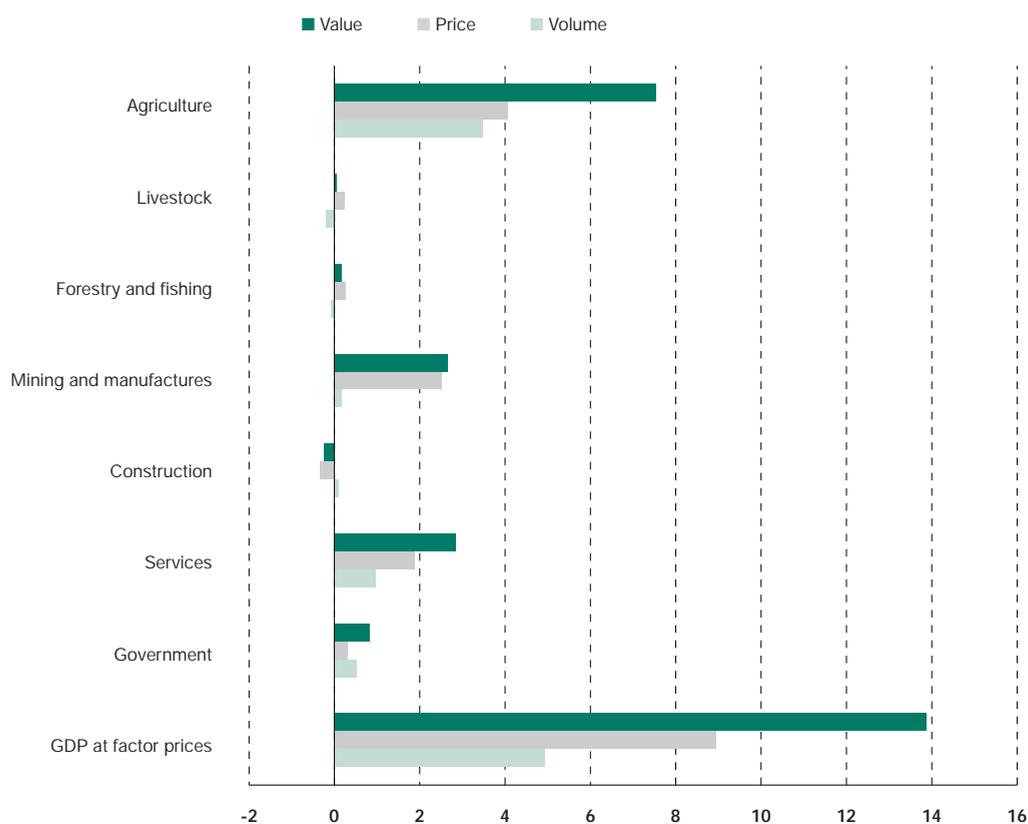
1. For the 2001/02 harvest, producer prices rose 10 per cent (from 159 CFA francs/kg to 175). Farmers also got a 25 CFA franc bonus when *Sofitex* distributed half the profits it made on the previous year's harvest.

Figure 3 - GDP by Sector in 2001



Source: Authors' estimates based on Ministry of Economy and Finance data.

Figure 4 - Contribution to GDP Growth at Factor Prices in 2001



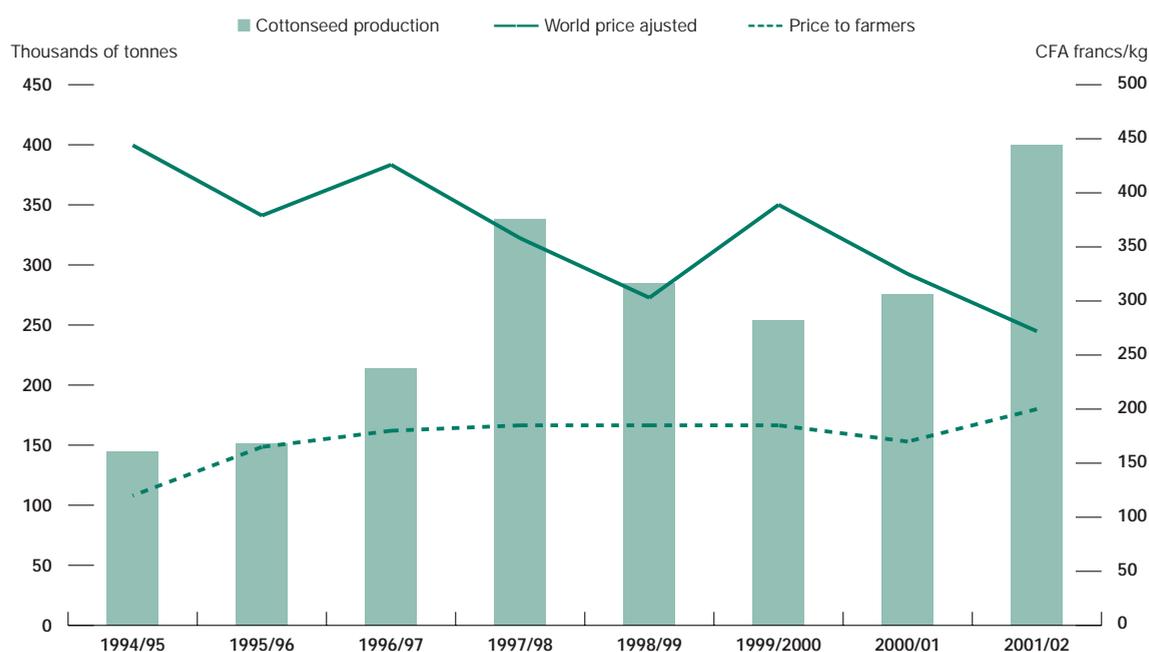
Source: Authors' estimates based on Ministry of Economy and Finance data.

Kalsaka, Taparco and Youga) are ready to start up quickly if the price increase is maintained. The authorities have moved to help the sector by revamping the mining laws, considered by all to be obsolete and very unfriendly to investors because of heavier taxes than in neighbouring countries. Revision of the offending laws should be complete by early 2003. The government

is also encouraging small-scale mining which appears promising because of its lower costs and important impact on the micro-economy.

The industrial sector is about 17 per cent of GDP and is still mostly food-crop processing and to a lesser extent cotton ginning. After a poor year in 2000, the

Figure 5 - Cotton Production and Prices in Burkina Faso



**Note:** Production and farmers' prices concern cottonseed on a crop period basis. The international price is for cotton fibre, so it has been converted into the equivalent of cottonseed at a conversion rate of 42 per cent. It is calculated on a calendar year basis (year  $n+1$  for a crop in  $n/n+1$ ).

**Source:** IMF and World Bank.

sector began to recover at the end of 2001, when the good harvests led to a healthy performance by the processing sector. As a result, overall manufacturing production rose by 24 per cent in value in 2001. But the private sector is still grappling with high factor costs,<sup>2</sup> an increase in customs fraud and higher taxes whose effect is magnified by being drawn from the small formal sector of the economy. A promising

movement towards dialogue with the government began at a first annual forum held in Bobo Dioulasso on 25 May 2001 chaired by the prime minister. However, at the second meeting, on 5 July 2002, the private sector pointed out to him that little had been done about key issues such as fraud reduction, taxation and reforming the labour laws. Some foreign investors also object to legal abuses and the growth of corruption.

Table 1 - Demand Composition (percentage of GDP)

|                                | 1995         | 1999         | 2000         | 2001         | 2002 (e)     | 2003 (p)     |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Gross capital formation</b> | <b>23.8</b>  | <b>29.1</b>  | <b>29.1</b>  | <b>26.1</b>  | <b>25.5</b>  | <b>23.6</b>  |
| Public                         | 10.2         | 15.5         | 15.2         | 11.8         | 12.2         | 11.0         |
| Private                        | 13.6         | 13.6         | 13.8         | 14.3         | 13.3         | 12.7         |
| <b>Consumption</b>             | <b>91.2</b>  | <b>89.1</b>  | <b>90.0</b>  | <b>90.1</b>  | <b>90.5</b>  | <b>94.5</b>  |
| Public                         | 11.1         | 11.6         | 11.7         | 11.7         | 12.1         | 12.0         |
| Private                        | 80.1         | 77.5         | 78.3         | 78.5         | 78.4         | 82.5         |
| <b>External sector</b>         | <b>-15.0</b> | <b>-18.2</b> | <b>-19.1</b> | <b>-16.2</b> | <b>-16.0</b> | <b>-18.2</b> |
| Exports                        | 13.3         | 12.7         | 11.5         | 11.9         | 11.6         | 9.9          |
| Imports                        | -28.3        | -30.9        | -30.6        | -28.1        | -27.6        | -28.0        |

**Source:** Authors' estimates and predictions based on Ministry of Economy and Finance data.

2. These included energy, water and communications and the country's rigid labour laws.

The tertiary sector accounts for about 40 per cent of GDP and grew by nearly 3.5 per cent in 2001, less than the annual average of 6 per cent between 1995 and 2000. The sector is mostly trade, but transport has done particularly well since 1995 because of liberalisation and investment in the road network.

The 5.7 per cent GDP growth in 2001 was largely due to the recovery in farm production at the end of the year. But because of the time-lag between good agricultural performance and its effect on the rest of the economy through the increased earnings of farmers, real activity remained fairly stagnant and was reflected in demand aggregates. The mediocre food-crop harvest of the previous year (2000/01) and higher inflation meant household purchasing power declined in 2001 and volume consumption did not keep up with the growth of population. Investment and import growth also remained slack and public investment even fell significantly. However in 2002 and 2003 (based on our prediction of a smoothing in consumption over the period), the economy should benefit from the good 2001/02 harvest and see higher incomes and public investment. Imports will show a solid increase and the good performance of the cotton sector should significantly boost the country's exports in 2002. But export performance could weaken again in 2003 with a

smaller cotton crop and difficulties of transport through Côte d'Ivoire.

The strength of demand also greatly depends on remittances from the five million or so Burkinabé citizens living abroad (nearly two-thirds of them in Côte d'Ivoire), on top of the population of 11.8 million. The recent ethnic conflicts in Côte d'Ivoire have meant a sharp drop in these payments and the new upsurge of fighting in September 2002 can only reduce them further.

## Macroeconomic Policy

### Fiscal and Monetary Policy

Burkina Faso's economy has been under IMF supervision since 1991, which has helped stabilise government finances. Between 1991 to 1999, government revenue showed significant nominal growth due to better tax collection. But the rate of taxation is still small, around 12 per cent of GDP and well below the WAEMU/UEMOA goal of at least 17 per cent.<sup>3</sup> So government finances still depend heavily on external funding, with grants usually accounting for 8 per cent of GDP (except in 2001, when they fell sharply, to 4.6 per cent).

Table 2 - Public Finances (percentage of GDP)

|  | 1995        | 1999        | 2000        | 2001        | 2002 (e)    | 2003 (p)    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total revenue and grants<sup>a</sup></b>          | <b>19.6</b> | <b>24.3</b> | <b>22.3</b> | <b>17.2</b> | <b>19.7</b> | <b>19.4</b> |
| Tax revenue  | 11.1        | 14.2        | 12.3        | 11.7        | 11.8        | 12.0        |
| Grants   | 7.7         | 9.0         | 8.9         | 4.7         | 7.1         | 6.6         |
| <b>Total expenditure and net lending<sup>a</sup></b> | <b>19.9</b> | <b>26.4</b> | <b>26.4</b> | <b>24.9</b> | <b>25.8</b> | <b>24.4</b> |
| Current expenditure                                  | 11.5        | 11.5        | 11.9        | 11.8        | 12.4        | 12.4        |
| <i>Excluding interest</i>                            | <i>10.1</i> | <i>10.6</i> | <i>10.9</i> | <i>10.8</i> | <i>11.6</i> | <i>11.6</i> |
| Wages and salaries                                   | 5.4         | 5.3         | 5.4         | 5.3         | 5.3         | 5.3         |
| Interest payments                                    | 1.4         | 0.9         | 1.0         | 1.0         | 0.8         | 0.8         |
| Capital expenditure                                  | 8.7         | 14.9        | 14.3        | 13.2        | 13.5        | 12.2        |
| <b>Primary balance</b>                               | <b>1.1</b>  | <b>-1.2</b> | <b>-3.2</b> | <b>-6.7</b> | <b>-5.3</b> | <b>-4.2</b> |
| <b>Overall balance</b>                               | <b>-0.3</b> | <b>-2.1</b> | <b>-4.2</b> | <b>-7.7</b> | <b>-6.1</b> | <b>-5.0</b> |

a. Only major items are reported.

Source: Authors' estimates and predictions based on IMF and Ministry of Economy and Finance data.

3. Tax revenue is substantially limited by government anti-poverty efforts that rule out any extension of taxation to some sectors of the economy, such as food-crop production.

Government tax receipts for the 2001 budget period were unremarkable, reaching 213 billion CFA francs (\$291 million), 65 billion (\$89 million) short of budget requirements. This poor performance was partly due to slow economic recovery but especially to the problem various government agencies had collecting taxes, notably VAT. At the same time, grants to Burkina Faso fell sharply – from 146 billion CFA francs (\$199 million) in 2000 to 85 billion (\$116 million) in 2001 – partly because they were replaced by HIPC money (which involved repeated delays in disbursement), but also because the country's image was damaged in the eyes of international funding agencies by its suspected involvement in diamond smuggling from Sierra Leone and by a rise in petty corruption.

This poor tax performance did not however increase the budget deficit because spending was less than planned, in current expenditure (mainly transfers, since salaries increased significantly) and especially in investment (as in other UEMOA countries).<sup>4</sup> Realising resources freed up by the HIPC Initiative was slow, due to delayed payments by some funding sources and liquidity problems at the treasury, where a special account was set up for the HIPC funds.<sup>5</sup> By the end of December 2001, only 27 per cent of the 2000 and 2001 money freed up had been realised. To avoid the temptation of using the HIPC money to ease the government's financial problems, the treasury account was transferred to the BCEAO on 1 July 2002. The decision by UEMOA countries to no longer make use

of advances available from UEMOA also encouraged the government to issue treasury bonds. This produced offers from the banks totalling over 50 billion CFA francs (\$68 million), against a goal of only 7.7 billion (\$10 million), demonstrating both the government's credibility and the strong liquidity of the banks.

The 2002 period began more promisingly, with a marked improvement in tax revenue, and the budget was firmly outward-looking, with a significant rise in expenditure. Salaries continued to grow by about 5 per cent because of the programme to rehabilitate (through days of forgiveness) employees dismissed by the previous government. A major effort was also planned to use the HIPC money. But public finances remained structurally shaky. Increased expenditure, notably on civil servants' pay, is hard to curb, while implementation of the budget is poorly organised. With help from the World Bank, the government recently looked at budgetary management and concluded that normal procedures were defective (the government routinely speeds them up) and that monitoring of income and expenditure was unsatisfactory (the state auditing board is not yet operating). A budget management improvement plan for the period 2002-2004 was passed by the cabinet on 31 July 2002.

Like other UEMOA countries, Burkina Faso's currency is pegged to the euro and its monetary policy is conducted by the BCEAO, leaving fiscal policy as

Table 3 - Current Account (percentage of GDP)

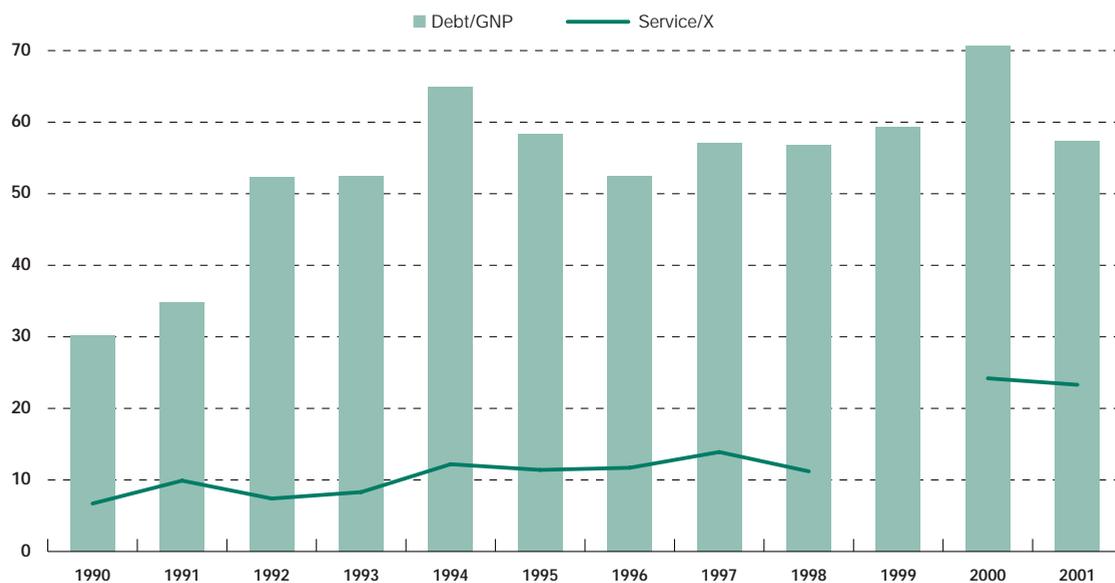
|                                | 1995        | 1999         | 2000         | 2001  | 2002 (e) | 2003 (p) |
|--------------------------------|-------------|--------------|--------------|-------|----------|----------|
| Trade balance                  | -10.8       | -12.9        | -13.5        | -11.1 | -10.8    | -12.6    |
| Exports of goods               | 10.3        | 10.0         | 8.9          | 9.4   | 9.3      | 7.8      |
| Imports of goods               | -21.2       | -22.9        | -22.4        | -20.5 | -20.1    | -20.4    |
| Services balance               | -4.7        | -4.5         | -4.7         |       |          |          |
| Factor income                  | 0.5         | -0.7         | -0.9         |       |          |          |
| Current transfers              | 10.2        | 5.7          | 5.3          |       |          |          |
| <b>Current account balance</b> | <b>-5.8</b> | <b>-12.5</b> | <b>-13.8</b> |       |          |          |

Source: Authors' estimates and predictions based on BCEAO data.

4. The reduced tax revenue and failure to control current expenditure meant the government used capital spending as an adjustment variable.

5. In a paper operation with no actual payment involved, the account was credited with the money the country would normally have repaid to creditors.

Figure 6 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports)



Source: World Bank.

the government's main economic instrument. In 2001, inflation rose to 4.9 per cent, above the UEMOA limit of 3 per cent, as a result of the bad 2000/01 cereals harvest and the higher cost of oil. It should settle at around 2.5 per cent in 2002 with the good 2001/02 harvest. But 2003 could see a return of inflationary pressure (with the rate increasing to 3.2 per cent) if predictions of a poor 2002/03 food-crop harvest are borne out and the troubles in Côte d'Ivoire continue. At the end of 2002, prices of fruit and tubers rose between 10-15 per cent due to fewer imports from Côte d'Ivoire.

### External Position

Burkina Faso's exports are very narrowly based. Cotton alone brought in 55 per cent of all foreign earnings in 2001, so the balance of payments is heavily dependent on conditions in that sector. Livestock is the second biggest export, at about 20 per cent of the total. Gold accounts for 4 per cent, while manufactured goods and other farm products make up the remaining 21 per cent. Imports are mainly machinery (30 per cent), intermediate goods (28 per cent), oil products (18 per cent) and food products (14 per cent). About

45 per cent of all trade is with Europe. UEMOA countries (led by Côte d'Ivoire) come second with more than a quarter (27 per cent in 2001).

Burkina Faso's trade deficit is structural because of its weak export capacity and heavy dependence on countries supplying intermediate goods, machinery and oil products. Exports have generally stagnated since 1998 because of ups-and-downs in the cotton and gold sectors. In 2001 and 2002, a better 2001/02 cotton harvest reduced the trade deficit, but only slightly because the greater quantity of cotton produced was offset by poor world prices and the difficulty of shipping exports at the prices set in futures contracts. In 2003, the trade deficit will widen again due to a sharp drop in cotton production, difficulties in the livestock sector due to the troubles in Côte d'Ivoire and uncertainties in the gold sector. Foreign direct investment has held up well since 2000 thanks to liberalisation of the telecommunications sector.

Dependence on external funding is a major feature of the Burkinabé economy, but the country's foreign debt (57.4 per cent of GNP in 2001) is more under control than in other UEMOA states and is about 40 per cent

soft loans, so its NPV is only about 35 per cent of GNP. The internal debt, mostly to commercial banks, dropped sharply in 2000.

In September 1997, Burkina Faso became one of the first countries to be declared eligible for the HIPC Initiative. It achieved completion point for the basic initiative in July 2000 and for the enhanced initiative in May 2002, leading to review of the sustainability of the country's debt, an unprecedented development in the HIPC process and justified by major external shocks (mostly the fall in cotton prices).<sup>6</sup> This reassessment led to a \$424 million debt reduction in net present value, \$26 million more than the figure based on the 1999 data. The country is now trying to get the Paris Club to accept this reduction.

Burkina Faso has big problems making use of HIPC funds, due to slow release of the money by creditors and the country's small capacity to absorb it. Burkina should have received 11 billion CFA francs (\$15.5 million) in debt service relief in 2000, but only 7 billion (\$9.8 million) was realised (5 billion disbursed in June 2001). In 2001, only 22 billion CFA francs (\$30 million) out of 25 billion (\$34 million) were realised and nothing disbursed. In 2002, an extra 25 billion CFA francs were expected to add to the 24 billion still not disbursed.

## Structural Issues

Burkina Faso has made great progress in structural reform since 1995 and managed to take control of the process. To create business confidence, the chamber of commerce has been reorganised and business law updated in line with the principles of OHADA. To encourage openness and participation, the cotton sector has been imaginatively reformed by involving farmers in running *Sofitex*. Governance reforms have not yet gone beyond declarations of intent and setting up institutions. The legal system, notably the supreme court, has been restructured, the defence ministry audited and a national plan for good governance set in motion.

A first round of privatisation, now nearly complete, was begun in 1991 and involved 45 medium-sized state enterprises. Twenty-six were sold to the private sector, four are still in transition, 12 were or are being disbanded and three have been withdrawn from the programme. The government has done well out of these sell-offs and by the end of 1999 had raised 10.8 billion CFA francs (\$17.5 million) for the state budget and enabled it to reduce government subsidies from 20.5 billion CFA francs (\$33.5 million) in 1991 to 1.4 billion CFA francs (\$2.3 million) in 1999. The privatised firms kept the same number of workers while the disbanded firms led to loss of 1 047 jobs. The social unrest set off by the first privatisations led to changes in the programme in 1998 about the keeping-on of workers. The handover of the state telecommunications company *Onatel* is still incomplete but should be done by early 2003. A strategic investor will buy 34 per cent of the firm, while 20 per cent of the shares will be floated on the regional stock exchange. The government and private Burkina investors will keep the remaining 46 per cent.

In July 2001, a new round began, this time of sensitive infrastructural enterprises — nine to be partly-privatised and 11 to be completely sold. Part-privatisation was set for *Onea* (water), *Sonabel* (electricity) and *Sonabhy* (oil). *Sonabel* and *Sonabhy* were being processed together. Consultants are being chosen to help the privatisation committee with the auditing. The kind of privatisation has not yet been decided on, though partial rather than total privatisation seems to be winning the day (*Sonabel's* privatisation is a delicate political and social matter). A five-year contract to manage *Onea* was signed with Vivendi in January 2002, thus postponing privatisation. Of the 11 firms earmarked for complete privatisation, two are in compulsory liquidation and the six joint-venture companies have been lumped together for sale to small investors by the national financial intermediation company. Of the other three firms, *Medifa* (the Faso National Drug Laboratories) is the only one whose privatisation has been started.

6. Calculation of the debt-to-exports ratio was changed by using 2001 instead of 1998.

Burkina Faso is a landlocked country with poor infrastructure, but enormous progress has been made over the last decade. Some 15 000 km of good roads (2 000 km of them surfaced), 7 000 km of minor roads and 46 000 km of rural tracks have been built or repaired. The government recently decided to give priority to rural tracks as a centrepiece of its fight against poverty. It is also relying on regional efforts (within UEMOA, but also NEPAD) to develop links with other countries in the region.

The country's single railway runs 622 km from Kaya (north of the capital) to the Ivorian border, where it connects to the Ivorian network, and carries mostly freight, half of it oil. *Sitarail*, which has run the line since 1995, recently completed a remarkable turnaround in its fortunes, increasing the volume of freight from 240 000 tonnes in 1994 to 896 000 in 2000. Passenger traffic has also increased (by 30 per cent in 2001 and by May 2002 had already reached two-thirds of the 2001 total). However the renewed fighting in Côte d'Ivoire has halted traffic. The sale of 56 per cent of the national airline, Air Burkina, in February 2001 to a group controlled by the Aga Khan, as well as the collapse of Air Afrique, has helped Air Burkina to recover and it now flies to Senegal and will soon begin services to Central Africa.

Until the 1999 disturbances, Côte d'Ivoire's capital, Abidjan, was the outlet for 80 per cent of Burkina's trade, with the rest passing through Lomé. Since 1999 and especially since September 2002, Burkina has tried to diversify its supply routes by using the ports of Tema (in Ghana) and Lomé (in Togo), both on the Gulf of Guinea. Businesses say both these countries have cheaper port services, better security and are easier to move around in than Côte d'Ivoire. Since the Ivorian attempted coup in September 2002, the two ports have been Burkina's only access to the sea.

Burkina Faso has one of the region's lowest levels of electrification (an average 10 per cent) combined with high cost — 86 CFA francs per kWh for standard current and 110 CFA francs for high voltage. Bobo Dioulasso was connected to the Ivorian grid in April 2000 and funding is being sought to extend lines to

Ouagadougou by 2005. The link-up increased supply by more than 10 per cent in 2001 and the number of customers by 11.5 per cent. The government has also decided to up the capacity of the Ouagadougou power station by 30 mW, including 10 mW in 2002. But this project has not been implemented because of the World Bank's reluctance to commit funds on the eve of the sector's privatisation. Several small projects are also under way, such as boosting the grid in Ouagadougou and installing a 3 mW generating station in the northern town of Ouahigouya. But uncertainty about the form of privatisation has led to a wait-and-see attitude by *Sonabel*, which is in good shape.

Telecommunications are being liberalised. The state-owned *Onatel* is the sole fixed-line operator, but since May 2000 it has shared the mobile phone market with two other companies, *Telecel Faso* and *Celtel*, through its mobile phone subsidiary *Telmob*. The liberalisation of the mobile phone sector led to a drop in rates in January 2000, while fixed-line rates fell by 20 per cent in May 2000. Since 23 September 2002, at the insistence of the telecommunications regulatory body *Artel*, the price of calls from fixed-line phones to mobile ones has been standardised, ending what *Telemob's* rivals considered unfair competition (fixed-line calls were cheaper on the *Telemob* network).

The financial system is small but major reform of it began in 1991. Since then, the banks have prospered while competition between them has steadily grown. But though they have strong short-term liquidity, they lack long-term funds. Bank credit is also mostly directed to agriculture, mainly *Sofitex*. Other sectors criticise the reluctance to offer credit to them, but the banks say firms have only vague accounting and cite the restrictions imposed by the BCEAO. The absence of a mortgage market, itself linked with the country's lack of clear land titles, may also explain the dearth of credit.

Alongside the regular banks, significant efforts have been made to provide micro-credit, which appeared very early in Burkina, as far back as 1972, as a way to mobilise rural savings. It spread very quickly to urban areas however and increasingly makes up for the lack of finance available to small and medium-sized firms

in particular. Due to their rapid growth, micro-credit organisations face growing constraints in their financial operations and risk losing sight of their original role of being a way to fight poverty.

## Political and Social Context

Burkina Faso is politically stable but social tensions have grown in recent years. The country has been ruled since a coup d'état in 1987 by President Blaise Compaore and elections since then — parliamentary in 1997, presidential in 1998 and local in 2000 — have confirmed the dominance of his party (the *Congrès pour la démocratie et le progrès*). Despite Compaore's ascendancy, the country went through a turbulent period after the December 1998 murder of journalist Norbert Zongo, publisher of the newspaper *L'Indépendant*. The killing sparked strong protests by students, trade unions and ordinary people, joined by a political opposition smarting from crushing election defeats. The government defused the situation with political and institutional reforms and by proclaiming a National Day of Forgiveness on 30 March 2002 when President Compaore admitted the government's responsibility and apologised on behalf of himself and his predecessors to all victims of political violence since independence in 1960.

The events of 1998 also led to limiting the president to two terms of office (reduced from seven to five years), along with a new electoral law (including two-round voting in parliamentary elections) and a law on funding political parties officially aimed at increasing opposition participation in the political system so as to head off extremist positions. In January 2002, the house of representatives was abolished after the opposition criticised its role. The results of this political opening were clearly seen at the 5 May 2002 parliamentary elections, when opposition parties won many seats. The ruling Congress for Democracy and Progress dropped from having 101 of the 111 seats to only 57.

Foreign policy has recently taken two major turns. One is the desire to soothe tense relations with

neighbouring Côte d'Ivoire, whose president, Laurent Gbagbo, made a lightning visit, only to see its effects largely cancelled out by the new disturbances in Côte d'Ivoire in September 2002. Burkina has also responded to repeated criticism from funding agencies by starting to distance itself from its old allies Liberia, Sierra Leone and Angola's Unita, thus strengthening its international credibility which had been badly damaged by charges of involvement in arms and diamond smuggling made by some creditors (backed up by a UN report at the end of 2000, but rejected in a second report in 2001).

The country tackled the problem of poverty relatively early. It has very good relations with foreign funding agencies which means a high level of public development aid can be maintained. Poor results from such aid stem largely from insufficiently co-ordinating and following up programmes. To fight poverty effectively, the government is counting on better information through its poverty monitoring centre, more funding thanks to the HIPC Initiative, and a vigorous civil society. But despite these efforts, the UNDP predicts that population growth and the effects of AIDS will see monetary poverty increase in the short term (until 2015), after which the standard of living should markedly improve.

Social statistics show a very poor health situation. Life expectancy is one of the lowest in the sub-region — 45.4 years. Infant mortality is lower than in Mali but still high at 86 per 1 000. Child mortality is very high, at 146 per 1 000, because of malaria, malnutrition and infectious diseases that affect 29 per cent of children under five. Burkina is also hard hit by HIV/AIDS (a prevalence rate of 7.5, according to UNAIDS, while the UNDP gives a figure of more than 10 per cent for the end of 2000), due to the country's position as a regional crossroads but also perhaps because of better statistical reporting.

Health care is inadequate and varies greatly from region to region. Despite more medical centres (24 private hospitals and 72 maternity facilities were opened in 2001), fewer people are reportedly using them because they are too expensive. Trained personnel are lacking and health workers are unevenly spread

throughout the country. The authorities responded in 2001 by setting up mobile HIV/AIDS units, charging only 1 000 CFA francs (\$1.36) instead of the previous 25 000 CFA francs (\$34.1) per test.

The authorities plan universal HIV/AIDS testing by the end of 2003 and have launched an information-driven prevention policy. A January 2002 survey by the National Committee to Fight AIDS found that 97 per cent of 800 households asked knew about the disease. Along with this good news, President Campaore had taken a strong stand in the anti-AIDS campaign, institutions have been open about the extent of the disease and the country has successfully raised money to fight it. All this makes Burkina a country of “good practices” that equips it to try to check the disease’s spread.

Despite marked progress since the early 1990s, gross primary education enrolment is still a low 43.4 per cent in 2001, with big differences between boys and girls (only 37 per cent of whom are in school) and even more between regions, with enrolment less than 20 per cent in the Sahel region. Low enrolment is mainly due to poverty. Poor and often illiterate parents do not always realise the importance of schooling, instead seeing its cost as an obstacle. The education of a girl is also often regarded as either an investment

benefiting her future in-laws or a diversion from her maternal functions. Low enrolment also has much to do with weak infrastructure, so classes are often too big, with an average size of 52 pupils<sup>7</sup> and some classes having as many as 150 in urban areas.

Since 1995, Burkina Faso has made determined efforts to develop basic education. The government plans to increase basic education’s share of the total budget from 13 per cent in 1999 to 20 per cent by 2009, with the goal of having two-thirds of the population with primary education by 2010. A 10-year (2000-09) national education plan includes building 2 013 classrooms and training 2 067 new teachers each year, as well as opening 4 000 literacy centres. In 2001, the number of classrooms increased from 17 456 to 19 365 and 2 549 new teachers were recruited.

But these improved numbers mean quality suffers because of the government’s limited budget. From 2002, for example, teachers will only get a year’s training instead of the two they have had up to now, with much-discussed effects on the quality of education. The government is also handing over literacy centres to NGOs, which has led to at least temporary closure of some of them. Implementation of the 10-year plan is also behind due to political changes in early 2002 and lack of facilities in the countryside.

7. This is an improvement on the figure of 60 in the 1970s.

