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PRIVATE SECTOR ASSESSMENT : SYNTHESIS REPORT FOR BURKINA FASO

a report prepared for USAID/Burkina

by
Steve Haggblade

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LIST OF ACRONYMS

APB	Association Professionnelle de Banque
APICOMA	Atelier Pilot de Construction Metalique Agricole
AVV	Autorite des Amenagements des Vallees des Volta
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BIC	tax on "benefice industriel et commercial"
BICIA	Banque Internationale pour le Commerce, l'Industrie et l'Agriculture
BIV	Banque Internationale des Voltas
BND	Banque Nationale de Developpement
CCCE	Caisse Centrale de Cooperation Economique
CEAO	Communaute Economique de l'Afrique de l'Ouest
CEDEAO	Communaute Economique des Etats de l'Afrique de l'Ouest (in English ECOWAS)
CENATRIN	Centre National pour le Traitement d'Information
CFAF	franc of the Communaute Financiere Africaine
CFJA	Centre de Formation de Jeunes Agriculteurs
CNAA	Centre National d'Artisanat d'Art
CNAO	Central National Avicole de Ouagadougou
CNCA	Caisse Nationale de Credit Agricole
CNDI	Caisse Nationale de Depot et d'Investissement
CNE	Caisse Nationale d'Epargne
CNEA	Centre National d'Equipement Agricole (ex- ARCOMA/COREMA)
CNPAR	Centres Nationaux Pour la Formation des Artisans Ruraux
COBOC	Conseil Burkinabe des Chargeurs
CSPPA	Caisse de Stabilization des Prix des Produits Agricoles
DEP/MOA	Direction des Etudes et Projets, Ministry of Agriculture
DGIA	Direction Generale de l'Industrie et de l'Artisanat
DIMA	Developpement Industriel, Mecanique et Agricole
ECOWAS	Economic Community of West African States (in French CEDEAO)
EPIC	Etablissement Public a Caractere Industriel ou Commercial
FAO	Food and Agriculture Organization
FAC	Fonds d'Aide et de Cooperation
FED	Fonds Europeen de Developpement
GMV	Grands Moulins Voltaiques
GOB	Government of Burkina
IBRD	International Bank for Reconstruction and Development
IESC	International Executive Service Corps
IGHV	Institut Geographique de Haute Volta
IMF	International Monetary Fund
INSD	Institut National de la Statistique et de la Demographie
IVOLCY	Industrie Volttaique du Cycle et du Cyclomoteur
LNBTP	Laboratoire National du Batiment et des Travaux Publics
NCC	National Credit Committee
OFNACER	Office National des Cereales
ONAC	Office National du Commerce Exterieur
ONAP	Office National d'Approvisionnement Pharmaceutique
ONE	Office National des Eaux
ONERA	Office National d'Exploitation des Ressources Animales
OPEV	Office de Promotion de l'Entreprise Voltaique

ORD	-	Organisme Regional de Developpement
PfP	-	Partnership for Productivity
RAN	-	Regie Abidjan Niger
SAP	-	Societe Africaine de Pneumatique
SDR	-	Special Drawing Right
SERAGRI	-	Societe de Realisations Agricoles
SHSV-Citec	-	Societe des Huiles et Savons de Haute Volta
SIBB	-	Societe Industrielle de Biscuiterie et de Bonbonnerie
SIVAM	-	Societe Voltaique d'Ammunition et de Munitions
SOCOGIB	-	Societe de Commercialisation et de Gestion Immobiliere du Burkina
SOFITEX	-	Societe Voltaique des Fibres et Textiles
SONAR	-	Societe Nationale des Assurances
SONAVOCI	-	Societe Nationale Voltaique de Cinema
SOREMI	-	Societe de Recherche et d'Exploitation Miniere
SOSUHV	-	Societe Sucriere de Haute Volta
SOVIC	-	Societe Voltaique de l'Industrie de la Chaussure
SOVICA	-	Societe Voltaique Industrielle de Construction Agricole
SOVOCA	-	Societe Voltaique de Credit Automobile
SOLVOLCOM	-	Societe Voltaique de Commercialisation (now Yaaso Far)
SOVERTH	-	Societe Voltaique d'Etude et de Realisation Touristique et Hoteliere
SOVOG	-	Societe Voltaique de Groupage
SOVOPLAS	-	Societe Voltaique de Plastique
SVCP	-	Societe Voltaique de Cuirs et Peaux
SVTR	-	Societe Voltaique du Transport Routier
SWID	-	Strengthening Women's Role in Development
TCA	-	Taxe sur le Chiffre d'Affaire
TCR	-	Taxe de Cooperation Regionale
TPA	-	Taxe Patronale d'Apprentissage
TWIS	-	Training Women in the Sahel
UNIDO	-	United Nations Industrial Development Organization
UVOCAM	-	Union Voltaicde Cooperatives Agricoles Maraicheres
VOLBRICERAM	-	Societe Voltaïque de Briqueterie et de Ceramique
VOLTELEC	-	Societe Voltaique d'Electricite
VOLTEX	-	Societe Voltaique de Textile
VOLTOA	-	Societe Voltaique d'Oxygene et d'Acetylene

EXECUTIVE SUMMARY

The goal of this paper is to assess the prospects for promoting private sector growth in Burkina Faso. The private sector, considered in its entirety, includes manufacturing, agricultural activities, commerce and services of all kinds. Seven technical reports were prepared as background for this private sector assessment, each addressing a key feature of the Burkinan economy. This paper provides a synthesis of the overall findings.

The focus of this study, Burkina's privately-owned economic units, operate the bulk of the country's economic machinery, producing about three-fourths of GDP and supporting 95% of total employment. Agriculture, both crops and livestock, form the backbone of the private sector and of the overall economy. In addition to agriculture, the large population of very small-scale commercial and manufacturing enterprises constitutes the other major pillar of the private sector. Public ownership is substantial only in banking, utilities, and large-scale manufacturing.

The prospects for private enterprise growth are primarily influenced by two key factors: a) general macro-economic conditions; and b) government policy. For the past several years, the macro-economic climate in Burkina has been distinctly chilly. The unhappy coincidence of two years of inadequate rainfall, rising petroleum prices, declining terms of trade and a depreciating currency have combined to depress the level of economic activity noticeably. While government policy can do little to influence these external factors, it does have a strong influence on the local business climate. And in general, GOB policy is favorable to private investment. The government offers a hard currency (the CFA franc), repatriation of profits, legal guarantees against divestiture without compensation and substantial investment incentives through its Investment Code. Some policy modifications could improve the business climate, primarily a lightening of manufacturing price control (homologation), an upward revision of interest rates and a reduction in the political uncertainty that has prevailed Burkina for the past four years.

Despite the current downturn in economic activity, Burkina's private sector does house modest potential for expansion. Although not unlimited, the primary opportunities appear to be in: a) rainfed crop agriculture; b) small-scale crop irrigation, particularly of fruits and vegetables; c) small-scale livestock fattening and livestock production integrated with crop farming; and d) the mining of gold, lead and zinc. Some potential also exists in manufacturing, but in terms of employment and income generation the potential is substantially less than in other sectors.

A number of constraints must be overcome if the private sector is to realize its potential. First, the information base required for investment decision making is extremely weak. Although a problem in all sectors, this bottleneck is most evident in crop agriculture where technical research has still not produced a proven technical package that will increase incomes under normal farmer conditions in the bulk of the country. Unskilled labor, both technical and management, is also a barrier to economic expansion. Adult literacy, at about 9%, is among the lowest in the world. The

No!

availability of credit also constrains economic expansion, particularly in agriculture and for small-scale manufacturing and commercial firms.

Government and donors are attacking these problems on a number of fronts. Yet much work still remains to be done. While this report makes a number of recommendations, two in particular should be highlighted. First is the critical importance of agriculture in any strategy for promoting private sector and overall national economic growth. Growth in agriculture expands incomes for 90% of the country's population bringing in its wake increased purchasing power that businesspeople in other sectors can supply with goods and services. And in a country with very few exploitable natural resources, agriculture is also the primary source of raw materials that manufacturers can transform. Focus on agriculture will require a several-pronged attack including: a) technical research; b) a bolstering of the agricultural credit and extension system; and c) improvement of the Ministry of Agriculture's ongoing economic analysis, planning and monitoring capabilities.

Outside of agriculture, a number of lower priority but also less expensive interventions are suggested. Among these, the most important involves support for two institutions, the Chamber of Commerce and the Direction des Etudes et Projets in the Ministry of Agriculture (DEP/MOA). The Chamber of Commerce has historically served as a spokesman for the business community, successfully communicating the manufacturers' and traders' policy concerns to government. The DEP/MOA performs a similar role for agriculture and livestock. A boosting of the analytical skills and resources available to these institutions would probably represent the most important contribution that could be made to encourage ongoing policy analysis and dialogue between the private sector and government.

I. INTRODUCTION

A. Objectives

The goal of this paper is to assess the prospects for promoting private sector growth in Burkina Faso. The private sector is considered in its entirety, including manufacturing, agricultural activities, commerce and services of all kinds.

The agenda is ambitious. Given the size and pervasive role of private economic agents in the Burkinan economy, such an assessment requires an understanding of the general macro economy as well as its overall performance. And within the macro framework, it is necessary to be familiar with resources and potential within each sector of the economy as well as firm-level constraints to achieving that potential. No less important is an assessment of government policy, since it too affects the local business climate in a wide range of areas. All in all, the total package - the private sector assessment - can probably best be described as an [redacted] in de[redacted]ing wit[redacted]s.

B. Background

This review draws heavily on seven background papers prepared over the course of the past year and a half on key aspects of the Burkinan economy. The bulk of the background material came from field work done in May and June 1983 by a six-person American team and their nine Burkinan counterparts. The Americans included Andrew Cao, Robert Garland, David Harmon, R. Axel Magnuson and Maurice Samaan, all recruited by the Ronco Corporation as well as Christopher Mock representing the Pragma Corporation. The Burkinans participating in the field studies were Karim Adjibade of USAID/Burkina, Nazaire Bicaba of the central bank (BCEAO), Sylvain Domboue and Francois Ouedraogo of the Ministry of Commerce and Industrial Development, Desire Ouangraoua of the Office de Promotion de l'Entreprise Voltaique (OPEV), Benoit Ouattara of the Chamber of Commerce, Seriba Ouattara of the Office National du Commerce Exterieur (ONAC), Rigobert Tindano of the Ministry of Rural Development, and Alexis Yanogo of the Ministry of Plan. USAID/Burkina, mainly through the efforts of Saidou Richard Traore, designed the overall study, provided a concentrated briefing on Burkinan business affairs, organized the field interviews and provided general support for the 15-person team. The team members were divided into several mini-teams according to disciplinary specialization, and each worked over a four- to six-week period studying various facets of the Burkinan economy. Based on interviews with businesspersons, government officials, bankers, donors, various promotional and trade organizations, the group produced six technical reports.[1]

Shortly after the team's field work, in August 1983, a new government took power in Burkina. So USAID/Burkina commissioned an updating of the six team reports to take account of any modifications occurring as a result of the change in government. And in addition, they commissioned a seventh report produced by the present author and providing a macro-economic overview of the local economy. The total of seven technical reports thus produced include:

- Agriculture and Agribusiness, by Christopher Alden Mock;
- Banking and Business Finance, by Andrew D. Cao;
- Business Management and Vocational Training, by Maurice Saaman;
- Business Law, by Robert L. Garland;
- Le cadre juridique des affaires au Burkina, by Karim Adjibade;
- A Macro-Economic Profile of Burkina, by Steve Haggblade; and
- Marketing, by R. Axel Magnuson.

These seven reports, along with the usual secondary sources, provide the foundation on which the present overview document was constructed. For the reader's convenience, the tables of contents from these technical reports are provided in Appendix A.

C. Definitions

Before launching into any analysis of the prospects for private sector growth, it is necessary to clearly define what is meant by "the private sector". First of all, as indicated at the outset, this report considers all types of economic activity - from agriculture to manufacturing to commerce and all types of services. So the private sector includes small farmers, construction magnates, industrialists, tailors, market women, local sorghum beer brewers (dolotieres), bankers, wholesalers, importers, retailers and everything in between.

Within this spectrum of economic endeavor, we need a clear yardstick for distinguishing between "private" and various shades of "public" economic intervention. In the analysis that follows, ownership will be used as that yardstick, since ownership normally determines who controls both the decision making and the profits of an enterprise. For purposes of this paper, "private" enterprises are defined as all those in which non-public interests control more than 50% of the firm's capital. "Public" or "state-owned" enterprises are taken to be those in which central government, local governments, public agencies or other government-controlled entities own the majority of the firm's capital.

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1. Except in the case of Karim Adjibade, it was the American consultants who were responsible for drafting the team reports. The documents, therefore, may not represent the views of their Burkinan colleagues.

To operationalize this definition, it is useful to show how it corresponds to current Burkinan legal terminology. The Government of Burkina (GOB) legally distinguishes three categories of public entities: a) societes d'etat, b) societes d'economie mixte and c) etablissements publics. The first and second categories are composed of corporations subject to commercial law, taxation and other regulations the same as private corporate entities. The only difference between these two types of public enterprise is that GOB holds 100% of the share capital in societes d'etat, while the societes d'economie mixte include a mix of public and private capital ownership. The third category of public entities, the etablissements publics, are wholly owned by the government but are not legally registered as corporations and in some facets of their operations are governed by regulations different from those of regular commercial law (droit commun). Etablissements publics are of three types: administrative (such as the Regional Development Organizations, or ORDs); commercial or industrial (such as ONERA, the national meat processing company); and professional (such as the Chamber of Commerce). Throughout the remainder of this paper, the terms "public enterprise", "state-owned enterprise" and "parastatal" will be used interchangeably. In terms of the GOB legal definitions, these synonyms include: a) societes d'etat, b) those societes d'economie mixte in which the State holds the majority of shares, and c) etablissements publics that are of a commercial or industrial nature.[2] The remainder of economic units operating in Burkina constitute the private sector.

D. Plan of Attack

In evaluating the prospects for promoting private sector growth, the plan of attack is as follows. First comes a snapshot of the Burkinan private sector outlining the extent and composition of its activity. With that snapshot as a baseline, analysis proceeds to focus on two key determinants of the level of local business activity: a) macro-economic variables; and b) government policy. The report then turns to a more in-depth look at the potential for private sector growth and existing constraints to achieving that potential. Following an overview of the support programs currently available to private firms is a series of recommendations as to the most promising means of supplementing those efforts to boost incomes and welfare through private sector growth.

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2. Appendix Tables B.1 and B.2 provide a list of societes d'etat, societes d'economie mixte, and etablissements publics of a commercial or industrial nature.

II. DESCRIPTIVE PROFILE OF THE PRIVATE SECTOR

Table 1 attempts to quantify the importance of Burkina's private sector as well as to lay bare its essential characteristics. What is strikingly clear from the statistics presented is that the great bulk of economic activity in Burkina is, in fact, carried out by privately-owned economic units. [redacted] and generate [redacted].

A. Sectoral Composition

In examining this large complex of private enterprises, the sectoral composition of economic activity deserves careful attention. First and foremost it must be remembered that agriculture is the backbone of the entire Burkinan economy as well of its private sector. As Tables 1 and B.6 show, [redacted] and account for [redacted]. Certainly any discussion of Burkina's private sector must pay particular attention to agriculture.

[redacted] account for the [redacted] share of both economic and private sector activity. Together they generate about [redacted]. Often ignored in private sector assistance programs, commercial activity plays a critical role not only in employing people but also in linking raw materials and finished commodities with processors and consumers.

But a closer look at [redacted] leads to another key observation. As Table 2 shows, [redacted] of this important sector is made up of what the INSD[3] [redacted]. Referred to elswhere [redacted], these firms are often overlooked in economic analyses, in part perhaps because of the sketchy information available on such firms.[4] Yet to ignore them is to overlook the bulk of the non-agricultural private sector, both in terms of employment and value added.

[redacted] position in the local economic system. But as with commerce, here too it is the [redacted] - such as the sorghum beer brewers (dolotieres), tailors and carpenters - that predominate. They, not the large-scale manufacturers, support the bulk of manufacturing employment and over one-half its value added.

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3. Institut National de la Statistique et de la Demographie.

4. Information on these very important small-scale units, where it exists, is episodic and often anecdotal. From the sporadic evidence that is available, Appendix Table B.3 provides further detail on the composition of the very small-scale economic units.

Table 1

BURKINA FASO
ESTIMATED* SHARE OF PRIVATE SECTOR IN NATIONAL ECONOMY

	Value Added, 1982 (billions of CFAF) Total	Est. Priv. Sect. Share	Employment, 1975** (thousands of people) Total	Est. Priv. Sect. Share
1. Crops, livestock, forestry, hunting, fishing	143	139	1,292	1,256
2. Manufacturing	43	34	52	41
3. Construction, energy, water	19	11	4	3
4. Commerce, transport	65	60	19	18
5. Banking and other services	17	11	15	10
6. Government	44	0	19	0
Total	347	255	1,401	1,328
(Percent)	(100%)	(73%)	(100%)	(95%)

Sources: INSD, Comptes Nationaux de la Haute Volta, 1981 & 1982, pp. 9,29, 30,80,146,148; DGIA, Industrie Voltaique 1980/81, p.28; INSD, Resencement Generale de la Population, December 1975, Vol.I,Table 2.

* For estimating private sector share of value added, all "traditional" activity (see Table 2) is assumed to be private. "Modern" enterprise value added is assumed proportional to the distribution of share capital within each sector. So the share of private capital is taken to be 57% in modern manufacturing (DGIA, p.28) and 36% in banking (Cao, p.21). It is estimated to be 0% for modern agriculture, 70% for modern construction, 0% for livestock, 90% for transport, 70% for commerce and 75% for non-banking services. To estimate private sector share of employment, we assume that within each sector, employment is proportional to value added. This is equivalent to assuming the value added/labor ratio is the same in private and public enterprises.

** Employment figures come from INSD. Note that the INSD definition of economically active population differs from that used by the World Bank, the INSD definition being more restrictive.

Table 2

BURKINA FASO
CONTRIBUTION OF "MODERN" AND "TRADITIONAL" ENTERPRISES
TO GROSS DOMESTIC PRODUCT, 1982*
(billions of CFA francs)

	Total GDP	Modern Share	Traditional Share
1. Crops, livestock, forestry, fishing, hunting	143	4	139
2. Manufacturing	43	20	23
3. Construction, energy and water	19	17	2
4. Commerce and transport	65	24	41
5. Banking and other services	17	12	5
6. Government	44	44	0
7. Errors and omissions	16	6	10
Total	347	127	220
(percent)	(100%)	(36%)	(64%)

Source: INSD, Comptes Nationaux de la Haute Volta, 1981 &1982, pp.9,29, 30,80,146,148.

* "Modern" is defined by INSD as all enterprises paying the business tax, the " taxe sur le benefice industriel et commercial" (BIC). It corresponds to what is referred to as "large-scale" enterprises elsewhere in this report. "Traditional" enterprises are defined by INSD as all units not paying the BIC.

B. Individual Firms

Given the large number of enterprises and scanty documentation, it is very difficult to produce a complete list of the major private enterprises operating in Burkina. Nonetheless, Appendix Table B.5 does assemble what information is available. Based mainly on the fieldwork done by the private sector assessment team, this table provides an introduction to Burkina's corporate economy, including both public and private firms.

C. The [redacted]

The flip side of the private sector coin is of course to look at where public investment is most prominent. Simple calculation from Table 1 indicates that, outside the civil service, [redacted] makes its [redacted]t contribution to GDP in manufacturing (9 million CFAF), [redacted]es (8 million CFAF), ~~and Bank~~ing (6 million CFAF). In manufacturing, government investment is prominent in [redacted]ms it considers of key economic importance, for example SOFITEX, the cotton marketing and ginning company, VOLTEX, a textile manufacturer, and SOSUHV, a large sugar producing firm. While public enterprises account for only 21% of manufacturing value added [5], government investment in the manufacturing sector is large in absolute terms and accounts for a significant degree of extra-budgetary exposure.[6] Public enterprises account for a large percentage of activity in banking (35% of value added in 1982) and in construction and energy (42% in 1982).[7] They operate utilities for national security and equity reasons and have taken majority ownership in the local commercial banks largely in an effort to maintain some say in the vital financial sector of the economy. So banks, utilities and large-scale manufacturing accounts for the preponderance of public enterprise activity in Burkina.[8]

Even so, the private sector accounts for fully 73% of total GDP, and 85% if civil service contributions are excluded. So Burkina's private sector operates the great bulk of the country's economic machinery. And the core of the private sector is found in agriculture which, together with commerce - particularly the informal enterprises - and very small-scale manufacturing units, form the heart and soul of the Burkinan private sector.

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5. See Table 8.

6. This issue will be addressed in more detail in Section III.B.5.

7. See Table 3.

8. For a listing of the names of individual firms - both public and private - see Appendix Tables B.1, B.2, and B.5.

III. BUSINESS CLIMATE

A. Macro-Economic Performance

National economic performance is a key determinant of Burkina's overall business climate. It shapes the general environment in which private enterprises operate and colors to a large extent the opportunities they face. Overall economic performance - favorable or not - also focuses government attention on key economic sectors and on topic areas of particular concern. So actual performance strongly conditions much of government's policy focus as well as private sector business opportunities.

1. National Income

National income is a key measure of aggregate economic performance. In absolute terms, Burkina's gross domestic product (GDP) is small, reflecting both its small population (6.5 million) and low per capita income of approximately $210.[9]

Even starting from a low base, over the long run Burkina's national income has grown only slowly and in spurts. Real per capita gross domestic product (GDP) has grown between .1% and 1.1% per year from 1960 to 1982.[10] With population growing at about 2% per year[11], this corresponds to roughly a 2% to 3% annual increase in aggregate income.

For private investors, it is not only important that the rate of national income growth has been slow on average, but that it has varied considerably from year to year. As Table 3 shows, per capita GDP has fallen as many times as it has risen over the last 13 years. So businesses in Burkina have not enjoyed a steady growth in aggregate demand but rather substantial swings up and down.

These fluctuations in per-capita income result largely from the highly variable Sahelian rainfall which causes substantial year-to-year variation in the output of crop agriculture and livestock. Since crops and livestock account for over a third of GDP and since much manufacturing and commercial activity is based on agricultural commodities, large fluctuations in crop and

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9. IBRD, World Development Report 1984, p.218.

10. The .1% figure comes from USAID, "Country Development Strategy Statement, 1983," Ouagadougou: June 1983, p.1; while the 1.1% figure is that given by the World Bank in their World Development Report, 1984, Washington, DC: IBRD, p.218. For a brief discussion of why these estimates differ, see Steve Haggblade, "A Macro-Economic Profile of Burkina Faso," Ouagadougou: USAID, December 1984, p.6.

11. INSD, Comptes Nationaux de la Haute Volta 1981 & 1982, p.8.

Table 3

BURKINA FASO
TRENDS IN REAL PER CAPITA GDP
(thousands of 1975 CFAF/person)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. GDP Per Capita	21.3	20.7	25.1	23.3	24.3	24.4	26.5	25.2	28.1	27.7	25.3	26.4	25.8
2. Rate of Change		-2.8%	21.3%	-7.0%	4.3%	0.4%	8.6%	-4.9%	11.5%	-1.4%	-8.7%	4.3%	2.[illegible]

Source: INSD, <u>Comptes Nationaux de la Haute Volta, 1981 and 1982</u>, pp.8,18;
INSD, <u>Comptes Nationaux de la Haute Volta, 1980</u>, p.8.

livestock output reverberate and amplify throughout the entire economy.[12]

This has strong implications for the current investment climate in Burkina. Although [redacted], it is clear from agricultural production data that the two most recent harvests, those of 1983 and 1984, have both been sub-par placing a considerable damper on national incomes, purchasing power and hence on the overall investment climate.

While agricultural output has fluctuated mainly with the weather, large-scale manufacturing has also known ups and downs over the past decade. A [redacted] took place [redacted] as investors [redacted] by setting up [redacted] and [redacted].[13] [redacted] also played a direct stimulating role by [redacted] alongside the private entrepreneurs. In fact, by 1981 GOB held approximately 43% of all share capital in large-scale manufacturing.[14] But the growth in large-scale manufacturing has peaked. As will be seen in Table 10, output has stagnated since 1981, while [redacted] has ground to a [redacted]. Partially due to the recent agriculturally-induced drop in purchasing power and the rising cost of imported inputs, this fall off is also the result of the policy environment that will be discussed in more detail shortly.

The [redacted] has generally followed the fortunes of the rest of the economy, as [redacted] depend on general income levels and purchasing power. Its share of GDP has remained roughly constant over the past decade at [redacted].[15] And much commercial activity is [redacted].

2. <u>Trade</u>

Trade opportunities and trends are very important to Burkina's private sector. The country's [redacted] - are large domestic employers. So export prices and prospects have a large impact on domestic employment as well as incomes. [redacted] are no less important. They account for about [redacted] [16] so changes in their prices can have an appreciable effect on real consumer incomes and on purchasing power.

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12. See Appendix Table B.6 for time series data on the sectoral distribution of GDP.

13. See M.P. van Dijk, "Politique Indutrielle de la Haute Volta," Ouagadougou, July 1981, p.10 for a brief industrial history of Burkina.

14. See Appendix Table B.4.

15. Calculated from Appendix Table B.6.

16. This is an average figure for 1980 through 1982. It is computed from Appendix Tables B.6 and B.7.

Burkina exports primarily agricultural commodities and imports manufactured goods, food and petroleum. In 1982, its major exports were cotton (42%), sheanuts (17%), and livestock (14%); while major imports were machinery and vehicles (22%), food (20%), manufactured goods (19%), and petroleum (16%).[17]

Overall, Burkina's trade balance has been in deficit since independence in 1960. The situation has deteriorated over the past fifteen years, slowly at first and quite rapidly in the past several years. In fact, the ratio of export to import values has declined from .49 in 1967 to only .16 in 1982.[18]

Many of the reasons for this steady degradation are beyond the control of government policy makers; but the deteriorating trade position nevertheless has an important influence on local business conditions, since the same factors causing the trade deficit tend to dampen local business activity as well. On the import side of the trade equation, the international price hikes of 1974 and 1979 have made a substantial impact on Burkinan trade deficits by significantly raising import bills. Petroleum products have more than doubled their share of import costs, rising from 7% to 16% of the total import bill over the past 15 years.[19] A second major cause of rising import costs has been the rapid depreciation of the CFA franc. Tied to the French money, the CFA franc has depreciated by 50% against the U.S. dollar and 40% against the SDR (the IMF's Special Drawing Right) over the past four years.[20] Because Burkina has steadily diversified its import sources from outside the Franc Zone[21], this depreciation produces substantial increases in its import bill. A third factor - the terms of trade - also contributes to a deteriorating balance of trade, affecting both the import and the export side of the equation. Computed as the ratio of export prices to import prices, Burkina's terms of trade have deteriorated by 45% between 1976 and 1983.[22]

On balance, these closely related factors - rising petroleum prices, a depreciating currency and declining terms of trade - have probably tended to

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17. See Appendix Table B.7.

18. Calculated from Appendix Table B.7 and earlier data from the BCEAO. Note also that, in most years, the trade deficit has been offset by capital inflows and worker remittances making the overall balance of payments generally positive. In 1981 and '82, however, the BOP also turned negative. For details, see Haggblade "A Macro-Economic Profile," p.16.

19. See Appendix Table B.7.

20. See Haggblade, "Macro-Economic Profile," Table II.2.

21. See Appendix Table B.8.

22. IMF,"Recent Economic Developments," p.52.

depress local business activity in recent years. Certainly the large oil price increases and the declining terms of trade increase local prices for imported goods, thereby reducing real incomes and purchasing power. These contractionary effects may be offset to some degree by the declining value of the CFA franc which should normally boost exports and increase the competitiveness of local import substituting manufacturers. But given the structure of the Burkinan economy[23], these potential advantages have probably been offset by the effect of rising prices which have dampened incomes and purchasing power.

3. Conclusion

For the past several years, the macro-economic climate in Burkina has been distinctly chilly. The unhappy coincidence of two years of inadequate rainfall, rising petroleum prices, declining terms of trade and a depreciating currency have combined to: a) depress overall national income and purchasing power; and b) reduce the availability of agricultural crops, the raw materials on which much subsequent commercial and manufacturing value added is based.

B. Policy Determinants of the Business Climate

Government policy combines with macro-economic conditions to complete the overall business climate within which private firms operate. Currently, much explicit government policy - the ~~Investment Code~~, for example - ~~aims directly at promoting private sector development~~. But more general policies - such as ~~pricing, monetary, and government investment policies - also influence the business climate, sometimes in conflicting directions~~. The following sections describe briefly the gamut of government economic policies, highlighting particularly their influence on the private business community.[24]

1. Investment Code

Through its Investment Code, the Government of Burkina offers substantial financial incentives to private or public firms wishing to launch operations in Burkina. They ~~offer repatriation of profits, freedom from nationalization without compensation~~, and ~~generous fiscal incentives~~ under their Investment

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23. The price responsiveness of Burkina's exports is likely to be slow given the long production cycle of its primarily agricultural exports. And the effects of increased competitivity of local import substituting manufacturers is likely to be diminished because many depend on imported inputs which will rise in cost as the currency declines in value.

24. For greater detail on all policy areas - but especially on fiscal policy - see Haggblade, "Macro-Economic Profile."

Code. And Investment Code benefits apply equally to foreign and locally-owned firms.

[redacted] Burkina's present Investment Code redresses a number of shortcomings commonly recognized in its predecessor. In particular, the [redacted] clearly s[redacted]es, guarantees uniform treatment for firms producing the same products and diminishes the duration and range of fiscal benefits. By reducing the level of benefits, the new code seeks to alleviate the widespread financial problems faced by firms in what was formerly a very abrupt transition from the Investment Code to the common law regime under which they faced full tax liability.[25] The reduced benefits also address the government's goal of husbanding fiscal resources to stem the tide of mounting budget deficits.

Eligible for benefits under the new Burkinan Investment Code are b[redacted]. The Code declares [redacted]A) mainly those ac[redacted] for example [redacted]ing, [redacted]le, and leather processing industries. In addition, Regime A includes com[redacted]enterprises, [redacted]ism and the production of agricultural inputs. In the se[redacted] are firms producing common [redacted]the lowest priority firms - those qualifying for [redacted] - include producers of no[redacted]cts and luxury items. It is noteworthy that neither crop agriculture nor commercial activities are eligible for benefits under any of the three Investment Code regimes.

Benefits under all three regimes are very similar, differing only in duration. All regimes include [redacted]l [redacted]t and f[redacted]als. And firms investing under each regime are eligible for [redacted]ds r[redacted] As can be seen from Table 4, the revisions make the [redacted]t th[redacted].[26] Even so, the financial advantages are considerable. In 1983, the Direction Generale de l'Industrie et de l'Artisanat (DGIA) estimates that investment code exemptions on import duties alone amounted to 6.5 billion CFAF or about one-third of value added in

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25. For a good discussion of the end of regime problems faced under the old Code, see Karim Adjibade, "Le droit des affaires au Burkina."

26. The difference is not as great as the gap in the time duration of benefits would suggest. In August 1984 when Burkina introduced its new Investment Code they also, in response to Chamber of Commerce lobbying, approved new legislation concerning tax regimes for firms not benefitting from Investment Code privileges. The new law allows any manufacturing firm not enjoying Investment Code privileges to receive a 75% reduction in fiscal tariff duties for imported raw materials provided the firms register with the Ministry of Commerce. See decree number 84-308/CNR/PRES/MCOM/MF of August 17, 1984.

Table 4

COMPARISON OF WEST AFRICAN INVESTMENT CODES

	Maximum Period of Exemption from Import Duties: on Equipment	Maximum Period of Exemption from Import Duties: on Raw Materials	Exemption from Business Taxes*
BURKINA	2 years	5 years**	None on BIC TPA, maximum 5 years
IVORY COAST	------ can stabilize all for up to 25 years -------		
MALI	3 years	20 years	BIC, 5 years can stabilize all tax and import duties for up to 20 years.
MAURITANIA	3 years	10 years	BIC, 3 years can also stabilize overall tax regime.
NIGER			
- local firms	15 years	15 years	BIC, 15 years maximum reduce TCA by 2/3, 15 years max.
- foreign investors	10 years	10 years	BIC, 10 years maximum TCA negotiable

Source: Communauté Economique de l'Afrique de l'Ouest (CEAO)

* BIC = Tax on "Benefice Industriel et Commercial "
TPA = "Taxe Patronale d'Apprentissage"
TCA = "Taxe sur le Chiffre d'Affaire"

** Even upon expiration of investment code exemption, large - scale manufacturers can receive a 75% reduction in fiscal import duties on raw materials.

large-scale manufacturing.

Unaltered by the new Investment Code is the "Petit Code des Investissements" which provides benefits for firms too small to qualify under the normal Code. Firms run by nationals and which are investing between 5 and 25 million CFAF ($12,500 to $62,500) are eligible for advantages under the Petit Code. Any economic activity except pure commerce can be awarded advantages under the code. So purely agricultural activities are eligible under the Petit Code, while they are excluded from the regular Code. Advantages under the Petit Code include waiving of import duties on equipment but not on raw materials. Firms can also be exempted from the business profits tax (BIC) for up to five years. Apparently because of lack of publicity, the Petit Code has never been applied. None of the businessmen interviewed by Garland was aware of its existence.[27] And van Dijk was aware of only one request for consideration, that by a firm too large to qualify.[28]

The "Big" Investment Code, on the other hand, is widely applied. In fact, staff members at the DGIA and Chamber of Commerce indicate that virtually all large-scale manufacturing firms established in Burkina have benefited from Investment Code provisions, both for their initial establishment as well as expansions.

2. Monetary Policy

Monetary policy also forms a key element of the local business climate, affecting the money supply, credit availability and borrowing rates faced by private firms. But before describing the policies themselves, some institutional background is necessary.

Membership in the West African Monetary Union, the Union Monetaire Ouest Africaine (UMOA), governs much of the monetary policy applied in Burkina. Among its seven francophone West African member states[29], the union calls for: a single currency, a common central bank, centralized foreign exchange reserves, free transfer of funds, common banking legislation, and a common interest rate structure. The common currency circulating among member countries is the CFA franc which is pegged at a fixed 50:1 rate with the French franc. The common central bank serving the member countries is the BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest). It emits the CFA franc, sets money supply targets for each member country, regulates commercial banks and sets key interest rates.

a) Money supply. Although the BCEAO controls the global money supply in each individual member country, it does so based on the recommendations of

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27. Garland, "Business Law," p.7.

28. van Dijk, "Politique Industrielle," p.23.

29. Membership in the UMOA currently includes Benin, Burkina, Ivory Coast, Mali, Niger, Senegal and Togo.

each country's National Credit Committee (NCC). The annual credit targets suggested by member country NCCs are consolidated and considered in light of the union's overall currency requirements and trade balance. The BCEAO then sets individual country credit ceilings. Since 1975, the BCEAO has enforced ceilings primarily by requiring c[redacted]).[30] In Burkina, central bank staff estimate t[redacted] and therefore to closely control the portion of the money supply based on domestic lending.

Within the global ceiling set by BCEAO, Bu[redacted]dit Co[redacted]rs. Table 5 shows the resulting distribution of credit. Probably most striking from the businessperson's point of view is the [redacted] Banks, [redacted] their tot[redacted]tion. Also important to highlight is the [redacted]e. Although it accounts for over one-third of GDP, agriculture receiv[redacted]uring, wi[redacted]edit.

b) Interest Rates. Borrowing rates within the UMOA are standardized within ranges specified by the BCEAO. For priority sectors [31], interest rates currently must fall between 9% and 11%. For all other types of activity, the BCEAO requires that borrowing rates fall between 10.5% and 15.5%.[32]

In the range between the minimum and maximum borrowing rates specified by the BCEAO, member countries are free to vary rates as they wish. In Burkina, an association representing all banks, the Association Professionnelle des Banques (APB), has established criteria for setting interest rates within the range allowed by the BCEAO. Firms are classed into six categories according to annual sales, and banks have agreed to charge common rates displayed in Appendix Table B.9. Cao criticizes this practice as constituting cartel-like collusion and effectively eliminating interest rate competition among local banks.[33] He also points out that this results in the unusual situation where creditworthiness of a borrower has no bearing on the interest rate charged. The current APB-approved borrowing rates have been in effect since April 1982.

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30. IMF," Currency Unions," August 31, 1982, pp.6,13,14.

31. Current priority sectors are: a) the marketing of agricultural crops; b) construction of individual owner-occupied homes; and c) small scale enterprises, defined as those owned and operated by nationals and with total outstanding credit of under 30 million CFAF ($65,000).

32. Andrew D. Cao, "Banking and Business Finance in Burkina," USAID/Ouagadougou, August 1984, p.14.

33. Cao, "Banking and Business Finance," pp.15-17.

Table 5

BURKINA FASO
ALLOCATION OF TOTAL BANK CREDIT BY SECTOR
(billions of CFA francs)

	1975 December	1976 December	1977 December	1978 December	1979 December	1980 December	1981 December	1982 December	1983 December
Short-Term Credit									
Agriculture	0.26	0.26	0.13	0.49	0.32	0.27	0.49	0.56	0.76
Industry	2.37	4.63	6.90	8.05	9.51	8.10	8.14	9.90	10.08
(SOSU-HV)	(1.36)	(1.99)	(2.78)	(4.26)	(4.59)	(3.05)	(3.85)	(4.30)	(4.23)
Construction	0.39	0.98	1.94	2.13	1.61	1.70	1.93	2.75	2.40
Transport	0.44	0.45	0.45	0.67	0.76	0.72	1.32	0.94	1.17
Commerce	4.22	6.06	7.23	11.18	13.46	13.85	14.55	15.01	17.14
(crop marketing)	(3.64)	(4.21)	(4.71)	(7.90)	(10.07)	(4.20)	(15.50)	(5.15)	(4.11)
Services	0.67	0.09	0.14	0.13	0.05	0.07	0.11	0.30	0.85
Non-Bank Financial Instit	0.29	0.32	0.47	0.51	0.04	0.00	0.00	0.00	0.00
Other	0.50	1.53	2.69	2.46	0.55	0.70	0.83	1.94	3.37
Total	9.14	14.32	19.95	25.62	26.30	25.41	25.54	31.40	35.77
(public enterprises)	(2.79)	(3.84)	(4.61)	(6.93)	(12.47)	(10.18)	(10.50)	(11.90)	(13.17)
Medium-Term Credit									
Agriculture	0.00	0.00	0.00	0.00	0.00	0.00	0.65	1.31	1.90
Industry	1.31	3.20	4.76	4.48	4.87	6.56	7.07	5.94	10.67
(SOSU-HV)	(0.45)	(1.15)	(2.66)	(1.75)	(1.37)	(1.45)	(1.03)	(0.50)	(1.55)
Construction	0.00	0.16	0.15	0.16	0.16	0.28	0.31	0.19	0.70
Transport	0.03	0.58	0.98	1.07	1.30	2.38	2.16	2.48	2.42
Commerce	0.10	0.14	0.00	0.88	1.26	1.87	2.31	2.62	3.70
Services	0.21	0.18	0.72	1.08	1.82	1.61	2.02	2.14	1.81
Other	1.27	1.82	3.25	4.08	3.71	2.37	2.85	3.21	3.67
Total	2.92	6.08	10.64	11.75	13.12	15.07	18.59	17.89	24.87
(public enterprises)	(0.72)	(3.01)	(5.23)	(5.29)	(5.00)	(7.41)	(9.35)	(8.55)	(13.87)
Long-Term Credits									
Industry	3.31	3.66	4.02	3.42	2.64	2.72	3.13	2.50	1.98
(SOSU-HV)	1.57	1.39	1.55	1.14	1.41	1.39	0.00	1.00	1.00
Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transport	0.15	0.35	0.38	0.23	0.57	0.53	0.49	0.49	0.45
Commerce	0.18	0.18	0.17	0.17	0.11	0.08	0.03	0.04	0.06
Services	0.25	0.21	0.30	0.24	0.39	0.16	0.33	0.33	0.30
Other	0.01	0.00	0.02	0.02	0.00	0.00	0.19	0.16	0.17
Total	3.90	4.40	4.89	4.08	3.71	3.49	4.18	3.52	2.96
(public enterprises)	(2.59)	(3.10)	(2.81)	(2.10)	(3.08)	(2.82)	(2.57)	(2.25)	(2.05)
GRAND TOTAL	15.95	24.80	35.45	41.45	43.13	43.94	48.31	52.81	63.60
(public enterprises)	(6.10)	(9.95)	(12.65)	(14.32)	(20.55)	(20.41)	(22.42)	(22.70)	(29.09)

Source: BCEAO.

But nominal as well as real interest rates have varied considerably over time. As shown in Table 6, real rates received by savers have turned largely negative since 1973. And although borrowing rates have been positive, in certain years they have been quite low, particularly for some classes of borrowers. Because the cost of administering small loans is quite high, this results in significant credit subsidies to borrowers who succeed in obtaining credit.[34] Under these conditions, credit is rationed, often out of high risk sectors such agriculture and small-scale enterprises. This may at least partially explain why agriculture's share of total credit is so small.[35]

3. Trade Policy

Government trade policy also influences opportunities faced by the private sector. Trade agreements favor exchanges with certain partners, and levels of protection influence the placement of private capital investments. As with monetary policy, here again some institutional grounding is a necessary adjunct to policy discussion.

Burkina belongs to two regional groupings that aim to stimulate economic exchanges among member countries. The more active of these groupings is called the West African Economic Community (Communaute Economique de l'Afrique de l'Ouest, CEAO), a grouping of six francophone West African states - Burkina, Ivory Coast, Mali, Mauritania, Niger, and Senegal- with a total population of about 37 million. The CEAO aims to promote intra-community trade by abolishing quantitative trade restrictions among members and by both eliminating and reducing tariffs on goods circulating within the community. The members have begun by eliminating tariffs on agricultural commodities traded within the community, and they have also begun reducing levies on traded industrial goods by instituting a Regional Cooperation Tax (Taxe de Cooperation Regionale, TCR) as a substitute for import duties and at a lower rate.[36]

Outside of the CEAO, Burkina does not favor any particular economic

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34. The World Bank estimates that agricultural credit is subsidized by about 50%. See IBRD, "Agricultural Issues Study," October 29, 1982, p.57.

35. Also see Mock, "Agriculture and Agribusiness," USAID/Ouagadougou, August 1984, p.58 for a discussion of credit shortage in agriculture.

36. The second regional grouping to which Burkina belongs is the Economic Community of West African States (ECOWAS, or in French - Communaute Economique des Etats de l'Afrique de l'Ouest, CEDEAO). The CEDEAO is both larger and more ambitious than the CEAO. Including 16 francophone, anglophone and lusophone West African states, the goal of the CEDEAO is to establish a common market among its members. That is, they aim to abolish all internal tariffs and institute a common external tariff applied by all members to goods coming from non-member countries. Although the CEDEAO treaty calls for this common market to take effect by 1985, virtually no progress has been made other than that achieved by the CEAO subgroup.

Table 6

BURKINA FASO
EVOLUTION OF REAL* INTEREST RATES
(percent)

Year	Inflation	Rate Paid to Depositors		Loan Rate Paid by Borrowers: BCEAO Maximum		Loan Rate Paid by Borrowers: BCEAO Preferred Rate****	
		Nominal**	Real	Nominal	Real***	Nominal	Real
1975	11.7	6.4	-5.3	13	3.3	8.5	-3.2
1976	2.8	6.5	3.7	13	12.2	8.5	5.7
1977	20.7	6.5	-14.2	13	-5.7	8.5	-12.2
1978	13.9	6.5	-7.4	13	1.1	8.5	-5.4
1979	13.4	6.5	-6.9	13	1.6	8.5	-4.9
1980	11	8.3	-2.7	15.5	6.1	11	0
1981	13.9	8.5	-5.4	15.5	3.6	11	-2.9
1982	12.8	10.5	-2.3	18	7.2	13	.2
1983	10	9.5	-.5	15.5	7.5	11	1

Source: IMF, "Upper Volta: Recent Economic Developments," June 2, 1983, pp.96-98; IMF, "Currecy Unions," August 31, 1982, pp.34a,37; Compagnie Interafricaine de Conseil Financier, "Etude du Systeme Financier de la Republique de Haute Volta," 1984, p.65; and BCEAO staff.

* Real rates computed as nominal minus rate of inflation.
** Rate on time deposits exceeding 1 year. Typically maximum deposit rate.
*** Computed as nominal rate plus 2% administrative charges minus inflation.
**** Eligible for the preferred rate are crop marketing, loans to small scale enterprises and to nationals building their own home.

zone. This is a new policy, since until recently trade legislation favored exchanges made within the Franc Zone. But new trade laws approved in October 1983 dispensed with the Franc vs. non-Franc Zone distinction, and currently imports from and exports to any region outside the CEAO are treated equally.

The GOB influences trade flows through administrative controls as well as through preferential tariffs. Although it imposes administrative controls on most imported goods, import authorization is normally accorded. The approval machinery appears to be set in place to limit the import of luxury goods and to allow control of foreign exchange outflows if the balance of payments continues to deteriorate.

GOB tariff policy follows common precepts aimed at promoting local economic activity. Current tariff schedules tax imports far more heavily than exports in an effort to both promote exports and encourage local manufacturing. And in the vast majority of cases, in order to promote local processing, they levy higher import duties on finished goods than on raw materials and intermediate goods. Yet businesspersons periodically uncover anomalies in the tariff structure: currently some metal bars are taxed more heavily than the finished goods using them; and leather is taxed more heavily than some leather purses. In cases such as these, businesses generally address their complaints to government through the Chamber of Commerce in order to initiate discussions that will lead to changes in the offending tariff code provisions.

4. <u>Price Control</u>

Output price is, of course, a parameter critically important to a firm's marketing strategy and profitability. Consequently the ability to set prices at desired levels is of central importance to private businesspeople.

According to current statutes, the prices of virtually all commodities in Burkina are subject to one of three forms of government control: a) the GOB controls prices of all imported goods through a system of margin controls (taux de marque); b) they set the prices of all local manufactures administratively through a process of "homologation"; and c) the prices of key agricultural products - such as cereals and cotton - are set by direct decree. Although it represents a slight simplification, the current price control system can be described briefly as follows [37]:

a) <u>Margin controls</u>. For virtually all imported goods, GOB publishes a set of maximum allowable margins traders may charge on top of their purchase price plus freight. Under this system, merchants perform their own price calculations using actual cost figures plus the maximum margins. The role of GOB is limited to periodic inspection and control through their Brigade des Prix. Because the Brigade has limited manpower and mobility, enforcement is spotty and takes place mainly at the wholesale level.

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37. For further detail, see R. Axel Magnuson, "Marketing in Burkina Faso," USAID/Ouagadougou, August 1984, pp.37-40.

b) Homologation. Prices of locally manufactured goods are set by homologation. This is an administrative process whereby all manufacturers are required to submit cost estimates to the Direction Generale des Prix for all products they produce. A Price Commission meets to determine allowable prices. They fix maximum prices ex-factory as well as at the wholesale, semi-wholesale (demi-gros) and retail levels. Producers may not sell without prior approval of the commission, although they can request an abbreviated procedure for market tests of new products. Although even the smallest tailors, metal workers and beer brewers are technically subject to homologation requirements, in practice prices are only homologated for large-scale manufacturing firms.

c) Direct decree. And finally, the agricultural products whose prices are set by direct decree currently include cereals, cotton, peanuts, and sesame.[38] Government commissions meet annually to set these prices. Government policy over the past decade or more has been to provide strong incentives to agricultural producers; they have increased official producer prices faster than input prices have risen.[39] And government policy has been to increase official cereal prices faster than those of non-food crops such as cotton.[40]

Overall, the GOB price control system is a comprehensive one. It covers virtually all imported good, all local large-scale manufactures, and prices of several key agricultural products. The effects of the price control system on private businesses will be discussed shortly, in Section III.B.8.

5. Fiscal Policy

Government fiscal policy affects private businesses directly through the process of tax collection. But government's fiscal position may have indirect effects as well. In particular, the mounting central government budget deficits that have appeared in recent years may potentially have important implications for government views on the roles of public versus private enterprises.

In response to growing budgetary difficulties, the GOB in recent years has instituted a number of revenue-increasing measures. It strengthened collection efforts in the late 1970's, raised "valeurs mercuriales"[41] in 1982, and in August 1984 they reduced duration of exemptions granted under

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38. In addition, some items such as cinema tickets and taxi rates are also set by direct decree.

39. IBRD,"Upper Volta Agricultural Issues Study," October 29, 1982, p.208.

40. See Haggblade, "Food Security," p.43.

41. "Valeurs mercuriales" are standard prices assigned to traded goods for purposes of calculating trade duties. Tariff rates are applied to the standard "valeurs mercuriales" rather than to actual invoice valuations in computing duties due on traded goods.

the Investment Code.[42] But government has not raised rates on basic business taxes like the business profits tax (taxe sur le benefice industriel et commercial, BIC).

Another implication of the current budget problems is that it may cause government to review the status of its public enterprises. One significant worry on the budgetary horizon is the financial position of public enterprises, particularly several large ones such as the RAN, (a railroad, the Regie Abidjan-Niger) and SOSUHV (Societe Sucriere de la Haute Volta, the sugar company), which could easily require substantial infusions of cash from government coffers. In fact, the RAN alone was responsible for over 40% of total central government arrears in mid-1983.[43] As further evidence of the public enterprise problem, Table 7 shows that firms with [redacted]r. This may be in part because government takes on riskier investments as part of its pump-priming investment strategy. But it may also be that [redacted] In either case, GOB will clearly have to look carefully at the financial status of its parastatals.

Government has taken several steps to address the public enterprise problem. In 1981, they commissioned a [redacted]ses which [redacted], among other things, [redacted] of many firms to the private sector.[44] In response, [redacted]ses which [redacted] was [redacted]ce. The new Directorate of State Enterprises is charged with financial and audit control of all state societies and also with drafting new legislation that will strengthen government supervisory powers over public enterprises. To [redacted]lls in public enterprises, the GOB, [redacted] They intend further to try, on an experimental basis, a[redacted] of overtime and weekend [redacted] Instead of pay incentives, they will appeal to employee commitment to work the e[redacted]e.[45] And once the Directorate of State Enterprises issues new legislation, it will turn to its financial control functions. Given the seriousness of the problem, it seems that if government's current efforts at imposing financial rigor fall short, they may have to consider some sort of devolution to the private sector as was recommended by their 1981 commission.

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42. IMF, "Recent Economic Developments," p.31; and IBRD, "Human Resources," p.37.

43. IMF, "Upper Volta: Staff Report for the 1984 Article IV Consultation," August 7, 1984, p.12.

44. IMF, "Upper Volta: Recent Economic Developments," August 15, 1984, p.15.

45. IMF, "Staff Report for the 1984 Article IV Consultation," August 7, 1984, p.10.

Table 7

BURKINA FASO

PROFITABILITY OF PUBLIC AND PRIVATE

LARGE-SCALE MANUFACTURING FIRMS, 1979

Ownership of Share Capital	Percentage of firms in 1979 whose profits were:			
	Positive	Zéro	Négative	Total*
1. Over 34% State-owned	13%	25%	63%	100% (8)
2. Over 34% Private Burkinan	50%	25%	25%	100% (20)
3. Over 34% Private Foreign	77%	14%	9%	100% (22)
4. Total	24% (12)	20% (10)	56% (28)	100% (50)

Source: M.P. Van Dijk. "Politique Industrielle de la Haute-Volta," Ouagadougou: DGIA, Juillet 1981, p.8.

* Figures in parentheses are absolute number of firms.

6. Private vs. Public Investment

Central though it is, government policy on the relative roles of public versus private investment is difficult to identify clearly. In part, this is due to the rapid political turnover of the past few years. Five governments have held power during the past two years, so key actors have changed many times and the architects of past public interventions are no longer in power. Despite what continues to be a very fluid policy environment, several general notions at least can be put forth.

Table 8 provides a good starting point. It indicates that current government involvement represents a minimal share in all economic sectors except large-scale manufacturing, utilities, and banks. At least under previous regimes - those who made the investment decisions reflected in Table 8 - government policy apparently viewed public investment as appropriate in two instances: a) in sectors of critical national importance; b) and as pump-priming, risk-taking efforts designed to launch enterprises for which the private firms did not have sufficient capital or where by shouldering initial risks government could induce private firms to follow suit.[46] Government's large stake in utilities and banks reflects the national security rationale, but with manufacturing both the national security and the pump-priming rationales have come into play. GOB investments in SOFITEX, the cotton promotion and export company, and SIVAM (ex-CARVOLT), the ammunition manufacturer, are doubtless motivated by a desire to control key sectors in the national interest; while their launching of SOSUHV, the large sugar producer, and SAVANA, the fruit processor, more likely reflect the pump-priming rationale.

Although complete historical data on changes in government corporate shareholdings are not available, Table 9 lists some of the more notable recent developments. The first striking feature of Table 9 is its brevity. Compared to the long list of public enterprises in Appendix Tables B.1 and B.2, the number of changes in government participation have been remarkably small. Second, most changes have been increases in government participation prompted by the national security rationale. The increasing positions in BIV, the commercial bank, VOLTELEC, the electric utility company, SOFITEX, the cotton producer, and SIVAM, the munitions manufacturer, all probably fall into this category. And the government's consistently high shareholding in the remaining commercial banks and in ONE, the water utility, also reflect the national security concern.

Table 9 also indicates that the GOB has apparently not yet devolved itself of a major corporate investment. Yet the increasing financial burden of numerous money losing parastatals caused a 1982 government commission to recommend devolution of some of these enterprises to the private sector.[47]

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46. See Mock, "Agriculture and Agribusiness," pp.24,25; and Garland, "Business Law," pp.18,19.

47. IMF, "Recent Economic Developments," p.15.

Table 8

BURKINA FASO

PUBLIC SHARE OF GDP, BY SECTOR

(1982 value added in billions of CFAF)

	Total Value Added	Public Sector Share	
		Absolute Amt	As % of Total
1. Crops, livestock, forestry, hunting, fishing	143	4	3 %
2. Manufacturing	43	9	21 %
3. Construction, energy, water	19	8	42 %
4. Commerce, transport	65	5	8 %
5. Banking & other services	17	6	35 %
6. Government	44	44	100 %
7. Errors & omissions	16	0	0
Total	347	76	22 %

Source: Computed from Table 1.

TABLE 9

BURKINA FASO

EVOLUTION OF GOVERNMENT SHAREHOLDING

IN MAJOR SECTORS

	Percent of Total Share Capital Held by State*		
	at constitution	1979	1984
1. Manufacturing			
GMV	24	51	75.2
SIVAM (ex.CARVOLT)	0	0	70
SOFITEX (ex.CFDT)	1	55	63
2. Banks			
BICIA	51	51	51
BIV	41	51	51
BND	55	55	55
CNDI	100	100	100
CNCA	38	38	38
3. Utilities			
ONE -	90	100	100
VOLTELEC (Ex.SAFELEC)	20	100	100

* State includes government plus corporations in which GOB is a majority shareholder.

Source: DGIA "Industries Voltaiques," (various years); and firm interviews by USAID Staff.

Should the financial problems persist in public enterprises, the government may have to consider at least partial disengagement.

Recently, the GOB has made two moves the implications of which are not fully clear, but they could have far-reaching effects on the public-private enterprise mix in the Burkinan economy. The first potentially significant action is the nationalization of all land which took place in August 1984. Officials close to the commission that recommended this move indicate the nationalization was aimed at clarifying land tenure questions in rural areas. If so, this will be welcomed, as many previous reports have pointed out how insecurity of land tenure has been a stumbling block to necessary investments in land improvement, especially in the newly settled regions of the AVV (Authorite de la Vallee des Voltas).[48] But if the nationalization aims to promote security of tenure in rural areas, it is unclear why urban land was included and what implications the ownership arrangements will have on investor confidence in the towns.

A second possibly portentious action is the creation of the Union Revolutionnaire des Banques (UREBA) and government's announced intention to use UREBA to finance 150 public enterprises, 5 in each of the country's 30 provinces. GOB intends these 150 enterprises to be owned and operated by local, provincial governments. They are to serve as a source of revenue, boosting local government's resource base and allowing the local authorities to provide more public services than they currently can. Each provincial government is to run a modern bakery, a cinema, a pharmacy, a chicken hatchery and a Faaso Far (ex-SOLVOLCOM) retail outlet. Government officials indicate they have no intention of displacing private firms and that these new investments are to be made in areas not currently serviced by the private sector. Yet effective demand is extremely low, and it is not clear how provincial administrators can turn profits in markets where the private sector has not. It seems that a question of displacement will inevitably arise. How it is resolved will shed much light on current government policy on the roles for private as opposed to public economic involvement.

7. Foreign vs. Domestic Private Investment

Government policy appears to treat foreign and domestic private investors alike. Both are eligible for Investment Code advantages, and foreigners are allowed to repatriate their profits.[49] For reasons of national security, GOB law allows government mandated buyouts of foreign firms by either the GOB or private Burkinans. Only three firms have been nationalized since 1960 - an arms manufacturer, an electric utility and a cinema - so this provision does

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48. Development Alternatives, Inc. "Agricultural Sector Assistance Strategy for Upper Volta," Ouagadougou: USAID, March 1982, p.20.

49. But firms investing under the Investment Code may only repatriate 80% of their profits while benefiting from the code privileges. Twenty percent of their profits must be reinvested according to Article 25 of the new Investment Code.

not appear to have been used to the detriment of foreign investors.[50]

8. The Sectoral Impact of Government Policy

The combined effects of government fiscal, credit and investment policies clearly favor private enterprises operating in some sectors more than others. L~~arge-scale manufacturi~~ng and s~~mallholder crop agriculture benefi~~t m~~ost from the overall government policy package~~, while the GOB policies implicitly accord commercial agriculture, small-scale manufacturing, commerce and services a lower priority.

a) Large-scale manufacturing probably receives large net government subsidies. In 1983 GOB granted investment code tax benefits that exceeded business taxes by an estimated 3.9 billion CFAF.[51] That rough approximation of the net subsidy amounted to about 19% of the value added by large-scale manufacturers.

Government has also invested public funds very heavily in large-scale manufacturing. In fact, DGIA statistics indicate that, in 1981, GOB owned on the order of 43% of all share capital in large-scale manufacturing.[52]

Large-scale manufacturing enterprises also appear to have easy access to bank credit. Cao's study indicates exceptionally high debt/equity ratios among the 8 manufacturing firms he studied.[53] This is not surprising given the share of total bank credit loaned out to (mostly large-scale) manufacturing firms. As Table 5 indicated, manufacturing held 36% of total outstanding bank credit at the end of 1983 compared to the 6% share of GDP contributed by large-scale manufacturers.

Against their tax, investment and credit advantages, large-scale manufacturers do face one policy-related difficulty not felt in other avenues of economic endeavor: their output prices are controlled by government homologation. The administrative requirements of homologation are cumbersome and often slow. This is a problem when input prices rise suddenly (through exchange rate fluctuations, for example) and the firm is not able to boost

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50. Garland, "Business Law," p.18.

51. DGIA estimates 6.4 billion CFAF were foregone in import duties alone under the Investment Code privileges in 1983. While government revenue figures for 1983 are not available, in 1982 direct taxes paid by incorporated businesses amounted to only 2.5 billion. Using the 1982 figure as a proxy for 1983 revenue, we arrive at the 6.4 - 2.5 = 3.9 figure. On business taxes paid in 1982, see INSD, Comptes Nationaux de la Haute Volta 1981 & 1982, p.45.

52. DGIA, "Industrie Voltaique, 1980/81," p.28. Note that this estimate is not based on a 100% sample of large-scale manufacturing firms, so the true figure may vary somewhat from their 43% estimate.

53. Cao, "Banking and Business Finance," pp.52,55.

its output price commensurately until many months hence. And in some cases the homologated prices, even once they are set, are so low as to squeeze profit margins. In the well-known case of SOSUHV, government homologated prices are very low, representing substantial considerable consumer subsidies, stimulating widespread smuggling of sugar to neighboring countries, and in large part are responsible for the financial difficulty currently faced by this large government-owned manufacturer.[54]

b) Agriculture. Because food self sufficiency is a major goal of the GOB, agriculture is one of its priority sectors. Analysis of net taxation does reveal that the large subsidies paid to the agriculture result in net payments from the government to the rural sector. While livestock is taxed overall, crop farming, particularly cereals, receives large net subsidies.[55] Strong official producer prices are also intended to favor production of certain crops.

While the pro-agriculture stance of the government is clear, one can argue that the effort is less than proportional to agriculture's importance in the economy. For example, in 1982 rural development received only 6% of GOB's recurrent expenditure, while contributing 40% of GDP.[56] And the net rural subsidies between 1977 and 79 averaged only 1.7% of agricultural GDP compared to large-scale manufacturing subsidies of roughly 19%.[57]

Although credit allocation to agriculture is exceedingly small, as was seen in Table 5, that which is granted goes via the CNCA to ORDs and ultimately to smallholders. On equity grounds, this is laudable. Yet when combined with the inexplicable omission of commercial agriculture from investment code advantages, the policy discourages large-scale investments in commercial agriculture.

c) Small manufacturing, commercial and service firms produce more value added than their large-scale counterparts and probably many times more employment. Yet the very small firms are discriminated against in several ways by government policy. They pay high import duties on their equipment,

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54. Note that, because homologated prices are maxima, the homologation process does not preclude the agressive, low-pricing strategies suggested by Magnuson, "Marketing," pp.26,27; and M.P. van Dijk, "Politique industrielle de la Haute Volta," Ouagadougou: Ministere du Commerce, July 1981, p.9. But as Magnuson notes on page 26, other features of the distribution system - the small markets and lack of vertical integration into retailing - make it difficult for manufacturers to pursue aggressive pricing strategies since retailers are not required to pass price decreases on to consumers.

55. IBRD, "Agricultural Issues," pp.182,237; Haggblade, "Food Security," p. 47.

56. INSD,"Comptes Nationaux 1981 & 1982," pp.9,36,47.

57. IBRD, "Agricultural Issues," p.237; INSD, "Comptes Nationaux 1981 & 1982," p.9; and note 21 above combined with Table 2.

labor bottlenecks - appear to be a second limiter of total crop output. Most farm management studies have found that labor shortages during the first and second weeding of the crop season to be the key factor limiting crop production.[90]

A third and fundamental problem facing farmers in most regions is absence of improved technical packages that will increase incomes under farmer conditions. Outside of cotton and maize in the South West, improved technical packages have simply not been developed. So sustained adaptive technical research will be essential if crop production is to increase faster than population growth.

A fourth difficulty lies in the physical distribution of inputs to regions where they are appropriate. Timely delivery of animal traction equipment, fertilizers and pesticides has been a recurring problem in Burkina.[91] But even if physical distribution is assured, farmers are many times unable to procure the improved inputs unless credit is made available at the same time. So a final important obstacle to increased crop output is a the shortage of input credit that would enable farmers to purchase fertilizers, pesticides and other yield-raising inputs. As Table 5 has shown, agriculture currently receives only 2% of total short-term credit; and medium-term credit for other than animal traction equipment has simply been unavailable in recent years outside the South West.[92] The problem, it appears, is not a shortage of loanable funds. Instead, CNCA management clearly indicates that what limits their small farmer lending is the delivery and support system necessary to supervise credit distribution. They can only expand credit delivery slowly as they build up their institutional capacity to effectively distribute it.

Related to the credit shortage is a final problem shrinking further the flow of investment funds available for agriculture. This last is a policy problem: crop agriculture is excluded from the Investment Code. So investors wishing to set up an irrigated fruit tree operation or a sorghum field, for example, would pay fuel import duties on pumps, on tractors and on building materials. These duties average about 50%. Yet if the same investor were to place his or her money in a manufacturing enterprise under the Investment Code, all imported equipment as well as initial raw materials would come in duty free. Even if the manufacturing and agricultural projects generated identical cash flows, the investor's return on equity would be 67% higher in

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90. John McIntire, Crop Production Budgets in Two Villages of Central Upper Volta, ICRISAT West Africa Economics Program, Ouagadougou, July 1981, pp.8-19; Purdue University, Farming Systems Research Unit in Upper Volta - 1982, Annual Reports, SAFGRAD, Ouagadougou, May 1983, pp.24-33. Animal traction or herbicides may be ways of circumventing this bottleneck although there is some controversy over whether or not animal traction actually reduces labor requirements.

91. Mock, "Agriculture and Agribusiness," pp.53-56.

92. IBRD, "Agricultural Issues," p.170; Haggblade, "Food Security," p.14.

manufacturing simply because of the Investment Code subsidy on capital equipment charges. Including the other benefits in the Code compounds the bias. Clearly omission of crop agriculture from the Investment Code discourages potential investment there by artificially raising the returns in manufacturing and livestock.

2. Livestock

Growth of livestock production also faces several important bottlenecks. Apart from the natural limitations of water and pasturage, livestock producers face prospects for stable or even declining world meat prices over the next five years.[93] In addition, land tenure problems are becoming increasingly important, as conflicts with crop producers accompany the rise of mixed crop livestock systems and the expansion of crop production. Fourth, animal health is an important constraint to increasing herd productivity as is the tsetse fly infestation in regions of the south. And finally, it must be admitted that neither government nor donors have mastered the technical and social issues that will enable them to effectively promote increased livestock production.[94]

3. Mining

Information is a major bottleneck to realizing profitable mining ventures. Should the feasibility study currently underway on the silver/zinc mine at Perkoa prove the deposits can be profitably exploited, there is little doubt that international funding would become available to open the mine. Resolution of the continuing debate over the Tamboa manganese mine will depend on establishing the viability of the mine, again a question of more precise information.

4. Manufacturing

Manufacturers in Burkina must contend with the short list of natural resources available for them to transform. It is because of the shortage of transformable natural resources that most manufacturers in Burkina process agricultural commodities.[95] Burkina's geographic position also boosts transport costs considerably, making it more difficult than it would otherwise be to compete effectively in export markets.

Unskilled labor and management deficiencies also plague local manufacturers. Recent field work has identified management problems as crucial and most apparent in the areas of marketing, financial control and

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93. IBRD,"Livestock Subsector Review," p.93.

94. IBRD, "Livestock Subsector Review," pp.3,80,98.

95. Mock indicates that different studies by the DGIA categorize between 44 and 58% of Burkinan manufacturers as agribusiness firms. In terms of value added, the share held by agribusiness is undoubtedly substantially higher than that. See Mock, "Agriculture and Agribusiness," p.46.

middle-level production management.[96] The management problem may be particularly acute in the public enterprises; at least profit rates are lower there than in privately run firms.[97]

Manufacturers also face weak purchasing power as a principal factor limiting their growth. One of the reasons for the current downturn in manufacturing is the decline in aggregate demand resulting from two successive years of poor harvest.

Large-scale manufacturers face one other difficulty that does not normally bother the very small firms, the cumbersome price homologation system. In periods of rising input costs, the homologation system depresses profits by not permitting concommitant output price increases until after the sometimes lengthy administrative procedure is completed. Sometimes, mainly with public enterprises, it is alleged that even when they are set, homologated prices are too low for firms to turn a profit. This is apparently the case with SOSUHV as well as with local soap manufacturers.[98] In the face of these difficulties, it is unclear why the homologation system could not be dropped in favor of free price setting controlled only by competition from imports.

The very small manufacturers, that produce over half of manufacturing value added, also face some unique problems. First, because they are too small to qualify for Investment Code advantages, these small tailors, carpenters, metal workers and others must pay far higher equipment prices than do large firms. The small producers pay equipment prices that reflect import taxes of about 50% putting them at a substantial disadvantage when competing with large firms who import equipment duty free under the Investment Code.

A second problem facing the small firms is lack of access to credit. While large firms often have ready access to credit[99], the small firms do not. As discussed in Section III.B.2, the BCEAO interest rate policy that provides preferential rates for small firms probably diminishes the total volume of credit banks are willing to lend to such firms.

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96. See Magnuson, "Marketing," p.20 and Samaan, "Business Management and Vocational Training in Upper Volta," Ouagadougou: USAID, August 1983, pp.9,10; and van Dijk, "Politique Industrielle," p.15.

97. See Table 7.

98. IMF, "Staff Report for the 1984 Article IV Consultation," August 7, 1984, p.9.

99. Andrew D. Cao, "Banking and Business Finance in Burkina Faso," Ouagadougou: USAID, August 1984, pp.49,55.

5. Commerce and Services

Commercial firms face weak effective demand as their principal constraint to expansion. Large firms appear to have ample access to credit[100]; in fact they received 36% of total short-term credit as of December 1983.[101] The margin controls on imported goods do not appear particularly onerous. They entail no cumbersome administrative procedure, but merely require commercial firms to maintain good accounting records for the Brigade des Prix inspections.

Some infrastructural investments might also improve commercial prospects by venting productive surpluses. Examples include the road to Orodara which would facilitate the export of mangoes, and the road from Kantchari to Kodjari which would facilitate exploitation of Burkinan phosphate reserves.

Service enterprises face the common difficulty of weak demand and probably also suffer from technical and management skills, although little analytical work has been done to illuminate these issues.

C. Statement of the Problem Facing the Private Sector

The basic problem facing the private sector are complex and intertwined. First, the potential for profitable business activity appears to be limited in Burkina, and in any case is not well documented. At the same time, serious and often multiple constraints impede viable investments from being brought to fruition. Technical and management skills are in short supply, and so is credit, especially for small firms and agricultural activities. Crop agriculture is a good example of the overlapping nature of the constraints faced by the private sector. Even after income-raising technical packages are developed, distribution of inputs and availability of credit will all be required before private farmers can adopt the new packages. Removal of two constraints is to no avail if the third is still binding. For organizations wishing to promote private sector activity, the art, as always, is in projecting where potential gains will most fully cover the costs of unblocking constraints.

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100. Cao, "Banking," pp.51,55.

101. See Table 5.

V. PROGRAMS OF ASSISTANCE FOR PRIVATE ENTERPRISES

A wide array of institutions - both local and foreign - currently operate programs aimed at promoting private economic activity in Burkina. While many of the efforts are channeled through Burkinan institutions, virtually all are externally financed. For that reason it is very difficult to separate the foreign from the local, and so the following overview describes both together according to functional classification.

The following review is somewhat complicated by the fact that neither the other donors nor the GOB normally views their programs as aimed at "private" as opposed to "public" economic activity. They generally develop programs that aim to boost incomes or production without necessarily requiring that the assistance be channeled to private firms. Thus some donor assistance to the private sector is part of broader programs that provide functional assistance to public or private firms. Where such overlap exists, it will be signaled.

A. Marketing Assistance

1. OPEV, the Office de Promotion de l'Entreprise Voltaique, began operations in 1974 with substantial donor assistance, particularly from UNIDO/FAC and later the World Bank. Within their comprehensive package of assistance, OPEV offered a wide range of marketing services from market feasibility studies to in-house advisory assistance to general marketing seminars which they run periodically for interested businesspersons. In general, OPEV has not lived up the GOB's initial high hopes for it. Many of the firms they helped launch have ceased operations and a series of donors has become disillusioned with their operations. The Germans and Dutch, both substantial boosters in the past, have indicated a disinclination to continue their support. With declining donor support, OPEV has lost many of its technical staff and its recurrent budget has declined as well, significantly limiting its extension activities. But it does manage to continue marketing seminars which many local businesspersons reportedly attend.

2. The Chamber of Commerce also provides marketing assistance. They begin by maintaining a commercial library particularly for importers and exporters but also useful for local manufacturers requiring imported inputs. The library contains directories listing suppliers, buyers, shippers, transit companies and the like. For businesspersons interested in exploring prospects in a particular line of business, the Chamber also provides initial advisory services commenting on general trends in given markets and on sources to consult for further study. And like OPEV, the Chamber runs a series of short courses on various aspects of marketing.

3. ONAC, the Office National du Commerce Exterieur, began in July 1984 with the first of a series of market studies through which they hope to assess potential export markets for Burkinan products. Their first studies were on tomato paste and fruit juices, and more studies are planned in the future. In collaboration with the International Trade Center (ITC) in

Geneva, ONAC also runs a series of seminars for traders with an export orientation. The French Centre pour le Developpement Industriel (CDI) helps ONAC participate in international trade fairs to promote Burkinan products abroad.

4. Finally, the CEAO is also beginning a series of marketing courses, mainly with a regional focus. In setting these courses up, they too have received assistance from CDI. After assessing the CEAO curriculum, Magnuson indicates that it, along with the Chamber of Commerce, are the institutions that provide the most effective marketing training in Burkina. The OPEV program, he felt, was not sufficiently well developed.[102]

B. Technology and Technical Training

In agriculture, technical research is an important part of GOB and donor efforts to develop more productive crop packages. Major research efforts are currently underway by IRAT, ICRISAT, SAFGRAD, IRHO, CERCI and many others with an emphasis on cereals but also covering oilseeds, cotton, fruits and vegetables. Major donors financing this crop research include: IBRD, USAID, France, the FAO as well as the multi-lateral assistance made available through the numerous internatinal research institutes listed above.

Livestock research, often applied research through pilot projects, has been mostly financed by the World Bank, Holland, Germany, France, FED and the USA. France and Germany have funded research on trypanosomiasis control. The World Bank assistance has included assistance to veterinary services and the formation of pilot group ranches.

In addition to research, the GOB operates a major agricultural training program, the Centres de Formation de Jeunes Agriculteurs (CFJAs). These are practically oriented secondary schools offering training covering all types of crop agriculture and livestock. Currently about 550 CFJAs operate in Burkina. The CFJA program receives substantial support from both the World Bank and USAID.

The GOB also runs agricultural extension services through 11 Organismes Regionaux de Developpement (ORDs). Extension agents, in theory, provide counsel to farmers in all areas of crop agriculture and livestock. About 1,959 extension agents operated in Burkina during 1983. Because of the financial difficulties faced by the ORDs, extension staff have tended to be most numerous and effective in areas where donor funding is available. For example, the ratio of extension agents to farm families is significantly higher in the South West than in other regions of the country.[103] This discrepancy is largely attributed to the availability of World Bank financing through its numerous agricultural projects in that region. USAID funding in the Eastern ORD and the large Italian agricultural project in the Center East ORD have similar effects.

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102. Magnuson, "Marketing," p.22.

103. IBRD, "Agricultural Issues," p.224.

Outside of agriculture, technical training programs are scattered and sparse. Although church groups and private organizations run numerous small training programs, two nationally institutionalized programs are run by the GOB. First are the USAID- and World Bank-supported Centres Nationaux Pour la Formation des Artisans Ruraux (CNPAR) which run two-year training programs in the areas of metal working, carpentry, masonry and mechanical repair work. Trainees are selected by their fellow villagers. At the end of their two-year training period, graduates can receive loans for the purchase of equipment with which to set up businesses in their villages.

The second government sponsored technical training institution outside of agriculture is the Office de Promotion de l'Enterprise Voltaique (OPEV). OPEV does not offer formal technical training, but rather on site technical advice to businesses requesting it and willing to pay the OPEV fee. UNIDO and Dutch assistance has been important to OPEV's technical capabilities, and as their funding has dissipated so too has OPEV's ability to provide its full range of technical support.

C. Management Training

-- In agriculture and livestock, the CFJAs and the ORD extension system are in place to provide management advice to farmers.

For manufacturing firms, OPEV also provides on-site management consulting as well as general seminars from time to time. The Chamber of Commerce also provides some management assistance. They run seminars on taxation and export control procedures, both of which are aimed at improving current business management practices. In addition, the Chamber has begun and hopes to expand assistance to firms in preparing and presenting loan applications to banks.

Outside of the Burkinan institutions, many donors provide management support, sometimes coupled with financial assistance, directly to individual enterprises. But because government holds a stake in many of Burkina's large firms, much of this assistance goes to enterprises with majority government participation, that is to what we have defined as the public sector. For example, the Dutch have provided management and technical assistance to SAVANA, the fruit processor, a public enterprise, and also to UVOCAM, the private fruit and vegetable marketing cooperative. Much more of this direct donor to enterprise aid will be discussed under its more common form, financial assistance.

D. Financial Assistance

Agricultural credit is financed exclusively by donors and is channeled through the Caisse Nationale de Credit Agricole, CNCA. Major foreign support for CNCA comes from the French Caisse Centrale de Cooperation Economique (CCCE), the World Bank, FED, FIDA and FAO.

While CNCA currently makes medium-term animal traction credit available throughout the country, since 1979 short-term credit for seeds, fertilizer and other inputs has been available only in the ORDs of the South West.[104] CNCA management indicates that availability of funds does not constrain their lending. Rather they and the ORDs, through whom they work to arrange group loans to farmers, simply do not have the extension network and staff necessary to adequately distribute and monitor short-term credit except in the South West. Experience suggests that the necessary staff development and funding necessary to expand lending outside the South West will not be available in the forseeable future without donor support.

Traders, large-scale manufacturers and service enterprises must generally satisfy their credit needs through commercial banks or from foreign sources. But small-scale manufacturers have, at least in the past, had more outlets open to them. The CNPAR operates a credit program for its graduates. And a welter of donors operate localized credit schemes for small-scale manufacturers. At USAID alone, the project portfolio includes the following small enterprise loan programs: PfP's small enterprise loan program in the Eastern ORD, the AVV credit program, the Segenega Valley program, and two funds aimed at promoting women's economic activities - Training Women in the Sahel (TWIS) and Strengthening Women's Role in Development (SWID). Some of these, for example the PfP program, are also open small-scale commercial enterprises. Outside of USAID, one interesting credit program is that called PRODIA, privately funded and operated by a former German technical assistant to OPEV.

In the financial sector, one finds most of the direct donor to enterprise assistance efforts, and they are mainly aimed at large-scale firms. The Dutch, for example, provide direct financial assistance to SAVANA, Air Volta and ONERA. The Germans have also provided funding to ONERA, the Canadians have supported the RAN, the World Bank has assisted SOVOPLAS, and the French have provided support for the Silmande Hotel, CIPROFLMM, SOREMI, VOLTEX and Air Afrique. Note, though, that virtually all these firms are public rather than private enterprises.

But not all direct assistance goes to public firms. The CCCE runs an affiliate, PROPARCO which promotes medium-scale business enterprises, acting as an intermediary between foreign and local investors. They have, for example, successfully matched SIBB, a local private biscuit manufacturer, with a French partner to help finance a plant expansion.

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104. Ministry of Rural Development, "Journees de reflexion sur la campagne agricole 1983/84, les 12,13,14 Avril 1984 a Ouagadougou," Ouagadougou: April 1984, p.9.

E. Conclusions

Table 11 attempts to summarize the nature and volume of assistance currently available to the Burkinan private sector. Overall, several observations can be made. First, the very small-scale manufacturing, commercial and service firms appear to be relatively neglected in the marketing, technical and management assistance areas. But the number of credit programs is not small. Historically large sums have been made available for credit to small-scale and artisanal firms including $1.1 million through the Entente Fund by USAID, a recent $4 million from the World Bank, $4 million from the African Development Bank, and $1 million from the West African Development Bank. All these credit lines have been channeled through the BND. These loan programs do not have a happy history.[105]

Second, it is clear that crop agriculture and livestock have received the bulk of funding assistance. This is not surprising given the key role these sectors must play in Burkina's development. But even though assistance has been substantial in the past, it is the opinion of the World Bank that continued significant research efforts will be required in Burkina and that those efforts must be better coordinated by the GOB than they have been in the past.[106]

Overall there is much work still to be done in Burkina.

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105. See USAID, "Assisting Small Business in Francophone Africa: The Entente Fund African Enterprises Program," December 1982 for a discussion of the problems encountered with that program. Recent discussion with the World Bank and BND staff indicate that the World Bank project failed to disburse a single loan to the targeted small and artisanal firms.

106. IBRD, Agricultural Issues," pp.111,112; IBRD, "Livestock Subsector Review," p.7.

TABLE 11

Private Sector Assistance Programs

Sector	Type of Assistance: Marketing	Technology Tech. Skills	Management	Finance	Volume of Funding: Foreign aid (% of 80-82)	GOB Rcrnt. Bu (% of 80-
1. Crop Agriculture	–	CFJA research stations	CFJA ORD extension	donors Via CNCA	40%	7.7%
2. Livestock	–	CFJA research stations	CFJA ORD extension	–		
3. Manufacturing						
a. Small-Scale	–	CNPAR	–	CNPAR PFP, AVV, PRODIA Donors Commercial banks	5%	1.1%
b. Large-Scale	CEAO OPEV Ch. Commerce ONAC	OPEV Austrian Tech. Center	OPEV Ch. Commerce Donors			
4. Commerce						
a. Large-Scale		–	OPEV, Ch.Commerce	Commercial banks	.3%	
b. Small-Scale	–	–	–	PFP		
5. Services	–	–	–	–	0	
6. Non-Private Sector					55%	91.2%
					100%	100 %

Sources: INSD , "Comptes Nationaux 1981.1982", pp. 36,60; Magnuson; Cao; Samaan; Mock.

VI. CONCLUSION AND RECOMMENDATIONS

1. Priority for private sector promotion should go to agriculture, both crops and livestock.

Agriculture is the backbone of Burkina's economy, and for the forseeable future it will apparently have to be the motor as well. Growth in agriculture expands incomes for 90% of the country's population bringing in its wake increased purchasing power that businesspeople can supply with goods and services. In a country with very few exploitable natural resources, agricultural growth also produces raw materials that manufacturers can transform.

The [illegible] facing agriculture are: sustained technical research, including adaptive on-farm trials; a bolstering of the agricultural credit and extension systems; and improvement of the Ministry of Agriculture's ongoing economic analysis, planning and monitoring capabilities. Charged with those very functions, their Direction des Etudes et Projets (DEP) will become increasingly important, since current priorities are based on present data and understanding. As more information becomes available through ongoing research, there will be a continuing need to digest and assess the implications for policies and priorities.

While of absolutely fundamental importance to Burkina's long-term economic health, agricultural research, credit and extension also represent one of the most expensive and complex of interventions. Many organizations interested in promoting private sector growth may simply not have a sufficient budget to enter this particular arena. Listed below for them are a number of lower cost options that will still be very useful but on a more modest scale.

2. Also useful would be pilot marketing or processing schemes aimed at supporting productive activities during the dry season. Fruit and vegetable production appears to be particularly promising.

Less ambitious than a full-scale agricultural research program, this action could provide a useful income supplement to farm families during their normally slack season. The key institution to work through would probably be UVOCAM, the fruit and vegetable growers marketing cooperative, although it might also be possible to work through SAVANNA, the fruit and vegetable processor. UVOCAM not only handles most fruit and vegetable export marketing but also runs a small processing plant, and assists growers with input procurement. So they have necessary connections at all levels in the production distribution chain. Funding could be provided for some very specific market studies (perhaps through ONAC) with follow-on implementation capacity. Implemetation could include technical assistance to UVOCAM staff, possibly through the International Executive Service Corps (IESC).

3. It would be useful to commission several detailed management evaluations of selected manufacturing firms.

Many firms are currently consolidating and reorganizing in an attempt to deal with the present economic malaise in Burkina. So at the present time they may be particularly receptive to reorgational assistance. During a downturn might also be a good time to spot the most important management weaknesses. Perhaps some generalizable trends would emerge.

One could commission detailed evaluations of selected firms. Ideally they could be performed by local accounting or management consultants, if not Burkinan, those from Abidjan or Dakar. In some cases, it might be necessary to supplement their staff with special expertise, for example from a large U.S. firm or the IESC. Private firms as well as organizations like OPEV and the Chamber of Commerce could be considered for performing individual assessments. If the fee structure were set appropriately - perhaps a 10% charge for the initial diagnostic and progressively increasing percentages for subsequent visits - it might be possible to gradually build bonds between local firms and an increasingly competent corps of trusted management consultants. The potential exists to help put the firms in difficulty back on their feet, promote local private management consulting and at the same time garner some lessons that might be useful in formulating future training or assistance programs.

4. Government needs to make several policy decisions:

a) Government should set a clear policy on the role for public versus private enterprise in the Burkinan economy.

Since many of the ailing large-scale manufacturing firms are public enterprises, much of the success of a diagnostic program such as the one above would depend on the flexibility of government regarding restructuring options. A clear position will also be important to members of the business community who are currently uncertain what role the government sees for them in its overall national economic development.

b) Government should review its price homologation system for large-scale manufacturing.

Many public enterprises currently suffer losses because of artificially low homologated prices. Restauration of profitability will, in some cases, depend on a liberalized pricing policy.

Private firms as well would benefit from a change. It is recommended that government consider dispensing with price homologation except where firms receive import quota protection. In all other cases, price competition from imports should be sufficient to protect consumer interests.

c) Crop agriculture should be included among the activities eligible for Investment Code advantages.

d) Maximum bank borrowing rates should be raised for small-scale enterprises in order to allow banks to grant more loans to them while at the same time covering their costs.

Training of banks staff in appraisal techniques for such enterprises would be a useful supplementary measure.

e) Government should consider drastically lowering import tariffs on tools used princially by small scale enterprises in order to remove the current discrimination between them and the large firms who import all equipment duty free through the Investment Code.

f) Government should review the status of OPEV.

OPEV's credit fund has been frozen, its technical staff greatly reduced in recent years and its recurrent budget has been cut to perilously low levels. The institution simply doesn't have the means to operate effectively. At the same time, other organizations such as ONAC, the Chamber of Commerce and CEAO are beginning to offer services very similar to certain of those formerly provided by OPEV. Government needs to clearly define what it sees as the role for OPEV and the other promotional institutions. Either OPEV should be assigned a role and resources to implement or it should be closed down, its staff absorbed where appropriate by the other institutions.

5. It would be useful to commission some general studies of the very small-scale commercial, manfacturing and service firms.

These firms have probably not received assistance comensurate with their economic importance. And in part this may be due to a lack of information and understanding of the composition, potentials and the problems they face. Some general street counts (inventories of numbers and types of enterprises) should be followed by several in-depth industry case studies. Such efforts could build on preliminary work done by INSD.

6. Although many observers have recommended low-cost credit schemes for small-scale enterprises [107], I believe launching such a program would be a mistake at the present time.

No further small enterprise credit programs should be launched without a careful review of the numerous unhappy credit schemes that have already ground to a halt in that sector. Included in the list of projects to review is the USAID-sponsored Entente Fund Project; the IBRD Artisan, Small and Medium Scale Enterprise Project; and the KFW loan guarantee fund operated by OPEV. Such an assessment should also include a look at smaller credit schemes such as those run by PRODIA and the Partnership for Productivity (PFP). [108] It will also be important to examine the costs of lending and to assess the prospects for operating any cost-covering credit schemes given the BCEAO's low preferential interest rates for small-scale enterprises.

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107. See van Dijk, "Politique Industrielle," p.65; Mock, "Agriculture and Agribusiness," p.70,71; and IBRD, "Upper Volta: Appraisal of an Artisan, Small and Medium Scale Enterprise Project," Washington, DC: August 19,1977.

108. Note that the current evaluation of the PfP project in the Eastern Ord should provide some illuminating information on the cost-effectiveness of small-scale enterprise credit schemes run outside of the banking system.

7. Support should be provided to the Chamber of Commerce and the DEP/MOA to boost their staffs' analytical skills and research facilities, allowing them to better implement their ongoing mandate for policy evaluation.

This would be one of the most enduring contributions that could be made to improving the Burkinan business climate. It would encourage the built-in feedback mechanisms already operating in the country. The Chamber of Commerce has historically served as spokesman for the business community successfully communicating their policy concerns to government.[109] The DEP in the Ministry of Agriculture performs a similar analytical role for agriculture and livestock. A boosting of the analytical skills and resources available to these institutions would probably represent the most important contribution that could be made to ongoing analysis and dialogue between the private sector and government.

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109. The new Employment and Enterprise Policy Project in the Science and Technology Bureau of AID might be an appropriate vehicle for channeling such assistance.

APPENDIX A.

TABLES OF CONTENTS OF BACKGROUND TECHNICAL REPORTS

1. AGRICULTURE AND AGRIBUSINESS

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APPENDIX B.

SUPPLEMENTARY TABLES

Table B.1

LIST OF "SOCIETES D'ETAT"
AND "SOCIETES D'ECONOMIE MIXTE"*

	Percent of Capital Owned by State, 1982**
1. Societes d'Etat	
Air Volta	100
2. Societes d'Economie Mixte	
a) State majority shareholder.***	
BICIA: Banque Internationale pour le Commerce, l'Industrie et l'Agriculture	51
BIV: Banque Internationale des Voltas	51
BND: Banque Nationale de Developpement	54.6
DIMA: Developpement Industriel, Mecahique et Agricole	70
GMV: Grands Moulins Voltaiques	75
RAN: Regie Abidjan Niger****	50
SAVANA	51
Shell	51
SIVAM (ex-CARVOLT): Societe Voltaique d'Ammunition et de Munitions	70
SOCOGIB: Societe de Commercialisation et de Gestion Immobiliere du Burkina	53
SOFITEX: Societe Voltaique des Fibres et Textiles	63
SONAR: Societe Nationale des Assurances	51
SONAVOCI: Societe Nationale Voltaique des Cinema	53.5
SOREMI: Societe de Recherche et d'Exploitation Miniere	60
SOSUHV: Societe Sucriere de Haute Volta	73.9
SOVERTH: Societe Voltaique d'Etude et de Realisation Touristique et Hoteliere	90
SOVOLCOM: Societe Voltaique de Commersialisation	97
SOVOG: Societe Voltaique de Groupage	51
VOLBRICERAM: Societe Voltaique de Briqueterie et de Ceramique	78
VOLTEX: Societe Voltaique de Textile	74
b) State minority shareholder.*****	
Bata	23
CNCA: Caisse Nationale de Credit Agricole	38
IVOLCY: Industrie Voltaique du Cycle et du Cyclomoteur	31
SHSHV-Citec: Societe des Huiles et Savons de Haute Volta	16.4
SIBB: Societe Industrielle de Biscuiterie et de Bonbonnerie	?
SOVIC: Societe Voltaique de l'Industrie de la Chaussure	35

	Percent of Capital Owned by State, 1982**
b) State minority shareholder.***** (cont.)	
SOVICA: Societe Voltaique Industrielle de Construction Agricole	33
SOVOCA: Societe Voltaique de Credit Automobile	25.8
SVCP: Societe Voltaique de de Cuirs et Peaux	49
SVTR: Societe Voltaique du Transport Routier	17.33
VOLTOA: Societe Voltaique d'Oxygene et d'Acetylene	34

* This may not be a complete listing.

** State participation includes government plus that of enterprises in which the government holds a majority of shares.

*** These firms are included in what this paper defines as the "public sector".

**** The RAN has a special status. It is a corporation jointly owned by the Government of Burkina and the Government of Ivory Coast.

***** These firms are included in what this paper defines as the "private sector".

Source: Michel F. Sawadogo, Thesis, Doctorat du Troisieme Cycle, University of Reins; updated where possible by data from Mock, "Agriculture and Agribusiness in Burkina Faso," USAID, August 1984, pp.47a-d; and firm interviews by assessment team and USAID staff.

Table B.2

LIST OF
"ETABLISSEMENTS PUBLIC A CARACTERE INDUSTRIEL OU COMMERCIAL" (EPIC)*

1. Atelier Pilot de Construction Metalique Agricole: APICOMA
2. Caisse Generale de Perequation des Prix des Produits et Marchandises de Grande Consommation
3. Caisse Nationale de Depot et d'Investissement: CNDI
4. Caisse Nationale d'Epargne: CNE
5. Centre National d'Equipement Agricole: CNEA (ex- ARCOMA/COREMA)
6. Caisse de Stabilisation des Prix des Produits Agricole: CSPPA
7. Centre de Tannage
8. Centre National Avicole de Ouagadougou: CNAO
9. Centre National d'Equipement Agricole: CNEA (ex-APICOMA,ARCOMA)
10. Centre National de Perfectionnement des Artisans Ruraux: CNPAR
11. Centre National d'Artisanat d'Art: CNAA
12. Centre National pour le Traitement de l'Information: CENATRIN
13. Conseil Burkinabe des Chargeurs: COBOC, ex-COVOC
14. Imprimerie Nationale
15. Institute Geographique de Haute Volta: IGHV
16. Laboratoire National du Batiment et des Travaux Publics: LNBTP
17. Office National d'Approvisionnement Pharmaceutique: ONAP
18. Office National de l'Exploitation des Resouces Animales: ONERA
19. Office National de Promotion de l'Entreprise Voltaique: OPEV
20. Office National des Cereales: OFNACER
21. Office National des Eaux: ONE
22. Office National du Commerce Exterieur: ONAC

*Note: This list may not be exhaustive.

Source: Karim Adjibade, "Les Entreprises Publiques sour forme d'Etablissement Public a Caractere Industriel ou Commercial," Cours de Droit Public Economique, Annee Universitaire 1983-84, p.30 and suite.

Table B.3

TOTAL EMPLOYMENT IN THE LARGEST TWENTY SMALL SCALE ENTERPRISES (SSE)

IN EASTERN BURKINA FASO, 1980

Enterprise Type	Percent of total SSE Employment
1. Dolo (sorghum beer) making	19.2
2. Shea butter extraction	18.1
3. Weaving	14.1
4. Pottery	9.5
5. Soumbola making	9.1
6. Blacksmithing	6.8
7. Cloth dying	5.6
8. Peanut oil extraction	3.5
9. Tailoring	3.2
10. General store	2.1
11. Restaurants	2.0
12. Bars	2.0
13. Grain milling	1.2
14. Motorbike repair	1.1
15. Baking	.8
16. Carpentry	.6
17. Pharmacies	.4
18. Coffee stands	.3
19. Barbers	.3
20. Photography	.1
Total	100

Source: David Wilcock, "Rural Small Scale Enterprises in Eastern Upper Volta: Survey Results," African Rural Economy Program, Working Paper No.38, Michigan State University, August 1981, p.20. Survey included 192 villages in which 1,358 enterprises were identified with a total employment of 21,207.

Table B.4

BURKINA FASO
COMPOSITION OF LARGE-SCALE MANUFACTURING, 1981*

Type of Activity	Value Added (billions CFAF)	Employment (thousands)	% State Participation in Share Capital
1. Food processing	10.3	4	42%
2. Textiles and leather	5.9	2.4	59%
3. Mechanical and metal	.7	.6	14%
4. Chemical	1.5	1.0	9%
Total	18.5	8.0	43%

Source: DGIA "Industrie Voltaique, 1980/81," pp.28,29.

* Note that these figures do not include 100% of all large-scale manufacturing. They only include those from firms responding to DGIA surveys.

Table B.5

BURKINA FASO
CHARACTERISTICS OF SELECTED KEY ENTERPRISES

Name	Principal Product	1982 Revenue (millions CFAF)	Ownership VP	Ownership FP	Ownership S	Comments
1. Construction						
Etats Kanazoe	construction, transport	n.a.	100%	0%	0%	Largest employer in private sector. Employs over 3,000 people or 6% of country's salaried workforce.
2. Utilities						
VOLTELEC	electricity	7,512	0%	0%	100%	Nation's only generator of electricit Operating at a loss.
3. Commerce and Transport						
Air Afrique	airline	n.a.	0%	27%	7.5%	Owned jointly by 10 African states an SODET (50% Air France and 50% UTA).
CSPPA	export oilseeds	n.a.	0%	0%	100%	Exports sheanuts, peanuts and cotton and cotton seed.
OFNACER	markets and stocks cereals domestically	n.a.	0%	0%	100%	Competes with private traders to bid up producer prices and to bid down consumer prices. Heavily subsidized by donor food aid.
Point Air	airline	n.a.	0%	100%	0%	Competitor to Air Afrique for certain portion of passenger market.
RAN	railroad	n.a.	0%	0%	50%	Owned jointly with Ivory Coast. Losing money heavily. Responsible fo for 45% of total government arrears, at end of 1983.

Name	Principal Product	1982 Revenue (millions CFAF)	Ownership VP	Ownership FP	Ownership S	Comments
SOBA	transport & commerce	n.a.	100%	0%	0%	Owned by innovative entrepreneurs. Other businesses include foam rubber products. Considering vegetable oil refining.
SOVOLCOM	importer and retailer	n.a.	3%	0%	97%	Largest importer and retailer in country. Competes with private merchants to keep consumer prices low. Reportedly very efficiently run.
SVTR	transportation	n.a.	39%	59%	6%	Transports petroleum products into and throughout country. Only transporter whose rates are regulated.
UVOCAM	exports fruits and vegetables	n.a.	100%	0%	0%	Union of private cooperatives. Larges exporter of fruits (mainly mangoes) an vegetables (mainly green beans). Does some processing. Supplies seeds and fertilizer to members.
4. Banks						
BICIA	commercial bank	n.a.	4%	45%	51%	
BIV	commercial bank	n.a.	10%	49%	41%	
BND	development bank	n.a.	18%	27%	55%	Commercial and development bank. Currently having serious financial problems.
CNCA	agricultural bank	n.a.	15%	46%	38%	Distribute agricultural credit to farmer groups through ORDs.

Name	Principal Product	1982 Revenue (millions CFAF)	Ownership VP	Ownership FP	Ownership S	Comments
5. Manufacturing						
BATA	shoes	1,200	12%	65%	23%	Only manufacturer with its own retail outlets. Good feedback on consumer tastes.
BRAVOLTA	beer, soft drinks	4,300	5%	95%	0%	Together with SOVOBRA indirectly kee employed 20,000 retailers.
CITEC	vegetable oil	4,819	12%	72%	16%	Constrained by shortage of cotton se for processing. Groundnut availabil also fallen off. Operates at less th full capacity.
CNEA	agricultural implements	n.a.	0%	0%	100%	Principal producer of agricultural implements. Formerly called ARCOMA/ APICOMA.
GMV	wheat flour	2,885	4%	21%	75%	Sole miller of imported wheat.
IVOLCY	bicycles, mobylettes	2,500	4%	65%	31%	Import substitution manufacturing.
MAVOCI	cigarettes	1,550	15%	85%	0%	Buys tobacco on contract from farmer
Monastere de Koubri	milk, yogurt	4,250	100%		0%	
ONERA	meat	n.a.	0%	0%	100%	Only organization equipped to proces livestock for export as frozen meat.

Name	Principal Product	1982 Revenue (millions CFAF)	Ownership VP	FP	S	Comments
SAP	bicycle tires	2,320	84%	16%	0%	Very good management.
SAVANA	fruit juices, jams	41	49%	0%	51%	Good technical skills. Need to devel marketing expertise.
SERAGRI	agribusiness, prodn. & processing	n.a.	100%	0%	0%	Run by highly innovative entrepreneur Propose ethyl alcohol and soy milk production.
SIVAM (ex-CARVOLT)	munitions	384	30%	0%	70%	GOB obtained 70% share by nationalizir and compensating foreign owners.
SOFITEX	cotton, cotton fiber, cotton seed	14,452	1%	36%	63%	Largest sales of any enterprise. Handles country's principapl export crc Efficient input distribution to farmer
SOSU-HV	sugar	7,641	.1%	26%	74%	Employs 2,500 to 3,000, many seasonal.
SOVOBRA	beer, soft drinks	6,500	73%	27%	0%	Together with BRAVOLTA keeps roughly 20,000 retailers and vendors employed.
SOVICA	agricultural implements	496	67%	0%	33%	Price follower of CNEA.
Voltaphosphate	phosphate fertilizer	n.a.	0%	0%	100%	Significant World Bank and German support for developing potentially important local fertilizer industry.
VOLTEX	textiles	4,261	1%	25%	74%	Country's principal textile manufacturer. Severe management problems. Operates well below capacity.

Source: Field interviews by USAID staff and consultants.

Table B.6

BURKINA FASO
SECTORAL COMPOSITION OF GDP
(billions of CFA francs)

	1968	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Primary Sector														
Agriculture	20.5	19.1	17.2	25.7	21.9	30.1	35.6	33.7	48.5	62.1	65.2	65.7	88.3	95.2
Livestock	8.7	6.2	7.1	8.3	10.1	10.1	12.9	15.4	16.5	23.1	27.1	30.2	42.0	36.8
Hunting, forestry	5.2	8.2	8.2	8.6	8.4	8.9	7.6	7.9	8.1	8.3	8.4	10.5	10.7	11.0
Total Primary	34.4	33.5	32.5	42.6	40.4	49.1	56.2	56.9	73.0	93.5	100.7	106.4	140.9	143.0
Secondary Sector														
Manufacturing	7.9	10.3	11.3	13.2	14.0	16.4	17.9	20.2	22.3	24.7	32.1	32.6	39.1	43.0
Construction	3.4	3.6	4.1	3.6	4.8	4.2	6.8	8.4	6.4	8.7	9.0	10.5	7.1	14.0
Energy, mines	0.4	0.6	0.8	1.0	1.0	1.1	1.1	1.5	1.9	2.3	2.4	4.5	3.5	4.9
Total Secondary	11.7	14.5	16.2	17.8	19.8	21.7	25.8	30.1	30.6	35.7	43.5	47.6	49.7	61.9
Tertiary Sector														
Commerce	12.1	11.8	11.9	12.4	12.2	14.8	15.2	16.8	25.7	32.1	43.5	44.3	35.7	40.6
Transport	4.0	5.9	6.1	6.8	6.5	8.9	9.4	10.5	12.7	12.8	17.2	22.3	23.6	24.5
Services	4.7	6.4	6.7	6.9	7.3	7.6	8.2	9.4	10.1	11.5	15.5	16.4	16.6	17.4
Total	20.8	24.1	24.7	26.1	26.0	31.3	32.8	36.7	48.5	56.4	76.2	83.0	75.9	82.5
Government	7.2	5.8	6.2	6.9	8.5	10.6	15.0	17.4	21.3	25.2	28.1	33.7	36.8	43.5
Errors & omissions	4.0	4.8	4.7	5.1	6.1	7.2	7.9	8.3	11.5	11.7	10.6	12.6	13.7	16.1
Total GDP	78.0	82.9	84.3	98.5	100.8	119.9	137.7	149.4	184.9	222.5	259.1	283.0	317.0	347.0

Source: Secretariat d'Etat aux Affaires Etrangeres, Republique de France, "Comptes Economiques de la Haute Volta, 1968," Paris: October 1971; INSD, Comptes Nationaux de la Haute Volta, 1980, p.2; INSD, Comptes Nationaux de la Haute Volta 1981 & 1982, p.9.

Table B.7

BURKINA FASO
COMMODITY COMPOSITION OF FOREIGN TRADE
(millions of CFA francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. EXPORTS	5,596	8,702	9,369	12,690	13,614	9,524	16,240	19,071	20,066	18,109
	Percent of Total Exports									
- cotton fiber	22%	18%	16%	46%	40%	32%	33%	44%	41%	42%
- livestock & meat	44%	37%	37%	12%	30%	37%	27%	24%	20%	14%
- sheanuts	2%	6%	11%	20%	11%	13%	9%	9%	15%	17%
- peanuts	12%	20%	15%	5%	3%	3%	10%	5%	9%	4%
- sesame	4%	4%	6%	1%	2%	2%	4%	2%	1%	2%
- misc.	16%	5%	15%	16%	14%	13%	17%	16%	14%	21%
- Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2. IMPORTS	21,690	34,664	32,386	34,423	51,359	51,083	63,916	75,614	91,443	113,708
	Percent of Total Imports									
- food	17%	31%	18%	16%	17%	24%	17%	16%	20%	20%
- drinks & tobacco	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
- oils	0%	1%	1%	1%	1%	2%	2%	2%	2%	3%
- raw materials	4%	2%	3%	3%	2%	2%	3%	2%	3%	3%
- petroleum	6%	6%	9%	8%	8%	9%	11%	13%	16%	16%
- chemical products	8%	9%	13%	10%	9%	9%	11%	11%	10%	10%
- manufactured goods	21%	21%	22%	26%	22%	18%	20%	19%	18%	19%
- machines & vehicle	18%	24%	27%	29%	33%	30%	29%	29%	24%	22%
- misc.	23%	4%	5%	5%	5%	5%	5%	5%	5%	4%
- Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3. BALANCE OF TRADE	-16,094	-25,932	-23,107	-21,733	-37,744	-41,559	-47,677	-56,542	-71,377	-95,599

Source: Customs Statistics, INSD.

Table B.8

BURKINA FASO
EVOLUTION OF TRADE BY GEOGRAPHIC ZONE
(== millions of CFA francs ==)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. EXPORTS	5,598	8,702	9,369	12,690	13,614	9,524	16,240	19,071	20,066	18,110
	Percent of Total Exports									
Franc Zone	72%	76%	73%	46%	57%	63%	66%	59%	49%	45%
- France	(26)	(36)	(19)	(26)	(22)	(16)	(18)	(18)	(12)	(14)
- Africa	(46)	(40)	(54)	(19)	(35)	(47)	(48)	(41)	(37)	(30)
Outside Franc Zone	28%	24%	27%	54%	43%	37%	34%	41%	51%	55%
- Africa	(7)	(5)	(3)	(3)	(3)	(1)	(1)	(2)	(1)	(2)
- EEC-France	(14)	(12)	(13)	(37)	(26)	(28)	(15)	(15)	(20)	(27)
- USA	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
- others	(7)	(7)	(10)	(14)	(14)	(8)	(18)	(24)	(31)	(26)
2. IMPORTS	17,432	34,664	32,386	34,423	51,359	51,083	63,916	75,614	91,443	113,708
	Percent of Total Imports									
Franc Zone	73%	59%	65%	63%	60%	55%	25%	62%	58%	59%
- France	(48)	(40)	(43)	(44)	(45)	(41)	(35)	(39)	(33)	(32)
- Africa	(25)	(19)	(22)	(18)	(16)	(14)	(21)	(22)	(25)	(27)
Outside Franc Zone	27%	41%	35%	37%	40%	45%	75%	38%	42%	41%
- Africa	(3)	(2)	(2)	(2)	(1)	(2)	(1)	(1)	(2)	(1)
- EEC-France	(12)	(20)	(13)	(18)	(17)	(18)	(48)	(15)	(16)	(15)
- USA	(3)	(9)	(7)	(7)	(9)	(12)	(8)	(9)	(11)	(7)
- others	(9)	(10)	(12)	(11)	(12)	(14)	(17)	(13)	(14)	(18)

Source: Customs statistics, INSD.

Table B.9

BURKINA FASO
INTEREST RATE STRUCTURE
ESTABLISHED BY BURKINAN BANKERS ASSOCIATION

Businesses Classed by Annual Sales Volume	Classification	Base Rate	Margin	Total Borrowing Rate
> 4 billion CFAF	A	10.5%	3%	13.5%
2 - 4 billion	B	10.5	3.5	14
1 - 2 billion	C	10.5	4	14.5
200 - 500 million	E	10.5	4.75	15.25
> 200 million	F	10.5	5	15.5

Source: Andrew D. Cao, "Banking and Business Finance in Burkina," p.16.