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MARKETING IN BURKINA FASO

a report prepared for USAID/Burkina

by
R. Axel Magnuson
Ronco Consulting Corporation

August 1983
revised August 1984

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EDITOR'S INTRODUCTION

The analysis in this report is the output of a 6-week investigation undertaken by Axel Magnuson. It is one of six technical reports prepared by a team assembled by the Ronco Consulting Corporation in May and June 1983. Other reports prepared in the course of this private sector assessment include:

- Agriculture and Agribusiness, by Christopher Alden Mock;
- Business Management and Vocational Training, by Maurice N. Samaan;
- Banking and Business Finance, by Andrew V. Cao;
- Business Law, by Robert A. Garland; and
- Le cadre juridique des affaires au Burkina, by Karim Adjibade.

A new government came to power in Burkina Faso in August 1983, just after the Ronco team's investigations. Because the new authorities have effected a number of policy and institutional changes since then, USAID/Burkina preferred to have the technical reports updated before disseminating them. I was hired as an outside consultant to do the updating. In the process of editing this report, I have operated according to the following principles:

1) Factural errors - normally arising from policy changes occurring after the period of the original investigations - have been corrected.

2) The scope of analysis, organization and writing style remain unaltered from the author's original work.

3) The recommendations and qualitative assessments - based on extensive interviewing of businesspersons, government and donors - remain those of the original author.

So this report remains the creative work of its original author, Axel Magnuson. As an aid to the reader, I have added an appendix describing general price control procedures. But in the main body of the report, I have adopted a minimalist role, largely confining my meddling to a historical updating of the document.

Steve Haggblade,

Ouagadougou, September 1984

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EXECUTIVE SUMMARY

Marketing, as a process of identifying new products and developing demand for those products is not well understood in Burkina Faso, either by the private sector itself or the agencies which assist in private sector development. Extensive interviews with business and government individuals indicated that market research at the level of the firm is almost nonexistent and that the agency primarily responsible for business development and training, OPEV, is not sufficiently developed in this area. Secondly, the Burkinan distribution system is highly fragmented with producers having few if any connections with retailers and customers at the final point of sale. Few firms have their own sales organizations making it nearly impossible for firms to develop enlarged market demand. Fragmentation also leads to high consumer costs.

Third, because of the lack of basic market research capacities and a number of cumbersome margin and price regulation laws, new product development is practically nonexistent in Burkinan industry. New product development, pricing strategies and other marketing processes are made difficult under the present regulatory climate.

Fourth, while transport infrastructure via the main corridors to Lome and Abidjan and within the country is improving, transport costs remain very high. While capacity for rail and truck transport seems adequate, costs seem not to be falling with improvements in infrastructure.

This report recommends that AID continue with its present level of activity in the transport sector leaving infrastructure and rate issues to other donors. Specific activities in secondary roads should be examined on a case-by-case basis. AID should, however, examine the possibility of assisting

the Chamber of Commerce in developing container handling facilities at the railway freight depot.

This report identifies margin and pricing controls as being a major constraint on the ability of firms to pursue more aggressive marketing strategies. While the issue is a very broad one and the system deeply entrenched, the report suggests that AID, along with other donors and the Chamber of Commerce, press for review and revision of this system.

Most recommendations lie in the area of management training and direct U.S. business assistance to targetted Voltan industries. Analysis of the existing business advisory services suggests that training assistance to OPEV and ONAC in marketing be coordinated with ongoing CEAO efforts recently funded by the FED. The report recommends that specialized U.S. business development firms be used in such efforts as well as the resources of U.S. businesses through the U.S. Chamber of Commerce.

Finally, this report proposes the development of business assistance programs for selected industries. The industries would be selected on the basis of their links to AID's development strategy and the form of assistance would be directly provided by U.S. industry associations with technical assistance programs.

I. INTRODUCTION

Marketing, as used in this report, is defined as a process of supplying in the marketplace goods that match consumer demands. The concept, therefore, includes not only issues of physical distribution and packaging but also those of product identification and development.

In presenting an overview of marketing practices in Burkina Faso, this reports begins with a description of the physical infrastructure available for moving goods to and from producers and consumers. It then proceeds with a discussion of the distribution system operating on that infrastructure. Marketing management, as currently practiced in Burkina, is described followed by an assessment of government regulations and how they affect marketing management. The report ends with an overall assessment of the Burkinan marketing system.

Two Burkinans, Sylvain Domboué of the Direction Générale de l'Industrie et de l'Artisanat and Seriba Ouattara of the Organisation Nationale du Commerce Exterieur, provided outstanding assistance with the research necessary for carrying out this study.

II. MARKETING INFRASTRUCTURE/MARKETING TECHNIQUES

The following section addresses the set of issues concerning transportation, distribution and marketing infrastructure. It reviews the state of the transport system separately and then provides an analysis of distribution systems for imported and locally produced goods with special attention to several agricultural/agro-industrial product distribution systems.

A. Transport

Because of Burkina's landlocked situation, a transport analysis for the country must necessarily include a review of international and subregional networks. Since the internal transport system is so heavily tied to these corridors they serve as a pertinent point of departure for this study.

B. The Maritime Transport Sector: Ports

The ports of Abidjan (Ivory Coast) and Lome (Togo) serve as the major ports of entry for raw materials, fuels and manufactured goods destined for Burkina.

The Commission Voltaique des Chargeurs, COVOC, negotiates shipping rates, along with similar organizations in neighboring countries, with the shipping conferences using the ports of Abidjan and Lome. COVOC is legally mandated under the Ministry of Commerce, Industry and Mines. The principle shipping conference in the zone is COWAC (Continent West Africa Conference) which is composed of 28 companies.

The port of Abidjan has evolved to handle large volumes of commodities such as oil, gasoline, rice, wheat and cement and to handle the rapidly increasing container traffic that has become such an important factor in Burkina's import system. The port has new container unloading facilities and one Ro Ro (roll-on-roll off) facility for mobile freight.[1] The port, through agreements between the two governments and arrangements with the Burkinan Chamber of Commerce, has bonding facilities for incoming goods being transshipped to Burkina Faso. The RAN, the Regies des Chemins de Fer Abidjan-Niger, a rail corporation run jointly by the two governments, has regular and container loading facilities. The Chamber of Commerce warehouse is outside the port however requiring double handling of freight before it is finally loaded onto cars. Losses occur because of this.

Lome, which until recently was little used for either imports or exports from Burkina, is characterized as being well set up to receive cargo but not for discharging cargo. Despite that, exports of agricultural products through Lome have been steadily increasing. From 1980 to 1981, total agricultural export tonnage increased from 64,174 tons to 103,493 tons composed of sheanuts, cotton, cocoa and coffee.[2] In 1980 the tonnage of all goods shipped from Lome to Burkina in the first quarter of the year reached 30,000 tons, a figure equal to the entire previous year's tonnage. Work will begin shortly on a container facility at the port.

C. Inter-country Transport

1. Togo - Transport by truck between Lome and Ouagadougou passes over 1,000 kilometers of road, all of which is paved on the Burkinan side. Warehouses, customs sheds and branch offices of the major transit firms are located at a new shipping center, Ouagarinter, on the outskirts of Ouagadougou. This serves as a transshipment point for goods being moved to Mali from Lome as well as some goods coming from Abidjan intended for Niamey.

In Lome itself the Chamber of Commerce has warehouse facilities. The major problem lies in two areas: the organization of truckers in Lome to ensure fair division of freight among Burkinan and Togolese trucks; establisment of a system for joint customs procedures.

Regulations concerning inter-country transport are largely coordinated by the Counseil de l'Entente[3] and its Counceil Superieur de Transport Terrestre, the Transport Commission. They work to harmonize cross-border transit processes and encourage the establishment of freight offices where items for shipment and available space are systematically matched. The CEAO also has a Direction, the Office Communautaire de Promotion des Echanges, which has been active in this area.

2. Ivory Coast: Rail and Road Systems

Transport from Abidjan is effected by road via Bouake (Ivory Coast), Bobo-Dioulasso and Ouagadougou and by rail via the same cities. The RAN rail system runs over 1,159 kilometers from Abidjan to Ouagadougou of which 520 kilometers are in Burkina. The two governments contribute to maintenance and capital renewal costs, and in theory the operation is financially autonomous although a joint commission of ministries of transport sets freight and passenger rates. In addition, external, concessional financing has had to be obtained to renew the rolling stock and lay a second track in both countries. Freight in ton-Km has been fairly stable at about 550 million ton-Km per year. Freight has started to be shipped in containers; however, according to the Marketing Director the lack of handling facilities at the terminal in Ouagadougou has led to a 20 day turnaround time for container cars.

The existing system hauls raw materials, metal, cement, vehicles, foodstuffs and containererized freight from Abidjan to Ouagadougou and Bobo-Dioulasso. Imports are cleared by the douane in the Chamber of Commerce warehouses where formal exchange of papers of ownership and physical forwarding take place. Freight returning to Abdijan and Bouake in the Ivory Coast include significant amounts of sheanuts, chickens, cotton, fruits and vegetables in small lots and live cattle. 250 tons of live cattle are loaded each month (905 animals in Ouagadougou, 910 in Koudougou in the month of April 1983). Although there are three refrigerated cars available, the RAN marketing manager reported having difficulties obtaining full carloads of fresh me t or produce. There are 250 live-cattle cars in service as well.

Pricing schedules vary by type of product, volumes and distance. Special rates exist for fruits and vegetables and live cattle in order to encourage exportation and to use the often empty car space on the return trip. Prices are set by a joint commission of ministries of transport and a rate increase, although proposed by RAN management, has not been approved since 1981. Passenger revenues constitute 50% of the RAN's annual revenues.

The RAN, since 1977, has slowly moved into a deficit position with the Burkinan share of the total for 1982 reading FCFA 5 billion, about $10.5 million.

Service is judged to be improving by the RAN's freight customers, including the director of SOVOLCOM, the country's largest retail chain - and one of the RAN's biggest users. There are however, significant insurance claims outstanding with the RAN because of improper handling, particularly of containers. There have also several train robberies in remote areas with considerable loss according to the RAN marketing director.

D. Road-Rail Competition: Lome and Abidjan

Analysis of the relative costs of road verus train transport via the two main corridors have apparently not been calculated with any precision since 1976 in the preparation of the Ivory Coast/Upper Volta Regional Railway Project.[5] The Bank then felt that rail transport would remain the most economic mode of transport for the region served by the RAN; Burkina, southeastern Mali and the northern Ivory Coast. They correctly foresaw an increasing diversion of freight traffic to Lome and the road transport system of both corridors as the roads were improved and per unit truck transport costs fell. While the RAN, given its controlled rate structure, remains highly competitive in terms of bulk transport of cotton, oil seed, cement, fertilizer, vehicles, petroleum products and raw materials, the gap between road and rail has closed significantly as RAN productivity in ton-Km costs appears to have declined and road transport has become more productive. Studies currently underway will undoubtedly clarify this more precisely but a rough, average cost comparaison done by the Chamber of Commerce indicates that road transport from Abidjan remains about 25% more expensive than rail but that road transport takes only two days, as opposed to three to seven for the RAN, and is relatively more reliable. Most interestingly, the ton-Km truck charges from Lome are somewhat lower than those from Abidjan and apparently as fast. Moreover, taken as a measure of relative cost and efficiency, truck volume through Ouagarinter increased 30% in its third year of operation while freight growth for the RAN was projected at 6.5% in 1976.[6] In economic terms the rail-truck cost comparison does not include the government subsidies to the RAN. This price distortion is undoubtedly considerable.

The importance of these admittedly very tentative conclusions lies in the facts of the rapid improvement of the road system and the improvement of the competitive position of the trucking industry without specific government policies for allocating traffic between the two systems. The competitiveness of the road system will undoubtedly improve, particularly in the Lome-Ouaga corridor, as customs arrangements are smoothed out and freight dispatching services become more effective. COVOC, the Chamber of Commerce, the five major transit companies and the CEAO are working on these issues with the two governments. It is also to be expected that the rail system will be improved within the framework of the overall transport programs now underway.

Further, as the international truck routes improve, the internal road system will also improve. Apart from the considerable improvements of the roads to Lome, Abidjan, Benin and Ghana in the last five years the current road investment program will place paved roads across the northern zone (east-west) and the south-central regions. The northern projects will open up an important livestock production zone and the southern-central projects will open up an important agricultural zone. The feeder road system in the agriculturally important southwest is weak but the major north-south trunk between Abidjan, Bouake, Bobo-Dioulasso and Ouagadougou runs through the region thus favoring the region for exports of raw produce as well as for processed products.

E. Other Transport Corridors: Ghana, Benin, Niger and Mali

The Ouagadougou-Tema (Ghana) corridor is well developed but traffic is very light because of port-level problems, language and the current near-inconvertability of the Cedi. Transport costs are similar to other routes but time is lost on the ferry transit over Lake Volta in northern Ghana. Trade does occur on an informal, often barter basis, particularly in cattle. And in early 198-, the GOB signed an agreement with Ghana legalizing the majority of these barter flows.

The Abidjan-Mali corridor which is both all truck and rail-truck transit through Burkina, is partially in competition with the Dakar-Bamako rail system.[7] However the direct road systems between the southwest of the country and Mali are well developed and give this industrial/agricultural area a transport advantage over Ivory Coast and Senegal.

The Ouagadougou-Cotonou road system through Togo is not fully paved and is very narrow at some points. Lome is clearly preferable as a port but an unspecified volume of commercial exchanges do take place between Benin and Burkina Faso.

The Niame-Ouagadougou road is part of the transcontinental system linking N'Djamena, Niamey, Ouagadougou, Bamako and Dakar. While the entire system is not yet finished, it is financed and underway. The route was used extensively in the mid-seventies during the drought relief efforts and is now used for transshipped goods via Abidjan.

F. Air Transport

International air service is provided by Air Afrique, UTA and a charter flight airline Point Air which carries passengers almost exclusively and originates in Mulhouse, France. International service operates exclusively from Ouagadougou while the domestic network served by Air Volta carries passengers on two regional circuits. The most traveled international routes are north-south to Europe, particulary Paris, while Air Afrique's coastal network is less heavily travelled.[8]

Air Afrique is jointly owned by ten African states and the Societe pour le developpement du Transport Aerien en Afrique, SODETRAF (27%). SODETRAF is owned in turn on an equal basis by UTA and Air France. UTA has historically been closely associated with Air Afrique, providing technical and managerial assistance. The two have had a series of formal agreements, the present to expir in October 1983, which pool expenses and receipts, provide for shared technical and commercial resources, joint marketing services and operatioanl coordination. In Ouagadougou this cooperation most notably takes the form of Air Afrique handling all freight operations on the ground for UTA.

Air freight fares are set on a base determined by the ATAF, (Association des Transporteurs Aeriens de la Zone Franc) in the French franc/CFA zone. These tariffs, which are followed by UTA and Air Afrique, are for products produced in Africa and destined for France. They are set by the member lines and their governments to encourage south-north exportation of local production. These rates vary with the type of product (as between "haricots verts filet" at 190 FCFA per kilo and "haricots Bobby" at 145 FCFA per kilo) and may range up to a 90% reduction from the normal freight rate.[9]

Currently, Air Afrique finds these rates to be unacceptably low because while agricultural exports constitute almost all of its export freight they provide only 20% of gross receipts which does not cover the full cost of the service according to Mr. Baba Fadjara, the Director of Freight and Postal Transport for Air Afrique.[10] It appears that the shareholders of Air Afrique, the eleven governments and UTA, which is private, are subsidizing these agricultural exports. The Ouagadougou representative of Air Afrique explained that the problem becomes accentuated with decreases in north-to-south volume, cost increases and the consequent increases in per kilo economic costs with a legally imposed rate structure. The subsidized south-north freight rates then become more onerous.

It has been argued that the base rates of freight service make West African products uncompetitive in the European market. In a long discussion of cost structures for airline operations in Africa, Marches Tropicaux cited an Economic Commission for Africa report that computed direct costs of operation in Africa at 21.8% above the world average and indirect costs (administrative, landing tax, transit taxes, etc.) at 28.6% above the world norm.[13] Moreover, fuel gradually becomes more expensive by a factor of three as one moves east from New York to N'djamena. Finally, IATA estimates that there are $600 million of frozen, untransferable airline profits in the Third World, most of it in Africa.

The article also notes that the arrival of cut-rate charter flights by Point Air represents a "creaming" of a small, easy portion of the passenger market and should not be considered as a rate model easily copied by other airlines.

As for the capacity question and the nature of relations between exporters and airlines in Burkina, a condition of mutual suspicion seems to persist. Although attempts to gain an interview with UVOCAM, the major vegetable-fruit exporter, failed, it appears that UVOCAM has not been well organized in the past in having prearranged shipments ready for loading on time. Capacity, according to the Air Afrique and UTA representatives, has not been a constraint. They suggested that the timing of particular shipments to Paris was often wrong, putting Burkinan produce on the market when other countries were also heavily exporting. In that case losses come from poor variety selection and faulty, incomplete market knowledge.

The issue remains significant as the volume of agricultural air freight is substantial. Agricultural exports by air in 1981 reached 1,543 tons for Air Afrique and 2,500 tons for UTA composed of haricots verts (2,400 tons, estimated) mangoes (1,395 tons) and peppers (100 tons, with small mixes of limes, papayas and green vegetables). Because of difficulties during 1983 in obtaining timely air freight space for green beans, the GOB has contracted with Point Air to purchase and jointly operate a Boeing 707 cargo plane beginning in the 1984/85 season. This cargo operation will be jointly managed for three years after which time the Government of Burkina will assume sole ownership and management responsibility. They hope in this way to avoid the substantial crop spoilage that occurred during the 1983/84 vegetable season.

G. The Trucking Industry

The 1982 census of the trucking industry indicates a total of 845 tractor trailer trucks in the country plus 865 trailers of various tonnages. This represents a 30% increase from 1980.[14] Although the data are inconsistent, figures provided by the Ministry of Public Works, Transport and Urban Works indicate that there were 345 trucks of capacities from 6-12 tons and 307 trucks with capacities from 25-34 tons in 1981. There were 11,363 small pickup trucks registered in 1982.

Only the road transport of petroleum products is regulated in terms of fixed rates. The SVTR, Societe Voltaique des Transports Routiers, which is largely privately held has most of this activity. Other freight rates are not fixed because the government has not yet been able to satisfactorally determine operating costs over the various types of road in the country. Computations of transport costs per ton per kilometer based on the June 1980 BCEOM Road Maintenance Study were compared to existing real rates in a small sample survey of vegetable transport costs in 1982. Charged rates were very much higher than estimated rates.

The government has been receiving assistance from the Bank in its Fourth Highway Project in gathering data on transport costs but has not acted to fix rates. It has proposed, however, to licence freight operators more strictly in order to have the operational ability to set rates and charge road-use taxes in the future. They also want to prevent the over-development of capacity in the industry.

III. DISTRIBUTION SYSTEMS

A distribution system is the set of institutions which performs all of the activities utilized to move a product and its title from production to consumption. These are types of flows within the whole set of activities: physical transport flows including movement, storage and delivery; title flows; financial flows; promotional flows and information flows which is the process of ordering stock and receiving sales figures.

Without too much danger of overgeneralizing, the distribution systems in Burkina are broken into numerous steps with abrupt breaks in all forms of flows (title, transport, finance, promotion and information) at each point that a product changes hands. This observation holds for most modern sector industries as well as industries in the informal sector. A producer is often only that. He or she does not sell to, communicate with or exchange papers with anybody beyond a wholesaler. Business literally stops at the factory gate for a large number of businesses. There are notable exceptions to this, in particular BATA (a shoe manufacturer) and SOVOLCOM (a state-owned retail chain).

The consequences of this type of fragmentation are profound and numerous. Looking at the individual types of flows with examples will provide some idea of their impact.

A. Financial Flows

In terms of financial flows, bank credit is used consistently only between foreign firms and importers and only infrequently between producers and wholesalers. Producers and importers deal primarily only with wholesalers and in those cases bank credit appears to be used only infrequently, the producers preferring to extend short-term credit themselves or, more often, to deal through immediate payment. At levels below the wholesale level credit becomes even less frequent and where it is used it appears to be for very limited periods at very high rates, the vendors wishing to minimize their exposure to unsecured credits. The consequence of this is that retail stocks are kept at low levels, orders are placed in very small batches and consequently prices to consumers are probably higher than they might be. The more serious and less speculative consequence is that by cutting off any continuing financial contact with the wholesale and retail chain, the manufacturer abrogates any possibility of overseeing how things are managed at the finanl point of sale. He loses his control f any final price determination, loses leverage in terms of getting retailers to do point of sale promotion and cannot oblige retailers to provide customer services such as guarantees or repair facilities. Moreover, there is no continuing shared business and financial risk incentives for producer and retailer to exchange information concerning consumer response, sales and competition. In economic terms, tighter links offer the possibility for the producer to work with the retailer to move the demand curve up, to enlarge the market for the product. This opportunity is foregone almost completely in Burkina.

IVOLCY, the bicycle and mobylette assembly company, and SAVANA, a food processor, provide good examples of the consequences of fragmented distribution systems. IVOLCY sells directly only to two wholesalers who, in addition to wholesale operations also sell retail and provide service and parts. The final consumer price is set at 10% above the ex-factory price through the Office of Price Controls. The fragmentation of the system into parts too weak to support a real sales organization is an almost permanent feature of Burkinan commercial life. In large part this is due to a small and geographically dispersed market that will not support specialized retailing for many products. But the commercial licensing laws that require separate licenses for wholesale and retail operations also contribute to market segmentation. Under current pricing regulations, allowable margins are set at the factory level, for wholesalers, for the next level of distributors and for retailers by fixing the maximum sale price at each point of title exchange. For IVOLCY, the prices at each point of sale are given below with margins.

Figure 1. Resale prices for mobylette model 154 LUS fixed by Inspection Generale des Prix for IVOLCY and in effect since 24 September 1982.

		Mark-up Permitted
153,216	Ex-factory price to wholesalers	
160,727	Wholesale price to "demi-grossistes"	4.9%
164,481	Price to retailers	2.3%
168,240	Price to consumers	2.3%

Source: Inspection Generale des Prix et des Affairs Economiques, Ministere de Commerce. Prix Homologues et Marges Beneficiaires, Tome 2. Ouagadougou, n.d.

SAVANA has also suffered from a fragmented distribution system, although to a different extent and in a different fashion. SAVANA is capable of producing a variety of products including tamarind and mango juice, a wide variety of fruit jams, mango concentrate and ketchup. Sales are through offices at two wholesale warehouses, one in Bobo-Dioulasso, the plant's location, and one in Ouagadougou, and are the final point for SAVANA's involvement in the market. In SAVANA's case they were in need of consumer feedback through retail dealers at early stages of product introduction. When they initially started production of tamarind juice they packaged it in plastic, aluminum foil vacuum packs. Only after some time did they realize that the packets didn't travel well and that the juice was too expensive relative to local substitutes or carboned drinks

Closer retail links would have permitted a quicker response at an earlier phase in the development process.

ONERA, the government-owned firm engaged in export sales of meat has also had problems related to its underdeveloped distribution system. ONERA's major market for fresh meat is in Abidjan. On order direct from Abidjan wholesalers ONERA transports the meat to wholesalers for direct payment or on short-term credit. It does not maintain a permanent representative in Abidjan and hence cannot take advantage of either direct sales or changes in market supply. No market information is exchanged concerning retail prices, types of outlets or growth in demand. Because ONERA beef is subject to intermediate price markups, competitive pricing strategies against imported frozen meat are nearly impossible and sales remain slow.

B. Physical Transport Flows

There are serious cost problems associated with transport flows, which are also highly fragmented. Intermediate transport steps increase final costs substantially and these intermediate steps are at least partially due to the nature of the distribution system. Additionally, the rates for transport appear to be based on very incomplete cost analyses on the part of transit firms.[15] Interviews in Bobo-Dioulasso and Ouagadougou with owners of small, medium and large trucks indicate that there are informally fixed local and long distance transport prices according to the distance, type of road and in the case of shipping produce, the value of the item being shipped. Transport cost seems often calculated as a percentage of the current market value for local produce such as mangoes while transport for rice per bag is more standardized. Rates drop substantially when freight is carried in trucks of more than six ton capacity according to the Mossi Plateau Vegetable Study.

C. Communications Flows

The electronic and telephone communication systems in Upper Volta are limited and costly, particularly ouside the major population corridor of Bobo-Dioulasso and Ouagadougou. But, in terms of distribution systems the problem is not one of means of communications as much as it is one of the perceived need to communicate. For example, according to all of the detailed livestock studies done, herders and the intermediate buyers from the isolated northern parts of the country are constantly aware of the price situation at major ports of collection despite the fact that there is no telephone system and no market information service. On the other hand it appears that firms like ONERA and UVOCAM are very much out of touch with market price shifts in their primary markets and are hence unable to respond to price advantages.[16] For export markets of produce and meats, the problem of current market news is complicated by not having a captive sales agent or permanent representative in major markets. Communications facilities are not the problem. Likewise in the domestic market there appears to be little flow of sales performance data from retailers back to producers. SOVOLCOM, the government import, wholesale and retail chain which some 33 retail outlets and 3 wholesale points has a sales reporting and ordering system that gives it a good idea of what is moving and what isn't.[17] With this system it has the flexibility to do price-sensitivity and brand tests.

The other very notable example of an integrated distribution system is BATA, the shoe manufacturer producing under co-participation with Bata International. BATA has a chain of outlets which are evidently financed by BATA but owned by franchises. The prices f BATA products, like those of all local manufacturers, are automatically regulated by "homologation", a process of margin and price controls.[18] Since the government wishes to control margins at every sale point, wholesalers must be registered and licensed to buy BATA's production. In discussions with the teams' legal experts it appears that it is akward for a producer to own its own retail sales outlets. A producer must be registered as a producer and then register the retail sales operation pay the retailing patente, and operate the retail operation from a separate building.

Despite what appears to be a very cumbersome system, BATA has established a network of retail direct sales outlets which is essentially unique here. In contrast to IVOLCY it has aggressively sought to identify consumer tastes and respond to the pricing exigencies of the market through a system that encourages direct sales information feedback directly to the producer.

IV. MANAGEMENT AND NEW PRODUCT DEVELOPMENT

A. New Product Development

The new product development process in Burkina is above all characterized by an evident lack of market research. Despite the intervention of a number of business development institutions, Burkinan entrepreneurs in medium and large scale industries largely fail to comprehend that marketing starts long before a product leaves the factory. Little market research is done to assess potentials and consequently firms produce the wrong product, at the wrong price or in the wrong quality. SAVANA's attempts at marketing tamarind juice in vacuum packs, SAP's problems with producing a competitive tire in West Africa's largest tire market and UVOCAM's failure to expand vegetable and fruit export markets are but a few examples of the market research problems that have caused significant difficulties for Voltan firms.

While market research alone is a significant problem for industry in Burkina, it is only one weak point in the process of business development. Overall there are problems in designing business plans, i.e., production and management functions which are appropriate to the product. In short, business development assistance programs are in need of improvement. This section of the report will briefly examine the new product development/business promotion system as it operates now and identify specific modalities for assistance in the areas of management and technology transfer.

B. Industrial Development Programs

Currently business assistance programs are divided among two agencies which provide business development planning services, a skills training program for rural businesses and a credit program. A number of donor countries have also established small enterprise credit programs. Additional regional agencies provide assistance to promote regional production and trade.

The Office de Promotion des Entreprises Voltaique (OPEV) promotes and provides technical assistance to small and medium scale enterprises in all sectors of the economy. Supported by the World Bank, donor capital and government funds it assists Burkinan entrepreneurs, for a fee, in the preparation of business feasibility studies which are then presented to local credit sources for loans. The Office National de Commerce Exterieur (ONAC) identifies promising export markets, assists local firms in the development of products for those markets and directly works with importing countries to eliminate tariff and non-tariff barriers to trade. It works very closely with the CEAO, the Francophone regional grouping, in trying to harmonize tariff structures, identify markets and develop export skills.

The Bank National de Development (BND), while having rather severe financial problems, is in theory the source of new business finance. In 1978, it received $4.0 million from the World Bank for loans to artisan and modern small and medium-scale enterprises. Earlier, BND was the recipient of USAID regional funds through the Conseil de l'Entente.[19]

The Centre National de Perfectionnement des Artisans Ruraux (CNPAR) provides training and assistance to rural and urban artisans in several skill areas.

Of the several regional organizations providing private sector assistance, ECOWAS and the CEAO, the CEAO's program is the more ambitious. It includes sectoral marketing studies, trade harmonization programs, transport development, credit (FOSIDEC) and business training programs.

Additionally the Burkinan Chamber of Commerce should be cited for its very significant work in promoting work in the development of crucial business infrastructure, fostering business contacts, training, and acting as an articulat and forceful voice in business regulation reforms including the Investment Code.

While some of the existing programs are interesting and well managed, examination of investment proposals clearly indicates a lack of market research in the selection of products and development of feasibility studies. It should be clear from the preceeding sections of this report that marketing perspectives are not generally well developed in Burkinan businesses and neither are they in business assistance programs, with the exception of the Chamber of Commerce and CEAO programs both of which are still at early stages of development.

The OPEV program, which has the widest sectoral and geographic distribution, does not focus well on marketing issues and concentrates instead on production issues. Particularly where new products are concerned, OPEV fails to identify the salient features of a market that would determine price considerations, quality and market penetration strategies.

C. The Power Industry

Activities in the energy field to develop new technologies and energy conservation techniques are extremely limited. At the present time all electricity is generated at a very high cost by diesel powered units. But agreement has recently been reached for Canadian and Saudi funding of a hydro-electric project at Compienga. In general, as in this case, expansion of the current Voltelec network and generating capacity is to be carried out nearly completely with foreign assistance, technical and financial.

Both the Director General and Technical Director of Voltelec foresaw no difficulty in meeting projected increases in demand for energy. The problem is more financial in that Voltelec is subject to government approval of proposed rate increases and thus it is severely constrained not only in generating enough earnings to expand the power grid, (and as such is almost totally dependent on foreign assistance) but also in being able to carry out necessary repair and maintenance functions.

Energy conservation techniques have been promoted primarily by the German Federal Republic in the form of more efficiently burning stoves. A gasohol project, based on sorghum, has been proposed by SERAGRI, a Burkinan agro-industrial firm.

V. REGULATIONS AND THEIR EFFECT ON NEW PRODUCT DEVELOPMENT, PRICING AND PROMOTION STRATEGY

A. Government Regulations and Marketing

Government regulations in Burkina have the effect of diminishing the flexibility of firms to respond to market conditions, both market constraints and market opportunities. Chief among the regulations that affect a firm's marketing ability is the system for determining product margins and resale prices. Tied to this system is a licensing process for registering wholesalers and retailers which promotes a high degree of market segmentation. Secondly, the fiscal system of import taxation often works against local producers by assessing a high tax on imported raw materials that brings locally produced product prices to a point higher than imported finished goods. Third, the Investment Code and more specifically, its uneven application, creates a situation in which the government provides incentives unevenly and hence encourages price distortions which hamper market development strategies.

B. The Profit Margin and Sales Price System

Although we have already described some of the negative effects of the profit control and sales price control system in the section of this report concerning distribution systems, it is useful to see how these controls have a particularly pernicious effect when combined with stagnant markets, rising raw material costs and a cumbersome price control mechanism. For the reader's convenience, an overview of the Burkinan price control system is provided in Appendix I.

As those familiar with the price control procedures will know, the system for pricing locally manufactured goods begins with the submission of cost figures for each item made in Burkina. This process is called "homologation" of prices and is required for all local manufactures. For each manufacturers, the Price Commission determines an acceptable margin for the producer and then establishes a maximum ex-factory price for the item. It also fixes maximum mark-ups for each resale point to which may be added a reasonable transport cost at each segment of the distribution system. Inspection and control of the implementation of the regulated prices are partially answered by creating a licensing system of wholesalers who alone are entitled to purchase wholesale quantities of products.

Beyond the wholesale level, surveillance is spotty although the government feels that retailers usually set prices reasonably close to the specified level.

Requests for price-level changes, must pass through the Commission with full justificatory documentation including pro-forma invoices for inputs, breakdowns of direct and indirect costs and projected production and sales figures for each product. Although technically only required for price increases, official approval is effectively required for price decreases as well because of the segmentation of the retailing system. It is true that a manufacturer could try to adopt an aggressive pricing strategy by lowering his or her actual ex-factory price below the maximum level set by homologation. But since the wholesalers and retailers further up the distribution chain would not be compelled to drop consumer prices correspondingly, the only way the manufacturer can be assured of lowering consumer prices is by resubmitting a homologation request that mandates lower prices throughout the distribution network. For new products, though, firms many apply for special short-term prices to be set for market tests. The Commission's main concern is to keep profit margins at the specified level, and particularly to keep them from rising. Secondarily, the Commission has limited leverage in improving a company's fiscal situation by increasing sale prices as it is loath to allow increases because its primary goal is to protect the consumer.

One of the major consequences of this system is that it compresses producer profit margins, thereby contributing to the weak cash and retained earnings (for new investment) positions of firms operating in an already weak economy. While processing of requests may pass quickly through the Commission, we learned that Ministerial level approval could extend the process to a period of seven months. During this period costs could have changed again driving a firm's actual margins even lower, if not into the red. This is a particularly sensitive issue for firms with large numbers of imported raw materials like SAP (tires) which change price continuously. Figures from the Chamber of Commerce from the last five years indicate that levels of internally generated capital in Voltan firms declined by 40% in unadjusted current FCFA from 1978 to 1981.[19] Figures for 1982,[20] although not aggregated, show similar no-expansion characteristics and stagnant sales as well. While the past several years have been difficult times for the Burkinan economy in general, price controls may have contributed to the precarious condition of many firms at the present time.

Secondly, the slowness and cumbersome nature of the process makes it extremely difficult, or at least awkward, to respond to either market pressures or opportunities with a pricing strategy. In cases where the price of competing imports should drop (through exchange rate fluctuations, for example), it is difficult for local manufacturers to effectively counter with matching price decreases due to the segmented nature of the distribution system. It is necessary to re-homologate prices to ensure that retailers actually lower consumer prices to the level desired by the manufacturer.

Third, new product development becomes an extremely risky venture as production costs can only be estimated and acceptable market prices only guessed at in local markets. The effect of the government's price homologation system, is to introduce high risks for the producer because of the unpredictability of the prices of imported parts. From a businessman's point of view the process of moving from a simple production technology, sub-assembly of mobylettes for example, to a more complicated technology with a wider range of inputs, say bicycle manufacture, might appear to be a not very appealing prospect, if one assumes that individual parts will vary in price more than partially assembeled components. Effectively this would discriminate against new product development and in particular against prodcuts with a complex or often changing cost structure.

Fourth, the system of allowing very limited resale mark-ups and the requirement that wholesalers be licensed to purchase certain products segments the marketing process for those products, raising prices and inhibiting the creation of direct sales distribution channels. For the firm, the effect seems to be to keep them confined to production and hence cut off from the marketing and distributing processes. (See section on distribution systems for a fuller discussion of this.) For the consumer, final purchase prices may be unnecessarily increased by this segmentation.

In sum, the margin and price control system appears to be a tax on firms which, in periods of rising import prices or falling exchange rates, has the effect of reducing company revenues, making product diversification and competitive marketing strategies more risky than they would otherwise be, and possibly increasing consumer costs by fragmenting the distribution system.

Although all of these problems have been cited before in previous studies, AID should perhaps be more forceful in underlining these issues in its consideration of future projects to assist the private sector.

C. Import Taxes and Import Price Margins

The report "Politique Industrielle de la Haute-Volta" cites the problem of contradictory import tax policies as a serious marketing issue for Voltan firms.[21] Interviews confirmed the problem to a degree although the issues deserve further cas by case study.

First, the import taxes for many firms are subject to exoneration for a certain period under the Investment Code packages of incentives. The end of the exoneration brings full taxes and some of those range between 75-100% of full cost. In principle the government was to have reviewed its import tax schedule to encourage imports of materials to be used as raw materials. It has apparently not done that and has been forced to deal with import tax reduction on a company by company basis as exonerations end. This will produce sharp inequalities between firms and further price distortions.

Secondly, the import taxes on some imported products apparently favor imported fininshed goods by taxing them at a lower rate than their constituent raw materials. Effective protection of local manufacturers has yet to be studied on a case by case basis, however, and consequently, demands for permanent increases in import taxes should be carefully reviewed.[22]

Third, the possibility exists that price margins on imported finished goods are larger than those permitted for local goods thus encouraging the sale of those imported goods and discouraging local manufacture. Since the Homologation Commission does not make public the producer margins they allow, it is difficult to determine whether this bias does in fact exist. If it does, then the government should remove this contradictory policy by reconsidering the use of margin regulation as a means of price control.

VI. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Distribution Infrastructure

The transport sector is already subject to intensive investment by a number of donors, the Chamber of Commerce and the CEAO. Progress in developing the transport and warehousing facilities internationally and domestically has been good, with work on the major international corridors being followed by selective develoment of more local systems for the movement of agricultural goods. Farm-to-market roads are then a new priority as a logical next step for the transport system. As the road and truck system has developed in the last five years truck transport has begun to make inroads on the market share of the RAN train system. The government's role, while very pronounced in rail transport, is relatively restrained in road transport and competitive forces should lead to decreased transport costs. Warehousing facilities for maritime, rail and truck freight are underutilized with the exception of container handling facilities, particularly in Ouagadougou. The process of harmonizing sub-regional transport is being led by two sub-regional groupings, the Conseil de l'Entente and the CEAO. Both are trying to assure procedures which will speed up movement of goods, reduce transport costs and fairly and efficiently allocate freight haulage. Perhaps the most difficult issue remains that of rates, which remain high. Mechanisms for control are not yet in place.

Given the involvement of other donors in the transport sector AID should continue its activities in road maintenance programs and the development of secondary, farm-to-market roads near AID project sites. AID may wish to further investigate the container handling facilities at the terminal in Ouagadougou with the Chamber of Commerce. Growth in container freight has outstripped present capacities and assistance in this area is needed if bottlenecks are to be avoided and container economies preserved. Any initiative in this area should be coordinated with other donor assistance to the RAN.

Further activities in the transport sector should address constraints to movement of produce from farms to markets, a subject of considerable urgency in many areas where there are no all-weather roads. Transport costs for these unimproved secondary roads are considerably higher than for others. Systematic improvement of roads in major agricultural areas in the south-west and south-central parts of the country could considerably improve volume and transport costs. The ILO is presently working on labor-intensive road construction techniques that may offer a useful model for these efforts. AID should proceed carefully in this area however as the market-based rationale for selecting road sites will require some market research. For example, the very evident inability of farmers in the region of Orodara to market their entire mango crop was blamed on transport costs and poor roads. It is equally possible however that other factors such as seasonal demand fluctuations and lack of market-producer communications play a more direct role than poor roads.

B. Approaches to Marketing and Technology Transfer

Given the nature of the business development problems in Burkina Faso, it seems appropriate to follow two approaches. First, AID should support existing marketing development and training programs which are more extensisve than intensive in nature. Second, AID should consider the selection of key businesses or industries and the provision of diagnostic services and then financial and managerial assistance through the U.S. private sector.

1. At the present time the CEAO has a regional program for training in marketing.[23] AID could, either regionally or on a bilateral basis, support a component of that program. The CEAO program has the advantage of being

regionally oriented, one of the perspectives most lacking in the Burkinan industrial sector. AID is currently proposing similar assistance in its ECOWAS regional project.

Additionally, AID could assist the Chamber of Commerce in developing its training program in business development. Although contacts already exist between the Burkinan Chamber and the U.S. Chamber, AID could facilitate a more concrete exchange of training services from the U.S. Chamber and particularly from the members of the Industry Council for Development.

2. A more selective assistance approach can be pursued with specific businesses or industries. The most interesting candidates are probably UVOCAM, SAVANA and SAP, although ONERA, a parastatal, occupies a strategic position in the meat export industry and might also profit by the experience. AID should consider something aside from traditional training approaches although they should not be discounted.

AID should select key industries which it has identified as being important in terms of its CDSS objectives and those of the GOUV. This selection could include meat, fruit exports, or the power industry. AID would then utilize one of several specialized business development groups in the U.S. to perform market studies and then perform a production or technology audit of the firms' existing or proposed operations. A production or technology audit is essentially the development of production cost data as a means of identifying where to alter management practice or technology to improve a product's cost structure.

Three groups in the U.S. are capable of assisting in this exercise. The Fund for Multinational Management Education (FMME) in New York has been developing a technology audit program for the Philippines with Burkholder-Wallender

International.[24] FMME is heavily involved in developing joint ventures in Jamaica and in technology transfer projects. Technoserve in Connecticut has been involved in this type of activity with small and medium scale enterprises for some time. The Industry Council for Development, part of the U.S. Committee of the International Chamber of Commerce, works to pair U.S. firms capable of providing business assistance with firms in developing countries. In this case a match between California Canners and Growers, Inc. and SAVANA and UVOCAM comes to mind. Land O'Lakes Cooperative has a dairy development program which might be interesting as well.

The more focused the approach to business assistance the greather the chances that a firm will begin to adopt different marketing perspectives. The private, modern industrial sector is small enough in Burkina to be able to have considerable impact through an individual or industry-wide assistance program. In any case, the marketing approaches that we have spoken of in this report can have a significant effect on business if programs can succeed in focusing businessmen on market concepts and analytic techniques as regional infrastructure improves.

C. New Product Development

A major factor in the growth of industrial production in Burkina is the failure of firms to carry out market research on new products within the sub-region or domestically with the result that products do not do well in the market. Much of this problem seems to be traceable to the lack of market research assistance in the initial develoment of business plans. Moreover because firms lack information on the price sensitivity of products and market potential they fail to see the problems inherent in highly fragmented distribution systems as described earlier.

This study recommends a review of the marketing assistance efforts of the two business assistance programs in Upper Volta to determine how U.S. expertise in this area might be best used. At the present time assistance is being provided through a number of channels, most notably the CEAO and these efforts need to be closely reviewed. Training formats will need to be closely examined.

Secondly, AID should examine the means of assisting individual firms in doing marketing analyses. This report recommends the selection of high potential firms with marketing problems and the provision of focused assistance by specialized U.S. business development groups such as Technoserve, the Fund for Multinational Management Education, Burkholder-Wallender International or individual U.S. firms with in-house assistance programs. This more focused approach to marketing assistance, either in the form of consultation or training, would serve to shift attention to the process of product identification and product development which is generally ignored at present.

It should be noted that AID is proposing market research assistance within the framework of its regional ECOWAS Project.

D. Margin Control Systems

It is clear that the current price and margin controls, Investment Code and Tariff structure directly limit the flexibility of Burkinan firms to respond to market pressures and opportunities. Among all of these constraints though none appears to be in need of a more drastic change than the margin control system. As an issue that affects almost all of the industrial sector, a change in this cumbersome device would provide many firms with the opportunity to move more aggressively into different geographic zones and new products with new forms of sales organizations. The form of AID's intervention into this policy area will have to remain an open question for the mission to decide but in any case the mission should recognize the importance of the issue for private sector development.

MINISTERE DES TRAVAUX PUBLICS,
DES TRANSPORTS ET DE L'URBANISME

DIRECTION DES TRANSPORTS TERRESTRES

REPUBLIQUE DE HAUTE-VOLTA
Unite - Travail - Justice

EVOLUTION DU PARC AUTOMOBILE DE 1970 A 1982 EN HAUTE-VOLTA

GENRE	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1°/ Voitures Particulieres	6534	7066	7476	7975	8575	9238	9801	10672	11850	13636	15537	17249	19196
2°/ Camionnettes	4627	5024	5348	5709	6219	6724	7164	7821	8694	9205	9809	10337	11363
3°/ Camions	2138	2266	2348	2503	2662	2870	2995	3183	3434	3669	4008	4301	4658
4°/ Autocars	146	161	170	175	186	208	220	256	292	343	430	510	543
5°/ Vehicules Speciaux	196	218	231	247	245	298	332	366	399	407	413	416	434
6°/ Tracteurs Routiers	289	317	332	340	384	390	413	455	515	590	644	756	845
7°/ Remorques - S/ Remorques	244	245	259	272	324	343	376	427	495	574	658	765	865
8°/ Motocyclettes	1399	1459	1486	1626	1769	1784	2165	2653	3181	4045	4497	5067	7159
9°/ Velomoteurs			28		18	170	488	1588	3520	6669	11132	16524	21931
TOTAUX	14573	16756	17674	18848	20378	28021	23954	27421	32380	39442	47128	55925	66994

ANNEX I

AN OVERVIEW OF BURKINA FASO'S PRICE CONTROL SYSTEM

Virtually all prices in Burkina Faso are legally subject to price control by the Ministry of Commerce, Industrial Development and Mines (MCODIM). While the ministry does set maximum prices and allowable marketing margins for the bulk of products on the market, enforcement is spotty and takes place mainly at the wholesale level.

The overriding aim of price control legislation is to protect consumers from excessive price rises. A related goal is that of controlling profit margins in firms who have benefitted from tax advantages under the Investment Code provisions. And in/the case of certain agricultural products, the objective of government price intervention is to support minimum producer prices.

Although it represents a slight simplification, the easiest way to understand Burkinan price control legislation is to consider three categories of goods: 1) locally manufactured items; 2) imported goods; and 3) local agricultural products. For local manufactures, MCODIM sets prices by a procedure referred to as "homologation". In the case of imported goods, they use a system of margin controls or "tauxde marque"; and agricultural product prices are set directly ("par la voie directe"). The three sections below briefly describe each of the three procedures.

1. Local Manufactures - "Homologation"

The prices of virtually all locally manufactured goods are set by homologation.[25] The GOB makes provision for one pragmatic exception to this rule: recognizing the cost and difficluty of controlling prices of the numerous artisanal producers, current legislation exempts "small enterprises" from homologation requirements. But the collateral legislation defining "small" has not been written, making the exclusion legally inoperative. So technically all manufacturers, from the smallest tailor to the dolotieres to SOSU-HV, are subject to homologation requirements. In practice, MCODIM does not attempt to intervene in pricing decisions of the very smallest producers.

Homologation is a process requiring firms to submit their proposed output prices to MCODIM for approval. Current legislation requires all local manufacturers to submit a homologation request for every product they manufacture. This request must include a full accounting of the cost of production for each items as well as proposed ex—factory, wholesale and retail prices. The request is reviewed by a Homologation Commission chaired by the MCODIM. After discussing the proposal with the industrialist, the commission sets the maximum allowable producer price. At the same time, they fix maximum allowable prices to be charged at the wholesale, semi-wholesale (demi-gros) and retail levels. The homologated prices remain in effect until the manufacturer submits a request for revision. Enforcement of the homologated prices is handled through spot checks undertaken by MCODIM's Brigade des Prix.

For market testing of new products, MCODIM has instituted an abbreviated price setting procedure. A manufacturer writes to the ministry indicating what new product he or she would like to produce as well as a proposed price. No cost justification is required. If MCODIM feels the price is reasonable, they allow a trial selling period of usually three or four months. At the end of the trial period, the firm must either file a fully documented requested for homologation or request a renewal of the testing period.

2. Imported Goods - "Taux de Marque"

Current legislation allows MCODIM to select imported items whose prices they wish to control. A review of the list of items they have chosen indicates that virtually all imports are, in fact, subject to price control measures.

For the imports it has selected, MCODIM regulates prices by setting maximum allowable margins that merchants can charge over and above their costs. The allowable margins are called "taux de marques". At all levels of the distribution chain, prices are set according to the same principle: selling price is computed as allowable costs (purchase price, freight and insurance) plus allowable mark-up. The major difference among the wholesale, semi-wholesale (demi-gros) and retail pricing formulae is that permissable mark-ups often vary at different levels in the distribution chain.

Merchants need not seek authorization from MCODIM before setting the prices of individual imported goods. The traders merely keep invoices documenting their purchase cost, freight, insurance and other allowable charges. The MCODIM's "Brigade des Prix" runs spot checks at commercial establishments, and the traders must at all times have documentation available to show how their selling prices were calculated.

3. <u>Local Agricultural Products - "Fixé par la Voie Directe"</u>

MCODIM directly sets the prices of a number of agricultural products, mainly cereals and oilseeds.[26] The ministry sets minimum producer prices and maximum consumer prices that are uniform nation wide. The consumer price ceilings apply to both locally produced cereals and oilseeds as well as imports.

The producer prices are supported by parastatal buying companies - OFNACER (the National Cereals Office) and the CSPPA (Caisse de Stabilisation des Prix des Produits Agricoles) for oilseeds - who purchase from farmers at the official producer prices. Although technically subject to control by the Brigade des Prix, producer prices are effectively enforced only to the extent that the parastatals are able to bid up buying prices paid by the private traders.

Consumer prices ceilings are legally enforceable by the Brigade des Prix. But in practice, as with other products, enforcement of agricultural product prices is sporadic.

ANNEX 2

TRIP REPORT - R. AXEL MAGNUSON

A. List of individuals and firms visited in Bobo-Dioulasso and Ouagadougou, May 21 - June 25, 1983.

1. M. Michael Rueff, D.G.
   M. Thomas d'Aquin Some, Directeur Adjoint Industrie Voltaique du Cycle
   B.P. 358
   Bobo-Dioulasso
   tel. 911-96

2. Deissand, Rene D.G.
   SOPIVOLTA
   B.P. 266
   Bobo-Dioulasso
   tel. 991-26

3. M. Baba Traore, No. 1
   Secretaire General Syndicat des Transporteurs et du Syndicat des Commercants Africains de l'Ouest Volta
   B.P. 244
   Bobo-Dioulasso
   tel. 909-33

4. M. Rene Seignol
   BRAVOLTA
   B.P. 304
   Bobo-Dioulasso

5. M. Toe Fulgence, D.G.
   SOFITEX
   B.P. 147
   Bobo-Dioulasso
   tel. 901-31

6. M.K. Lazare Sore, D.G.
   Societe Africaine de Pneumatiques
   B.P. 389
   Bobo-Dioulasso
   tel. 901-96, 995-69

7. M. Robert Chassagne, D.G.
   Societe des Huiles et Savons de Haute-Volta
   CITEC Huilerie
   B.P. 338
   Bobo-Dioulasso
   tel. 901-18, 909-31

8. M.D. Joseph Bere, Director Technique
SAVANA
Societe Agro-Industrielle de Production de
Concentre de Tomate et de Jus de Fruits
B.P. 831
Bobo-Dioulasso
tel. 902-32

9. M. Mary Toure
Commercant
B.P. 45
Banfora
tel. 805-47

10. M. Herve Franceshi
Grands Moulins Voltaiques
B.P. 64
Banfora
tel. 800-57

11. M. Amadou Bassarima Traore
Mecanicien
Bobo-Dioulasso
Projet: Materiel Agricole
tel. 990-31

12. M. Salifou Ouedraogo
B.P. 684
Bobo-Dioulasso
Projet: Industrie de Transformation du Papier et du Carton
tel. 906-45, 995-18

13. M. Mamadou Traore
Bobo-Dioulasso
Projet: Elevage de Bovins

14. M. Francois Roos, D.G.
M. Ruiz (new D.G.)
Societe de Fabrication Industrielle Africaine
B.P. 544
Bobo-Dioulasso
tel. 905-69

15. Societe Sucriere de Haute-Volta
B.P. 79
Ouagadougou

16. M. Benoit Ouattara
Chambre de Commerce

17. M. Pierre Plat, Representant pour Haute-Volta
pour UTA
Ave Binge
B.P. 116
Ouagadougou
tel. 330-87

18. M. Marck Amoussou, Representant
Air Afrique
B.P. 141
Ouagadougou
tel. 345-01/02

19. M. Tikouka Theodore Ouedraogo
Projet Epargne et Credit Villageois
Communaute Economique de l'Afrique de l'Ouest
CEAO
B.P. 643
Ouagadougou
tel. 322-32

20. M. Mahmadou Derme
Conseiller des Affaires Economiques
Direction des Services Agricoles
Production Agricole
B.P. 7028
Ouagadougou
tel. 327-61

21. M. Steven K. Miller
Conseiller Technique en Planification et Organisation
de Programmes Speciaux de Travaux Publics
Bureau International de Travail
B.P. 575
Ouagadougou
tel. 326-84

22. Allan D. Steeves, Associate Professor of Sociology,
Carleton University, Ottawa, Canada
Researcher on Energy and Food Systems
UNRISD, Palais des Nations
Ch 1211, Geneva 10, Switzerland

In Upper Volta on mission May 21-May 28, 1983

23. M. Demba Fofana, Directeur Commercial
RAN, Regie des Chemins de Fer Abidjan Niger
B.P. 162
Ouagadougou
tel. 369-03

24. M.J.B. Zoungrana, D.G.
M. Joomny Yaogo, Directeur Commercial
ONERA, Office National de l'Exploitation des Resources Animales
Ouagadougou

25. M. Boly Modibo, Directeur General
SOVOLCOM, Societe Voltaique de Commercialisation
B.P. 531
Ouagadougou
tel. 330-70/08

26. Mme. Marie Therese Guiebo
Chef de Service - Transport Terrestres
Direction Generale des Transports
Ministere des Travaux Publics, des Transports et de l'Urbanisme

27. M. Harouna Ouedraogo
Direction de Planification du Development, Section
Transport Nubustere de l'Economie et du Plan

28. Societe d'Etudes et de Realisations Agricoles
M. Marius Wicinski, Administrateur, Directeur Generale
B.P. 1906
Ouagadougou
tel. 345-56

29. M. David R. Spetka, President
The Niger Bend, Imports from Africa
307 Hampshire Drive
Dewitt, New York 13214 (In Ouagadougou June 17, 1983)

30. M. K. Gabriel Kabore, Commercant
SODIFRI
B.P. 4678
Ouagadougou
tel. 321-23

31. M. Tombo Drabo, Directeur General
Gare Routiere International de Ouagadougou
Ouagarinter
Ouagadougou
tel. 367-41, 367-68

32. M. Maina-Ari-Adji, Developpement Industrielle, Director
CEAO
Ouagadougou
tel. 335-31, 358-00

33. M. Julien Keita, Director
CEAO, Office Communautaire de Promotion des Echanges
Ouagadougou
tel. 337-00

34. M. Pieter Dijkstra, First Secretary
Dutch Embassy
Ouagadougou
tel. 349-23, 342-66

35. M. Rene Verville, First Secretary, Development
Canadian Embassy
B.P. 548
Ouagadougou
tel. 320-93

36. Mme. Alimata Traore, Chef de Service
Etudes et Programmation
Office National de Commerce Exterieur
Ouagadougou

37. M. Bata Mathias Konate, Directeur General
M. Pierre Soubeiga, Directeur Adjoint
VOLTELEC, Societe Voltaique d'Electricite
B.P. 54
Ouagadougou
tel. 364-54, 362-05

38. M. Bruno Kafando, Directeur Adjoint
Office Communautaire de Promotion des Echanges, CEAO
Ouagadougou
tel. 337-00

39. M. Weerth
Embassy, Federal Republic of Germany
Ouagadougou
tel. 360-94

40. M. Hans J. Uecker, Conseiller Technique, E.E.O.
Office Communautaire de Promotion des Echanges
CEAO
Ouagadougou
tel. 337-00, poste 270

B. Activities Undertaken

Heads of companies were interviewed regarding their views on:

1. The adequacy of marketing infrastructure.

2. The constraints, governmental and otherwise, that they face in formulating and executing marketing strategies.

C. Results of Activities

1. Rail facilities were rated as acceptable by the firms, although loss in transit was higher for train than for truck transport. Container handling facilities are rudimentary. Truck transport to Ivory Coast and Ouagadougou was felt to be highly competitive with rail transport, particularly in terms of security and speed.

2. The condition of secondary roads for transport of the Bobo-Dioulasso region's agricultural produce was felt to be a severe bottleneck for agro-industrial firms.

3. Customs formalities in and out of the port of Abidjan were rated acceptable by the firms interviewed. Cross border formalities were considered to be relatively smooth due to the bonding facilities established by the Chamber of Commerce in Abidjan.

4. Bobo-Dioulasso's airport was considered a constraint by some because its relatively small size rules out larger jet transport.

5. There was strong agreement that one of the major constraints to marketing strategy development was the government policy of controlling certain profit margins. Many firms felt that slow procedures and unrealistically low margins were preventing them form responding to market opportunities and maintaining profitability.

6. Firms producing locally (using domestic raw materials, semi-finished goods and components) complained that the government was not setting tariff barriers high enough to prevent illegal importation. Other firms called for a reduction of duties on the import of raw materials citing higher duties on raw materials than on finished goods.

7. They cited uneven competitive positions between firms given investment incentive packages and those whose exonerations had expired. They felt that the tax holiday system, as presently constituted, created real and unjustified price biasses.

8. Those firms engaged only in exporting within the ECOWAS/CEAO zone and/or who face competition form this zone, generally exhibited a poor comprehension of both their own and regional markets. None of these firms had positive export experience. Most all of them were geared only to import substitution activities. In general, they had no well-develcped marketing channels, selling only to wholesalers on a largely cash basis. They do not attempt to control point-of-sales services, quality or product promotion.

FOOTNOTES

1. "Les Transports avec l'Afrique", Special Edition, Marches Troj icaux et Mediterraneens, Number 1950; March 25, 1983. Paris. p. 717.

2. Ibid, page 720.

3. The Conseil de l'Entente is composed of Benin, Ivery Coast, Niger, Burkina and Togo and is a regional coordinating body.

4. Interview with Mr. Demba Fofana, RAN/OUAGA Marketing Director, June 10, 1983.

5. World Bank, "Ivory Coast/Upper Volta Appraisal of a Regional Railway Project". Report 1478-WA. October 11, 1977. Washington, pp 18-19, Annex 6. The 1976 study was carried out by BCEOM. A second project is now being appraised; but as of August 1984, no new data are available.

6. "Rappel des Obejectifs de Ouagarinter" Mimeo document provided by Mr. Tombo Drabo, Director General cd Ouagarinter. World Bank, Ibid. Annex 6, p. 10.

7. The Bank feels that as a transit system, the Abidjan route is far too costly and is supporting an upgrading of the Dakar-Bamako rail system. World Bank. Regional Railway Project, op.cit. p. ii.

8. Marches Tropicaux. "Les Transports avec l'Afrique", op.cit., p. 760.

9. "le fret agricole". Afrique Agriculture, No. 91, 1 March 1983, p. 25, and Marches Tropicaux, p. 771.

10. Op.cit. "Le fret agricole", p. 24.

13. Ibid. Marches Tropicaux, p. 769.

14. (See Annex 2, "Evolution du Parc Automobile de 1970 a 1982).

15. *Preliminary Assessment of the Marketing System for Vegetables in the Mossi Plateau*. Franck Masson et al. No date. Page 20.

16. (It should be noted however, that UVOCAM does work on a pricing strategy in the local patio market by holding potatoes in cold storage for out of season sales).

17. SOVOLCOM - *Bilan*, *au 30 Juin 1982.*

19. Chamber of Commerce. *Rapport sur la Situation des Entreprises Voltaiques*. Ouagadougou, August, 1982.

20. Chamber of Commerce. *Entreprises Industrielles Recencees en 1982.* n.d.

21. van Dijk, Meine Peter. "*Politique Industrielle de la Haute-Volta*". Director Generale de l'Industrie et de l'Artisanat. July, 1981.

22. World Bank. *Economic Memorandum on Upper Volta*, Washington, D.C. February 1979, p. 31.

23. CEAO. Direction des Echanges Commerciaux. *Strategie et Programme d'Actions pour la Division de la Promotion des Echanges*. n.d. and Action NO. 3: *Assistance aux Entreprises en Matiere de Marketing Industriel.* n.d.

24. Burkholder-Wallender International is associated with Arthur Andersen, a "big eight" accounting firm, to perform technology audits for firms in developing countries.

25. Among locally produced items, only bread, tobacco products and French-languague periodicals do not have their prices set by homologation. Instead, prices of these items are set "par la voie directe", that is by direct government decree.

26. For completeness, it should be noted that the prices of a few services are also set directly by the MCODIM. These services include hotel room charges, electricity, taxi rates, cinema tickets and the basic labor charges in repair shops.