A MACROECONOMIC PROFILE OF BURKINA FASO

a report prepared for USAID/Burkina

by
Steve Haggblade

December 12, 1984

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APPENDIX TABLES

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LIST OF ACRONYMS

APB	-	Association Professionnelle des Banques
BCEAO	-	Banque Centrale des Etats de l'Afrique de l'Ouest
BIC	-	tax on Benefices Industriels et Commerciaux
BOP	-	balance of payments
CDR	-	Comite pour la Defense de la Revolution
CEAO	-	Communaute Economique de l'Afrique de l'Ouest
CEDEAO	-	Communaute des Etats de l'Afrique de l'Ouest (ECOWAS in English)
CFAF	-	franc of the Communaute Financiere Africaine
CSPPA	-	Caisse de Stabilisation des Prix des Produits Agricoles
DGIA	-	Direction Generale de l'Industrie et de l'Artisanat
ECOWAS	-	Economic Community of West African States (CEDEAO in French)
GDP	-	gross domestic product
GOB	-	Government of Burkina
IBRD	-	International Bank for Reconstruction and Development
IMF	-	International Monetary Fund
INSD	-	Institut National pour la Statistique et la Demographie
NCC	-	National Credit Committee
OFNACER	-	Office Nationale des Cereales
RAN	-	Regie Abidjan Niamey
SOSUHV	-	Societe Sucriere de la Haute Volta
TCR	-	Taxe de Cooperation Regionale
UMOA	-	Union Monetaire Ouest Africaine

I. INTRODUCTION

The goal of this paper is to provide an overview of macro-economic performance and policy in Burkina Faso. The paper is one of seven background documents prepared as part of a USAID Private Sector Assessment - a concerted effort to understand the present role of private enterprise in the Burkinan economy and to assess prospects for private sector growth. The other six background reports prepared for this assessment include:

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

The background papers, including the present one, are synthesized in an overview report entitled "Private Sector Assessment: Synthesis Report for Burkina Faso" by Steve Haggblade.

Within the seven-member constellation of background reports, the specific contribution of this one is to furnish the macro-economic backdrop. This macro overview is important, since national economic performance shapes the general environment in which private enterprises operate, coloring to a large extent the opportunities they face. Burkina's general economic performance also strongly influences government policy and priorities; and together these two parameters - policy and performance - form the environment within which the private sector operates.

In furnishing the necessary macro-economic profile, this report begins with a snapshot of the Burkinan economy, a general description of its structure and composition. With this still-life as background, the report moves into discussion of the dynamics of economic change over about the past 20 years. Since economic performance strongly influences both the scope and tenor of government interventions, the report moves next to a discussion of government institutions and policy. In concluding, the paper comments on the implications of macro performance and policy for the private sector.

II. OVERVIEW OF THE BURKINAN ECONOMY

Burkina is a landlocked country in approximately the middle of West Africa's Sahel. About 1,000 km. of railroad connect the capital city of Ouagadougou with the port of Abidjan in Ivory Coast. At the same time, two all-weather and mostly paved roads link the Burkinan capital with the ports of Abidjan and Lome, Togo.

Burkina houses a resident population of about 6.5 million, while an additional 600,00 to 700,000 nationals have sought work abroad, mainly in the Ivory Coast.[1] In 1982, Burkinans earned about $210 per capita, one of the lowest per capita incomes in the world.[2]

As Table 1 shows, agriculture forms the backbone of Burkina's economy. Crops, mainly rainfed, account for about 27% of GDP. Given the arid climate, farmers prefer mainly moisture tolerant crops such as sorghum, millet, cotton and groundnuts. Concentrated most heavily in the dry northern part of the country, livestock producers contribute about 11% to GDP.

Commerce and manufacturing generate 19% and 12% of GDP, respectively. But as Table 2 indicates, the bulk (about 60%) of output in both these sectors is produced by very small-scale, informal enterprises. Although firm statistical evidence is not available for both urban and rural areas, it appears that these enterprises include mainly small retail stands, tailors, carpenters and female-dominated food processing activities such as sorghum beer (dolo) brewing and extraction of sheanut and peanut oil.[3] Large-scale manufacturing firms are mainly processors of agricultural output.[4] The Government owns on the order of 40% of share capital in the large-scale manufacturing sector [5], although the public presence appears to be not nearly so large in commerce and transport.

Mining, although it accounted for less than 1% of GDP in 1982 has some clear potential for growth. A gold mine was reopened during 1984, and recent assays indicate that in addition Burkina may have exploitable deposits of zinc, phosphates and perhaps manganese.

The Burkinan economy is an open one. Its import bill has come to about

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1. IBRD, World Development Report 1984 p.218; IBRD, "Upper Volta: Agricultural Issues Study," October 29,1982, p.23; IMF, "Upper Volta - Recent Economic Developments," August 15, 1984, p.25.

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

3. See Appendix Table I.2 for evidence on the relative importance of various types of rural small-scale enterprises.

4. See Appendix Table I.3.

5. See Appendix Table I.3.

Table 1

BURKINA FASO
COMPOSITION OF GROSS DOMESTIC PRODUCT, 1982

	Total GDP (billions of CFAF)	Percent
1. Primary Sector	143	41%
(of which crops)	(95)	(27)
(livestock)	(37)	(11)
(forestry, hunting & fishing)	(11)	(3)
2. Secondary Sector	62	17%
(manufacturing)	(43)	(12)
(construction, energy & water)	(19)	(5)
3. Tertiary Sector	126	37%
(commerce and transport)	(65)	(19)
(banking and other services)	(17)	(5)
(government)	(44)	(13)
4. Errors and omissions	16	5%
Total	347	100%

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

Table 2

BURKINA FASO
THE IMPORTANCE OF SMALL-SCALE ENTERPRISES IN COMMERCE & MANUFACTURING

	Total 1982 Value Added (billions of CFAF)	Percent Produced by Small-Scale Enterprises
1. Manufacturing	43	53%
2. Commerce & transport	65	63%
Total	108	59%

Source: Appendix Table I.1.

30% of GDP in recent years.[6] Exporting mainly agricultural commodities such as cotton, livestock and sheanuts, a wild tree crop prized for its valuable oil, Burkina imports principally manufactured goods, processed foods and petroleum products.

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6. Average computed for 1980-1982 based on figures in Table 17 and Appendix Table II.1.

III. TRENDS IN NATIONAL ECONOMIC PERFORMANCE

A. National Income

Since independence in 1960, Burkina Faso's economy has grown slightly faster than its population. Real per capita gross domestic product (GDP) has grown between .1% and 1.1% per year between 1960 and 1982.[7]

This slow overall rate of growth masks considerable variation from year to year. As Table 3 shows, real per capita GDP has fallen as many times as it has risen over the last 13 years. These fluctuations result largely from the highly variable Sahelian rainfall which causes substantial year to year variations 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 livestock output reverberate and amplify throughout the entire economy.[8]

In addition to highly variable output, crop agriculture has experienced a long-run shift in the composition of its output. From an exclusive focus on food production, farmers have moved to integrate cash crops along with foodstuffs. Production of cotton in particular has risen rapidly since the early 1960's, although output has leveled off since 1979.[9] As can be seen from Table 4, the rise of cotton production has been accompanied by a

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7. The .1% figure comes from USAID, "Country Development Strategy Statement, 1985," 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. Estimates vary for several reasons. First, the GOB has performed regular, annual GDP calculations only since 1970. Before that, two expert teams parachuted into Burkina - one in 1964 and one in 1968 - to assist the GOB in producing national accounts. But these two early sets of accounts adopted conventions and procedures different from those used from 1970 onwards. This has not stopped various organizations from interpolating and confectioning complete time series national accounts for the 1960s. Not surprisingly, GDP estimates for the 1960's vary from one source to another. And even though the post 1970 GDP series is produced according to standardized procedures, it is not without controversy. The IBRD in particular believes the official GOB series since 1970 undervalues crop and livestock production. See, for example, IBRD "Upper Volta Investment in Human Resources: Country Economic Memorandum," September 5, 1983, pp.15-17.

8. Appendix Table II.1 details the sectoral distribution of GDP from 1970 to 1982.

9. See Ministere de Developpement Rural, "Bulletin de Statistiques Agricoles, 1978/79-1981/82," pp.99,100; and Steve Haggblade, "An Overview of Food Security in Upper Volta," Ouagadougou: USAID, July 16, 1984, p.104.

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%	2.3%

Source: INSD, Comptes Nationaux de la Haute Volta, 1981 & 1982, pp.8,18;
INSD, Comptes Nationaux de la Haute Volta, 1980, p.8.

Table 4

BURKINA FASO
TRENDS IN PER CAPITA
FOOD PRODUCTION* AND SUPPLY**

	1961-65	1966-68	1969-71	1972-73	1974-77	1978-80	1981-82
1. Index of Total Per Capita Domestic Food Production*	100	106	99	81	85	86	90
2. Total Per Capita Food Supply** as % of Min. Nutritional Rqts.							
a) calories	82%	85%	83%	70%	84%	85%	-
b) protein	126%	132%	130%	108%	126%	130%	-
c) lipids	53	58	55	43	52	58	-

* Production = price weighted sum of commodity outputs (minus seeds) for all food groups.
** Supply = domestic production - seeds - losses - feed + changes in stocks - exports + imports.

Source: FAO Production Yearbooks, 1976, 1982; Steve Haggblade, "An Overview of Food Security in Upper Volta," Ouagadougou: USAID, July 19, 1984, pp.2,20.

long-run decline in Burkina's per capita food production. But the increased revenues derived from cotton exports have generated enough foreign exchange to finance food imports, so per capita food consumption has remained roughly constant over the past 20 years, albeit at sub-standard nutritional levels.

Manufacturing output, since 1970, had remained a constant 12% of GDP according to the official statistics displayed in Table 5. This seems surprising given the big jump in large-scale manufacturing that took place during the mid and late 1970's.[10] As can be seen from Table 6, production in large-scale manufacturing rose steadily in the latter half of the 1970's as investors responded to government incentives by setting up import substituting and agro-processing industries.[11] Government also played a direct stimulating role. By 1981, GOB held approximatley 43% of all share capital in large-scale manufacturing.[12]

But the growth in large-scale manufacturing has peaked. As Table 6 shows, output has stagnated since 1981, while investment ground to a virtual standstill in 1982, '83 and '84. The falloff in large-scale manufacturing investment is likely due not only to low consumer purchasing power but also to investor uneasiness caused by the political instability of the past several years.

Not surprisingly given the current economic downturn, many large-scale manufacturing firms currently find themselves in financial difficulty. A major study of Burkinan manufacturing determined that, in mid-1981, large-scale industrial enterprises were operating at only about 60% of capacity on average.[13] And a more recent survey, undertaken by the Direction Generale de l'Industrie et de l'Artisanat (DGIA) in August 1984, found that 10 out of the 47 large-scale manufacturing firms surveyed had either ceased operations in the past year or were closed for reorganization. As will be seen shortly, because of the large public investment in manufacturing, this malaise has significant implications for government's financial position.

The tertiary sector, in general, has followed the fortunes of the rest of the economy, as the level of trade and service activity depends largely on

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10. The steady share of manufacturing in GDP may result from an inability to measure changes in output from the very small-scale manufacturers that produce the bulk of manufacturing output and supply the lion's share of manufacturing employment. Although numerous sporadic and uncoordinated survey efforts provide us with a reasonable profile of these small-scale firms, keepers of the national accounts have no way of accurately estimating their growth from year to year.

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

12. See Appendix Table I.3.

13. van Dijk, "Politique industrielle," p.9.

Table 5

BURKINA FASO
SECTORAL COMPOSITION OF GDP
(percent)

	1968	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Primary Sector														
Agriculture	26%	23%	20%	26%	22%	25%	26%	23%	26%	28%	25%	23%	28%	27%
Livestock	11%	7%	8%	8%	10%	8%	9%	10%	9%	10%	10%	11%	13%	11%
Hunting, forestry	7%	10%	10%	9%	8%	7%	6%	5%	4%	4%	3%	4%	3%	3%
Total Primary	44%	40%	39%	43%	40%	41%	41%	38%	39%	42%	39%	38%	44%	41%
Secondary Sector														
Manufacturing	10%	12%	13%	13%	14%	14%	13%	14%	12%	11%	12%	12%	12%	12%
Construction	4%	4%	5%	4%	5%	4%	5%	6%	3%	4%	3%	4%	2%	4%
Energy, mines	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%
Total Secondary	15%	17%	19%	18%	20%	18%	19%	20%	17%	16%	17%	17%	16%	18%
Tertiary Sector														
Commerce	16%	14%	14%	13%	12%	12%	11%	11%	14%	14%	17%	16%	11%	12%
Transport	5%	7%	7%	7%	6%	7%	7%	7%	7%	6%	7%	8%	7%	7%
Services	6%	8%	8%	7%	7%	6%	6%	6%	5%	5%	6%	6%	5%	5%
Total	27%	29%	29%	26%	26%	26%	24%	25%	26%	25%	29%	29%	24%	24%
Government	9%	7%	7%	7%	8%	9%	11%	12%	12%	11%	11%	12%	12%	13%
Errors & omissions	5%	6%	6%	5%	6%	6%	6%	6%	6%	5%	4%	4%	4%	5%
Total GDP	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Appendix Table II.1.

Table 6

BURKINA FASO
INDICATORS OF
LARGE-SCALE MANUFACTURING ACTIVITY

	1976	1977	1978	1979	1980	1981	1982	1983	1984
1. Index of Large-Scale Manufacturing Production	100	130	163	179	194	187	-	-	-
2. Number of Requests for Investment Code	24	11	16	17	12	7	2	4	3
3. Number of Investment Code Awards	-	23	12	8	6	5	0	1	0

Sources: 1. IMF, "Upper Volta, Recent Economic Developments," June 2, 1983, p.78.
2. DGIA staff records.
3. DGIA, "Industrie Voltaique, 1977," pp.66-73; DGIA, "Industrie Voltaique, 1978," pp.74-77; and DGIA staff records.

aggregate income levels. The tertiary sector's share of GDP has remained roughly constant over the past ten years at 25% of GDP.

Over the past decade or so, probably the biggest change in the composition of GDP has been the increasing importance of government. Between 1970 and 1982, government's share nearly doubled, from 7 to 13% of GDP.

While official statistics are not yet available for 1983, it must be noted, in conclusion, that 1983 and 1984 have been grim years in Burkina. Two successive drought years have depressed crop output substantially. Large-scale manufacturing currently suffers from weak effective demand, political uncertainty and rising input prices that accompany the spectacular recent appreciation of the dollar relative to the CFA franc. The sober situation being faced in December 1984 results from the unfortunate coincidence of bad weather, political uncertainty and the substantial depreciation of the CFA franc.

B. Trade

1. Balance of Trade

Burkina's balance of trade 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. As can be seen in Table 7, the ratio of exports to imports has declined from .49 in 1967 to only .16 in 1982.

Reasons for this steady degradation are several. On the import side, Burkina has been confronted with several problems beyond its control. The oil price hikes of 1974 and then 1979 have made a substantial impact on import bills. As Table 7 shows, 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. The second major cause of rising import costs has been the rapid depreciation of the CFA franc. Tied to the French money, the value of the CFA franc has declined substantially over the past five years, 50% against the U.S. dollar and 40% against the SDR (Special Drawing Right).[14] Because Burkina has steadily diversified its import sources from outside the Franc Zone [15], this depreciation produces substantial increases in its import bill. But unlike many African countries, the rapid rise in Burkina's import bill has not been fuelled by rapid increases in food imports. As seen in Table 7, the share of food in total imports has remained roughly constant over the past 15 years.

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14. See Appendix Table II.2.

15. See Table 17.

Table 7

BURKINA FASO
TRENDS IN THE
COMMODITY COMPOSITION OF TRADE FLOWS
(millions of CFAF)

	1967	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. EXPORTS	4,429	5,141	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	19%	20%	22%	18%	16%	46%	40%	32%	33%	44%	41%	42%
- livestock & meat	57%	45%	44%	37%	37%	12%	30%	37%	27%	24%	20%	14%
- sheanuts & oil	2%	4%	2%	6%	11%	20%	11%	13%	9%	9%	15%	17%
- peanuts	6%	7%	12%	20%	15%	5%	3%	3%	10%	5%	9%	4%
- sesame	3%	4%	4%	4%	6%	1%	2%	2%	4%	2%	1%	1%
- misc.	13%	20%	16%	5%	15%	16%	14%	13%	17%	16%	14%	21%
2. IMPORTS	8,970	17,269	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	22%	-	17%	31%	18%	16%	17%	24%	17%	16%	20%	20%
- drinks & tobacco	3%	-	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
- edible oils	1%	-	-	1%	1%	1%	1%	2%	2%	2%	3%	3%
- raw materials	9%	-	4%	2%	3%	3%	2%	2%	3%	2%	3%	3%
- petroleum	7%	-	6%	6%	9%	8%	8%	9%	11%	13%	16%	16%
- chemical prod.	6%	-	8%	9%	13%	10%	9%	9%	11%	11%	10%	10%
- mftr. goods	30%	-	21%	21%	22%	26%	22%	18%	20%	19%	18%	19%
- machinery	17%	-	18%	24%	27%	29%	33%	30%	29%	29%	24%	22%
- misc.	4%	-	23%	4%	5%	5%	5%	4%	5%	5%	5%	4%
3. BALANCE OF TRADE	-4,541	-12,128	-16,094	-25,962	-23,107	-21,733	-37,744	-41,559	-47,677	-56,542	-71,377	-95,599
4. EXPORTS AS % OF IMPORTS	49%	30%	26%	25%	29%	37%	27%	19%	25%	25%	22%	16%

Source: Customs statistics, INSD.

Exports, although they have grown at an average of 11% per year over the past 15 years, have not kept pace with the 13.3% rate of import growth. Cotton exports, which have grown rapidly over that period, now account for by far the largest individual commodity share of Burkina's exports, 40%. Sheanuts, the current number two export, is a wild gathered crop sold for its valuable oil. Sheanut exports are cylical, following a three-year natural production cycle. Their share of total exports has risen since the late 1960's and in 1982 accounted for 17% of exports. Livestock and peanuts have declined substantially in importance as export commodities, with peanut exports declining even in absolute terms. Livestock exports, while growing modestly on average, are very cylical; and much of the recently measured drop in export revenues appears to be due to a cylical downturn in livestock exports in 1981 and 1982. Livestock accounted for only 14% of exports in 1982 compared to 57% in 1967.[16]

The terms of trade have also contributed to a deteriorating trade balance, 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 30% between 1978 and 1984 as can be seen in Table 8.

Although official statistics are not yet available, it appears likely that 1983 and 1984 have brought considerable improvement in the balance of trade. The improvement is mainly due to a surge in exports. Cattle exports have risen considerably in the past two years as herders increased offtake in response to the declining water and pasture availability brought on by the recent drought. Cotton exports also rose due to the good 1983 harvest. And in 1984, Burkina began exporting gold as well. Against the substantial upturn in exports, import growth has declined measurably due to the downturn in economic activity. So the net effect is likely to be a reduced foreign trade deficit.[17]

2. Balance of Payments

Despite the trade deficits, Burkina's overall balance of payments has been positive about one-half the time over the past decade. As Table 9 shows, worker remittances, private investment and foreign aid have often been sufficient to offset the negative trade balance.

After reaching a low-water mark in 1982, Burkina's balance of payments (BOP) appears to have turned positive once again in 1983 and 1984. The

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16. It should be noted that the only commodity breakdowns of trade figures are derived from official customs declarations. Since a substantial volume of border traffic is unrecorded, the official statistics are only approximately correct. And livestock is particularly susceptible to under counting, since it is a highly mobile commodity. Furthermore, the high export taxes on livestock provide traders with a strong incentive to smuggle cattle out of the country, avoiding the taxes and the statistical net.

17. See IMF, "Recent Economic Developments," August 15, 1984, p.51.

Table 8
BURKINA FASO
TERMS OF TRADE

	1978	1979	1980	1981	1982	1983	1984
1. Terms of Trade Index	100.0	69.5	66.3	63.1	65.2	69.8	69.0
2. Percent Change	-	-31.5%	-4.6%	-4.8%	3.3%	7.1%	-1.2%

Sources: IMF, "Upper Volta, Recent Economic Developments," June 2, 1983, p.52; IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p.61.

Table 9

BURKINA FASO
BALANCE OF PAYMENTS
(billions of CFAF)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
1. TRADE BALANCE	-13.0	-16.8	-25.9	-30.5	-26.3	-35.4	-33.3	-38.7	-43.9	-48.8	-58.3	-52.0	-54.7
- Exports FOB	9.2	9.9	15.9	15.8	19.0	21.4	24.3	28.2	33.9	36.0	35.7	48.0	55.0
- Imports FOB	-22.2	-27.0	-41.8	-46.2	-45.3	-56.8	-57.6	-66.4	-77.8	-84.8	-94.0	-100.0	-109.7
2. NET SERVICES	-5.5	-4.7	-4.4	-9.4	-7.0	-7.8	-27.7	-31.2	-35.7	-37.7	-42.5	-43.2	-49.3
3. NET TRANSFERS	16.9	22.1	29.3	30.9	24.4	29.6	47.4	57.3	68.1	71.3	70.5	74.2	74.5
- Private	8.5	10.3	9.6	10.1	10.0	10.8	-	23.6	23.6	31.3	29.5	31.2	31.5
- Public	8.4	11.8	19.7	20.8	14.4	18.8	-	33.7	44.5	40.0	41.0	43.0	43.0
4. NET CAPITAL MOVEMENTS	1.7	4.0	1.6	6.9	5.8	6.8	8.3	13.1	13.0	19.5	25.7	31.0	33.3
5. OTHER	0.1	-0.6	0.3	0.7	2.0	6.7	-2.6	2.1	-0.1	-4.7	-3.4	-4.4	-
6. OVERALL BALANCE	0.3	4.0	0.9	-1.4	-1.1	-2.3	-7.9	3.0	1.5	-0.4	-8.1	5.6	3.9

Sources: IBRD, "Economic Memorandum, Upper Volta," February 1979, pp.8,44;
IMF, "Upper Volta, Recent Economic Developments," June 2, 1983, pp.99,108;
IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p.53.

substantial BOP deficit in 1982 was due mainly to the large jump in the trade deficit during that year. But it was also aggravated by a slight decline in private transfers, probably resulting from the recession in Ivory Coast which adversely affected worker remittances to Burkina.

The projected return to balance of payments surplus in 1983 and 1984 has been fuelled by export expansion, particularly of livestock, cotton and to a lesser extent gold. As Table 9 shows, monetary transfers and capital movements will likely also contribute to the overall surplus.

C. Public Finance

In its entirety, Burkinan public finance includes three categories of public establishments: a) central government; b) local administrations, that is the provinces (formerly departments) and communes; and c) public enterprises. But the following discussion focusses exclusively on the first of these categories, the central government.

Local administrations are omitted for simplicity and because time series data for them are available only for 1976-1980, making assessment of the very recent situation impossible. Local administrations operate extremely small budgets totalling only about 5% as much as the the central government; and legally their budgets must be balanced, so the macro picture should not be unduly blurred by their omission.[18]

The ensuing discussion also neglects public enterprises, not because they are an unimportant feature of the Government of Burkina's (GOB) financial status but because the GOB budget does not include line items for these enterprises. In principle financially autonomous, these enterprises collect revenues from the sale of goods and services, but they also often receive direct financial support from the central government. Even so, financial transfers to and from these 120 or so public enterprises are not recorded in the central government budget making it impossible at present, even for the GOB, to produce an accurate overall picture of central government finances. The omission is significant. As can be seen in Table 10, many of these enterprises have been in financial difficulty in the past, and interviews

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18. For a good review of local government finance, see "Local Revenue and Service Provision in Upper Volta, Phase I Final Report," Metropolitan Studies Program, Maxwell School of Citizenship and Public Affiars, Syracuse University, Monograph No.13, August 1983, especially pp. 37,56,57 and 72. Note also that the recent GOB decision to eliminate the head tax for low-income groups will severely reduce local authority income. See Steve Haggblade, "Private Sector Assessment: Burkina Faso," December 15, 1984, Section III.B.6 for a brief discussion of how GOB hopes to replace the head tax revenues by launching the local authorities into money-making economic ventures.

with bankers and staff at the DGIA and Chamber of Commerce indicate that many still are. The IMF estimates that at the end of 1983 one of these public enterprises alone, the RAN, was responsible for 44% of total central government arrears of 22.5 billion CFAF.[19]

Even limited as it is to central government finances, the following discussion is not without imponderables. As Table 11 shows, about 50% of total outlays - mainly those that are donor-financed - do not figure anywhere in the central government budget. Instead, they must be estimated by tabulating information on aid flows to Burkina.

Including estimates of foreign aid flows, Table 11 furnishes data on central government receipts and expenditures since 1977. The government deficit [20] grew substantially in the early 1980's, although it dropped slightly in 1984 due mainly to tight restrictions on spending that led to an actual drop in expenditures.[21] Because of growth in the budget deficit during the 1980's, in 1982 the central government went in arrears for the first time.[22] They borrowed externally to pay their immediate obligations, but their overall situation remains tight. In fact, at the end of 1983 the IMF estimated total cumulated arrears to be at 22.5 billion CFAF, about 20% of 1984 expenditures.[23] The increasing squeeze on government finances has been caused from both the revenue and the expenditure side.

1. Revenues

Domestically generated central government revenues amounted to 8,000 CFAF (or about $20) per capita in 1983. This is low by absolute standards, but only because the country's tax base is so limited. In fact, a recent study has found that Burkina's ratio of actual to potential tax revenues compares

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

20. Note that definitions of the deficit differ from one source to another. Table 11 adopts the IMF definition which excludes donor loans from current revenue but includes them instead as a source of financing the budget deficit. IBRD, on the other hand, includes loan disbursements as revenue; and hence they produce lower deficit estimates even while using the IMF data. See IMF, "Upper Volta, Current Economic Trends," June 2, 1983, p.25; and IBRD, "Upper Volta, Investment in Human Resources," September 5, 1983, p.31.

21. See Appendix Table II.3.

22. IMF, "Current Economic Trends," June 2, 1983, p.24.

23. IMF, "Staff Report for the 1984 Article IV Consultation," August 7, 1984, p.12.

Table 10

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.

Table 11

BURKINA FASO
OVERVIEW OF CENTRAL GOVERNMENT BUDGET
(billions of CFAF)

	1977	1978	1979	1980	1981	1982	1983	1984
1. RECEIPTS	43.8	51.3	63.1	83.2	81.1	91.2	95.2	100.4
of which								
(% domestic revenue)	64%	58%	61%	47%	51%	55%	55%	57%
(% foreign grants)	36%	42%	39%	53%	49%	45%	45%	43%
2. EXPENDITURE	55.2	61.9	72.7	98.9	106.3	120.6	137.0	137.7
of which								
(% included in budget)	47%	48%	52%	44%	48%	51%	50%	40%
3. OVERALL DEFICIT	11.4	10.6	9.6	15.7	25.6	26.8	38.7	37.3
4. DEFICIT AS % GDP	6%	5%	4%	6%	8%	7%	10%	9%

Source: Appendix Table II.3.

very favorably with those of other African countries.[24] And as Table 12 shows, since 1970 domestic revenues have been relatively buoyant. Budget revenues have grown slightly faster than national income, increasing from 13% of GDP in 1970 to 13.8% in 1984.

As is shown in Table 12, GOB obtains about 40% of its internally generated revenue from trade duties, primarily taxes on imports. To simplify procedures, these taxes are assessed based on standard "valeurs mercuriales" rather than on actual estimated value, a practice that has policy implications as we shall see shortly. Outside of the trade duties, about 15% of domestically generated revenue comes from corporate and individual income taxes, while excise and sales taxes provide a further 15%.

2. Expenditures

Including the portion financed by donors, total central government expenditures averaged about 20,000 CFAF (about $50) per person in 1983. Roughly two-thirds went for recurrent expenses on personnel and operational materials. The remainder was capital expenditure of which the bulk was donor-financed.

The functional breakdown of recurrent expenditures, given in Table 13, shows that GOB directs about 20% of its ordinary budget to both defense and education. Health garners 6% and rural development (mainly agriculture) about 5% of the expenditures inscribed in the central government budget. The share accruing to education has increased substantially since 1970, while the proportion allotted to other uses has remained roughly constant. As indicated in Table 13, a major shift in the central government budget is the increasing share required to finance the public debt. Because the principal has begun falling due on some of the GOB debt, the resources required to meet debt obligations have increased from 2% of GOB's published budget as recently as 1979 to an estimated 17% in 1984.

In addressing its current financial difficulties, the GOB has operated on both the revenue and the expenditure side of their budget. This fiscal policy is discussed later, in Section IV.B.

24. Vito Tanzi, Taxation in Sub-Saharan Africa - Statistical Analysis, Fiscal Affairs Department, IMF, Washington, DC, March 13, 1981; and Syracuse University, "Local Revenue and Service Provision", p.7.

Table 12

BURKINA FASO
BREAKDOWN OF CENTRAL GOVERNMENT'S
DOMESTICALLY GENERATED REVENUE
(billions of CFAF)

	1978	1979	1980	1981	1982	1983	1984
1. TAX REVENUE	90.0%	89.4%	88.9%	95.4%	86.5%	80.5%	88.2%
a) Direct Taxes	23.6%	18.6%	22.5%	22.9%	19.9%	20.3%	20.2%
of which							
(personal)	20.0%	10.3%	11.4%	11.2%	11.0%	11.5%	11.0%
(corporate)	3.6%	5.4%	6.2%	5.9%	5.6%	5.2%	5.6%
b) Indirect Taxes	66.4%	70.8%	66.4%	72.5%	66.5%	60.2%	67.9%
of which							
(TCA)	9.1%	6.4%	7.5%	8.5%	9.8%	6.9%	9.6%
(excise)	10.0%	7.7%	6.5%	6.8%	5.6%	7.3%	7.1%
(export)	1.8%	3.2%	3.1%	2.4%	1.6%	1.7%	1.9%
(import)	40.9%	43.3%	41.6%	43.3%	41.0%	34.9%	39.4%
2. NON-TAX REVENUE	10.0%	10.6%	11.1%	4.6%	13.5%	19.5%	11.8%
3. TOTAL REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
4. TOTAL REVENUE AS % OF GDP	13.0%	12.3%	13.6%	12.6%	13.9%	13.9%	13.8%

Source: Appendix Table II.4.

Table 13

BURKINA FASO
CENTRAL GOVERNMENT BUDGET EXPENDITURES
(percent)

	1978	1979	1980	1981	1982	1983	1984
1. DEBT*	3.1%	2.3%	3.6%	3.9%	8.6%	8.1%	17.3%
2. RECURRENT COSTS PERSONNEL & MATERIAL	69.4%	66.9%	67.7%	67.3%	63.3%	61.6%	73.5%
of which							
- Defense & Pub. Sec.	21.4%	17.3%	17.1%	17.9%	17.6%	16.5%	20.5%
- Education	13.3%	16.8%	15.5%	15.4%	15.9%	15.6%	20.0%
- Health	8.2%	5.9%	5.7%	5.7%	5.5%	5.3%	5.8%
- Social Services	3.1%	3.8%	6.6%	5.7%	5.0%	5.0%	7.1%
- Rural Development	4.1%	4.1%	4.3%	4.1%	4.2%	4.0%	4.5%
- Other	19.4%	19.1%	18.5%	18.5%	15.0%	15.3%	15.5%
3. OTHER	14.3%	14.2%	16.9%	14.6%	20.5%	25.4%	2.7%
4. EQUIPMENT & INVESTMENT	11.2%	16.5%	11.8%	14.2%	7.6%	4.9%	6.5%
5. TOTAL EXPENDITURE INSCRIBED IN BUDGET	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Appendix Table II.5.

D. Conclusion

Since 1960, overall economic growth in Burkina has been modest. And recently the confluence of a number of factors - two successive years of drought, declining terms of trade, world economic recession, the 1979 oil price hike, and government instability - have led to deterioriation on several economic fronts. Economic growth has slowed, business investment has fallen off, and the balance of trade deficit has increased rapidly as has the central government budget deficit. An overview of GOB economic policy and how it has dealt with these very real problems is provided in the course of the following section.

IV. ECONOMIC POLICIES AND INSTITUTIONS

A. Monetary Policy

Membership in the West African Monetary Union, the Union Monetaire Ouest Africaine (UMOA), governs much of the macro economic policy applied in Burkina. It not only sets key monetary parameters but also strongly influences trade and fiscal policy.

Established in 1962, the UMOA currently groups seven francophone West African states - Burkina, Benin, Ivory Coast, Mali, Niger, Senegal and Togo. Among these member states, 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 CFA franc (franc of the Communaute Financiere Africaine or CFAF) is the common currency circulating within the UMOA. It's value is pegged to that of the French franc at the rate of 50 CFA to 1 French franc. France, although not a member of the union, is a signatory of the treaty establishing the UMOA. Through that treaty, the French guarantee unlimited convertability of the CFA franc, in return requiring the UMOA governments to take certain contractionary measures when foreign reserves fall below a specified level.

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. One important feature of the BCEAO regulations limits government borrowing at the central bank to a certain percentage of the previous years fiscal receipts. This limitation, along with the controls required to retain the French guarantee of convertability, has to a large extent set the conservative tone for fiscal and monetary policy in Burkina.

Against this institutional background, consider two major components of monetary policy: money supply regulation and interest rate policy.

1. Money Supply

The BCEAO controls the money supply in each individual member country, although they do so based on the recommendations of each country's National Credit Committee (NCC). 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. Within each country, the NCCs allocate their credit quotas among banks and individual borrowers. Formerly the BCEAO controlled the union's money supply by setting reserve requirements, rediscount rates and liquidity ratios, but since 1975 they have done so mainly by setting credit ceilings which are enforced primarily by requiring central bank review of all loans exceeding 30 million CFAF (about $65,000).[25] In Burkina, central bank staff estimate this allows BCEAO to review of 80% of the volume of credit granted and therefore to closely control the portion of the money supply based on domestic lending.

BCEAO policy through 1974 was a largely passive one of simply providing liquidity as the economy required it. From 1975 on, they have taken a more active role, projecting money requirements of foreign trade, government and local producers and using these projections to set money supply targets.[26] Although they have not enforced their targets in draconian fashion, they have used them as general guidelines when reviewing credit requests.

One goal of BCEAO credit policy has been to increase the supply of medium term credit (up to 10 years in duration) in order to stimulate investment and economic growth.[27] As can be seen from Table 14, this policy has met with some success. The share of medium term credit in overall allocations has increased from 18% to 39% between 1975 and 1983.

2. Interest Rates

Borrowing rates within the UMOA are standardized within ranges specified by the BCEAO. For priority sectors[28], 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%.[29]

BCEAO has changed its interest rate philosophy over time. In the 1960's and through the mid-70's, their main concern was to maintain low interest rates to favor borrowers. But this led to substantial capital outflows as world interest rates rose during the early 1980's, so in recent years the BCEAO has kept rates more closely aligned with those prevailing abroad.

Real interest rates have varied considerably over time. As shown in Table 15, real rates received by savers have been largely negative since 1975. 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

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

26. IMF, "Currency Unions," pp.11,14.

27. IMF, "Currency Unions," p.30.

28. 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).

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

Table 14

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	2.17	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)	(4.10)	(4.23)
Construction	0.39	0.98	1.94	2.13	1.61	1.70	1.11	2.75	2.10
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	1.11	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	17.09	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	0.15
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	2.66
(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.

-12-

Table 15

BURKINA FASO
EVOLUTION OF REAL INTEREST RATES
(Percent)

Year	Inflation	Rate Paid to Depositors: Nominal**	Rate Paid to Depositors: Real*	Loan Rate Paid by Borrowers: Usual Maximum: Nominal	Loan Rate Paid by Borrowers: Usual Maximum: Real***	Loan Rate Paid by Borrowers: BCEAO Preferred Rate****: Nominal	Loan Rate Paid by Borrowers: BCEAO Preferred Rate****: Real
1975	11.7	6.4	-5.3	13	3.3	6.5	-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 System 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.

credit subsidies to borrowers who succeed in obtaining credit.[30] Under these conditions, credit will be rationed, often out of high risk sectors such agriculture and small-scale enterprises. And in fact, Table 14 shows how small agriculture's share is, only 4% of total credit in 1983.[31]

Within the range of 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 ag ed to charge common rates displayed in Table 16. Cao criticizes this prac ce as representing a cartel-like arrangement which effectively eliminates interest rate competition among local banks.[32] He also points out that this results in he unusual situation w ere creditworthiness of a borrower has no bearing on the interest rate charged.

B. Fiscal Policy

GOB fiscal policy has historically been conservative, government largely keeping its expenditures in line with revenues available from the country's modest resource base. This conservativism has been encouraged at least in part by a BCEAO regulation limiting government borrowing at the central bank to 20% of government's previous years tax receipts. Yet in spite of the restriction, a deficit of increasing size has appeared in the central government budget in recent years. Efforts to deal with the increasing deficit have focused on both revenues and expenditures.

1. Revenues

Central government must extract its revenues from a low overall tax base. In doing so, experts assert that no significant source of revenue goes untaxed.[33] In fact, GOB's ratio of actual to potential tax revenues is high compared to most African countries. GOB strengthened its tax collection efforts in the late 1970's resulting in a modest revenue surge that appears

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

31. Also see Christopher A. Mock, "Agriculture and Agribusiness in Burkina," Ouagadougou: USAID, August 1984, p.58 for a discussion of credit shortage in agriculture.

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

33. Syracuse, "Local Revenue and Service Provision," p.E.9.

Table 1[illegible]

BURKINA FASO
INTEREST RATE STRUCTURE
ESTABLISHED BY BURKINAN BANKERS ASSOCIATION

Businesses Classed by Annual Sales Volume	Classification	Base Rate	Margin	Total [illegible] 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.

to have peaked in 1980.[34]

To raise revenues further requires higher tax rates or fewer exemptions. GOB has operated in both directions. In 1982, they raised tax rates on petroleum products, beverages and tobacco as well as import taxes for certain agricultural and metal goods. For some products they also revised upwards "valeurs mercuriales", the standardized unit values on which some import and export duties are based.[35]

And recently they have reduced exemptions by diminishing the tax advantages accorded under the National Investment Code.[36] Promulgated in August 1984, the new Code dispenses with what was formerly full exoneration from the tax on business profits (Benefices Industrielles et Commerciales, BIC) for firms investing under the Code provisions. The BIC currently accounts for about 5% of government revenues, but since virtually all large-scale manufacturing firms have benefited from the BIC exemption, the tightening here should have a small but favorable impact on revenues in the future.

The second and probably more significant change in the Investment Code is the new code's decrease in import tax exemption. While firms investing under the new Code will continue to receive import tax exemption on the import of capital equipment, the exoneration on imported raw materials has been reduced from a maximum of 20 to a maximum of 5 years. This reduction has been attenuated by a parallel move, instituted by the Chamber of Commerce on behalf of the local business community. At the same time the new Code was introduced, related legislation came into effect allowing manufacturers not benefitting from Code advantages (for example those whose period of benefits had expired) to receive a 75% reduction on import duties for raw materials provided they registered a list of such materials with the Ministry of Commerce. So the net change is that between years 6 and 20 of business operation, investors now pay 25% of import duties instead of none at all.

Even this modest reduction could be important. Import duties account for about 40% of total GOB revenues, so the tightening here could make a measurable difference in total tax effort over the medium term. To see just how large a difference it would make, GOB's Direction Generale de l'Industrie et de l'Artisanat (DGIA) began, in 1983, to calculate the import taxes foregone due to Investment Code incentives. The income foregone in 1983 amounted to 6.4 billion CFAF which, if collected, would have been sufficient to increase import tax revenues by 35% and total government revenue by 12%. The total import duties foregone amounted to 17% of the overall 1983 budget deficit. So the new Investment Code and related legislation, by cutting import revenue foregone by 25%, could reduce the budget deficit on the order

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34. IMF, "Recent Economic Developments," June 2, 1983, p.31.

35. IBRD, "Human Resources," p.37; IMF, "Recent Economic Developments," August 15, 1984, pp.14,35.

36. See Section IV.E for a review of the Investment Code.

of 4%.[37]

2. Expenditures

Government expenditures have risen at 17% per year between 1977 and 1983, faster than the 11% annual increase in revenues.[38] In addition to the increasing cost of financing the national debt, this increase has been fueled by increases in civil servant salaries in both 1979 and 1982.[39] Because these salaries account for two-thirds of GOB's current budget and 30% of total expenditures, increases here weigh heavily in the overall totals.

The 1984 central government budget took significant steps to reduce sal ries and other recurrent expenses. They slashed indemnities payed to upper level civil servants, and among other measures they reduced the government motor pool by two-thirds in an effort to cut recurrent expenses. The result is that the 1984 budget includes expenditures estimated to be 19% lower than those for 1983.[40]

One potential worry on the financial horizon is the financial status of public enterprises, particularly several large ones such as the RAN and SOSUHV, which could easily require substantial infusions of cash from government coffers. To at least partially address the problem of financial solvency of public enterprises, GOB established, in May 1984 a new Ministry of State Societies. Transformed into a Department under the Ministry of Commerce in October 1984, this unit is charged with the financial and audit control of all state enterprises. It aims to improve the financial management of these firms and should also help the central government develop a clear picture of its financial exposure stemming from the operation of public enterprises.

C. Trade Policy

1. Exchange Rate

Although a central element of trade policy, the exchange rate is not a policy parameter the GOB is free to manipulate. The 50 to 1 rate against the French franc has prevailed since independence, and so the CFAF has appreciated with the French money in good times and depreciated when the

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37. Calculated from Appendix Tables II.3 and II.4.

38. Calculated from Appendix Table II.3.

39. IMF, "Recent Economic Developments," August 15, 1984, p.38; IMF, "Recent Economic Developments", June 2, 1983, pp.29,37.

40. Calculated from Table II.3.

French franc's fortunes turned sour. As Appendix Table II.2 indicates, this link has caused the CFA franc to follow the French money to the current all-time lows against the U.S. dollar. But in return for the periodic costs of exchange rate fluctuation, the CFA franc has remained a freely convertible, "hard" currency, a fact that greatly facilitates Burkina's external trade.

2. Regional Trade Associations

A central pillar of Burkinan trade policy is their commitment to the promotion of intra-African trade flows. Burkina belongs to two regional groupings that aim to stimulate economic exchanges among member countries. First is 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. The CEAO aims to promote intra-community trade by abolishing quantitative trade restrictions among members and by instituting preferential 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. Membership in the CEAO expands the preferred market for Burkinan products by boosting its client pool from 6.5 to 37 million consumers.[41]

Burkina belongs to a second regional economic grouping, 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. The CEDEAO groups together 16 West African states[42] whose ultimate goal 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. But Burkina does remain committed to promoting trade links with its African neighbors, and through the CEAO they have taken clear steps to do so.

Outside of the CEAO, Burkina does not favor any particular economic 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 that distinction, and currently imports from and exports to any region outside the CEAO are treated equally.

As Table 17 shows, Burkina has indeed reduced its dependence on the Franc

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41. CEAO, Rapport Annuel 1983-84.

42. The 16 members of CEDEAO are Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

Zone both as a source of imports and as a market for its exports. And while the CEAC may have boosted intra-regional trade flows in absolute terms, the importance of these exchanges has declined relative to the total flows. Trade with other regions has increased more rapidly than that within the CEAC, so the share of trade with the francophone African states of the CEAC has declined as a share of the total.

3. Administrative Controls and Tariffs

GOB does not restrain exports in any way, except in unusual circumstances. Presently, for example, they prohibit cereal exports because of the critical grain shortage brought on by the 1983/84 drought.

In controlling imports, though, GOB does impose controls for most products brought in. Controlled products fall into three categories: a) those subject to quantitative restrictions (contingentement); b) those requiring special authorization (autorisation speciale); and c) goods requiring prior authorization (autorisation prealable). Currently, only four commodities - batteries, tires, mattress foam and floor tiles - fall into the first category. The purpose of these quantitative controls is to protect local manufacturers of those products. The second class of goods - those requiring special authorization - is also fairly limited. It includes sensitive items such as weapons, communication and data processing equipment.

The great bulk of imported commodities falls into the third category, those subject to prior authorization. These commodities include a wide range of consumer goods, food, raw materials and equipment. The enabling legislation implementing the new foreign trade regulations was published in March 1984 and represented a substantial widening of the scope of commodities subject to prior authorization. So while the October 1983 trade legislation represented a liberalizing current by removing the bureaucratic restrictions on trade outside the Franc Zone, the enabling legislation moved in the opposite direction, increasing administrative control over foreign trade. Currently, it appears that authorization is normally accorded to importers and that the approval machinery has been set in place to allow control of foreign exchange outflows if the balance of payments continues to deterioriate.

In addition to the direct administrative controls just described, the GOB also uses incentives in implementing its foreign trade policy. These incentives take the form of differential tariff duties on various products. GOB follows common precepts in setting their tariff rates. They tax imports far more heavily than exports in an effort to both promote exports and encourage local production. And in the vast majority of cases they levy higher import duties on finished goods than they do on raw materials and intermediate goods in order to promote local processing. Yet businesspersons periodically uncover anomolies in the tariff structure - currently some metal bars are taxed more heavily than 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 effect changes in the offending tariff passages.

Table 17

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.

D. Price Control

According to current statutes, the prices of virtually all commodities in Burkina are subject to some form of government control. The GOB controls prices of all imported goods through a system of margin controls (taux de marque). They set the prices of all local manufactures administratively through a process of "homologation", and the prices of key agricultural products - such as cereals and cotton - are set by direct decree

Consumer protection is a principal goal of Burkinan price control legislation. But it is not the only objective. For important agricultural commodities, GOB sets producer as well as consumer prices. In so doing, they aim to support high producer prices in order to stimulate local agricultural production.

The current price control system can be described briefly as follows.[43]

a) Margin controls. 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.

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 General des Prix for all products they produce. A Price Commission meets to determine allowable prices. They fix maximum prices ex-factory as well 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 only large-scale manufacturing firms face the requirement.

c) Direct decree. Agricultural products whose prices are set by direct decree currently include cereals, cotton, peanuts, and sesame.[44]

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

44. In addition, some non-agricultural items such as cinema tickets and taxi rates are set by direct decree.

Government commissions meet annually to set these prices, theoretically at planting time for both cotton and food crops. The commissions set minimum producer and maximum consumer prices that are uniform throughout the country. Government policy has been to provide strong incentives to agricultural producers; they have increased official producer prices faster than input prices have risen.[45] And they have increased official cereal prices faster than those of non-food crops such as cotton.[46]

Enforcement of these agricultural prices is difficult. It is primarily effected by price competition from government marketing parastatals - OFNACER for cereals and the CSPPA for peanuts and sesame. These parastatals support producer prices by buying from farmers at official prices, competing with private traders and hopefully driving up the general producer price level. Consumer prices are theoretically patrolled by the Brigade des Prix, but this control is sporadic. Official prices were closely enforced in late 1983 by the newly formed Comites pour la Defense de la Revolution (CDRs), but control appears to have abated and devolved back to the Brigade des Prix.

Normally, government-set prices are not intended to represent subsidies. But there are some exceptions to this rule. GOB prices subsidize consumers of sugar and periodically consumers of cereals and vegetable oil. And they clearly intend to subsidize fertilizer inputs for farmers, although under World Bank pressure these fertilizer subsidies will probably be substantially reduced if not phased out over a 5-year period.

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.

E. Investment Code

The Government of Burkina offers substantial financial incentives to private, public or mixed public/private firms wishing to establish in Burkina. They offer repatriation of profits, freedom from nationalization without compensation and generous fiscal incentives under their Investment Code.

Revised in August 1984, the new Investment Code is slightly less generous than the one it replaces. Redressing a number of commonly recognized shortcomings in the previous Code, the new one clearly specifies priority activities and guarantees uniform treatment for firms producing the same products. By diminishing the duration and range of fiscal benefits, the new Code not only addresses GOB's need to mobilize tax revenue but also responds

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

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

to widespread financial problems faced by firms in the former abrupt transition from the Investment Code regime to common law under which they faced full tax liability.[47]

Businesses with capital investments or reinvestments of over 25 million CFAF (about $63,000) are eligible for benefits under the new Investment Code. Highest priority activities (Regime A) are mainly those that transform local raw materials, for example food processing, textile industries, leather processing but also include commercial livestock enterprises, tourism and the production of agricultural inputs. The second-tier priorities (Regime B) are firms producing common consumption items such as batteries, bicycles, cookery and roofing. The lowest priority items qualifying for Investment Code privileges (Regime C) include non-essentials such as alcoholic beverages, tobacco products and luxury items. 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, they differ only in duration. All regimes include exemption from import duties on initial equipment and for two years on raw materials. And firms investing under each regime are eligible for reductions in several business taxes for periods ranging from 2 to 5 years depending on the regime and tax.

The major differences from the former code are the reduction of import duty exemptions on raw materials which, under the old code, could extend up to 20 years and are now limited to a maximum of 5.[48] The maximum duration of tax exemptions was similarly reduced from 20 to 5 years, and the important tax on business profits (BIC) is no longer exempted under the new Investment Code. With its modifications, Burkina's Investment Code remains very similar to those in effect in surrounding countries. But, as can be seen from Table 18, the revisions make the new Investment Code slightly less generous that those in neighboring countries.

Investment proposals under the previous code were submitted to a 27-person National Investment Commission for approval. This large body proved unwieldy, and the composition of the commission is currently being reviewed.

Unaltered by the new Investment Code is the Petit Code des Investissements which provides benefits for firms too small to qualify under the "Big" Code. Firms run by nationals and which are investmenting between 5 and 25 million CFAF ($12,500 to $62,500) are eligible for advantages under

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47. See Karim Adjibade, "Le droit des affaires au Burkina," Ouagadougou: USAID, August 1984 for a good discussion of problems under the previous investment code.

48. Recall that the effect of this decrease in duration was partially offset by collateral legislation that lowered import duties by 75% for manufacturers not (or no longer) benefitting from Investment Code privileges. See decree number 84-308/CNR/PRES/MCOM/MF of August 17, 1984.

Table 18

COMPARISON OF WEST AFRICAN INVESTMENT CODES

	Maximum Period of Exemption from Import Duties: on Equipment	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 ar import duties for up to 20 years.
MAURITANIA	3 years	10 years	BIC, 3 years can also stabilize overa 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.

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.[49] And van Dijk was aware of only one request for consideration, that by a firm too large to qualify.[50]

The "Big" Investment Code, on the other hand, has attracted widespread attention. 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.

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49. Robert A. Garland, "Business Law in Burkina," Ouagadougou: USAID, August 1984, p.7.

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

V. IMPLICATIONS FOR THE PRIVATE SECTOR

Current macro-economic performance and policy strongly influence the opportunities and incentives facing private economic agents. While not wishing to preempt the Private Sector Assessment report which will comment on these implications in much more detail, several observations can be made based on the preceeding macro overview.

First, the business climate in Burkina is currently distinctly chilly. Due to many factors beyond the government's control - two successive years of drought, rising international petroleum prices, a world economic recession, and declining terms of trade - purchasing power has declined and economic activity has fallen off considerably in Burkina. Combined with the political uncertainty of the past four years, this creates a climate in which private investors are reluctant to launch major new ventures. And they have not.

The increasing concern over government deficits may also have implications for private firms. If government arrears continue to build up, this could further compromise the cash flow position of private suppliers.[51] Increasing concern over the financial position of public enterprises may also stimulate government thinking as to the relative merits of private as opposed to public ownership of productive enterprises. A government report on public enterprises completed in 1982 recommended privatization of some public firms as a means of relieving the government's financial burden.[52] While the current government does not appear ready to endorse this recommendation, it may receive increasing prominence if the state is unable to impose sufficient financial rigor through its new Direction of State Societies.

Interest rate policy has some implications for the sectoral distribution of credit. It appears that the low interest rate policy for preferred sectors - agriculture and small-scale enterprises - may be counterproductive. Statistics and discussions with bankers indicate that very little credit actually reaches these priority sectors, at least in part because the risks are too high for the banks given the small interest spread on these loans. So the low interest rate policy may actually reduce credit available to these sectors.

Price control legislation probably reduces the attractiveness of investment in large-scale manufacturing. Many businesspersons complain of the delays involved in the homologation system. These delays depress profits by not allowing entrepreneurs to increase prices in the face of rising costs, except with a lag the length of which is determined by the efficiency of the

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51. Van Dijk, "Politique industrielle," p.32 mentions this as a distinct problem for private firms.

52. See IMF, "Recent Economic Developments," August 15, 1984, p.15.

price control bureaucracy.[53]

Finally, one should note GOB's strong commitment to promotion of local business activity through their Investment Code. Although they have reduced benefits moderately in August 1984, investing under the Code still offers substantial payoffs for private investors.

One anomoly, though, appears to the be inexplicable omission of crop agriculture from the Investment Code. By including other sectors and excluding crop agriculture, government artificially inflates the profitability of investing in the other types of activity. So they attract investment capital out of commercial agriculture and into other sectors. This skewing of incentives is surprising given the government's stated high priority for agriculture and food production.

While much more could be said about the effect of government policy on private enterprise, that is really the purpose of the companion report to this one, the "Private Sector Assessment: Synthesis Report for Burkina Faso." Readers interested in exploring this topic should refer to the synthesis report directly.

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53. See Axel Magnuson, "Marketing in Burkina," Ouagadougou: USAID, August 1984, pp.26,27 for a discussion of the adverse effects of price homologation on local manufacturers.

Table I.1

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. They are referred to in this report as "small-scale enterprises".

Table I.2

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 I.3

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 II.1

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

	1968	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
<u>Primary Sector</u>														
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
<u>Secondary Sector</u>														
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
<u>Tertiary Sector</u>														
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

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

Table II.2
EVOLUTION OF CFA FRANC EXCHANGE RATE

	CFA per SDR	CFA per $
1976	275.9	239.0
1977	286.8	245.7
1978	282.5	225.6
1979	274.8	212.7
1980	275.0	211.3
1981	320.0	271.7
1982	362.8	328.6
1983	407.4	380.9
1984	435.8	435.4

Sources: IMF, International Financial Statistics, 1983, pp.521,527; IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p.viii.

Table II.3

BURKINA FASO
OVERALL CENTRAL GOVERNMENT BUDGET
(billions of CFAF)

	1977	1978	1979	1980	1981	1982	1983	1984
1. RECEIPTS								
a) Domestic Revenue	27.9	29.5	38.2	38.7	41.1	50.2	52.2	57.4
b) Foreign grants	15.9	21.8	24.9	44.5	40.0	41.0	43.0	43.0
Total	43.8	51.3	63.1	83.2	81.1	91.2	95.2	100.4
2. EXPENDITURE								
a) Budget	25.9	29.6	37.8	43.9	51.3	61.5	68.0	55.0
- recurrent	(21.3)	(25.8)	(31.3)	(38.7)	(43.9)	(56.8)	(64.7)	(51.4)
- capital	(4.6)	(3.8)	(6.5)	(5.2)	(7.4)	(4.7)	(3.3)	(3.6)
b) Capital outside budget	25.7	29.5	35.2	54.7	55.0	59.4	67.4	81.5
c) Net lending & discr.	3.6	2.8	(0.3)	0.3	0.0	(0.3)	1.6	1.2
Total	55.2	61.9	72.7	98.9	106.3	120.6	137.0	137.7
3. OVERALL DEFICIT	11.4	10.6	9.6	15.7	25.6	26.8	38.7	37.3
4. DEFICIT AS % GDP	6.0%	4.7%	3.8%	5.5%	7.8%	7.4%	10.3%	9.0%

Sources: IBRD, "Upper Volta, Investment in Human Resources, Country Economic Memorandum," September 5, 1983, p.31; IMF, "Upper Volta, Recent Economic Developments," June 2, 1983, pp.25,106; IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p.34.

Table II.4

BURKINA FASO
DETAILS OF CENTRAL GOVERNMENT REVENUE
(billions of CFAF)

	1970	1979	1980	1981	1982	1983	1984
1. TAX REVENUE							
a) Direct Taxes							
- personal	2.2	3.2	4.4	4.6	5.5	6.0	6.3
- corporate	0.4	1.7	2.4	2.4	2.8	2.7	3.2
- other	0.0	0.9	1.9	2.4	1.7	1.9	2.1
Total	2.6	5.8	8.7	9.4	10.0	10.6	11.6
b) Indirect Taxes							
- TCA	1.0	2.0	2.9	3.5	4.9	3.6	5.5
- excise	1.1	2.4	2.5	2.8	2.8	3.8	4.1
- export	0.2	1.0	1.2	1.0	0.8	0.9	1.1
- import	4.5	13.5	16.1	17.8	20.6	18.2	22.6
- other	0.5	3.2	3.0	4.7	4.3	4.9	5.7
Total	7.3	22.1	25.7	29.8	33.4	31.4	39.0
Total Tax Revenue	9.9	27.9	34.4	39.2	43.4	42.0	50.6
2. NON-TAX REVENUE	1.1	3.3	4.3	1.9	6.8	10.2	6.8
3. TOTAL REVENUE	11.0	31.2	38.7	41.1	50.2	52.2	57.4
4. TOTAL REVENUE AS % OF GDP	13.0%	12.3%	13.6%	12.6%	13.9%	13.9%	13.8%

Sources: IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p.116; IMF, "UpperVolta, Recent Economic Developments," JUne 2, 1983, p.90; INSD, Comptes Nationaux de la Haute Volta, 1981 & 1982, p.44; and INSD staff for 1970 statistics.

Table II.5

BURKINA FASO
BREAKDOWN OF
CENTRAL GOVERNMENT BUDGET EXPENDITURES
(billions of CFAF)

	1970	1979	1980	1981	1982	1983	1984
1. DEBT*							
- Interest	-	0.4	0.7	0.9	3.2	3.1	6.5
- Principal	-	0.5	0.9	1.1	2.1	2.5	5.8
Total	0.3	0.9	1.6	2.0	5.3	5.5	9.5
2. RECURRENT COSTS (PERSONNEL & MATERIAL)							
- Defense & Pub. Sec.	2.1	6.8	7.5	9.2	10.8	11.2	11.3
- Education	1.3	6.6	6.8	7.9	9.8	10.6	11.0
- Health	0.8	2.3	2.5	2.9	3.4	3.6	3.2
- Social Services	0.3	1.5	2.9	2.9	3.1	3.4	3.9
- Rural Development	0.4	1.6	1.9	2.1	2.6	2.7	2.5
- Other	1.9	7.5	8.1	9.5	9.2	10.4	8.5
Total	6.8	26.3	29.7	34.5	38.9	41.9	40.4
3. OTHER	1.4	5.6	7.4	7.5	12.6	17.3	1.5
4. EQUIPMENT & INVESTMENT	1.1	6.5	5.2	7.3	4.7	3.3	3.6
5. TOTAL EXPENDITURE INSCRIBED IN BUDGET	9.8	39.3	43.9	51.3	61.5	68.0	55.0

Sources: IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, pp.117,118,134,135; IMF, "Upper Volta, Recent Economic Developments," June 2, 1983, pp.89,92; INSD, Comptes Nationaux de la Haute Volta, 1981 & 1982, pp.36,47; and INSD staff.