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DISCUSSION PAPERS

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The Political Economy of Adjustment in Burkina Faso

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* In September 1998, Dr. Diabre assumed the position of Associate Administrator at the United Nations Development Program.

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INTRODUCTION

When on September 8, 1997, the IMF announced that Burkina Faso would be among the first beneficiaries of its new Highly Indebted Countries Initiative, many observers outside the Bretton Woods circles were fairly surprised. Few expected this poor, low-profile country to qualify for this exceptional reward, which recognizes outstanding commitment to economic reform. The paradox of the Burkinabé situation, a recurring feature of its post-independence history, was once again apparent.

A small, landlocked country of 10 million inhabitants, Burkina Faso, "the country of honest people," (formerly Upper Volta) ranks among the poorest in the world, with a 1996 per capita GDP of $220. Poverty and political instability have characterized Burkina since it attained independence in 1960. The country became known in the international forum only in 1983, when a group of young officers under the leadership of Captain Thomas Sankara seized power on August 4, 1983, proclaimed a "revolution," declared war against imperialism, and put honesty and integrity at the top of their political agenda.

This radical change of policy reflected the emergence of a new generation as well. The generation that brought about the revolution was also the one that made the shift to adjustment in 1991.

The revolution underwent a dramatic change in October, 1987. Disagreements over the management of the revolutionary process led to a split in the ruling body, the National Council of the Revolution (CNR), and ended up with a military coup. Sankara died, and his former deputy, Captain Blaise Compaoré, became the new leader of the revolution. It was under his leadership that Burkina launched its first structural adjustment program, covering the period 1991-93. This first financial arrangement was a standard SAF with an approved amount of SDR22.12 million, of which 6.32 million was drawn. Two three-year arrangements under the ESAF followed. They covered the periods 1993-96 (SDR53.04 million) and 1996-99 (SDR39.7 million).

The World Bank has supported more than 50 economic and social development projects in Burkina since the country became independent. Thirty-nine projects amounting to US$482 million have already been closed. The current portfolio consists of 14 investment operations with a total level of commitment of US$318 million. Since the start of the reform program, the Bank has approved a Structural Adjustment credit, an economic recovery program in the aftermath of the devaluation of the CFA franc, an Agricultural Sector Adjustment credit, and a Transport Adjustment credit.

The reform program since 1991 seems to be in line with the prescriptions of the Bank and the Fund, who praise the Burkinabé government for its achievements, although internal opinions are more ambivalent. Indeed, most of the reform measures were implemented on schedule. Some, however, like the privatization program and reform of the civil service, were slow to start, leading to occasional suspension of disbursements.

The adjustment program was initiated by former revolutionaries, who had to give up their Maoist thinking to join the bandwagon of liberalism. This was achieved through both persuasion and violence. It was carried out amidst economic backwardness, Burkina's being characterized at that time by a low level of economic development, weak infrastructure, and poor human capital. It was nevertheless initiated before the country was totally bankrupt. On the contrary, as we show in the following chapters, some economic indicators were acceptable, although low, when compared to the average of sub-Saharan African countries. It was a dual reform program, aimed at both installing democracy and achieving economic transformation. It happened in a country with a long tradition of self-adjustment, or at least economic austerity, where political life has always been in turmoil, and social forces very demanding. But the transition seems to have been for the most part quite peaceful.

The strange combination of these factors increased the difficulty of the task and demanded originality; and this experience provides a strong incentive to discover how challenging the overall process proved to be. This is the topic of this research work.

1 - Overview of Political Evolution since Independence.

Knowledge of the main phases of political evolution in Burkina Faso since independence is necessary for comprehension of the entire experience. Since its independence in 1960, Burkina has undergone many political changes, where democracy and military rule have alternated. Chronic instability became for a time the most fundamental characteristic of Burkinabé political life. The country has experienced six heads of state, four democratic republics, six successful coups, and countless numbers of government changes.

The first republic was a strong presidential system, led by an ambitious president whose accession to power was a masterpiece of intrigue: Maurice Yaméogo. After succeeding in controlling the political game, by either imprisoning or expelling opponents, he declared war on the traditional chiefs, whom he saw as an obstacle to his absolute power. His method of ruling through cronyism put the country in a severe financial crisis by the end of 1965. He decided to implement strong austerity measures as a way of rescuing public finance. Unions protested and joined forces with the military to overthrow him on January 3, 1966.

From 1966 to 1980, Burkina was ruled by General Lamizana, who some called the 'benevolent dictator.' Benefiting from an exceptional aura, Lamizana was able to implement the strong measures that the economic situation required, and restored the economic and financial balance well before the initial five-year term he and his companions had targeted when they took power. But rather than his leaving office, in 1971 the military drafted a constitution allowing political parties to compete for the National Assembly, while the eldest army officer in the highest rank was *de facto* president of the country. On February 8,1974, pretending that the crisis that had erupted inside the majority party was a threat to national unity, Lamizana dismissed the prime minister he had appointed four years ago, suspended the constitution, outlawed political parties, and surrounded himself with a military junta to rule the country.

Three years later, under pressure from the unions, he was forced to return the country to democratic life. A new constitution was adopted in November, 1977, elections for parliament held in May, 1978, and presidential elections one month later. He ran as a civilian and was elected. But two years later the most important schoolteachers' union went on strike to protest the government's education policy. While the government was nearing the close of negotiations with the unions, the army instigated a coup on November 25, 1980. A military junta led by Colonel Saye Zerbo took power.

The new government quickly confronted the unions and took very hard anti-union measures, including banishment and dissolution of union organizations. Anger mounted as the new praetorians showed no ability to solve the basic problems of the population. On November 7, 1982, another military coup was organized by the younger generation in the army, which brought Major Jean-Baptiste Ouédraogo to power.

This new regime was quite different from its predecessors, distinguished as it was by the progressive discourse and populist manner of its main leaders. But behind a façade of unity, one could easily distinguish a split into two camps: a conservative one, led by President Ouédraogo; and a more radical wing, led by the prime minister, Captain Thomas Sankara. On May 17, 1983, Sankara was arrested by the conservative wing. His supporters retaliated on August 4, 1983, and installed the revolution under his leadership.

Inspired by Maoist ideology, the revolutionary government of Sankara began implementing a leftist policy, a voluntarist economic policy, and a nationalistic foreign policy. To strengthen his political power, he press-ganged hundreds of youngsters into joining his movement. But once again, distrust and suspicion undermined the political process. Disagreements over the direction of the revolution led to a split in the ruling body of the revolution, the CNR. As a result, a military coup was fomented in October 1987. Sankara died during the events, and his former deputy, Captain Blaise Compaoré took power. He installed the Movement of Rectification and claimed to put the revolution back on its original course.

Since 1987, the country has moved from a revolutionary form of government to a more democratic one. A new constitution was adopted in June, 1991, that established a parliamentary form of government. In December of the same year, Blaise Compaoré, now a civilian, was elected president. Legislative elections followed in May, 1992. In 1995, the country organized municipal elections in 33 major cities. And in 1997, the parliament was renewed peacefully, the first time ever in the post-independence life of Burkina.

Some basic characteristics emerge from this evolution:

- Apart from the Yaméogo regime, the country has constantly been ruled by the military, either by a military junta or under the umbrella of a democratic system in which the military and civilians cooperate.
- Since 1966, with the notable exception of 1980-1990, the country has enjoyed some form of democratic rule, even under military government.
- The unions have been the main forces shaping the fate of political regimes in Burkina.

- The changes and conflicts between generations is a driving force in Burkinabé politics. All major political changes have been opportunities for a new generation to take command, and the chronic instability the country experienced led to a steadily decreasing average age of political leaders. Since 1983, the country has been ruled by decision makers in their early 30s.

These elements and the evolution described above contributed to shaping the context in which the adjustment program took place.

2 – The choice of a theoretical perspective

To capture fully all the challenges that were involved in making the new economic policy a reality, we have deliberately chosen a political economy perspective. Policy making is not only a matter of applying technical instruments to selected problems. By that definition, the reform program of Burkina would not much differ from those of other countries. What the Washington consensus has called the "less state and more market" medicine, administered to adjusting countries, has strong, consistent components found in almost every ESAF or other program monitored by the World Bank and the Fund. Thus, as far as the Burkinabé experience is concerned, these elements are in themselves of limited interest.

What matters here is that policy making is also a question of dealing with constraints arising from the various parts of the environment where reform is taking place. Therefore, we consider the interaction between politics as a whole and reform. It is clear that understanding the success or failure of an adjustment program like Burkina's can be greatly improved by the interactive analysis of instruments and contextual issues. The immense literature of modern political economy offers valuable insights into the various dimensions of the interaction between politics and reform in developing countries. Depending on authors' perspectives and objectives, some issues are considered more important than others: the role of key players in a reform program; political constraints and opportunities; the influence of democracy versus authoritarian rules; etc. These studies generally result in testing hypotheses, by relying on the postulate of a framework of political institutions and behavior that corresponds to that of well-established democratic countries.

One of the main features of the present study is that it does not try to test any given assumption. It is more a tale by an insider, an active participant in the reform program, who attempts to shed light on the singularity of this one experience. This being said, we intend to lay the foundation for a comparative understanding of the Burkinabé experiment and show its uniqueness in the global context of adjusting nations. It is therefore likely that similarities to and differences with other situations will be highlighted, and compliance or contradiction with prevailing ideas or thoughts stressed.

For doing so, we use a framework of analysis derived from the work done by Grindle and Thomas.[1] Their perspective is something more than the usual perspective of a political economy

[1] Merilee S. Grindle and John W. Thomas, 1991: Public Choices and Policy Change: The Political Economy of Reform Developing Countries, The John Hopkins University Press, p. 222.

study because it extends the study of policy making to the analysis of the decision-making process inside the ruling state apparatus and at the junction of state and society. We believe this to be appropriate in the case of Burkina if we want to explain why a new policy was chosen and how it was implemented. It is based on this that we have limited the scope of our study to a certain number of important topics.

3 – The scope and limit of the study

We start by laying out the foundations of the decision taken by the country to implement a structural adjustment policy. We believe that this decision was brought about by the relative failure of the policies implemented since independence. These policies brought the country to a state of crisis, or at least to the point of needing different policies. The perception of this crisis is in our view of critical importance to the decision. Equally important in our view is the broad political and social context in which the decision occurred. We particularly stress the importance of leadership and vision as the key elements in making the shift happen. This proved especially significant in the Burkinabé context of radical ideas inherited from the 1983 revolution that had to be overcome both peacefully and violently to open the way to reform. We end this first part by describing the preparation for reform, which was both political and technical.

The second part of the study is a description of policies implemented as part of the reform program, with special focus on the political challenges faced in the course of their implementation. These are the macroeconomic policies, regulatory reforms, public enterprise and financial sector reforms, and all the sectoral policies that were an integral part of the reform agenda.

The third and last part of the study includes a cross-time analysis of the politics of the management of reform. The issues of how policy choices are made, how it proved difficult to carry out reform in a democracy, donor relationships, and how we evaluate the outcome of the reform program, are successively investigated.

Part 1. THE FOUNDATIONS OF THE ADJUSTMENT DECISIONS

We try in this first part to lay out the background of the decision to adopt adjustment policy as a mean of addressing the country's economic problems in 1991. We begin, therefore, by describing how since independence, through inappropriate or insufficient policies, Burkina was heading nowhere but for a crisis, how the crisis occurred, and how it was perceived. Then, in a second chapter, we describe the overall political context within which the shift to a new policy was decided, by discussing the major factors that in our view played a determining role in shaping that decision. The third and final chapter of this first part explains the preparations made for reform, both political and technical.

Chapter 1: Heading for a Crisis

Adjustment is always a response to an economic crisis. But the road that leads to crisis is not the same for all adjusting countries, nor are the magnitude, severity, and perception of the difficulties that open the road to structural reform. Like many sub-Saharan countries that underwent the reform process, Burkina's economic record on the eve of adjustment can be described as the result of both structural factors (policies implemented previously) and cyclical events (worsening of global economic conditions in the early '80s). If the latter apply to all countries, clearly the former illustrate the responsibility rulers have for leading the country to an economic deadlock that makes reform unavoidable. By trying to capture the course of the events that led to adjustment, the following paragraphs survey the development policies that since independence planted the seeds of the future problems of Burkina Faso. Then, an objective evaluation of the situation just before adjustment is made, and its perception by decision makers analyzed.

I – OVERVIEW OF POST-INDEPENDENCE DEVELOPMENT POLICIES

One cannot fully capture the extent of the economic change introduced in Burkina by the adjustment program without a complete knowledge of the policies implemented in the country since independence by the succeeding governments. This journey through the modern post-independence economic history of Burkina will focus mainly on macroeconomic policies, regulation of the economy, agricultural policies, and policies of education and health. While this is not a full and precise picture of the road to development after independence, we believe it accurately portrays the economic context in which the subsequent reform program took place, and offers insight as to where necessary and appropriate changes were introduced as part of the adjustment program.

A - Macroeconomic Policies

Apart from the economic mismanagement at the very beginning of independence,[2] Burkina has always practiced sound macroeconomic policy that minimized government debt,

[2] Tiemoko Marc Garango, 1971: *Le Redressement Financier de la République de Haute-Volta*, Ouagadougou: Imprimerie Presses Africaines, p. 96.

avoided huge deficits in external accounts, and controlled inflation. But if the macro policies implemented by succeeding governments from 1966 to adjustment were influenced by nearly the same basic principles, the 1983 revolution introduced some changes and implemented an economic policy that can be described as a 'self-adjustment' program. The following paragraphs present a summary of these macroeconomic developments by touching on budget and monetary issues.

1 - Budgetary Policies

The first real budgetary policy Burkina implemented was put in place during the military government that ousted the first, corrupt president of the country in January, 1966. His rule was characterized by huge unplanned expenditures, embezzlement of public funds, and loose financial management methods. The country was almost bankrupt when the army took over. The very successful policy implemented then for a decade by the finance minister, Tiemoko Marc Garango, was so conservative that many years later the term "garangose" was coined by union leaders to describe austerity. Many of the firm principles that guided both the expenditure and revenue sides of budget management for decades were introduced during that period. The basic principles were simple: no budget deficit, no foreign debt, very strong control over expenditures, and modesty and honesty in the use of public resources.

It was a sound approach for a poor, landlocked country with limited resources, an unfriendly climate, poor soil, but a hard-working population. Since then, subject to changes introduced by political events, management of public finance has been inspired by these principles. In the absence of a strong and diversified economy, the post-independence budgetary policy of Burkina has always relied on conservative measures.

Because of a weak economic base and poor fiscal administration, revenue collection has always been poor in Burkina. The ratio of government revenue to GDP has always been between 11% and 15%. Compared with the average of SSA countries during that period, however, this figure can be seen as quite encouraging. The weakness of revenues was offset by strong control over expenditures, which enabled Burkina to enjoy budget surpluses in the past, with an average budget surplus of 0.3% of GDP in the 1966-70 period, and 1.17% in the 1970-80 period.

Revenues are mainly generated by taxes on international trade (nearly 80% of revenue until recent years), making the country vulnerable to external shocks. Internal tax revenue has always been difficult to collect, because of poor administration and massive exemptions. Expenditures were chronically dominated by the wage bill, which accounted for a very large proportion of total expenditures in the decades following independence. During the 1970s, the wage bill consumed an average of 60% of current revenue. The ratio became even higher in the early 1980s.

This structure of the Burkinabé budget left very few opportunities for investment and caused great harm to the development of social sectors like education and health, which suffered from very low budget allocations. Therein lies the explanation of why, nearly four decades after independence, Burkina is still ranked among the lowest on the human development index.

As is usually the case, changes appeared in the management of government finance as political changes occurred over time. The departure of Minister Garango in 1976, under pressure from the unions, for example, led to the gradual development of a pernicious lack of financial discipline. The creation of structures under the law governing state enterprises became less subject to tight control. Benefits were consequently granted to civil servants. By providing subsidies in cases of financial loss, the government offered strong incentive for adopting the status of state enterprise to companies that would not normally have aspired to it. Control over expenditures became more relaxed. Advances from treasury to cover unplanned expenditures went from the exception to the rule. The treasury began again to incur deficits, which it never did in the previous decades.

Management of the wage bill worsened in the '80s. Contrary to previous rules enforced during the Garango period, hiring of civil servants became less subject to control, and "ghost" workers began to appear. The debt burden also began to increase, as ministers would contract loans from donors without first seeking the authorization of the Finance Minister. Furthermore, state enterprises began to register deficits and to call on the government more and more frequently for subsidies.

The first serious turning point occurred under the rule of the military praetorians who governed the country from 1980 to 1982. In 1982, the fiscal balance, which had been in surplus until then, started showing deficits.

The revolutionary government that took power in August, 1983, surprisingly enough conducted a very conservative budget policy and imposed harsh sacrifices on workers. Hard decisions were taken to restore the fiscal balance, many of which concerned the expenditure side of the budget. They included:[3]

- a 25% to 50% reduction of benefits and allowances granted to public servants;
- an exceptional contribution from each civil servant, amounting to1/24th to 1/12th of salary;
- the creation of a state investment fund, named Popular Investment Effort, through a reduction of wages of civil servants ranging from 5% to 12% of salary depending on category;
- reduction of the retirement age from 55 years to 53 years.

Other measures seemed more symbolic, such as the elimination of high-ranking posts like chiefs of staff, and the decision that all government employees including ministers should travel economy class, or the limitation of the use of fans and coolers in public offices to some periods of the year and some hours of the day.

[3] Pascal Zagre,1994: *Les politiques économiques du Burkina Faso*, Paris: Editions Khartala, pp. 132

To increase revenue, the government decided to tax private property, to retain one year's rent on all houses in the country, and to enforce better the regulation against fraud. As we will see in coming chapters, this ‘adjustment before the word’ policy contributed to the country's avoiding being bankrupt on the eve of adjustment, although it did not solve the deficit problem.

One constant feature of public finance in Burkina is that it has always been a central element of the Burkinabé economy. With a very weak private sector and limited incentives for foreign investment, the country’s main engine of investment and growth was the public investment program. The interference of the government in productive activities made it become both the first user of financial capital and the first employer of the country. That created a sort of short-sighted view shared by succeeding governments, which ended up believing that management of the economy implied nothing more than taking care of state affairs, and that what is good for the government is certainly good for the country.

2 - Monetary Policy and Inflation

The conservative approach that governed management of the budget also prevailed for monetary policy. The monetary policy of Burkina Faso is conducted in the framework of the BCEAO, the central bank common to the eight countries in West Africa sharing the CFA currency.[4] The BCEAO is the sole institution responsible for issuing money and conducting monetary policy in Francophone Africa. As stated in its official documents, the monetary policy of the BCEAO aims to:

- adjust the liquidity of the economy according to the evolution of economic conditions and to the monetary situation of the unions and development needs;
- favor the financing of productive activities and infrastructures;
- insure rational use of resources within each member country.

To insure that goal, the BCEAO implemented interest rate policies that have evolved since 1962 into becoming more and more liberal and market oriented. Its control of the money supply is very tight; and the procedure adopted to establish the money supply for a given country is so centralized that no finance minister has the power to take unilateral inflationary measures.

One of the main results of the policy followed by the BCEAO is the very low level of inflation in its member countries. Like its counterparts in the CFA zone, Burkina has always enjoyed very low inflation. An important consequence is that fighting inflation has never been a special economic concern in Burkina, the rate of inflation seldom being in normal times higher than 4% or 5% except in exceptional periods such as when bad rainy seasons results in a sharp increase of agricultural products prices, leading to a higher level of inflation.

But the monetary policy conducted in the CFA zone, with its fixed exchange rate to the French franc, led to less desirable results. The local currency stayed overvalued for decades, inducing an import surplus, giving no incentive for export strategies, and providing no competitive edge to Burkinabé products in the world market. The gain on inflation was paid with

[4] These countries are Benin, Burkina Faso, Côte d’Ivoire, Togo, Senegal, Niger, Mali, and Guinea Bissau. The BCEAO is headquartered in Dakar, Senegal.

high interest rates, which did not favor investment. A mirage arose, masking deep problems; and, through strong planning and authoritative regulation of the economy, Burkina, like many other African countries, had the illusion that things were working.

B – Planning and Regulation of the Economy

For decades after independence, Burkina constructed a state-managed economy, relying strongly on planning and authoritative regulation.

1 -The Planning Era

For newly independent African countries, planning development was something quite natural. The belief was then widely established that the future being unpredictable, and market mechanisms unreliable for young countries, governments should try to take control of their own destinies by establishing both the goals to reach and the strategy to follow.

Burkina's experience with planning goes back to colonial times, when equipment plans were made by the French government for its colonies,[5] which covered the 1947-53 and 1953-60 periods. The first local planning administration was created in January, 1959, as part of the ministry in charge of investments, trade, industry, and mining. On October 6, 1960, just two months after the country became independent, a presidential decision set the tone, indicating very clearly that the country had chosen planning as a tool for addressing the economic backwardness of the country. The intention did not translate into results during the first years, mainly due to lack of personnel and means and because of too frequent cabinet changes.

Viewed from the present, two main periods can be distinguished in Burkina's modern experience with planning. From 1962 to 1982, planning methodology was based on amassing investment projects, with very few policy considerations. Projects and plans were selected on the basis of donors' commitments to provide funding, and thus were determined the objectives of the development plan. Five major development plans with various outcomes were elaborated during that period.

The first plan (1963-67) had a targeted expenditure level of CFAFr 31.3 billion. It was never implemented, mainly because of lack of personnel. The first real boost in planning came after 1966, under the military government of General Lamizana. The change in policy was also obvious; while the plans of the early years stressed agriculture as the basis for development, the new ones made clear reference to industry. A new Ministry for Planning had also been created, staffed, and funded.

The second plan covered the 1967-70 period. It was called an economic and social development plan and amounted to CFAFr 27.45 billion. It was mainly financed by external sources (84%). The ratio of implementation reached 56%.

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[5] See B Gerardin,1967: *Le developpement de la Haute Volta* in Cahiers de l'Institut de Sciences Appliquées Supplement no 141.

Other plans followed. The interim plan of 1971 amounted to CFAFr 8.5 billion and was also mainly financed by donors. It reached an implementation ratio of 82.2%. The five-year economic and social development plan of 1972-76 had a total value of CFAFr 63.22 billion, a major portion of which was provided by outside donors (80.5%). Its implementation ratio reached 60%. Finally, the third five-year economic and social development plan (1977-1981) amounted to CFAFr 353.27 billion. It was funded by donors at 80% and was implemented at 66%.

All these development plans were established according to the same method. A presidential instruction would first set the general direction. The Department of Planning would then collect and select the investment projects that were fundable and for which donors had given their approval. Then the law was submitted to parliament. As we can see, this method can be characterized more as 'project investment planning' than 'development planning.' It was not until 1982 that a different approach would prevail.

From 1982 to the start of the adjustment program, three plans and one popular program were implemented. Contrary to the pattern of the preceding period, the new planning methodology was based on defining political and economic goals after an assessment of the prevailing situation and an evaluation of domestic and foreign constraints the country was facing were made.

The first plan of this new generation was barely launched for the period 1983-1987 when the revolution occurred. The new government decided not to implement it, and chose rather to experiment with a 15-month so-called “Popular Development Program (PDP)”. The PDP was to be the main tool for a shift toward a more rural bias. It cost CFAFr 160.7 billion, was funded by donors for 80%, and was implemented for 50%. More innovative was the way it was discussed and adopted. Following the revolutionary method of the period, the government wanted each Burkinabé to be committed to the program. The results of open discussions from each village all over the country were conveyed to the decision makers, to decide the policy orientation, the projects to be selected, and the means of financing.

This method was widely used in the years that followed. A five-year popular development plan was adopted to cover the 1986-90 period. It amounted to CFAFr 630 billion, 80% of which was provided by donors. It was fully implemented. A second five-year plan was adopted for the 1990-95 period, which amounted to CFAFr 442 billion. Before it came to an end, the issue of the future of planning in an adjustment period became a subject of concern for the government. A seminar organized in June, 1994, launched a renewal in the planning method that had come to be widely perceived as no longer useful, with the state focusing only on the regulation of the economy and building basic infrastructure.

If planning was an important tool for the management of the economy in the aftermath of independence, so was the regulation of the economy.

2 - Regulation of the Economy

While post-independence governments have strongly relied on planning to organize their development agenda, they also deeply intervened in the economy through regulation. Regulating the economy through laws and rules established by the state was a strong corollary of planning. The decisions implemented aimed mainly at ensuring the control of the state over the economy. That also seemed quite natural in the economic thinking of the Burkinabé of the early post-independence era. The private sector being underdeveloped and weak, it was recommended that the state should perform some of the economic functions normally performed by the market, by establishing rules and interfering in productive activities. Government thus made its presence very strongly felt in areas like the creation of enterprises, pricing, and trade policy.

It started by regulating the creation of enterprises and, following the French experience it developed the notion of state-owned enterprises. An initial law was consequently adopted in March, 1962, providing the legal framework of the state-owned corporations. In 1974, a new law[6] was adopted, which defined new categories for state-owned corporations. The government went even further and dictated how these enterprises should be internally organized,[7] thus leaving very little initiative to the company managers. These laws underwent many changes before being eliminated in July, 1991.

Other laws provided the legal basis for the supremacy of the state in the economic game. A law[8] adopted in October, 1975, defined the areas of state competence and started what was called the "voltaïsation"[9] of corporate capital, a sort of "localisation." One of its provisions openly stated that the state had the right, if not the duty, to hold a 35% share of capital in corporations acting in priority sectors, and 51% in those acting in strategic areas. Of course, it was up to the state to define "priority" and "strategic" sectors and which enterprises qualified for these classifications. Another provision stated that in sectors believed to be vital, the share of Burkinabé citizens should not be less than 51% of the capital. In the other sectors, that share should not be less than 35%, and at least two Burkinabé citizens should be members of the board. These were typical manifestations of the predation by and collusion between local businessmen and the government. Following the adoption of that law, all joint ventures had to be reconstituted, and new members of the private sector emerged, some of them originating from the state bureaucracy.

As a way of promoting the development of the private sector, the government thought it wise for the state to be a major actor in the financial system. In 1963, a National Development Bank was created, with an extensive agenda. In 1973, a fund[10] was created to channel the deposits of state entities toward the financing of private corporations. In 1974, the state became

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[6] See *Ordonnance no. 74/57/PRES MF du 26 Aout 1974, portant creation de categories d'établissements publics*.
[7] See *Decret no. 74-295 PRES MF du 26/8/74 portant statut général des établissements de droit public de l'état*
[8] See *Ordonance no. 75-49 PRES DU 30/10/75 reglementant les prises de participation dans les entreprises de droit voltaique*
[9] A sort of economic nationalism aimed at promoting the local bourgeoisie.
[10] *Caisse des dépots et des investissements*

the major shareholder in all the banks established in Burkina and appointed the managers, most of whom were civil servants with no prior banking experience. Knowing the guarantees granted to state-owned corporations for their loans were likely to fail, the government created a fund[11] to cover potential losses.

In July, 1977, the government started an open policy of subsidized credit. It created a fund[12] within the budget to give interest rate subsidies to private and state-owned corporations that did not have access to preferential lending. As we know from similar experience elsewhere, this results in real interest rates being held below market equilibrium levels, which does not favor efficient allocation of resources.

Following advice then prominent on the world development agenda, the government decided to promote local industry. It created a promotion agency[13] charged with advising and performing studies for local entrepreneurs. It established a new investment code that granted huge exemptions to newly created industrial corporations. The new industrial zone that emerged at Kossodo, in the neighborhood of the capital city, symbolized more than anything the import substitution strategy followed by the government. By 1976, government had an average capital share of 45% in more than 50 industrial corporations.

Only a few years after starting its activities, however, this industrial zone was nicknamed the "Kossodo cemetery" to illustrate the failure and high bankruptcy rate which characterized it already.

The areas of trade and pricing were those where the interference of the state appeared to be the strongest. The interference of the state in the trading of basic commodities started just after independence. In 1964, a stabilization fund was created[14] as an official intermediary between local producers and the world market. Concerned with the prices of some mass consumption commodities, the government also created an equalization fund to ensure the stability of the price of sugar[15] and later extended it to wheat.[16] In 1968, a law was adopted that established general rules and restrictions governing the import and export of a huge number of products.

To control the trading of cereals and keep their prices low, the government created a Cereals Board in 1973, the OFNACER, and entrusted it with the monopoly of regulating the trading of cereals. It would survive until 1994. The trading and distribution of various commodities were granted to a Commercial Board that had been created in the '60s. For many decades the SOVOLCOM, as it was named, maintained a commercial network all over the country and benefited from preferential access to imports. It was liquidated in 1993.

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[11] See *Ordonnance no. 75-54 PRES/ MF du 2/12/75 instituant a fonds de guarantie des avals de l'état*
[12] See *Decret no. 77-399 PRES MF du 17/10/77 portant création d'un fonds national de bonification des intêrets bancaires*
[13] *Office de promotion de l'entreprise voltaique*
[14] see *Decret no. 81/PRES/CIM/DCI du 4/2/64 portant création d'une caisse de stabilisation de Haute Volta*
[15] see *Decret no. 174/PRES/CIM/DCI du 4/2/65 portant création d'un fionds de régularisation du prix du sucre*
[16] see *Decret no. 72/116/PM/MFC/EC du 27/6/72 portant création d'un fronds de régularisation du prix de la farine de froment*

The creation of the Agricultural Products Prices Stabilization Fund (1975)[17] to serve as a marketing board ensured state control of the export of agricultural commodities. The fund was entitled to regulate agricultural prices with relation to the world market and to favor the industrial transformation of agricultural commodities. It was ensured a monopoly on the trade and export of karite, groundnuts, sesame, cotton, gum, kapok, and associated products.
This fund was one of the main tools of state rent seeking and predation. Through a system of quotas and licensing, it ensured the fortune of well-connected businessmen and favored tribal and regionalist distribution of benefits. It did not cease its activities until 1994.

The government also created another fund, the CGP,[18] to provide for the equalization of prices of some commodities: rice, wheat, and petroleum products.

The interference of the state in pricing policy was both the result of pressure from the unions in 1974 and a political move to build a base of support. The military government, which had ended the second democratic experiment in Burkina's modern history in February, 1974, enacted a law[19] in August, 1974, to repress violations of price regulation. This was in response to mounting inflation of basic cereal prices, the result of a severe drought. A year later, after a strike was launched by unions to protest, among other things, massive speculation on basic commodities, the government went further in the enforcement of the law, and authorized security forces to perform surveillance of price regulation. In 1977, a more general law was adopted[20] that included the setting of prices of locally manufactured goods and services through a bureaucratic mechanism and the control of margins for the imported ones. It was only in 1991 that a more liberal system prevailed.

The revolutionary government of 1983 also wrote a chapter in the history of state intervention in the economy. It started by focusing on state-owned enterprises, many of which were bankrupt by 1983. For the first time in a Burkinabé government, a ministry was created to take care of state-owned enterprises and was run by one of the leaders of the revolution. On August 20, 1985, a special counsel of the coordinators[21] of the revolution decided to revitalize the industrial zone of Kossodo and provided CFAFr 2 billion for that purpose.

The government also changed all the legislation applicable to state-owned enterprises,[22] enacted special measures and provisions for them, exempted them from the common law, and decided that militia members would sit on their boards. As early as October, 1983, the government introduced new legislation on foreign trade[23] that, while eliminating the advantages formerly granted to CFA zone products, enforced new types of controls on imported goods:

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[17] see *Decret no 75-491 du 17/12/75 portant création de la CSPPA*
[18] *Caisse Générale de Perequation*
[19] see *Ordonnance 74-51 PRES du 9 Aout 1974, relative à la constatation, la poursuite et la repression des infractions en matiére de prix*
[20] see *Ordonnance no 77-7 du 1/3/77, portant reglementation générale du régime des prix en Haute-Volta*
[21] Each year in August, the government was dissolved for a one-month period and the country was ruled by a counsel of cordinators comprising the four historical leaders of the revolution.
[22] See *Ordonnance 86-029/CNR/PRES du 15 Octobre 1984*
[23] see *Ordonnance 83-019/CNR/PRES du 27-10-83* and the *decret 83-237/CNR/PRES/MSE du 2-11-8*3

- quotas licenses were instituted for some locally produced items like tires, batteries, rubber, and tiles;
- prior authorization was required to import large-scale consumer goods; and
- special authorization requirements were instituted for products subject to special control like guns, explosives, or medicine.

A new investment code was enacted in 1984. The objectives of import substitution and protection of local industry were clearly supported.

The willingness of the revolutionary government to control the economy extended to the financial sector as well. It created a revolutionary bank[24] with the objective of providing credit to rural areas. It also created a fund for investment, to which local corporations were forced to contribute, to facilitate the development of industrial corporations. These were to be the main targets of the reforms implemented in the banking sector as part of the adjustment program.

As we can see from the description above, since independence and for decades, Burkina has strongly relied on pervasive state control of its economy and authoritative planning to achieve its development goals. The state has been an active part of economic production and enacted specific regulation to ensure its hold on the economy. Another sector where this interference was notable was the agricultural sector.

C – Agricultural Policies

Burkina Faso has remained an agricultural economy, with agriculture providing a livelihood for 90% of the population. But the performance of Burkinabé agriculture is strongly constrained by the erratic limits of land and water and by demographic pressure on the availability of land.

Agricultural production in Burkina can be divided into "food crops" and "cash crops." Using 80% of the cultivated area, food crops, which consist of cereals (millet, sorghum, fonio), maize, and rice, are the most important products of the agricultural sector. Cash crops are basically cotton and ground nuts. Cash crops are of fundamental importance to Burkina's economy, because they provide the main trade revenue of the country. Cotton in particular has been Burkina's main export commodity and has gained significant importance in recent years.

Since independence the state has played a major role in the agricultural policy of Burkina Faso. It has devoted between 10% and 25% per annum of public investments to agriculture and achieved many Rural Integrated Development Programs, the most recent being the Valley of the Sourou River project. The extension agencies of the Ministry of Agriculture have provided services such as training, agricultural technique development, and input distribution. As a seller of inputs and purchaser of harvests, the state has fulfilled another important regulation aim, through parastatals like SOFITEX[25] in the area of cotton production and the OFNACER, responsible for cereal stabilization. The state has influenced the agricultural sector as a policy

[24] The UREBA, *Union Revolutionaire de Banques*
[25] The state corporation responsible for the production and marketing of cotton

maker. Agriculture policy changed during the decades preceding adjustment with regimes and their perception of the relative importance of rural versus urban dwellers. Through the tool of producer price setting, the state has provided both incentives and disincentives for the volume of agricultural output.

Some common characteristics emerge from the agricultural policies implemented by successive governments: the state has constantly reorganized its services in line with its prevailing objectives; it has managed to control the pricing policy of agricultural products; and it has attempted to organize producers and provide them with infrastructure.

To facilitate the development of the agricultural sector, newly independent Burkina Faso created 11 Regional Development Offices (RDO). The core of these offices is the Extension Service, responsible for all rural development activities in a given area. These activities include distribution of fertilizers, insecticides, and chemicals for the protection of stored grain; collection of credit; purchase of farm products; promotion of cooperatives; collection of statistical data; promotion of community activities; and advice on planting techniques.

The first Five-Year Plan, launched in 1967, gave priority to increasing the output of cereals through better cultivation methods and the use of fertilizers. As in previous years, the objectives were diversification of crops, soil conservation, and improvement of the irrigation system. These improvements were expected to double agricultural output in 15 years.[26] The long-run decision was also taken to establish a complementary system of agriculture and livestock. The plan foresaw the development of irrigated areas of intensive farming as well as the enlargement of regions of traditional dry farming. The total investment for rural development during that time amounted to 29.8% of total public investment.[27]

The main objective during the second Five-Year Plan (1972-76) was primarily to overcome the results of the drought the country had just suffered, which hit crop farming severely. In 1973 the existing parastatal RDOs were given the monopoly for purchasing grains from farmers. The importance of the RDOs enforced the role of the state as a buyer and purchaser of agricultural products. After four years of implementation of the government's measures, the objectives of monopolizing the grain trade and achieving price stabilization had not been reached. OFNACER, the national cereal board, was entrusted with greater responsibility for marketing cereals and supporting official producer prices at the level of farmers.

Like the food grain supplies, the livestock sector was severely affected by the drought of the early '70s. The drought-induced losses were estimated at 12-15% for cattle and at 8-10% for sheep and goats.[28] In the years 1975-77 the government undertook several measures to reconstitute the cattle stock. To facilitate these efforts, a new agency, the ONERA (*Office National d'Exploitation des Recherches Animales*) was set up. Its task was to develop domestic and export marketing of livestock and livestock products.

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[26] *Industries et Travaux d'Outre-Mer*, October 1966, p.839.
[27] *Industries et Travaux d'Outre-Mer*, October 1967, p. 873.
[28] World Bank, Burkina Faso: Economic Memorandum, 1989 vol. 1, 3.

Given the substantial disparities in agricultural potential between the Mossi plateau and the peripheral areas, the government's policies aimed to redistribute the population to alleviate population pressure on the Mossi plateau. The attempt to out-migrate people from the Mossi plateau into lands of richer soil, better rainfall, and low population density in the peripheral areas was a means of promoting the country's long-term agricultural development. A government agency, the *Authorité d'Amenagement des Vallées des Voltas* (AVV), was created in 1974 to organize settlement in the White, Red, and Black Voltas. The government also launched projects to eradicate the simulium fly,[29] tsetse fly, and malaria in infected areas and also planned to mechanize production and begin resettlement schemes.

Since the 1980s, the government and NGOs have taken measures to reduce the heavy dependency on rainfalls.[30] Despite the high number of factors[31] militating against overly ambitious irrigation development, it was imperative that the government formulate at least a moderate irrigation development program. The major objective of the program was to complement rain-fed agriculture at the margin and to gradually overcome the constraints identified earlier. Later, the government introduced local low-cost water retention schemes and started irrigation programs such as the Sourou Valley Rural Integrated Development Program.

The agricultural policy of the years of the revolution was distinguished by a great plurality of objectives: production and productivity gains; income stabilization; food security; foreign-exchange earnings; and fiscal revenues. The implementation of policies to meet these objectives involved a series of "classic interventions," such as minimum producer prices, maximum consumer prices, administration of agro-industrial output and input prices, stabilization levies or compulsory paybacks, marketing and stabilization boards, and regulation of markets and foreign trade. The revolutionary government also gave priority to the construction of earth dams and the digging of wells for irrigation. Its first economic objective was to achieve food self-sufficiency in the decade that followed revolution.

But even while trying to improve the agricultural sector and the lot of the peasants during the first years of his administration, Sankara adopted the 1985 Agrarian and Land Reform Law, which basically hurt the interests of the peasants. The law nationalized land that had been private property or owned according to custom. The program was meant to promote the rational use of land to increase productivity and social justice but was viewed with great hostility by the peasants.[32]

One of the major positive changes in the agricultural sector brought about by Sankara's policy was that of self-help rural development. The best known such project is the Sourou valley agricultural project. In the first phase a 711-m canal was constructed in the Sourou valley. The

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[29] The fly that causes river blindness.

[30] By that time only a small portion of potentially irrigable areas (i.e. 4% of some 120-150,000 hectares) were under full water control. Vgl. *Burkina Faso: Economic Memorandum*, vol. 1, iv.

[31] Such as high investment costs, limited capacity of government services in implementation and management of irrigation schemes, limited knowledge of farmers of intensive techniques associated with irrigated crops.

[32] Pierre Englebert,1996: Burkina Faso:Unsteady Statehood in West Africa,,Westview press, p. 95f.

canal was constructed entirely by local labor to bring water from the Mouhoun to the Sourou dam. The second phase involved the establishment of 40,000 hectares of irrigated land and the construction of a barrage at Samandéni. Of this land, 15,700 hectares were divided into plots worked by small shareholders and land for agro-industries. The rest was run by the state, with about 3,000 hectares devoted to sugar production and 5,800 hectares to cotton and oilseed producing crops.[33] The Sourou project is an example of what can be achieved in an arid area that was considered to have little potential. Self-help schemes for soil improvement, especially in the Mossi highlands, where soil erosion due to over-cultivation was prevalent, were also developed.

In May, 1987, the Ministry of Agriculture established new, decentralized development agencies, the Regional Agricultural Production Centers *(Centres Regionaux de Production Agropastorale)*. They replaced the Rural Development Agencies (*Organismes de Developpement Rural*), which were abolished in 1986. Their essential function is to provide extension schemes. Beside that, numerous initiatives to promote particular crops or activities were launched between '82 and '87, but were subsequently abandoned for lack of resources or follow-up.

The government has consistently considered agriculture as the engine of growth but changed the nature of its development from being extensive, which has harmful environment consequences, to being intensive.[34] In 1988, 11 Agricultural Production Units were set up, their aim being the operation of irrigation infrastructures.

The most pertinent concluding description of the Burkinabé agricultural policy was made by a World Bank report by the end of the '70s, which said: *"A complex system of institutions, regulations and mechanisms which give the government a dominant role" involving "four key ministries, six marketing and stabilization boards, more than 20 decentralized agencies, and numerous parastatal enterprises for production, extension and research. Fiscal, price and trade regulations are both numerous and cumbersome.*[35]*"* That system obviously introduced substantial economic inefficiencies that call into question its justification. Institutional reforms aimed at rationalizing the role of the public sector were initiated in the mid-1980s. These reforms started to restructure the institutions involved in the agricultural sector and to identify the need for greater coherence and eventual liberalization of price and marketing policies.

D – Social Policies: Education and Health

Poor budgetary allocation and lack of vision for the future have characterized the policy of the post-independence Burkina government in the areas of education and health. Established by the Pères Blancs and the Soeurs Blanches, the mission schools were the first centers of formal education in ancient Upper Volta. In July 1920, the first public primary and vocational school as well as the first official girls' school were founded in Ouagadougou. By 1960, at the time of independence, Burkina Faso had a 5% school enrollment rate, one of the lowest in the world. Subsequent years did not bring significant change until 1983. School

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[33] See: The EIU Country Profile Niger, Burkina, 1986/86, London 1986, p. 31.
[34] See: EIU, Country Reports, Niger, Burkina, 1990/91.
[35] World Bank (1979), Burkina Faso: Economic Memorandum, vol. 1, 60.

enrollment was only 11% in 1975, 14.1% in 1980, and 17.9% in 1983. This poor performance remained despite substantial effort since the country had allocated an average annual 20% of recurrent budget to the sector.

The main constraint to expanding education during the '70s and '80s was the high cost of education relative to average national income and to the government's financing capabilities. This can be explained partially by the strong unionization and politicization of education in Burkina. Teachers' strikes have always marked milestones in the country's history. Furthermore, the universities and the student unions have been the birthplace of most of Burkina's radical political organizations. All this resulted in constant pressure on the government to increase salaries and benefits.

To enhance and improve the educational level of the population, the government attempted to create a low-cost system of Rural Education Centers in the early '60s. This project was enlarged by the Young Farmers Training Centers Project. The aim of this additional project was to provide unschooled adolescents in rural areas with practical skills and literacy training. Unfortunately the project never expanded significantly, and the costs proved higher than expected.

Still wishing to achieve a higher rate of school enrollment, the government also encouraged the system of private schooling, which has become very dynamic since the mid-1970s. In 1981 about 9% of all primary students and 51% of general secondary school students were enrolled in private schools.[36] Also notable in Burkinabé education policy is the role played by local initiatives and village communities. Most of the increase in public school classes is the result of their efforts. This combined public and private effort led to a 6-7% annual growth in primary school enrollment from 1970 to 1980.

The education policy of Burkina is also an "elite model" policy that spent more on tertiary education than on primary education, contrary to the Asian experience. The "elite model" policy resulted in the failure of the primary school system to provide universal education and to higher costs of education. For example, until 1989, students under 22 holding a baccalaureate were granted a state scholarship when entering university. Only in 1986 was a decision taken to introduce a less liberal system. Since then a given quota of scholarships based on merit have been awarded to students.

Taking into consideration this development, the government designed a five-year plan to expand and improve primary education in the late 1980s. The so-called "National Basic Education Program" aimed to raise the gross enrollment ratio to 46%, compared to % in 1980, improve the quality of primary education, increase the enrollment of girls, and promote cost-effective public education. Today, however, Burkina still lags behind most other developing countries, with a school enrollment rate of only 40%.

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[36] World Bank: Upper Volta, Investment in Human Resources, Country Economic Memorandum, Washington, D.C., 1983. p. 70.

Health policy also did not receive attention until recent years. The health status of the Burkinabé population has always been among the worst in the world, with nearly 30% of the children dying before the age of five. This high rate of mortality is due to malnutrition, unavailability of clean water, poor sanitation, and various diseases. Budget allocations were chronically too low to make a significant difference in that situation. During the '70s, only 7% of the government budget was allocated to recurrent expenditures of the Ministry of Health.

In the mid-'80s, the government succeeded in launching major vaccination campaigns. Many programs have been launched to achieve coverage with immunization against tuberculosis, yellow fever, and onchocerciasis. Although leading to a significant improvement in health conditions in rural areas, government efforts fell short of providing a satisfactory situation by the early '90s. The number of inhabitants per doctor fell from 37,400 in 1980 to 30,500 in 1986; the number of inhabitants per nurse was 4,000 in 1986; and life expectancy raised from 37 years in 1960 to only 48 in 1988.

The description thus far of the development policies implemented in Burkina since independence, while intentionally partial, provides an overview of the elements that would be affected by adjustment. The question of performance and crisis is unavoidable, since these are the variables that opened the way to reform. The following paragraphs deal with this issue of crisis before reform.

II - THE CRISIS: OCCURRENCE AND PERCEPTION

On the eve of adopting its structural adjustment plan, Burkina was in an economic position that cannot easily be characterized by using the usual "performance versus collapse" framework. Some of the economic sectors were performing quite well. Others showed signs of real decline. That mixed picture clouded the perception of the need for reform, both in the leading circles and within the population.

A – The Overall Performance of the Pre-Adjustment Economy

The Burkinabé economy prior to adjustment is presented through examination of the following topics: growth and performance of economic sectors, inflation, public finance, monetary and banking systems, and external accounts. To provide a thorough overview, the period under review is the decade before adjustment, from 1981 to 1990.

1 - The Crisis of Growth of the Economy

The 1980s were characterized by some growth of the economy. Between 1982 and 1990, real GDP grew by an average of 3.7% a year, while population growth reached 3.3%, thus allowing a slight rise in per capita income. Due to favorable rainfall, growth even peaked at certain periods, reaching levels rarely experienced in SSA: 9.3% in 1986; 6.1% in 1988.
But a close analysis of these figures, which seem at first look reassuring, reveals that the trend would have been hard to sustain. All through the decade before adjustment, this growth derived

mainly from an expansion of public consumption and investment spending or was the result of exceptional agricultural output.

This performance also appears somewhat erratic, high figures alternating with negative rates, and instability tending to worsen by the end of the decade. In 1987, real GDP growth was only 1.2% from a level of 9.3% in 1986. In 1988, it peaked again at 6.1% but immediately slowed to –0.4% in 1989 and stagnated at 1.3% in 1990. This "come-and-go" growth was a reflection of the steadily declining state of the main economic sectors, the overall rate being rescued by favorable agricultural output when climatic conditions were good. A cross-analysis of sectoral behavior gives a more precise picture of the prevailing trends by the end of the decade. To that end, we'll have a close look at agriculture, which accounts for nearly 40% of GDP, and at industry.

a. Agriculture

On the eve of joining the group of adjusting countries, Burkina's growth was still mainly driven by its agricultural sector. The weight of the agricultural sector in the economy was still very heavy, accounting for more than 38% of GDP. The annual growth rate of agriculture averaged 5.4% over the period 1982-87, with an astonishing increase in products like cotton. Of course, variation throughout the decade remained strong, reflecting climatic conditions: an average 9.6% rate of growth during 1982-85 and 3.4% during 1985-87. In 1988, agricultural output dropped by –7.5% and increased again by 7.8% in 1989 and 16.4% in 1990.

Crop production was still expanding fast, due to an expansion of cultivated areas, an improvement in productivity, and the introduction of new crops. Cotton production increased sharply, growing at an annual rate of 19% during the period under review; and its contribution to agricultural export earnings reached 40% in 1987, up from 20% in 1982. Cereals production grew at about 6% a year. Groundnut production developed at an annual rate of 14%. Finally, sesame production doubled between 1982 and 1988. But trends were less favorable for other products like rice, sugarcane, or shea nuts.

The last two years of the decade under review witnessed stagnation in some products like cotton, due to international events (-1.4% in 1988-89; 4.6% in 1989-90). More impressive is the apparent ability of Burkina during that period to cover its nutritional needs. The cereal food balance shows a coverage rate from domestic production evolving from 81% in 1980 to more than 100% starting in 1985. Also notable is the fact that for most the decade the agricultural trade balance was in surplus, which is not usual for a Sahelian country.

One can hardly find a more suitable conclusion to describe the agricultural performance of the country at that period than the following commentary made by the World Bank report: [37] *In terms of the goals of the 1986-90 Five-Year Plan, which aimed for 3.9 percent annual growth of agricultural production, the sector's recent performance is very positive. Burkina can congratulate itself on the progress made toward a number of its major goals: food security,*

[37] World Bank, 1989: Burkina Faso Economic Memorandum, Vol. 2 p. 65

improvement of incomes and living standards, promotion of intensified farming, the recent effort toward improved natural resource management, and export growth.

But more than its prevailing situation, the most important thing observers were concerned with was the long-term viability of the sector, from the perspective of overcoming the population challenge in the long run.

b. Industry

If the agricultural sector was praised for its performance, in the industrial sector things looked quite different. The pre-adjustment Burkinabé industry was underdeveloped and poorly diversified. Main activities included the processing of raw materials, agro-industries, manufacturing, construction and public works, and mining. State-owned enterprises predominated at that time, followed by a rampant but dynamic informal sector. Growth in the second sector averaged 3.8 annually for 1982-87. This average figure is the result of a downward trend in 1982-85 (-0.1%) and of an upward trend in 1985-87 (9.8%). But when evaluated in constant 1985 terms, the GDP of the secondary sector declined from CFA 149.3 billion in 1988, to CFA 146.5 billion in 1989, and to CFA 143.8 billion in 1990.[38]

The bad performance of Burkinabé industry is nothing but the result of structural factors which continued to hamper seriously its development for many years: high levels of protection resulting in no incentive to improve quality; a very limited domestic market; low competitiveness on the regional market; and high production costs.

Manufacturing stagnated. It registered major increases only in 1986 and 1987, mainly due to huge improvements in output in the cotton industry. Only the mining sector registered an improvement, with the development of gold panning. Also contributing to the success of the mining sector was the activity of the Poura mine, which reopened in 1986. Construction was growing very fast, boosted by high public investment spending. Transport also expanded, for the same reasons.

The parastatal sector, a major component of the industrial activities, remained also in a quite unsustainable situation, with a very high variance of financial performance. In 1986, the parastatal sector was composed of more than 50 enterprises, owned partially or totally by the government. Their overall financial results were positive, with a cumulative net result of nearly CFAFr 4 billion. But many of them were near bankruptcy: SOSUCO, the national sugar company, reported a cumulative loss of CFAFr 3 billion in May 1990. Faso Fani, the state textile company, had cumulative loss of about CFAFr 1 billion. And SOREMIB, the state mining corporation, was reporting a cumulative loss of CFAFr 6 billion.

The trend did not reverse in the years that followed. The government was really concerned with the health of the parastatal sector and initiated a rehabilitation plan before the

[38]International Monetary Fund , Burkina Faso – Statistical Annex, IMF Staff Country Report No.94/9, November 1994

adjustment program started, under the guidance of the Ministry of Economic Promotion, whose rigorous methods were well known at that time.

c. Inflation

Whatever the measurement used (like many African countries, Burkina has two price indices, the African consumption index and the GDP deflator), inflation appears to be very low in pre-adjustment Burkina. This is a significant difference between the Burkinabé situation and the economic crisis experienced in other parts of the world, mainly in Latin America, where hyperinflation was the devil.[39]

The African consumer index indicates an inflation rate of 4.2% in 1988, -0.3% in 1989, -0.8% in 1990, and 2.5% in 1991. These figures are in conformity with the Burkinabé inflation record since ever. As explained earlier, membership in the CFA zone and the tight control on the money supply exercised by the autonomous central bank of West African states (the BCEAO)[40] have enabled Burkina, like other CFA African countries, to avoid hyperinflation. Even in the course of the adjustment program years later, inflation stayed at a comparable level, with the notable exception of 1994, when the currency was devalued.

d. Public Finance

The first signal of financial distress in the decade preceding adjustment appeared in the 1982-84 period, when for the first time for many years a budget surplus was replaced by a deficit. Things started to recover in 1986 and 1987, when some taxes were increased, but the country did not experience another budget surplus very soon. As in the immediate post-independence period, the revenue of the Burkinabé budget was still dominated by taxes on international trade (more than 40% of revenue in 1983-87). Revenue policy was also characterized by weak collection of taxes from goods and services (21% of revenue in the same period) and of direct taxes on income and profits (18%)

The expenditure side of the budget was another area of real concern. In the mid-'70s, budget expenditure equaled 12% of GDP. The figure rose to almost 20% in the 1982-84 period. Strong measures taken by the government in 1984 and 1985 (mainly cuts in public service wage bill) reduced the figure to 16%. An examination of budget expenditure of the period reveals areas of uncontrolled expansion:

- Debt service obligation jumped from 9% of revenue in 1980 to near 20% in 1987. This was meant to meet both current service and arrears.

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[39] See for example, John Williamson, ed, 1990: Latin America Adjustment How Much has Happened, Washington: Institute for International Economics,

[40] The BCEAO is headquartered in Dakar, Senegal, and is the sole institution responsible for issuing money in the eight member countries member of the West African Monetary Union (Burkina Faso, Côte d'Ivoire, Togo, Sénégal, Niger, Bénin, Mali, Guinea Bissau).

- Some current transfers like scholarship spending were rising very rapidly. Almost every student at university level was granted a scholarship. It was only many years later that strong criteria were enforced and the granting of aid made less automatic.
- Special categories of spending, "unclassified expenditure," created to register exceptional non-planned expenditures, began to boom in 1983, eventually reaching a level of 15% of total budget expenditure from a 10% level in 1982. This sharp increase can be explained in light of the political situation in 1983, which led to massive spending for security reasons or as a requirement of the mobilization strategy.

As in similar situations, in the absence of massive foreign inflows, the government could do nothing but use the Treasury surplus deposit or accumulate arrears of payment. Treasury deposits, mainly composed of savings from earlier budgets and deposits by correspondents, financed 33% of the deficit in the 1982-87 period, while arrears accounted for 42%. This put the whole system in a liquidity crisis. For example, by 1990 the Treasury was unable to pay back CFAFr 7 billion due to the banks by the postal system whose deposits at the Treasury had vanished.

Domestic and foreign arrears increased dramatically during the 1986-1988 period, and reached CFAFr 83.4 billion in 1990. These difficulties strongly influenced the ability of the government to save and invest. More than 84% of investment in that period had to be financed by foreign aid, thus increasing the dependency on foreign debt.

Was it a dramatic situation? Yes, intrinsically. No, if compared to other African countries that began the adjustment process in more severe straits. The World Bank mission that reported on the situation of the country in 1989 did not seem to be worried at all when it wrote: *Unlike many African countries, Burkina is not in a crisis situation with respect to the government budget; its deficit is a modest one and no insurmountable difficulties should be encountered in financing its arrears.*[41]

e. Money and Banking

Between 1986 and 1989, money supply increased rapidly, before slowing down in 1990. Since a large portion of it ended in long-term deposits, the inflationary effect was limited. The banking sector strongly supported the economy during the same period. Credits expanded at an annual 15% rate. But due to poor management of credit policy and the interference of the state, the proportion of bad loans started to increase dramatically, reaching 30% in 1990. Some major banks were even in a critical position (see the chapter on banking reform).

f. External Accounts

Due to massive contributions from foreign donors, Burkina's external accounts often present an apparently balanced picture. A closer look reveals, however, that the trade balance has always been in deficit. The same holds for the external current account, which ran a deficit of

[41] World Bank op cit p. 17

14.7%[42] of GDP during the 1986-1990 period and stayed at 14.5% in 1990. A deficit of the balance of payments in 1989 and1990 led to a shrinking of international reserves which, at the end of 1990, was less than 5 months of imports.

How does one characterize the economic situation just portrayed? A slowdown in growth is anything but a sign of economic prosperity, but when at the same time the growth of agriculture is relatively high, is there room for gloomy predictions? A small budget deficit is not harmful. And the absence of inflation does not characterize many developing economies. But at the same time, industry, the banking sector, and the state-owned enterprises were ailing. Human indicators were very low. Of great concern was the fact that the sustainability of the overall system was not proven. The mix of good and bad signs in this economy did not necessarily favor a correct perception of what was at stake and of what should be fixed, except at the highest levels of leadership.

B - The Perception of the Crisis

To better illustrate the perception of the crisis by the ruling elite, it may be useful first to put the Burkinabé situation in perspective with other economies that underwent a structural adjustment program.

1 - The Crisis in Perspective

The literature[43] has often portrayed an economy that is a good candidate for adjustment as having some basic characteristics:

- huge budget and balance of payment deficits
- slow economic growth
- hyperinflation
- financial sector in crisis with a great amount of bad loans
- lack of industrial competitiveness
- strong interference of the state in the economy through pervasive controls and regulation
- administrative and legal environment not inductive to investment
- very low level of human development

This situation varies widely among countries and continents not only in the sources but also the manifestations of the crisis. It is well known that a typical pre-adjustment scenario in Latin America is characterized, as described by Michael Roemer and Steven Radelet by "high inflation, large budgetary deficits substantially financed by money creation, controlled interest rates, high tariffs, and controls on foreign capitals flow."[44]

[42] *Document Cadre de politique economique 1991-93 Ministere des finances p. 5*
[43] Krueger, Anne O. 1992: Economic Policy Reform in Developing Countries, Oxford: Blackwell, p. 1
[44] See Michael Roemer and Steven Radelet, 1991: Macroeconomic Reform in Developing Countries, in Perkins, Dwight and Roemer, Michael (eds.), 1991: Reforming Economic Systems in Developing Countries, Cambridge: Harvard University Press

In Africa, pictures of economy in crisis usually show rather low inflation, an overvalued exchange rate like the CFA currency, and state monopoly or control of imports. Even there, however, situations are different from one country to another. Ghana's[45] post-independence economy was characterized by a modest growth of GDP for 17 years. The decline in real foreign exchange earnings led later to a continuous fall in real per capita GDP. This was manifest for example in the case of cocoa. The budget faced huge deficits, and the inflation rate was very high. While the nominal exchange remained fixed for too long, real exchange rates were undergoing severe reductions. The country was also witnessing severe deterioration in the quality of the educational and medical systems and of the environment. This all resulted in a "*collapse of the country's morale and growing sense of political cynicism, brought about by the combined effects of all-pervasive corruption, an inflation psychology, and a ubiquitous desperation about the prospects of physical survival.*"[46]

For its part, Gambia's[47] economic crisis, which started in 1975, followed a decade of substantial increase in aggregate real income, a rise in per capita income, a quite moderate inflation rate, and a stable foreign exchange rate. The country had known the joy of huge foreign reserves, a balanced recurrent budget, and very low trade deficit. The crisis resulted from the conjunction of several factors, including the oil crisis, drought, interest rates on world financial markets, and poor financial management.

The case of Burkina looks quite different. One could speak of a crisis, since the economy was not growing very fast and some sectors were in trouble, but one could not really speak of a collapsing economy. Nor is it possible to refer to the kind of "national crisis"[48] portrayed in the literature of political economy as being the ideal situation for hard reforms. Describing the overall performance of the Burkinabé economy during the 1982-87 period, a report from the World Bank[49] summarized its mixed appearance as it follows:

- comparatively rapid growth in GDP, attributable mainly to agriculture, mining and, over the last two years, to the public administration;
- despite accelerating population growth, a clearly positive rate of growth in GDP per capita; (c) relatively stable prices, despite fluctuations due to variations in agricultural output;
- only slight growth in private consumption, considerably less than in public consumption: quasi stagnation in gross fixed capital formation accompanied by a decline in household and corporate investment;
- quasi stagnation in imports and a fairly healthy growth in exports (exceeding the growth in GDP);

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[45] Jeffrey Herbst, 1993: The Politics of Reform in Ghana:1982-1991, University of California Press; see also J. Clark Leith and Michael F Lofchie: "The Political Economy of Structural Adjustment in Ghana" in Bates, Robert and Krueger, Anne (eds.) 1993: Political and Economic Interactions in Economic Reform, Oxford and Cambridge: Blackwell, pp. 225-293.
[46] J. Clark Leith and Michael F Lofchie op cit p234
[47] Malcom F. McPherson and Steven C. Radelet (eds.) 1995: Economic Recovery in the Gambia: Insight for Adjustment in Sub-Saharan Africa, Cambridge: HIID Press
[48] Mancur Olson, 1982: The Rise and Decline of Nations, New Haven: Yale University Press, 1982, p. 273
[49] World Bank, 1989: Burkina Faso Economic Memorandum Report No 7594 – BUR Vol. 1, p. 6

- a relative decline in domestic and external deficits and a moderate increase in external indebtedness; and
- a marked increase in domestic and external arrears in the later years of the period.

This is a far cry from the usual picture of a pre-adjustment economy. How was this perceived by the leaders?

2 - The View of the Leaders

We know from previous research that the perception of a crisis is affected by its nature, duration, and severity. In the case of Burkina, the nature of the crisis was insidious. As noted earlier, it was not a total collapse of the economy, although growth was not extraordinary. A few times before the Popular Front came to power, restrictive measures taken by the Sankara regime had led the country into recession, even if the situation of the public finance was quite acceptable. Listening to the first declarations of the Popular Front, which were quite reassuring for the private sector, one can conclude that top leaders had correctly perceived the difficulty the economy was going through and the dangers involved in the previous economic policy. The relatively free atmosphere that prevailed at that time allowed open criticism of the economic situation and opened the eyes of the rulers.

By the end of the '80s, the finance minister had growing trouble paying the wage bill, and had to call on some state-owned enterprises more frequently to make ends meet. That is a signal that something is wrong in the economy, since it implies revenue collection is more and more difficult.

Another important factor in the perception of a crisis is the rulers' analysis of the origin of the crisis. Is it caused by external and cyclical factors, or by internal and structural factors? The measures taken by the government concerning state-owned enterprises (a committee of audit had been established and some enterprises were liquidated, while loan guarantees were suppressed) or trade and pricing (price control became more relax and restrictions on import and export were being lifted) suggest a more structural approach to the crisis. These actions are evidence that the leadership no longer believed in state intervention in the economy as a solution to economic problems.

Equally significant in the perception of a crisis is the importance of ideology and the leadership's world view. From that perspective, the timing could not have been better. The world was undergoing a historic change with the collapse of communism, apparently inspiring Burkina's rulers, since they did not hesitate to refer to the change they were making internally as a sort of local *perestroika*.

Joan Nelson stresses the perceived nature of economic difficulties as influenced by previous experience and the cohesion of economic team[50] on the importance of perception in the decision-making process. Even if those in charge of the country and its economy were not old enough in the '60s to understand fully the policy that led at that time to an economic recovery, the legacy of the "garangose" was still strong in the Ministry of Finance and in the ruling circles.

[50] Joan Nelson ed.,1990: Economic Crisis and Policy Choice, Princeton: Princeton University Press

Furthermore, the fate of neighboring countries like Benin, where a Marxist-oriented revolution had led to bankruptcy, was a telling lesson for Burkinabé revolutionaries. This led to what one can call an anticipatory move toward economic change, which may not fit correctly in the crisis versus politics-as-usual framework used by Grindle and Thomas.[51] Another important question is whether this perception and call for a new policy was restricted to state circles or whether it was a request from the society. We respond to that question by analyzing the role of leadership and political circumstances in the paragraphs that follow.

[51] Merilee S. Grindle and John W. Thomas op cit

Chapter 2: The Role of Leadership and Political Circumstances: The Political Economy of Policy Shift

The perception of the crisis did not itself compel the decision to shift economic policy in Burkina. Political circumstances also played a great role, as they would later in the course of the implementation of reform. The core issue at that time, given the political configuration of the country, was to change from revolution to adjustment by converting a whole generation of Marxist adepts into free-market believers.

The policy advocated by the so-called Popular Front after taking power on October 15, 1987, was itself a clear signal of the new direction that had been chosen. But success was dependent on many other factors. It implied a battle at many levels of the political landscape and led to the victory of reform factions over conservative ones. It required exceptional maneuvering skills from the top leader. And it was favored by the prevailing mood of the society, best reflected by the state of the main social forces: the unions and the business class.

I - THE POLICY OF THE POPULAR FRONT

Installed in power in an atmosphere of general anger and bitterness against the Sankara regime, President Compaoré and his ruling body, the Popular Front, took some measures that clearly indicated his strong desire for reform and increased liberty.[52] These measures were both economic and political.

A - The Economic Measures

Before the decision to adjust was taken, many of the economic measures implemented by the Popular Front suggested a strong move towards more liberalism. It started with the ideology, which as we know is of great importance for left-wing governments. René Otayek,[53] who made a comparison of the DOP[54] of the Sankara regime and the Program of Action of the Compaoré regime, noticed a strong difference between how they consider the main enemy of the revolution, the bourgeoisie. In the DOP, the bourgeoisie is portrayed as having three main categories (state bourgeoisie, business bourgeoisie, and medium bourgeoisie); for the Popular Front, it had only two categories (state and business). This strongly suggests that in the view of the Compaoré regime, the medium bourgeoisie, mainly composed of urban workers and small traders, was no longer an enemy of the revolution. One could not announce a return to urban bias more clearly.

While the Sankara regime pretended to build a "national, independent, self-sufficient and planned economy," the Popular Front openly made the choice of a "state capitalism" which was never clearly defined, but which implies capitalism somewhere.

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[52] See for example, Pierre Englebert, 1996: Burkina Faso: Unsteady Statehood in West Africa, Westview Press, pp. 251 and following

[53] René Otayek, 1988: *Aprés le coup d'état du 15 Octobre, retour à la case départ au Burkina Faso* in Année Africaine 1987-1988, pp. 239

[54] DOP stands for *Document d'Orientation Politique*, the action plan of the revolution, written in 1983.

Symbolic measures taken just months after the October, 1987, event were obviously meant to reassure the business community, most of whose members had fled to neighboring countries during the revolution time. The ban on the import of fruits and vegetables was lifted; heavy taxes on beer and soft drinks were eliminated; and the introduction of new taxes was postponed.

More significant were measures taken before adjustment by the government.[55] In 1990, the government sought the support of the World Bank to undertake a major review of its public investment program in order to put it more in line with sound macroeconomic requirements. Divestiture of state-owned enterprises started as early as 1990 with the liquidation of three enterprises, the elimination of state guarantees on loans contracted by public enterprises, and the creation of a privatization committee. Increased competition in export and imports was allowed starting 1990. In 1989, an ex-post pricing control was established, replacing the previous ex-ante control system. In mid-1990, the Chamber of Commerce was asked to undertake a study of market regulation and to identify the major obstacles to private investment. Clearly, adjustment was starting before the word. More significant as an indication of change, however, were the political measures initiated by the Popular Front.

B - Political Change

While the former government claimed to rely on rural masses to achieve the goals of the Revolution, the Popular Front chose a more balanced approach. Without officially announcing a return to an urban bias, it seemed more concerned with satisfying urban demands and less vocal on the role of the rural peasants. The official discourse even made an insidious criticism of the role of rural forces in the revolutionary process,[56] and the government took measures that would please only urban workers. A salary increase was granted on Labor Day in May, 1988, the first in many years. Participating in workplace sports was no longer compulsory. The national dress established by the Sankara government became optional. Knowledge and competence and not militancy were said to be the new criteria for promotion.

In an attempt to broaden its political support, the Popular Front disarmed the militias and began courting other segments of the population. It gave more consideration to unions[57] and invited them to join in an assessment of the past four years of revolution. They were later called to participate in writing the draft constitution. Nearly 2,000 schoolteachers who had been fired by the Sankara government after a strike were allowed to return to their jobs. Traditional chiefs, who had been portrayed as retrograde and obscurantist forces throughout the Sankara period, were now invited to official ceremonies. The agrarian reform, adopted in 1985, which had aimed to withdraw the power of distribution from them, was nearly stopped.

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[55] see Policy Framework Paper 1991-93
[56] see Rene Otayek op cit
[57] see Kourita Sandwidi 1996: "*Syndicalisme et pouvoir politique.De la repression a la renaissance*" in Rene Otayek, Filiga Michel Sawadogo et Jean Pierre Guingane eds Le Burkina entre revolution et democratie (1983-1993), Paris: Editions Karthala, 1996, pp. 325-352

The clearest signal toward more political liberalism came in June, 1989, when three new organizations were accepted as members of the Popular Front. These were the GDP,[58] the GDR,[59] and the MDP.[60] As their names suggest, none of these organizations labeled itself as communist. The leader of the MDP was the son of the first president of Burkina Faso, ousted from power in January, 1966, after unions massively protested against his administrative bureaucratic waste and his very unpopular economic measures. He was anything but a communist. For the first time since 1983, non-Marxist organizations were members of the ruling body of the revolution, or of what remained of it. Clearly, the local bourgeoisie was jumping on the bandwagon of the revolution. As described above, the economic measures of the new government were certainly more attractive to the business class. This evolution was enhanced by the fading status of the leftists, who were losing ground inside the ruling body of the revolution.

II - THE FAILURE OF LEFT-WING RADICALISM

To understand the position of the left-wing organizations at the time the decision to adjust was being taken, one must recall their evolution in Burkina's recent post-independence history. After reviewing this history, a more analytical approach examines the reasons for their failure.

A - The Historical Evolution of Left-wing Radicalism

Marxist ideas came to Burkina Faso mainly through the channel of students sent abroad for university education, the most active being those in France.[61] Life on French campuses, where leftist organizations were burgeoning, provided an ideal environment for African militancy.

The anti-colonial RDA[62] party, which promoted independence in most African countries, was strongly influenced by the French communist party. But it did not turn into a Marxist organization. Denouncing what they called the "treason of RDA," African students of the late '50s created the PAI[63] in 1957, a pro-Soviet organization that demanded immediate independence for African colonies. The Burkina branch of the PAI was the one that introduced Marxist ideas to Burkina Faso. Its influence was restricted to intellectual circles and the UGEV, the organization of the Burkina students that it strongly controlled until 1970. In 1971, a more radical organization took control of the UGEV: the OCV,[64] a communist organization with a Maoist orientation. The PAI continued its spread outside the student milieu by creating a mass organization in 1973, the LIPAD,[65] and struggled to take control of some unions. Following an

[58] *Groupe des Democrates Patriotes*
[59] *Groupe des democrates revolutionnaires*
[60] *Mouvement pour la democratie populaire*
[61] see for ex Hamidou Diallo: "*Gauche marxiste et pouvoir militaire de 1983 à 1991*" in Rene Otayek, Filiga Michel Sawadogo et Jean Pierre Guingane eds op cit pp299-310
[62] *Rassemblement Democratique Africain*, the anti-colonial party that led most francophone countries to independence
[63] *Parti Africain pour l'Independance*
[64] *Organization Communiste Voltaique*
[65] *Ligue Patriotique pour le Developpement*

internal crisis in 1978, the OCV split into two different communist organizations: the PCRV, [66] a pro-Albanian orthodox communist party; and the ULC,[67] a more moderate communist organization that dissolved in 1981 following an internal crisis.

Throughout the political history of modern Burkina, left-wing organizations had a difficult time with succeeding governments. Before the 1983 revolution, the most determined in breaking their influence was undoubtedly the government of the CMRPN,[68] which jailed many left-wing activists and did not hesitate to dissolve unions believed to be infiltrated. The revolution in 1983 opened a new political era in the life of leftism marked by access to power, but also by fragmentation and repression.

From the very beginning, the promoters of the revolution succeeded in exercising their hegemony on the left-wing structures. Due to long-standing relationships, the LIPAD was preeminent initially but was ousted in 1984 after disagreeing with the military on the way to conduct the revolution. The ULC, which had also joined the revolution and renamed itself ULC-R[69], seemed to get along better with the new regime. The PCRV, claiming that the event was only a "coup" and not a revolution, refused to join the new government and was to endure the most repression of the Sankara period.

Intending to avoid the monopoly of the leftists on their political process, the military controlled the creation of new organizations in 1984 which, following the mood of the period, labeled themselves communist: the UCB[70] (to which the historical leaders of the revolution were said to belong) and the GCB[71](created by dissident members of the PCRV). The military even attempted (with no success) to unite all these organizations under a single umbrella, to better ensure their control. They created a military party, the OMR,[72] with the secret objective of using it as a bargaining tool in a process of unification. Failing to capture other organizations, the soldiers instigated divisions among and inside them. In February, 1987, the ULC-R went into crisis. Dissident members left and re-created the ULC.

When the events of October15, 1987, occurred, only three organizations became members of the Popular Front, the new ruling body: the UCB, the GCB and the ULC. But once again the issue of unity was fatal to them. In April, 1989, after several months of discussions, the decision was taken to reunite all the organizations of the Popular Front in a single political party: the ODP-MT.[73] A few days later, a cabinet reshuffle led to the departure of the GCB and the ULC from the government. They did not agree with the idea of unification.

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[66] *Parti Communiste Revolutionaire Voltaique*
[67] *Union des Luttes Communistes*
[68] *Comite Militaire pour le Redressement et le Progres National*, the military junta that ruled from 1980 to 1982
[69] *Union des Luttes Communistes - Reconstruite*
[70] *Union des Communistes Burkinabe*
[71] *Groupe des Communistes Burkinabe*
[72] *Organisation Militaire Revolutionaire*
[73] *Organisation pour la Democratie Populaire, Mouvement du Travail*

B - The Fundamental Reasons for the Failure

The events clearly show that the leftists inside the government were in no position to contradict the shift to adjustment by the end of 1989. Contrary to what had been experienced during the Sankara period, their hold on the political agenda had faded. The political skills of the new leader ended up closing off all political opportunities they could use.

Many reasons explain why moderate views triumphed over the left-wing radicalism of the revolutionary era on the eve of the adjustment program. The Marxist organizations had always been weak and fragmented. They were mostly born on campuses and led by young activists with no real hold on the people. Some of them amounted to only a few members, most of them just finishing university, or with no real work or political experience. They had no connections or network outside the leftist milieu, no strong international links, no social base, and no resources to undertake a high level of political activities. They stayed semi-clandestine for many years, and some of them unveiled themselves only after the 1983 revolution.

Fragmentation was another notable characteristic of these left-wing organizations. They could agree on nothing. They did not agree on how to characterize the Soviet Union, China, or Albania. They did not have the same ideological reading of August 4, 1983. Some described it as an anti-imperialist, democratic, and popular revolution. Some viewed it as a nationalistic and social revolution. Not to mention others like the PCRV who kept claiming that it was not a revolution, but an ordinary coup, and thus until the end refused to join the revolution. Any subject could be an opportunity for division and ideological fighting, be it the celebration of the day against imperialism, protocol confusion at an official ceremony, or the appointment of state enterprise managers.

No real cohesion existed inside the organizations themselves. Behind a façade of unity, one could easily surmise a ferocious battle for power, which invariably ended in a split. Two or three members could easily defect to form a new party, claiming divergent views on ideological or political matters, labeling themselves "something communist," claiming to be in favor of the revolution, denouncing former comrades as opportunists, and seeking to negotiate with the militaries for positions in the state apparatus. That weakened their influence and raised suspicion toward them among the military. By fighting each other ceaselessly, they enabled the military rulers to play on their division and get a stronger grip on power.

Throughout the political process they belonged to and praised, most Marxist leaders were nothing more than tools in the hand of the military. The CNR, the ruling body of the revolution, initially had eight civilians and countless numbers of officers and soldiers, whose number kept on evolving with time. Under the Popular Front, civilian Marxists were more numerous, but their influence was counterbalanced by the presence of many liberals. The main contribution of these leftist organizations was to lend their writing skills to the soldiers and to elucidate the ideology of the revolution.

Remarkably, they provided the ideological foundations of the event of August 4,1983, by portraying it as a revolution and providing the appropriate phraseology. While the proclamation itself described the event as a rebellion of soldiers and officers of the army, the DOP,[74] written two months later, spoke of a popular uprising and described the soldiers' action as an integral part of the resistance opposed by the popular and democratic forces. After the change that occurred in the revolution on October15, 1987, those who were in the winning camp showed enormous zeal in justifying the event and denouncing the mistakes of the Sankara regime. They also offered the outside connections without which a revolutionary government could not win international support from the leftist circles and press, and led missions inside and outside the country to explain the new situation.

The most decisive explanation for their inability to oppose the policy change is that their ideological beliefs were shaken by both domestic and international events. Most leaders of the so-called radical wing of the revolution were in a state of ideological fatigue when the adjustment decision was taken. The morale of many had been seriously broken by the tragic events of October 15,1987, which led to the death of the first leader of the revolution. Very few of them had an experience of a revolutionary situation before Sankara took power. Living in such an atmosphere for years and undergoing the real physical and emotional sufferings of the period had made many of them very doubtful.

Life during the Sankara era was not really fun for most of them. They were under constant stress and pressure, fearing for their own lives and careers, as the humor of their leader was unpredictable. The dramatic events of October 15,1987, came like a delivery for everybody including them, and convinced most of them that the best way of surviving politically was to follow and not resist. The rapid ideological change that occurred in the Soviet Union and former socialist countries also contributed to their uncertainty. These events raised many questions for them about the revolution as a political process and the meaning of their own political struggle, for which fewer and fewer were willing to give their lives.

Most of them were more mature by the time the Popular Front was to adopt its new economic policy, compared to their juvenile attitude of the beginning of the revolution. They now had families to care about, social responsibilities they enjoyed, and sometimes property they were not willing to lose. That sometimes makes a great difference. The fortune of those who were ousted from the state apparatus because of disagreements was also a very telling lesson for those remaining. The sudden lack of access to decision centers and government resources and the gloomy prospect for a future career were a source real trouble for those who left. Some of them, who became ministers, permanent secretaries or high-ranking advisers just after the 1983 revolution or after the Popular Front took power, with no previous experience and no specific background but their ideological ties, and who could not survive the political battle, had now to learn that a career always starts from the very beginning.

In any case, the balance of power was such that any resistance was likely to fail. They had no control of the "fire power." They could not, as they had in the past, rely on factions of the army to provoke a change. For those who were still secretly dreaming of such a thing, an event

[74] *Discours d'Orientation Politique*, Ouagadougou, Imprimerie nationale, p. 5

happened in September, 1989, that definitely destroyed the hope: on September 18,1989, after a failed coup attempt, two of the four historical leaders of the 1983 revolution, Commandant Boukary Lingany, Minister of Defense, and Captain Henri Zongo, Minister of Economic Promotion, were executed. The tragic fate of these two former close companions of both Sankara and Compaoré, while preventing the angry leftists from eventually firing back, widely opened the way to liberal reforms, both economical and political. It also distilled fear in the remaining comrades.

That is certainly why political cynicism and opportunism reached unprecedented levels. The battle for power and promotion had replaced the struggle for ideological superiority. A denunciation of that behavior had been made by President Compaoré himself, when he declared that behind a certain secularism, an infantile leftism encouraged a struggle for the state apparatus.[75] That gives a clear indication of how conscious the president was of the game played by people surrounding him, and how low the esteem was in which he held them. Unable to change things, many of them suddenly became zealous in the defense of the new ideas, leading sometimes to open questions about the sincerity of the ideological choices most of them pretended to believe in.[76] As we know from earlier studies, most people in Africa who claim to be Marxists or communists are, in fact, only in search of self-recognition. The same holds true for Burkina. Looking at it from the present, when most of them have reverted to free market democracy and enjoy the comfort of liberalism, one can assume that both past and present behavior are driven by nothing but personal ambition and the desire to climb the ladder of social promotion at any cost.

By early 1990, most of those inside the ruling body who could have opposed the shift to adjustment for ideological reasons were no longer in a position to influence events. Opposition to adjustment from the left side of the political spectrum came later from the PCRV, which never took part in the revolution, and from the unions it controls. But if the evolution described below was an important factor in giving more room to liberal ideas inside the ruling power, the personal economic vision of the top leader and his maneuvering skills proved the most important.

III- THE LEADERSHIP ABILITY OF PRESIDENT COMPAORÉ

How does political leadership influence the progress of reforms? The question has been answered in different terms in the literature.[77] Some believe the political will of the leader is the major determinant of the choice and implementation of policy measures. Others consider more the importance of political circumstances and the interplay between social groups and society. It is not certain that this theoretical distinction is relevant in practice. Strong leadership cannot succeed without favorable political circumstances. But even if circumstances are favorable, weak leadership will appear as a "loss of opportunity." In the case of Burkina, although the general

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[75] in Carrefour Africain, _Special an 1 de la rectification_, p. 11 and following

[76] see for instance A. G. Loada, 1996*: " Blaise Compaore ou l'architecte d'un nouvel ordre politique"* in Rene Otayek, Filiga Michel Sawadogo et Jean-Pierre Guingane (eds), _Le Burkina entre revolution et democratie (1983-1993)_, Paris: Editions Karthala, 1996, pp. 277-297

[77] see Joan M. Nelson (ed), 1990: _Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World,_ Princeton University Press, 1990

aspiration after Sankara was for a more liberal environment, leadership was essential in overcoming resistance, maintaining national cohesion, and setting a new direction. And of course, the vision of the leader in charge played an important role.

What shapes the vision of an individual and his perception of events? Many factors contribute, among which education, situations encountered in life experience, readings, and advice from others are included. If President Compaoré had any liberal vision of what the economic picture of his country should be, then that must have rapidly developed during the first years of the revolution.

Biographers of President Compaoré describe him as determined and thirsty for justice during his youth,[78] who led his first "anti-establishment" demonstration at the age of 15. Was he a communist or did he belong to a communist party? Certainly not. But in the political ambiance of the country in the '70s, any man willing to prepare for a role in public life was somehow a member, or affiliated with or close to people or organizations who took pride in labeling themselves "communist," or "Marxist," or something similar.

He belonged to what Catherine Some[79] would call "the officers of the third generation," an expression used to designate the new generation of African officers who, contrary to their elders, were also graduates and thus had a certain intellectual level. Young leftist officers were said to have started up a secret organization, named ROC,[80] influenced by the PAI, the first Marxist party of Burkina. By 1978, the ROC was supposedly led by Thomas Sankara, Blaise Compaoré, Jean-Baptiste Lingani, and Henri Zongo, namely the four historical leaders of the 1983 revolution. While in many writings ROC stands in French for "Rally of Communist Officers," a different version was given by Compaoré himself,[81] who explained that ROC stood only for "stone," which it also means in French, to evoke the vigor of their struggle. The fact is that at no time during the revolution, under Sankara or Compaoré, although the official discourse was revolutionary, was any economic measure taken that could possibly be labeled communist.

Viewed from the present, the conspiracy of these young officers inside the army, which led to the 1983 revolution, appears as nothing more than a rebellion against elder officers and the established order. The seizure of power in 1983 was in a certain way a preventive decision to save their own lives, because many political events between 1980 and 1982 had enabled the military high hierarchy to unmask them.

The course of events will demonstrate that from 1987, based no doubt on his experience of public affairs, Compaoré was fully confident of the superiority of the capitalist system. A few months after taking office, he declared in a speech that "the Rectification[82] is not a fight against

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[78] see for instance Jean R. Guion, 1991: Blaise Compaore, Realism and Integrity: Portrait of the Man behind Rectification in Burkina Faso, Paris: Berger-Levrault International, 1
[79] see Catherine Some, 1979: *Sociologie du pouvoir militaire:le cas de la Haute-Volta*, *These pour le doctorat du 3eme cycle d'etudes africaines*, Bordeaux, CEAN, 1979
[80] see Ludo Martens Sankara,1989: *Sankara, Compaoré et la revolution burkinabé*, Anvers: editions EPO
[81] see Jean R Guion, op.cit. p20
[82] The official name of the political process which started on October 15,1987

the private sector. A revolutionary state needs more the support of the private sector."[83] After only one year in office, in a speech to celebrate the fifth anniversary of the revolution, he called on revolutionaries to "accept the existence of bourgeois production links."[84]

His practice of economic policy revealed him to be a very pragmatic decision-maker. He was less interested in general macroeconomic equilibrium and more concerned with the practical effects of economic measures. He viewed agriculture as the main engine of growth. That explains a set of measures he initiated in favor of rural areas as a complement to the overall adjustment program and his own farming activities:

- a discourse on production on June 4, 1994, a few months after the devaluation of the CFA currency, which he was among the first heads of state to accept;
- a letter of intent on sustainable human development;
- initiatives to settle down young agricultural producers; and so on.

These actions were driven by his tendency to seek innovation constantly and to try new experiences, along with an exceptional ability to anticipate events. This combination certainly contributed to his success in turning an entire generation of Marxist into free-market believers.

A shrewd and secretive politician, Compaoré understood very early after taking power that the demand of the people was for more freedom and democracy, and that the mood of the country was no longer revolutionary. To avoid being taken hostage by left-wing organizations, as Sankara had been, he gradually united the left into a single organization, quickly got rid of those who did not want to follow, insulated them inside their own camps, and sought support far beyond the usual leftist circles. Luck and fate did the rest, but he was certainly helped by the mood of the main social forces, among which the unions and the business class figured prominently.

IV - THE UNIONS

The attitude of the unions was a key component in the decision to pursue adjustment. There is a kind of infantilism that has marked the unions in Burkina since the beginning and that has followed them throughout the historical and political evolution of the country: fragmentation due to different ideological beliefs and political agenda.

Unions were first established in Burkina Faso as an integral part of the anti-colonialist struggle[85] and were thus linked to European unions, whose demands for the colonies were the same. The understanding was that the workers' future could not be dissociated from the future of the country in which they lived. Therefore, demanding a better life for workers under the framework of a colonial situation was meaningless, since colonialism was oppressive by nature. At the same time, most African political leaders built on workers' frustrations to establish their hold on the social forces. Many of them even became union leaders, using both urban workers as a tool against colonial rule or the regimes of early independence, and the union organization as a

[83] see R Otayek, op.cit.
[84] see R Otayek, op. cit.
[85] See Charles Kabeya Muase *Syndicalisme et democratie en Afrique Noire: l'experience du Burkina Faso* Inades Edition – Karthala, 1989, p. 252

shelter to hide their political conspiracies. The link established then between social demands and political claims remained strong, even after independence, and led to the involvement of unions in every major political turnaround of Burkina since independence. Viewed from the present, the revolution of 1983 is seen to open a new era in the post-independence life of the unions and reveals the ideological fragmentation that has characterized them since.

Unions were the main force behind the fall of the first civilian regime of Burkina, which ruled the country from independence to early 1966. As explained in the introduction, political opponents, who were also union leaders, used the anger of the population against austerity measures to call openly on the army to overthrow the government. It is very telling that at a certain point during the events, when the government had agreed to withdraw all the measures it had taken, the unions insisted on remaining on strike, stating very clearly that their goal was to change the government.

Unions and the political forces behind them were the one who defeated the political project presented by the military government on November 29, 1975, when the attempt was made to create a single national party, as was then the case in many African countries. The general strike they launched on December17 and 18, 1975, to demand the dissolution of the newly born party and the drafting of a new constitution, opened the way for the birth of the third republic.

Again it is the unions, in conjunction with opponents to the government, which favored the military coup of November 25, 1980, after a very long strike which paralyzed the whole educational system of the country. Ironically enough, the coup was perpetrated after satisfactory responses had been accepted by the unions. The fall of that same military junta on November 7, 1982, was the consequence of repressive measures taken against unions, including alteration of law on strikes and banishment and imprisonment of union leaders. Finally, union members were the main force that created the appropriate political atmosphere leading to the revolution of August 4, 1983.

It appears clear from this that unionism and politics have always been intermingled in Burkina. Unions have formed and splintered along the same lines as the political parties. The state of the unions before adjustment cannot easily be understood without referring to the policy toward them of both the Sankara and the Compaoré governments.

Under the Sankara government, unions were victims of both political repression and press-ganging, which seriously weakened them and heavily contributed to their fragmentation. When the revolution of 1983 occurred, Burkina had a very strong union movement, tempered by decades of social struggle, difficult to control, and full of political awareness. Four major unions were among the most dynamic:

- CNTV,[86]whose origins go back to Christian trade unionism, was liberal oriented and had benefited from the support of the clergy. It was mainly active among urban government employees and railway employees.

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[86] *Confederation Nationale des Travailleurs voltaiques*

- USTV[87] was historically the first union federation of the country, since it was born on November 4, 1948. It was originally a local emanation of the CGT,[88] a communist-linked union of France. Its influence was declining among workers.
- ONSL,[89] created in 1960 by dissident members of the USTV, and believed to be supported by the government of the first republic. Very liberal in its views, the ONSL was an active member of the international confederation of free trade unions.
- CSV,[90] created in 1974 by a group of 15 autonomous unions, was strongly influenced by Marxist organizations like the PAI and was the most active union in the country.

There were also many other independent unions that belonged to none of these confederations.

A typology established in Marxist circles[91] tended to oppose reformist unions and to favor revolutionary unions. The first group included the CNTV and the ONSL, while the CSB fit better in the second category. Attitudes toward the revolution were a first and open dividing point. Some unions, mostly in the reformist camp, kept their distance from the event but did not express any hostility. Some, like the CSV, saluted the event and even for a while joined the revolution. Others, previously in the revolutionary category, distanced themselves from the CSB and claimed the event was nothing but a coup that could in no way be compared to a revolution. Once again, politics and ideology, rather than workers' conditions, were dictating unions' behavior.

The second area of confrontation appeared when the government established committees for the defense of the revolution. In the context of the revolution, the mere creation of these structures in work places, and the definition of their role as representatives of workers' interests, was in itself a denial of the unions. That could lead nowhere but to repression, since the revolutionary project could not tolerate any opposition from the unions.

The young soldiers who had taken power knew more than anyone how strong unions could be an obstacle to their new policy. The first signal came in March, 1984, a few months after the revolution began. The SNEAHV,[92] the largest schoolteachers' union in the country, whose strike led to the military coup of November, 1980, launched a strike to protest the policy of the government. One thousand three hundred and eighty of its members were fired. Further unprecedented acts of repression followed that strongly weakened the unions. Also notable is the fact that on many occasions, the government tried and often succeeded in having some of its followers elected as union leaders.

When the Popular Front took power, most unions had fallen into a state of lethargy. Leaders were in hiding, and indifference prevailed in many unions. Through courtship and more subtle means, the Popular Front tried to control the union movement. The task was very easy with the old unions who had barely survived the Sankara repression, and most of which had

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[87] *Union syndicale des travailleurs volitaiques*
[88] *Confederation generale du travail*
[89] *Organisation voltaique des syndicats libres*
[90] *Confederation syndicale voltaique*
[91] see Kourita Sandwidi, "*Syndicalisme et pouvoir politique. De la repression a la renaissance*" in Rene Otayek, Filiga Michel Sawadogo and Jean-Pierre Guingane eds. Op.cit.pp324-352
[92] *Syndicat National des Enseignants africains de Haute Volta*

discredited themselves, either by their passive attitude or because they had supported the regime. It proved more difficult with the new group of unions that labeled themselves revolutionary and which created the CGTB[93] in 1988, a year after Compaoré took power. Unions related to the CGTB were the strongest opponents to adjustment during the decision-making process and led opposition to the reform program throughout its implementation. But the new political setting made it more difficult for them to oppose both the decision and its implementation. Political economy theory holds that the experience of frequent destabilizing political changes can weaken the cohesiveness of political or social forces. That was apparently the case.

If the unions were weak and fragmented at the time the decision to adjust was to be taken, the business class was full of liberal expectations.

V- THE BUSINESS CLASS

Pascal Labazee,[94] who made an in-depth study of the business class of Burkina, established a typology in which the typical Burkinabé business person is either a big trader, a former civil servant turned to business, a young graduate in management, or a professional with expertise. The creation of these different categories is the combined result of state policy, environmental and cultural constraints, and personal itineraries. Of course, as in all African countries, colonial rule established a new and specific link between money and trade. But research[95] tends to confirm the existence of commercial activities in Burkina Faso before "the white man" arrived. They organized themselves along two geographic lines corresponding to the west of the country, dominated by Dioulas, and the eastern part of the country, dominated by the Mossi tribe. Even today, such a dichotomy is not meaningless.

There are two distinct characteristics of the Burkina business class throughout its recent history: it is more oriented toward trade than industry; and it has always been an integral part of the patrimonial system of rent seeking. Believed to be lacking mineral resources, landlocked with no access to port facilities, Burkina had no chance of winning industrial attention from the colonial powers. On the contrary, the country was mainly viewed as a reservoir of manpower, which could provide cheap labor to neighboring coastal countries and, at least, be used for agricultural purposes. That is certainly why it welcomed only trading posts from Europe, be it the distribution of general food items, bicycles, office supplies, or very light industry like the transformation of wood. The first generation of Burkinabé businessmen made their fortune as distributors of these goods, or as suppliers of foreign comptoirs. Decades after independence, this trade-oriented tendency still strongly marks the business community.

The big traders are the most numerous. Most of them are illiterate, Muslim, and polygamist. They started their activities on a very small scale, with initial capital whose origin is not always clear. Their business activities are an integral part of social behavior, where tribe and

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[93] *Confederation generale du travail du Burkina*

[94] Pascal Labazee, 1988: *Entreprises et entrepreneurs du Burkina Faso*, Paris: Editions Karthala,

[95] see for example Michel Izard, 1971: "*Les yarse et le commerce dans le Yatenga precolonial*" in C. Meillassoux ed. The development of Indigenous Trade and Markets in West Africa, London, pp. 214-227 and Eliot P. Skinner, 1962: Trade and Markets among the Mossis People, New York: Columbia University Press

family stand near religion and solidarity. Of course, their management techniques are rudimentary. Their investment scale remains low. Their time horizon is rather short. And their conception of capital is strictly and wholly personal: they do not favor the use of bank credit to finance their activities. In recent years, a second generation has emerged among them, who sometimes attended primary or secondary school, who build their activity with the help of family money, and trust more the modern financial institutions. Trade is the main activity of these business people.

The civil servants who turned to business mainly rely on knowledge gained in the economic departments of the government. Some quit the administration and joined the private sector after benefiting from first-hand economic information. Former high-ranking officials from the Department of Trade have gone on to become heads of industrial corporations, which were created as joint ventures with foreign investors met while working for the government, or which resulted from ideas developed in ministries. Also often encountered are civil servants who enter business while still in office. By the end of the '70s, the phenomenon had reached a devastating scale and caused much harm to the functioning of the administration. Both categories are known for extensive use of administrative connections and facilities, and for heavily relying on bank credit.

The professional entrepreneurs have gained knowledge from professional training, and most of them went into business after a lucky connection. They mainly build their activity on public bidding and as suppliers to the government.

Lastly, we have a small group of emergent entrepreneurs, who graduated from university, worked in industrial and commercial corporations, sometimes related to government, and who started a business with their own money, bank credit, or outside capital.

Of course, this distinction is somewhat theoretical. Such homogeneity rarely exists in the real world. The class instinct is somehow weak, since interests are very different. And perception of their economic role is not really clear.

A state-oriented economic policy always creates special links between the business class and the decision makers. Those who have the political and administrative power will use it to build their social and economic support. Those who want to do business have to be part of the deal, to ensure access to state resources and protection for their activities.

The economic orientation of the early '70s resulted in the mixing of business and government, opening the way to the games based on family ties, tribal links, and friendship interests. High-ranking officials were shareholders in private corporations. Private businessmen sought support in political circles, provided money for campaigns, and enjoyed being granted the "monopoly of import" whenever their friends were in power. And with the political instability that characterized the political evolution of the country, any change was an opportunity for redistribution. Even soldiers became part of the game.

When the old RDA party was in power just after independence, businessmen of the Koudougou area, where the first president of the country, Maurice Yaméogo originated, gained unlimited access to state facilities. One of his cousins, Gregoire Yaméogo, a photographer, was granted the monopoly of identification pictures, and police officials were instructed to refuse any picture that was not taken by him. He built his fortune that way.

To become an authorized supplier of cereals to the National Cereal Office, you had to be connected to a politician. To become a dealer of sugar produced by the national sugar corporation, you had to be connected to the Minister of Trade. When there was a change, your "paper" was not renewed, unless you had managed to stay connected.

Politicians would build their influence by granting authorizations. One telling example is M. Gerard Kango Ouédraogo, a leader of the RDA party, who enjoyed the strong support of big traders from his Ouahigouya area by granting them import monopolies. In order to develop his influence in the western part of the country, he even organized businessmen to settle there, where they apparently succeeded in counterbalancing his opponents' constituencies. But his misfortune in 1980, when a military coup happened, almost ruined some of his supporters while his opponents in the business milieu were rewarded with new access to government bidding.[96]
The game would have been endless if the 1983 revolution had not radically modified the nature of the alliances. To understand the state of mind of the Burkinabé business class at the time the adjustment decision was taken, one must examine what it had gone through during the Sankara time.

Determined to break the influence of traditional politicians and the state bureaucracy in the economic field, the Sankara regime set up the TPR,[97] the popular tribunal of the revolution, and undertook to judge all the former dignitaries of the country. They lost their property, their shares in corporation, and their connections in the administration, since many civil servants believed to support them had also been fired.

The game had adopted new rules. The revolutionary regime made no secret of its willingness to fight the bourgeoisie. It did so, both in discourse and in policy. For instance, it declared rented houses to be free in 1984, knowing that many in the upper class had invested in real estate. But with the notable exception of one or two cases, the government did not embark on a program of nationalization.

To escape the atmosphere of insecurity that prevailed at that time, many businessmen left the country and settled in neighboring states. They returned only after the Popular Front took power in October, 1987. Although they did not know exactly what adjustment meant, chances were that they welcomed the change to a policy whose proclaimed objective was to liberalize and to diminish the state. The first measures taken by the Popular Front were fairly encouraging signals. On that ground, the business class could count on the support of the old political class, who certainly would not enjoy seeing the new generation build its influence by using the state

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[96] see for example, Bernard Ganne et Moussa Ouédraogo, 1994: *Sentiers inedits et voies fragiles au Burkina Faso: du commerce et l'industrie* in Politique Africaine no 56 December 1994 pp. 55-65
[97] *Tribunaux populaires de la revolution*

apparatus, the same way past generation did. The former predators and rent seekers knew better than anyone what that could mean. This attitude of the main political and social forces, which did not show any opposition to the adoption of the new policy, certainly helped in the preparation of the reform.

Chapter 3: Preparation for Reform

In its plan for action, published in January, 1988, the Popular Front, after only a few months in power, made no secret of its intention to embark the country on a structural adjustment reform trail. After preliminary contacts in 1988, discussions with the Bretton Woods institutions started in September, 1989, and lasted for two years before the program officially started in 1991. The length of time taken to have the full idea accepted gives a clear idea of the underground political battle that was going on. In fact, the government had embarked on preparatory work that was both political and technical.

I – THE POLITICAL PREPARATION

The government started by taking a few internal precautions. Knowing that the image of adjustment programs was not very good at that time in SSA, and fearing for the stability of its young regime, the government initiated public debates on the issue in the countryside and moved on slowly to the cities. This strategy was aimed at convincing first the more easy to convince, namely the rural dwellers, and to build on their support before confronting the more recalcitrant urban citizens. It also helped register in advance and in a friendly atmosphere some of the main critics who were to emerge publicly against adjustment. Finally, it provided the government with at least the sympathetic understanding of the more numerous. But this was not enough to ensure support for the program, which the government was aware of. Building a broad base support for the program, mainly in urban circles, was thus a major concern for the government. To ensure that, the government once again turned to the old Burkinabé method of public discussion.

Burkina Faso has a long tradition of public debate on important issues. Whenever a subject was likely to divide the populace, or because support was needed, the Burkina government would encourage open exchange of opinions. This method was first used in early 1966, when the military government called an open meeting on the budget and asked the people to provide advice on how to balance it.[98] It gained great momentum during the revolutionary period (1983-1989), when the organization of power had laid the foundations of popular participation in the decision-making process.

The revolution had established the habit of calling for open discussion on any subject, political, economical, or social. On the 3rd and 4th of December, 1984, the revolutionary government organized a working session with 2,500 delegates from all over the country to discuss the ways and means of getting rid of the nearly CFAFr 6.5 billion budget deficit.[99]

The idea of making a similar approach quickly emerged among the rulers of the country and was translated into reality in May, 1990, a few months after negotiations had started with donors. On May 12, 1990, a very large and open meeting, called "Assises Nationales sur le PAS" was convened at the House of the People, under the chairmanship of President Blaise Compaoré

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[98] Tiemoko Marc Garango op cit
[99] Catherine Some,1985: <u>*Un budget revolutionnaire*</u> in Jeune Afrique Economie no 56 February 1985, p. 42

himself, to decide whether or not Burkina should join the club of adjusting nations. More than 2,000 delegates from all the regions of the country attended, including trade union members, government officials, civil society, NGOs, farmers, rural workers, women, old people, traditional chiefs, etc. In fact, the government was seeking approval to pursue what was already on track and came to the meeting with the obvious aim of obtaining an endorsement to its program. Let's pay attention to the main arguments used to convince the participants and evaluate the outcome of the exercise.

A - Arguments Used

The arguments were both political and economic. The main political argument was presented by the chairman of the meeting, who called on the nationalistic feelings of the participants and portrayed adjustment as a way of achieving real national independence. In his opening remarks, President Compaoré said that "for we Burkinabé, today more than ever, we must be aware of the necessity to consolidate our gains on the economic field, to build a viable and efficient economy before we can speak of dignity, independence, or social development."[100] It is quite interesting to note how the idea of adjustment was associated with national independence, while many opponents of this kind of reform presented it as a loss of independence and spoke of neo-imperialism from the Bretton Woods institutions to rally anti-adjustment coalitions.

Another difference appeared with the usual formats of preparation for adjustment when economic explanations were given. Ministers in charge of economic portfolios insisted on showing that Burkina had decided to adjust its economy without undergoing a severe crisis, "still able to stand on its two feet,"[101] while most countries were in a state of collapse when they knocked at the door of the World Bank and IMF. This way of presenting the actual economic situation of the country reveals that the perception of the crisis was still biased, since no official was willing to say that the situation was unsustainable.

Was it meant just to reassure the participants? Or was it truly believed? It is hard to say. The fact is that the argument backfired a few years later when harsh measures were taken, as people asked why adjustment was still needed if, as the government said, the crisis was not severe.

The economic advantages of adjustment were stressed, and the usual "outside pressure" argument was also put on the table to gain support from delegates. The adjustment program:

- was said to be a source of financial credibility, enabling Burkina to gain external resources;
- was described as a new condition from donors;
- would enable Burkina to reschedule foreign debts;
- was described as a recommendation from the West African Monetary Union, of which Burkina is a member.

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[100] *"Assises Nationales sur le PAS "* SIDWAYA, May 14, 1990, p. 1
[101] Main picture used in official language

To support its discourse, the government asked managers of state-owned enterprises to come and testify on the situation of their corporations and explain how beneficial the reform program would be. Judging by the results of the meeting, the government was sufficiently convincing.

B - The Results

After two days of debate, the consensus emerged that Burkina should continue discussions with the donor community and adopt a structural adjustment program. A group of workers unions expressed their reservations (CSB,[102] USTB,[103] and CNTB[104]), arguing that they did not know enough about the details of the program to support it. These unions belonged to the moderate wing of workers' organizations. The SAMAB,[105] a union grouping workers and staff from the judiciary, opposed the decision. That attitude was not a surprise, since the SAMAB was at that time a more radical union.

If the large majority of participants were eager to accept adjustment, they nonetheless made some recommendations that indicate the main concerns of the country. A first recommendation gave full authorization to the government to pursue discussions with the World Bank and the Fund "while preserving the interests and the main assets of the people."
A second recommendation urged the government to create a fund for the promotion of labor and employment. That was certainly an indication of the fear that adjustment would be synonymous with layoffs. The participants also made it clear that they would not accept any decrease in the wage bill as a result of the adjustment program.

While this political preparation was going on, technical preparation was also taking place.

II – TECHNICAL PREPARATION

The technical preparation of the program was made with the help of some multilateral organizations like the UNDP and the World Bank. Major steps included gathering data to assess the economic and financial situation; and assessing the extent of the sacrifices that would be demanded of the country. The World Bank helped write a report on all the previous policies implemented in the country. To prepare the bureaucracy for the new economic policy, seminars and training sessions were held, with the support of bilateral donors. Delegations were even sent to countries already experiencing adjustment.

But the most remarkable and original aspect of this preparation was certainly the drafting of the policy framework paper (PFP). Contrary to what is usually experienced in adjusting countries, the Burkinabé decided to prepare a draft of the PFP before the donor mission arrived. This draft was completed in September, 1989, and submitted for approval to the executive committee of the ruling Popular Front in October, 1989, and then to the government. The country was then ready for adjustment.

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[102] *Confederation Syndicale Burkinabe*
[103] *Union Sybndicale des Travailleurs du Burkina*
[104] *Confederation Nationale du Travail du Burkina*
[105] *Syndicat Autonome des Magistrats du Burkina*

Part 2 POLICY CONTENT AND THE CHALLENGE OF POLICY IMPLEMENTATION

An adjustment program is a set of different policies, each with its target, its content, and its outcome. We review the policies implemented in Burkina, by describing the particular challenge policy makers faced in each case. To make the tale more convenient, we have grouped the policies into four types: macroeconomic policy, regulatory reforms, public enterprises and financial sector reform, and sectoral policies, which dealt with specific issues. Analysis provides an understanding of their content as well as better insight into the challenges attached to their implementation. In relation to the nature, magnitude, and specificity of problems attached to their implementation, some of these topics receive in-depth coverage, while others are merely mentioned.

Chapter 4 - The Politics of Macroeconomic Policy

When Burkina launched its reform program in 1991, the following macro-objectives were targeted.

- real annual GDP growth of 4%, that would allow for a 1% per capita GDP growth
- an inflation rate as measured by the price index of an average 4%
- a current account deficit (excluding transfers) at a level of 14.6% of GDP
- clearance of all external arrears in a three-year period after 1991

To achieve this, the government decided to rely on an increase in agricultural production and exports, to create a more enabling environment for the private sector, to improve the management of the public sector, and to promote human resources. But it understood that all these were to be supported by a sound macro framework, which it believed was a necessary condition to any improvement in other sectors.

From a political economy perspective, the study of the macroeconomic policy implemented in Burkina since 1991 is interesting in many respects. But government finance, monetary policy, and debt issue can be seen as the areas that have witnessed a strong interaction of politics and economics as well as some of the most challenging difficulties of this part of the reform process.

I - ADJUSTMENT OF GOVERNMENT FINANCE

As an important part of the economy of Burkina, government finance has received the most attention throughout the adjustment process, leading some to portray the Burkinabé program as being mainly a financial adjustment program. Three basic objectives were established for the sector of government finance which clearly indicate where the problems were:

- improve the system of financial management and establish more rational budget choices;
- increase fiscal revenue;
- control and allocate expenditures better.

A – Management of the Budget

The adoption of the reform program and the flow of new external resources that was about to occur implied a new way of managing the budget. The government knew that the success of any reform program is somewhere also measured by what was achieved in the area of the budget, where deficits had to be curbed and taxpayers' money spent very wisely. Thus, managing the budget in a more rational way quickly became a topic of highest priority in the reform agenda.

The government started by committing itself to act according to the requirements of the financial rules established on September 19, 1969, and which have been governing the management of the public finance since then. To make it clearer, the government decided on March 1, 1991, to eliminate all the conflicting or harmful rules of financial management ever made and which had caused great harm to public finance. These rules had been made by succeeding governments since 1976, and would for example allow the finance minister to make expenditures that were not previously planned in the budget. They seriously altered the basic foundations of the rules of the management of public finance that had been a remarkable tool for many decades and installed a sort of legal lack of financial discipline.

Another important step was reached with the creation of a single Ministry of Finance and Planning by the merging the two ministries, which previously shared responsibility for economic management. Like many other African countries that had experienced the system of a Ministry of Finance different from a Ministry of Economic Planning, Burkina had undergone the usual overlaps that always result from that kind of situation. The finance minister was only in charge of domestic fiscal revenue and performed his duties with no established economic vision or agenda. The Planning Ministry would contract loans in its capacity as donors' official counterpart, without referring to the Finance Ministry, the result being the inability of the country to know exactly how much was owed and to whom. The designation of the Finance Minister as the sole organizer of government financial deals established a very clear rule and provided very clear decision-making power.

It was also important to redesign the budget and to incorporate inside one single document both domestic and foreign revenues (formerly managed by the Ministry of Planning) and to register all investment projects that were funded by donors. A more integrated and accurate picture of the state budget was thus constructed. The budget nomenclature was consequently rebuilt, and underwent another change in 1996.

With the support of UNDP and other bilateral donors, the government was also able to computerize the whole budgetary process from 1991 on. It created an integrated database for all investment projects, gave training to the financial officers working within ministries, and performed a major review of planning procedures to increase the disbursement capacity of the country. The procedure of establishing the budget was strongly enforced, and ministries were thenceforth asked to comply with new rules of budget evaluation. By 1996, all the measures required in the reform program and related to budgetary management had been implemented.

A first obvious result of that new approach was to center the Finance Ministry as the core of financial authority and its Department of Budget as an unavoidable control element of the budget process, which was not totally the case when the reform program started. Another desirable outcome of this change was to make the management of the budget more in line with orthodox financial thinking. That required more discipline from ministries, and could be achieved mainly thanks to a strong commitment at the highest level. Lengthy discussion of budget matters became a usual duty of the Ministers' Council. It would start with a general exchange of views on the orientations of the budget and continue for weeks with an analysis of the substance of the budget itself, before final decisions could be taken. Deficits became a subject of real concern, while unplanned expenditures were more and more believed by cabinet members to be antithetical to sound management.

B - Revenue Policy

The collection of revenue in Burkina has long suffered from a narrow tax base, mainly limited to the formal sector, and from a poor tax management system that had developed a long tradition of massive exemptions. Improving the collection of revenue thus quickly became a major objective of the reform process, and even a sort of obsession for the IMF, whose favorite measuring stick for reform success is the revenue to GDP ratio. Since the beginning of the program, a set of measures has been gradually implemented. Some concerned the strengthening of tax administration, including but not limited to:

- the creation of tax services in each of the 30 districts of the country;
- a census of all taxpayers and the institution of a computerized identification number for big taxpayers;
- computerization of tax and customs services;
- creation of a committee against fraud;
- training of a special team to be in charge of big enterprises;
- the installation of tax collectors in custom offices to ensure a quicker recovery of revenue by the treasury.

Others related to the introduction of new taxes, such as taxation of the informal sector (1993), or the unique tax on petroleum products or the VAT, both introduced in 1994.

That did not suffice in the beginning to boost revenue collection. In the first years of the reform program, revenue performance even deteriorated. Overall, 1991-94 was a time when revenue performance was poor, before showing better figures in 1995 and 1996. The ratio of current revenue to GDP deteriorated in the beginning of the program, dropping from 13.3% of GDP in 1991 to 11.8% in 1992 before climbing again to 12.6% in 1993.

Periods of recovery always correspond to new reforms. The shock of the 1994 devaluation, which led to a slowdown of the economy, curbed revenue again to 11% of GDP. A more vigorous fiscal policy was implemented in 1995 and 1996. That allowed a rebound in revenue collection, which reached 11.8% and 12.4% of GDP.

All these results must be related to the measures taken all along the reform process with the aim of increasing the ability of the government to collect the required revenue. Some of these measures, like the simplification of customs tariffs or the introduction of the VAT, presented the government with very strong political consequences. Also important was the internal management of revenue performance inside the Ministry of Finance. Fiscal administration was showing more and more demands for incentives as performance increased. These three aspects will be presented in the coming paragraphs.

1 - The VAT Episode

Like other African countries, Burkina had its VAT episode. Part of the measures agreed on by Burkinabé authorities and IMF staff was the implementation of a new VAT tax in place of the old sales tax as a way of increasing revenue. The measure was strongly advocated by donors as a way of boosting revenue collection, with reference to experiences in other countries. The law introducing the VAT was adopted by the Burkinabé parliament on December 3, 1992. Two rates were instituted: 10% and 15%. In 1994, the 10% rate was eliminated; and the 15% rate was increased to 18% in 1996.

Through fiscal administration, the government had tried to prepare both public opinion and the business community for dealing with the new tax. Missions from the World Bank started the information process as early as 1991 and called for discussions at the Chamber of Commerce. A new department was created inside the tax administration to take exclusive charge of the VAT program. And congressmen of the ruling majority were lobbied consequently. But as is usually the case with many reform processes, things that seem to work theoretically show unsuspected difficulties when the time for practice arrives.

The technical transition from the sales tax to VAT was not apparently mastered by the business community, which just added the VAT tax to the prices of goods and did not eliminate the sales tax. That practice resulted in an increase in the price of goods, while simulation had demonstrated that in many cases, prices could be expected to decrease. In fact, it was discovered later that those from the private sector who attended the meetings organized in preparation for the reform were not the persons later in charge of VAT implementation in the corporations.

A kind of VAT panic quickly developed, and unscrupulous retailers just increased prices and blamed VAT when consumers were complaining. Opponents to the government seized that as an occasion for political rebirth, and kept on telling voters they should not have chosen this government during the June 1992 elections. In a mounting atmosphere of anger, the government had to fire back and regain control of the situation. Missions were sent into the countryside to explain again the reform and give consumers a full account of what was proposed. Among many of the political maneuvers that were performed, the Ministers of Finance and Trade were asked to take part in a national radio talk-show to respond to questions from a large panel of journalists and from the audience. Surprisingly, many of the questions had nothing to do with VAT itself. People would ask questions that clearly showed a kind of general anger with the government and various subjects of discontent. Clearly, VAT provided the good opportunity for a collective unwinding.

As shown in Chart 1 below, the collection of VAT started reaching accelerating levels only in 1995, when both the tax administration and the taxpayers became more accustomed to the new mechanism.

Of course, social debate on VAT was inevitable. Concessions made by the government mainly included the exemption of basic items from the VAT: rice, sugar, wheat, etc.
By the end of 1993, when business people understood the mechanism and everybody got used to it, VAT was no longer an item on the list of demands from the private sector. Only unions still demand total exemptions on an always-growing number of products for ideological reasons.

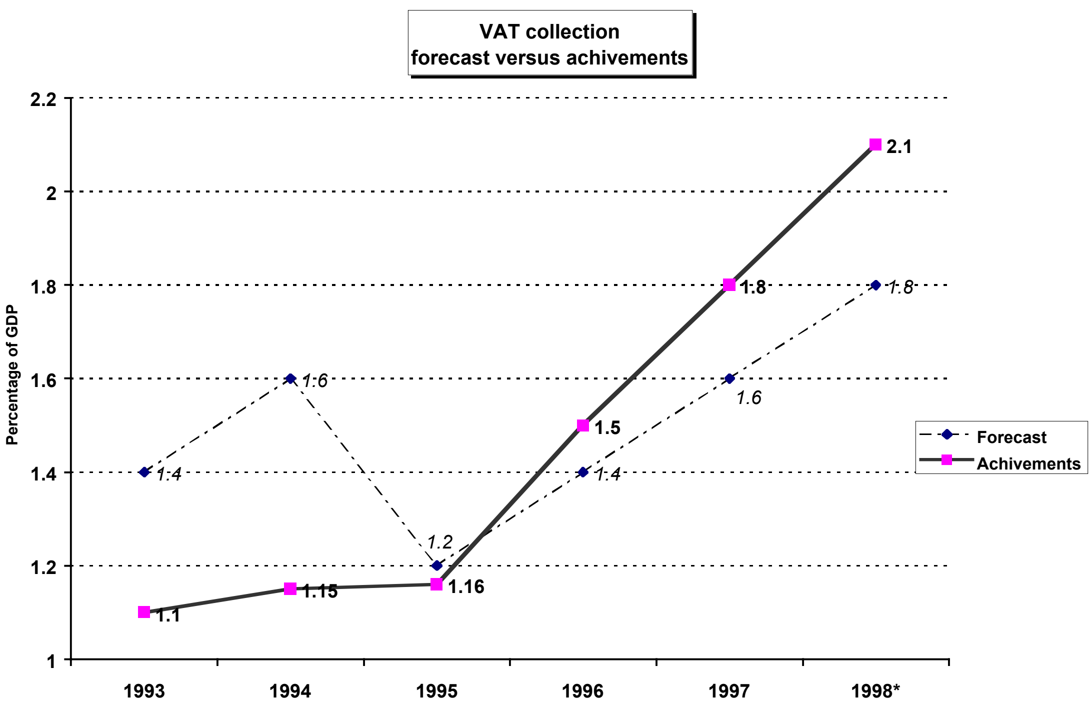

Chart: 1

*based on the first halfyear 1998

2 - Customs Reform

A law adopted by Parliament on December 3, 1992,[106] instituted a new customs code, and another law voted on December 22, 1992,[107] adopted a new custom tariff. The tariff dispersion was from then on narrowed and only three custom tariff rates (0, 4, and 24%) were introduced, replacing the old system where tariffs ranged from 5 to 45%. The overall maximum rate of

[106] see *Loi no 3/92/ADP portant revision du code de douanes*
[107] see *Loi no 12/92/ADP portant adoption du tarif des douanes*

import duty was now 57%. The same day, another bill eliminated all the arbitrary values and replaced them with *ad valorem* values.[108] This was good news for both the business sector and the average consumer.

More painful measures were taken for budgetary purposes: on December 2, 1993, a temporary tax was established on imported rice (14%) and sugar (19%).[109] They were lifted on March 3, 1994, as a measure of relief after the 1994 devaluation. Taxes were introduced on various imported goods such as drinks, cola, coffee, and tea for the 1993 budget.

Customs duty exemptions were strongly restricted starting in 1993. A national committee against fraud was created in 1993. It was received with suspicion by customs officials, who viewed it as a denial of the efficiency of their own struggle against corruption. In fact, its bosses particularly enjoyed showing how the customs had lacked vigilance on a given occasion, or how customs officials were personally involved in smuggling. Coping with the divergent views, methods, and accusations of the two administrations rapidly became a matter of concern for the Finance Minister. Viewed from the present perspective, it is not obvious this "watchdog" approach to the fraud issue was very wise. Any new structure in a bad environment tends to be contaminated and can hardly change the global characteristics of the situation it does not control. A more "civic" approach that combined training and incentives might have been better.

Chart 2 below shows how uneven the collection of custom revenue proved to be, with a positive change only in 1995, a strong indication of the constant difficulty of the task in that field.

As a requirement of the reform program, the government also established pre-shipment verification of imports, to ensure that the prices of imported goods as declared by importers were accurate. That was done in 1993, and since then the government has registered complaints from both the customs service and businesses. Customs officials kept on complaining that the inspection service was slow in providing requested information, or that the information they gave was inaccurate. They soon began to lobby the Finance Minister asking for a change of policy, and were prompt to advocate that custom officials be sent as correspondents to Burkinabé embassies abroad, to perform the same duty. Businessmen, for their part, were complaining that the certificate from the inspection service was very easy to obtain, which of course was not true. A major lesson drawn from this experience is that government needs to remain focused on its fiscal agenda, once convinced it is appropriate, and be able to resist the conflicting demands necessarily arising from various segments of the population. It is also important to keep the cohesion of the administration, which sometimes offers divided perspectives related to pressure groups' agendas.

[108] see *Loi no 13/92/ADP portant suppression des valeurs mercuriales des marchandises*
[109] see *Loi no 31/93/ADP portant institution d'une taxe conjoncturelle a l'importation*

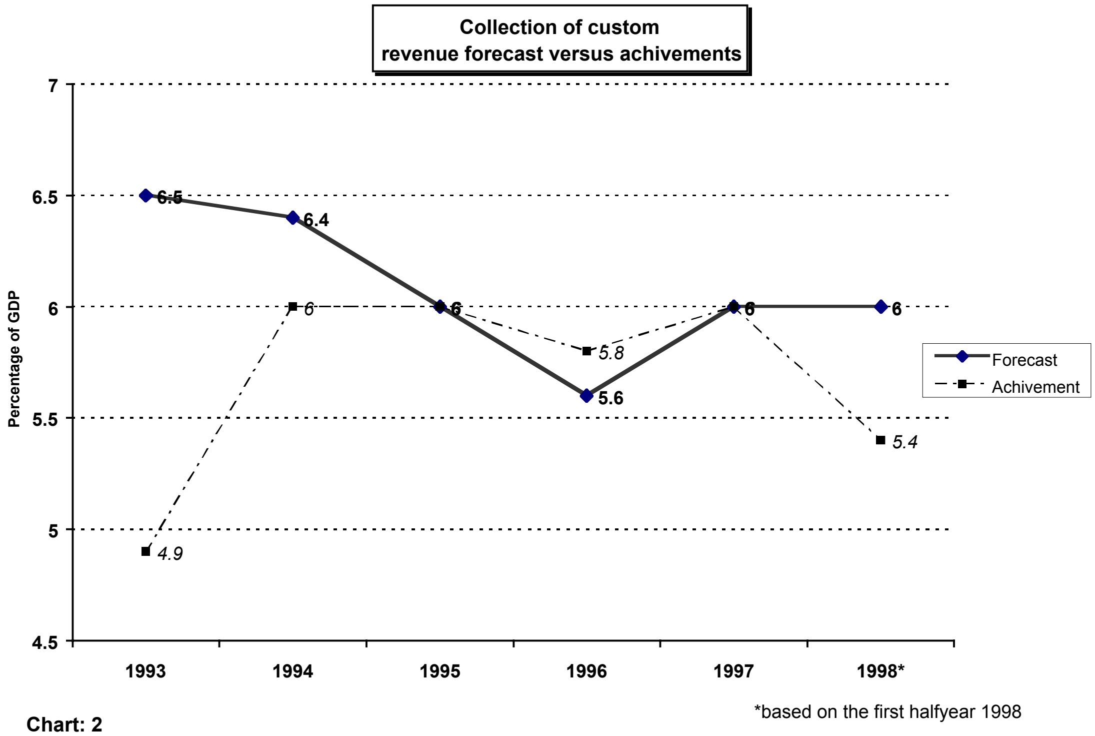

Chart: 2

3 - Motivating the Tax Administration

One of the biggest issues in revenue collection is the motivation of those whose duty is to perform it, at the tax or customs level. Motivation is essential in order to keep them working hard and to prevent them from engaging in doubtful activities. There is a sort of ethnocentric feeling that characterizes the staff in charge of collecting the revenue. They have a strong consciousness of their role as providers of the financial means of the country. And they tend to not understand why they are not granted very special treatment. The Burkinabé reform program started experiencing that when revenue performance was improving.

The staff of the tax department openly asked for a special treatment in 1995, when revenue collection was far beyond the targeted level. While the legitimacy of the demand was not questionable, the Ministry of Finance was in a difficult position, since the Burkinabé code of civil service does not allow such discrimination.

Touring the offices all over the country proved to be particularly rewarding in terms of increasing the level of commitment. In place of monetary incentive, the Ministry was able in a first phase to have the fiscal staff accept non-monetary incentives, which in that case resulted in a better work environment and better working tools. In 1996, to boost the morale of the troops, the Finance Minister toured all the offices, stressing those in the countryside. In 1997, peace was broken again, and the staff even launched a strike to protest against the deterioration of working conditions and to ask again for financial incentives.

The issue was and still is a central one in a poor country like Burkina Faso, where civil servant are poorly paid and where fiscal officers are easily corruptible. Not being able to address it is one of the failures of the reform program. Surprisingly enough, the issue was different with customs officials and staff, who were not voicing complaints against the level of remuneration, but who just demanded a better work environment. This intriguing position can in fact be explained easily by the different cultures and morality of the two administrations. The customs services were obviously more corrupted, and clear signals of that situation could be identified through the living standards of the customs staff. It was for example noticed that, while the average Burkinabé civil servant would spend his vacations in the country or at least in neighboring states, the custom officials were always filling forms to request the authorization of the Finance Minister to vacation in Europe.

This issue of corruption, although on a small scale, remains one of the biggest challenges in the reform of all kind of administration in charge of collecting revenue. The tendency seems to be rising as the reform process brings new money and opens more opportunities to private investment. It is indeed an undesirable effect of reform success, of which Burkina is not an isolated case.

C - Expenditure Policy

The basic objective of the new expenditure policy was to shift from a current expenditure dominated situation to a situation where more resources were devoted to investment, especially in the social sectors. Domestic expenditure and net lending was at 15% of GDP in 1990. When the reform program began in 1991, the ratio declined to 12.2% in 1991 and 13.3% in 1992. In 1993, it climbed again at 15.7%. The main factors explaining such an upward trend are efforts made to restructure operations of public enterprises, the banking sector, or transfers made to offset losses, as in the case of the cotton sector. By 1994, these efforts had reached an exceptional amount of CFA 27 billion (2.7% of GDP), whereas the ratio stabilized at 13.3% of GDP. In 1995, it was estimated at 12.1%. The government succeeded in decreasing the ratio of current expenditure to GDP from 14.2% in 1990, 12.7% in 1994, 11.4% in 1995, and 10.9% in 1996.

These results were achieved thanks to the usual cuts in expenditures that an adjustment programs carries. Subsidies to state-owned enterprises were abolished in 1991, and the new legal framework established the same year for them instituted the basic idea of corporate failure, something obvious in modern economic thinking, but from which the state enterprises had been protected.

Wages and salaries registered a relative decline in the period. Their ratio to GDP went from 6.9% in 1991, to 5.3% in 1995, and to 5.3% in 1996. Their share of total expenditure and net lending declined from 32% in 1991 to 25,5% in 1995. Military expenditures were at a level of 2.1% of GDP in 1991, declining to 1.5% in 1995.

The spending procedure was constantly revised at the start of the reform program, and revised again in 1995 and 1996, to make sure the expenditures really met were those the budget had planned. A public expenditure review was performed in 1992 and 1995, to evaluate to what extent the budget reflects the policy choices made by the government. Since the beginning, the stabilization of expenditure level as a percentage of GDP was a major objective, while social sectors were designated to be the main beneficiaries of the new expenditure policy. This was achieved without great turmoil, maybe because unlike many other adjusting countries, Burkina has no tradition of large subsidies for foodstuffs. The challenge of making cuts was merely limited inside the boundaries of the cabinet, with ministers showing increasing reluctance to agree with the freeze in recruitment or the limitation of their credits.

II – MONETARY POLICY

One of the main episodes of the monetary policy conducted during the reform program is without doubt the devaluation of the CFA currency in early 1994. The description of how this unique event affected the economic life of the country is preceded by an overview of the main principles that guided the conduct of monetary policy in Burkina under the reform program.

A – Overview

As a member of the CFA zone, Burkina's monetary policy is shaped at the level of the West African Monetary Union. The eight member countries[110] have given up their monetary sovereignty to a central bank, headquartered in Senegal, which is the sole institution entitled to issue currency. The bank's policy is to establish the level of monetary supply each year, within the framework of a national committee including high-ranking officials from the bank and from the Ministry of Finance. That way of conducting the monetary policy certainly explains why the country has always been able to avoid hyperinflation. Monetary aggregates were fairly stable in Burkina during the initial period of the reform program, if not in exceptional periods like the one that surrounded the devaluation of the CFA currency.

This way of conducting monetary policy did not change with the adjustment policy. The only notable fact is that adjustment has offered an opportunity to touch a subject which was until then a regional taboo: the devaluation of the currency in January, 1994.

B - The 1994 Devaluation

The CFA currency had been overvalued for decades. Pegged to the French currency by an exchange rate fixed at 50:1 since 1946, it insured a certain stability to CFA countries and granted them international convertibility. On the other hand, it favored imports surplus and an import substitution strategy that resulted in the granting of unjustified tax exemptions to

[110] Benin, Burkina Faso, Cote d'Ivoire, Guinee-Bissau, Mali, Niger, Senegal, Togo.

investors and of course a loss of huge amounts of government revenue. Moreover, it did not inspire the CFA countries to adopt the export-oriented strategy followed by Asian countries and seek competitiveness in the global economy.

The issue started being raised when some CFA countries, including Burkina, decided to embark on adjustment programs. It became a subject of open debate when countries could not curb deficits, because of high levels of expenditures and desperately low levels of government revenue. The trade balance of these countries was strongly negative, and accounted for a big part in their problems of balance of payments.

In 1993, Burkina's program was under strong pressure. Expenditures had climbed very high, as a result of the return to democracy, and revenue basis was limited to the formal sector of imports. At the same time, under the leadership of Alassane D. Ouattara, the economy of Côte d'Ivoire, a neighboring country believed to be the economic engine of the whole sub-region, was being fixed and needed a new boost on the export side. The devaluation of the CFA franc quickly appeared as a way of solving the basic problem CFA countries were facing and of giving them a new chance of growth.

Although rumors were circulating regarding a dramatic change in the exchange rate of the CFA currency, the 1994 devaluation caught many policy makers in CFA zone countries by surprise. First indications came in 1993, when most adjustment programs in the sub-region were nearly stopped, with the Bretton Woods institutions now clearly asking for a change of parity, and when the central bank, in a preventive move against any form of speculation, made the bank notes no longer convertible outside the monetary zone. And insinuations from donors concerning a necessary change of exchange rate were more and more open.

In any case, it was to be an historical event, the first such experiment by CFA zone countries ever. The devaluation occurred on January 12, 1994, in Dakar (Senegal), and was decided by the heads of states of the 14 countries member at that time of the CFA zone, who pretended they were meeting to rescue Air Afrique, which as everybody knew needed urgent restructuring.

Burkina Faso was not expected to be the primary beneficiary of the monetary change. Its economy is not a very strong one in the sub-region, and its exports are limited to only a few items. Most analysts were betting on neighboring Côte d'Ivoire, whose exports of cocoa and coffee were a very important source of revenue. Landlocked countries like Burkina, Mali, or Niger could only expect secondary beneficial effects that would have resulted from the rebirth of the ailing economy of Côte d'Ivoire. In any case, they had nothing to lose; and this certainly explains why the attitude of the government of Burkina Faso was favorable to the decision from the very beginning. President Compaoré readily showed a strong interest in the matter, fully agreed with the principles, and started to convince the other heads of states. A few weeks before, he instructed that a team of experts be set up to evaluate the possible outcome of the decision. Their conclusion was that the country had no reason to fear a huge devaluation of the CFA currency and that the outcome might even be favorable.

But the management of the immediate and more distant consequences proved less easy. First, the psychological shock was hard to contain. It was worsened by the fact that the President and almost all ministers in charge of economic matters were, for various reasons, outside the country the day of the decision. The Finance Minister was in Dakar, taking the decision. The Minister of Budget was in Washington, trying to rescue the adjustment program with new proposals. And the Minister of Trade was attending a donors' meeting in Paris. A stressful kind of leadership vacuum prevailed; and the difficulty in finding any single minister competent in economic matters added to the panic of the administration and the business community.

The Prime Minister and the rest of the cabinet, who had stayed at home, tried to control the damage and reassure the public opinion with public statements. More important than the explanation of the event itself, which many could not easily understand, was the necessity to give an image of control over the situation and to stop the speculative behavior that started to flourish. Police reported that in rural areas some crooks were explaining to farmers that the value of the money has been divided by two, and proposed to give them new notes against their old notes worth twice the face value of the new ones.

Retailers added to the difficulty by doubling all the prices the night of the devaluation. The government was thus facing a threat of sudden inflation, which started a huge panic among the population, and was likely to create a new environment in which political adventurism could have emerged. The inflation rate reached 29% that year, something never experienced in the country before.

A series of seemingly endless meetings started. Traders and businessmen were willing to meet the Minister of Trade almost every day, demanding government financial support to pay their foreign debts which had suddenly doubled. Missions were sent all over the country to explain the meaning of the devaluation and portray it as a new challenge for real independence.

Anger started to mount because prices of goods were skyrocketing. The pricing system was undergoing a liberalization, which normally excludes price or margin controls. But the situation was so perilous that the government had to reinstall the old repressive arsenal of price policy, to the joy of price inspectors who enjoyed being back at work. Shops that broke the new law were closed and severely fined.

The return of price regulation also implied the direct setting of certain prices by the government and required a careful balance among fiscal considerations, social feelings, and economic realities. The prices of the public utilities (electricity, water, telephone, and public transportation) had to be changed under constraints for greater profitability and pressure from social demands.

The new prices of petroleum products were not easy to establish. Hard choices had to be made: the price of mixed oil, mainly used by motorcycles, a popular mean of transportation in Burkina, could not go beyond a certain psychological level. Petroleum used for lamp-lighting in rural areas was not to increase, otherwise people would turn to deforestation to secure energy. Gaz-oil was necessary for industrial activities and a strong increase in its price would have had strong consequences for the rhythm of economic growth. Burkina's electric system being thermal and not hydroelectric, one had to be cautious about the new price of fuel oil. At the other end, donors were pushing for the elimination of all subsidies for fuel prices, which were expected to reflect the trend of the world market. Unions seized the occasion to confront the government with a long list of demands, among which was a wage increase of 50% (the rate of the devaluation). The government succeeded in granting only a 4 to 10% increase and introduced laws before parliament to alleviate some taxes of products of mass consumption.

Following an old Burkinabé habit, the government decided to organize a national forum on the economy. The event took place in Ouagadougou on May 9 - 11, 1994. Nearly 2,000 delegates from all over the country attended. The main objective was to explain the new economic situation created by the devaluation, and to make policy choices for the future. But in fact nobody expected a crowd of non-economists to propose wise directions for the future management of the economy. The meeting was mainly political and aimed at keeping the initiative at the level of the government, and not letting the opposition seek rebirth on the issue.

A few weeks after this gathering, the President himself took the initiative of launching a program on production. He convened delegates from all over the country at the national stadium and asked them to follow the government in a set of different projects:

- safeguarding the environment and fighting desertification
- increasing agricultural production
- organization of the informal economic sectors
- promotion of technology
- creation of a network of small and medium-sized corporations
- development of general knowledge and of sport practices.

This new program was presented as a complement to the adjustment program, which everybody blamed for the devaluation of the currency. While the first gathering was aimed at controlling the urban anger, this second meeting was geared toward the rural people whose support was also important in overcoming the prevailing difficulties.

As was expected, the economic consequences of the operation were quick to show. A boom in external trade was recorded, with export volume increasing and exports becoming more diversified. The production and export of livestock, whose estimated population rose from 16 million in 1994 to 20 million in 1996, is viewed now as the major economic outcome of the devaluation for Burkina. In 1996, the trading of livestock amounted CFAFr 21 billion, a level never attained in the past.

The supply response of the other exportable products, mainly fruits, vegetables, and oilseed, was also encouraging as a result of the devaluation. Production of fruits and vegetables averaged 360,000 tons in 1995 and 378,000 tons in 1996; while revenue generated from the export of that commodity doubled in 1996, compared to 1994 (CFAFr 4 billion). Last but in no way the least, cotton had become more than ever a source of revenue for Burkina. Known in Burkina as “white gold,” cotton, by far the main export commodity, has seen its harvest reach a record 206,000 tons in 1996, standing for a spectacular increase of 36% over the year before.

III – THE DEBT ISSUE

The debt issue in Burkina has two main elements. First, the country has a high level of external debt. Second, it had accumulated a substantial amount of both domestic and external arrears during the years before adjustment. As a consequence, the reduction of the burden and the elimination of arrears became as top-level objectives of the reform program.

Burkina is a quite highly indebted country, whose foreign debt has grown fast since the late '80s. In 1980, the stock of total external debt stood at US$330 million. It reached US$640 million in 1986, climbed to US$967 millions in 1991 when adjustment started, and reached US$1.3 billion at the end of 1995 (65% of GDP). A large portion of this debt (84%) is owed to multilateral creditors, among whom the World Bank was prominent with more than half (56%) of that stock. The remaining debt was mostly owed to bilateral creditors, the country having very few private commercial debts.

To reduce the overall burden of the debt, the country could not but seek debt relief in the framework of existing mechanisms. That proved to be quite successful. In 1991, almost 30% of the bilateral debt was rescheduled by Paris Club on Toronto terms and in 1993 on London terms. The 1994 devaluation affected the debt service burden, despite the debt forgiveness granted by France. In 1996, another rescheduling had to be made on Naples terms.

Although strongly encouraging, these operations concerned a very small amount of the foreign debt, while bilateral debt owed to non-Paris Club creditors was hardly re-negotiable. The debt-service ratio as a percent of exports of goods and non-factor services reached 24.7% in 1994, 22.9% in 1995, and 17.7% in 1996. For the same period, the ratio of public external debt service to government revenue was 29.5% in 1994, 25.2% in 1995, and 16.6% in 1996.

In October 1995, the government felt it was slowly losing control of its debt situation. That was made more and more obvious by a new trend that was starting as a result of the success of the adjustment program. The anarchy that had been dealt with in the beginning of the reform program reappeared, as donors continued to propose new programs to ministries, in the framework of the adjustment program. More and more commitments were registered, which the finance minister was aware of when things were already on track, and which resulted in strongly increasing the debt burden.

The government adopted a new strategy, with the creation of a National Debt Committee, which was entitled to discuss any proposal that could result in debt for the country, the decision to seek grants to finance projects, or the search for debt conversion. In 1996, as a result of the new approach, and based on a debt sustainability analysis made for the country for the period 1995-2015, the IMF decided to include Burkina on the list of countries selected to benefit from the HIPC initiative.

The elimination of arrears was a different kind of issue. It merely implied a strong ability of the state budget to meet current expenses and to avoid accumulating new arrears. At the start of the reform program, the government avowed openly to clear all the domestic arrears gradually over the program period, and to eliminate external debt arrears by 1993. It proved quite difficult. Some years the level of reduction was less than targeted. In others, it was reached by using the technique of cross-debt compensation when cash payments were short.

The decision to eliminate arrears could hardly escape from the usual debate as to which kind of arrears, domestic or external, should receive the highest priority. Donors tend to favor external arrears, viewing their elimination as a strong signal to the external financial community and a way of increasing the country's international credibility. Because foreign resources are crucial for the reform program, the government is urged to put the priority there. On the other hand, the government is confronted with serious economic problems when domestic arrears are not cleared. Activity slows down and collection of future revenue is endangered. The balance of power between a country in search of resources and a donor whose decision can revitalize a country or make it collapse, has always ended giving priority to external arrears. Burkina was unfortunately no exception to that.

Chapter 5: Regulatory Reforms

The aim of what are usually called regulatory reforms is to create a better environment for the private sector and for economic activities. That means giving more freedom to market mechanisms, in both their internal relations and in their external effects.

A broad range of reforms has been duly implemented in Burkina since 1991 to reach that objective. Areas of improvement include pricing policies, external tariffs and trade, and the business and legal environment. Each set of measures had its own difficulties. The elimination of the system of price controls was welcomed by the private sector, but unions voiced concern on behalf of consumers, and the government could not easily convince its own bureaucracy. Opening the borders to imported goods created joy for merchant importers, but almost led to a confrontation with the industrial sector. Changing external tariffs and trade restrictions pleased everyone, but put more pressure on the government budget. And the problem with the business and legal environment was not to get measures taken and laws adopted; it was and still is to produce real change in the general perception of the role of the private sector. A discussion of these items is made in the sections that follow.

I - CHANGING THE PRICING SYSTEM

The pricing system set up during the '70s had many components. Direct price setting was part of the government's power. The price of imported goods was under strong supervision, and levels of profits were the result of a government decision. Industrial corporations would seek the authorization of the government before deciding at which price to sell their goods. A distinct system prevailed for specific types of products. The pricing and export of agricultural commodities were regulated by a marketing board that had a monopoly on selling of some products. The importation and pricing of products of mass consumption was duly stabilized by an equalization fund. That was the system that had to be dismantled.

Since 1988, the government had become more relaxed on the enforcement of price controls, by making them ex-post. As early as 1991, price controls on locally produced goods were eliminated, thus enabling the private sector to freely decide at what level to sell these goods. Since 1992, profit margins on a growing number of products had gradually been freed of any control. The price structures of some products, such as petroleum, were totally reformed, and all the existing taxes were combined into one single tax. The government also started reducing progressively the list of the 151 products that were subject to margin or price controls as early as 1991. The pricing of agricultural products also underwent a radical change. The CSPPA, the marketing board, was no longer in charge of deciding the price of export agricultural products. Cotton producers enjoyed a new system of cotton pricing that was more in line with world market evolution.

The biggest problem was to get the new market mechanism accepted at the administrative level and to resist pressure from unions. The price administration viewed the end of price control as the beginning of their usefulness. This administration mainly comprised price inspectors trained in France, who had spent their careers acting as impediments to the freedom of private business. Their perception of economic matters was strongly state oriented, and based on the belief that state power and interference was a way of correcting market imperfections and establishing social justice. For decades, they had been acting as a pressure group inside the Ministry of Trade, imposing their views and defending their interests. Of course, the job was in a certain way lucrative. Many of them had found ways to produce extra revenue, developing strong links within the business community and granting favors for financial rewards.

Resistance to change took various forms. During staff meetings with the minister, complaints were raised that prices were climbing very high as a result of the liberalization. To support the argument, examples were given as happening in regions far away from the capital. Other example of slow implementation of the reform took the form of unexplainable long delays, alteration on the field, or blockage of information that was supposed to be released to the general public.

In the course of the decision taking, a big question was how to inform the public about the decision that prices or margin controls were no longer to be enforced for a given list of products. Some argued for a negative approach, meaning the decision should state clearly the names of the products that were no longer subject to price or margin controls. Others were in favor of a positive list, which would state the names of products whose prices and margins were still subject to control. By revising it periodically, both the business sector and the consumers will conclude themselves which products were free. This latter approach prevailed.

The implementation was also hampered by other kinds of resistance. Despite the official elimination of the price controls, reports were often made by police of repressive measures taken against merchants by price controllers, most of the time in regions far away from the capital. Obviously, old habits were hard to die. Building on the lack of information and the weak understanding of the decision in rural areas, they continued for a time to ransom traders and receive kickbacks from unscrupulous businessmen.

One big question the government was facing was what to do with the former price inspectors, now that the pricing policy had changed. A rational and radical approach would have been to fire them, since the job for which they had been recruited had ended. The government did not feel strong enough to take such a decision. As is always the case with the bureaucracy, a new idea emerged within the ministry, in fact among the price inspectors themselves: since the free market system is based on competition, why not appoint these people with the new task of making sure everybody is complying with the rules of free market system? A bill on the rules of competition[111] was submitted to parliament and adopted on May 5, 1994, and the former price inspectors were converted into inspectors of competition.

More than six years after the beginning of the reform program, it is not clear that the rules of the free-market economy have been fully accepted by the bureaucracy of the Ministry of

[111] see *Loi no 15/94/ADP du 5 Mai 1994 portant organisation de la concurrence au Burkina Faso*

Trade. The zealous manner they showed in 1994 when a brief return to price control was decided in order to fight inflation and panic clearly indicates their real state of mind.

Stronger opposition to the suppression of price controls came from the unions, who constantly demanded the return of controls as a way of avoiding inflation of prices of basic commodities. This pressure certainly explains why the government has never moved toward a total lifting of price controls and always kept discretionary power on the pricing of some very sensitive items like petroleum products, generic drugs, rice, gasoline, or utilities still entrusted to public monopoly: telephone, electricity, and water.

At the same time, and ironically enough, the private sector was bitterly complaining against the termination of the role of the CSPPA in setting the prices of exportable agricultural goods. Many of them confessed their fear of the world market and their inability to find reliable partners with whom to trade. They suddenly felt lost, not knowing how to start the export business, having relied for decades on the stabilization fund to purchase their products and sell them on the world market. The issue raised here is a very serious one, which needs careful consideration in the framework of reform program. While one can only agree with the spirit of de-linking the private sector from these types of state interference in the economy, the main question is that of the survival of small and individual traders left alone to face the jungle of the sophisticated world market.

II - REFORMING FOREIGN TRADE

The reforms implemented in the area of foreign trade concerned two different issues: the reform of tariff and non-tariff barriers on imports, and the reduction of government interference in exports.

The government made the import procedure more simple as early as 1992. It started by combining all the documents needed for imports into one single document, the Special Import Authorization. Then, as for the lifting of price control, the list of import products subject to prior authorization was reduced progressively. A one-stop window was established to handle all the required formalities. Import monopolies were eliminated with the exception of products like rice, sugar, wheat, rice, gold, and petroleum products. The reforms also touched on the area of tariffs and exemptions. One important set of measures had to do with the simplification and reduction of customs tariffs as a way of lowering overall protection.[112] On the export side, export authorizations were abolished with the exception of cotton and gold. Previous taxes[113] on exports were also eliminated.

The elimination of import barriers was welcomed by traders but raised trouble in the industrial sector. Manufacturers were very concerned with foreign competition, and even after the 50% devaluation of the currency in 1994, claimed they could not follow. Their arguments were not false. Burkina is a landlocked country, situated 1,000 km from the coast. With an arid climate, the country could not easily install hydroelectric sources of energy power. Electricity is

[112] See paragraph on revenue policy
[113] see Cf. *Loi no 28/93/ADP du 2/12/93 portant suppression de la Taxe statistique à l'exportation*

produced by generators powered by fuel. That makes the price of electricity twice the price in neighboring Côte d'Ivoire and almost three times the price prevailing in Cameroon. The addition of transport and energy costs alone makes a serious dent in any competitive advantage of the local industry, not to mention the import of raw materials or the cost of labor.

One telling example of a local manufacturer who could not compete was the SAP company that manufactured tires. Situated in Bobo Dioulasso in the western part of the country, it produced tires and inner tubes from rubber imported from Côte d'Ivoire. The main competition this company faced came from India, where the large internal market grants strong economies of scale. Calculation had proved that by no means could the price of tires made in Burkina be less than the price at which Indian tires arrived in Bobo Dioulasso.

Other examples abounded. The GPI,[114] the national manufacturers' association, organized a forum on the situation of industry and sent a memo to the government to demand protective measures. Obviously, something had to be done, at least temporarily. The private sector asked for gradual implementation and advised the government to postpone the reforms. While that was not acceptable, it would not have been wise to ignore the complaint from the main actors of the economy. The government decided finally to introduce a digressive protection[115] tax on certain imported items which locally manufactured products could not compete with. It started at 30% in 1993, declined to 20% the year that followed, and then to 10% in 1995, before being eliminated in 1996. It is not obvious such a measure really helped.

The issue of the future of local industry when trade reform is implemented remains a crucial one for landlocked countries facing high structural costs. A more gradual approach centered on the building of a national competitiveness was discussed with local industry but never translated into a program. The recent development in regional integration has made the issue a strong national concern. Member countries were planning initially to achieve a customs union by 1998. They started by cutting the import tariffs on agreed industrial products by 30% in 1996, and were about to introduce another 30% cut in mid-1997. But inland countries like Burkina, Niger, and Mali had some strong reservations and postponed the whole issue until 2000. This means the challenge is still ahead.

III - LEGAL REFORMS FOR BUSINESS ENVIRONMENT

To enable the private sector to be truly an engine of growth, as was claimed in the adjustment discourse, it was imperative to create an environment attractive to investors. But before embarking on legal changes, the government thought it was wise to first start a new dialog with the private sector. The preceding years had been very hard for the private sector. The official discourse of the Sankara regime was not very favorable to private capitalists, and some of the measures taken were not likely to encourage the spirit of entrepreneurship.

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[114] *Groupement professionnel des industriels*
[115] see Cf. *Ordonnance no 93-001/PRES du 25 Aout 1993 portant institution d'une taxe degressive de protection sur certain produits importés (30%-20%-10%)*

To create a climate of mutual confidence and respect was the first important step the government thought should be taken. That was believed to be achievable by providing a framework in which the government and the private sector could discuss economic issues. A consultative private sector-government commission was established in 1993 to serve as a forum for this purpose. To make sure it would gain the respect and confidence of the public and the private sector, the government asked former finance minister Garango, the artisan of the financial renaissance of the '60s, to serve as chairman of the commission.

The commission was asked to reflect on many issues, the most important being the re-organization of the Chamber of Commerce, the Office for External Trade, and the shipping company. The change that has taken place at the Chamber of Commerce is indicative of the strong commitment of Burkinabé government to ensuring an enabling environment for the private sector. Contrary to what was done in the past, the government no longer intervenes in the appointment of decision makers at the Chamber of Commerce. An executive body, elected by private sector people, has all the responsibility of deciding the policy to implement and choosing the persons responsible for doing it.

In 1991, the government changed the regulation of state-owned enterprises to put it more in line with commercial standards. Basic notions like capital and financial responsibility replaced specific laws previously written for them. Creation of new businesses had been made easier by the establishment of a one-stop investment-clearing agency. The simplification of business laws and procedures quickly became an important component of the government agenda. To improve the settlement of commercial disputes, the government introduced a bill before Parliament on December 14, 1992, to create the appropriate courts. The same year, financial relations with the outside world were made easier. In 1995, Parliament ratified the Treaty on Harmonization of Business Law in Africa, signed in October, 1993, by CFA zone countries and which gives new insurance to private investors.

What still remains to be changed is the perception of the role of the private sector by most Burkinabé. Liberal ideas really have a hard time becoming the subject of global consensus because of the persistence of state-oriented perception of economic activities. But of course, a complete change would require more than a short period of reform.

Chapter 6: Public Enterprises and Financial Sector Reform

The withdrawal of the state from productive activities concerned both public enterprises and the financial sector. Both areas were hampered by structural impediments that called for a greater role for the private sector.

I – THE PRIVATIZATION OF STATE-OWNED ENTERPRISES

The structuring of the legal framework under which the government decided to conduct the day-to-day operations of the withdrawal of the state illustrates the philosophy that presided over the privatization program. Concerns raised earlier or hinted at by this legal doctrine would appear more clearly in the course of the events and led to some small changes in the direction set so far.

A – The Legal Framework of Privatization

As any other government in a developing country, Burkina's government had no prior experience with privatization, and thus was concerned with the possible outcome of the reform. There was the willingness to comply with the rules of the adjustment game, the desire to get rid of non-performing enterprises through privatization, and the fear that such action might result in tragic consequences for workers and loss of power for the state, not to mention political turmoil and instability. All these conflicting concerns certainly influenced the way the first law on privatization was made.

It was an executive decree taken in July, 1991, that initially provided the legal framework of the privatization program, authorized the privatization of the first group of 12 enterprises, and created a privatization commission. A second law was voted in July, 1994, defining the general conditions of privatization and allowing for the privatization of 19 additional state-owned corporations.

Both distinguished themselves by the way privatization was broadly defined and the attempt to keep the whole process under the control of government. The view expressed by the government through these laws was that privatization meant the transfer to private hands of corporations previously owned by the state, or the simple management by private hands of corporations owned by the government. The law stated that privatization could be achieved by any method within commercial law, including sale, liquidation, or increase of capital. It also empowered the minister responsible to reserve a share of each privatized enterprise for Burkinabé nationals. The law further stated that the selection of a buyer was supposed to consider a number of criteria, including price, the safeguarding of jobs, and the new enterprise's contribution to industrial and commercial development. A provision allowed the government to determine the level of divestiture for each corporation, which translated into the government's keeping an average 25% of shares in almost every case, and a 3% to 5% share of personnel. Despite these strong and state-oriented safeguards, the implementation of the program raised many political issues.

B - The Political Economy of State Divestiture

The issue of privatization has been one of the toughest in the reform program of Burkina. As in most other African countries the first phase of the privatization program, which lasted from 1991 to 1994, was essentially a launch and learning phase. It began with the authorization to privatize 22 enterprises and the subsequent public bidding. This first group of corporations included various economic entities such as a brewery, tannery, flour mill, insurance company, advertising agency, bank, cereals producer, or travel agency. Sixteen of these were privatized, totaling CFAFr 4.0 billion of receipts; four were liquidated; and two underwent further feasibility studies.

The implementation of this first phase raised several tough political and social issues, whose impact led later to a different approach to privatization. In a country with no real tradition of a private sector, no established culture of entrepreneurship, and a public watchfulness on the national interest, it was not easy to convince both the economic and the social partners of the usefulness of divestiture. Moreover, the apparent good financial health of many of the corporations that were for sale added confusion to the popular perception, which was that only ailing corporations should be privatized.

Demands were numerous and conflicting, and harsh criticisms were heard. Unions for the most part strongly opposed the process, mainly for ideological reasons. They claimed privatization was a subordination of the common good to private interests. They also accused privatization of leading to layoffs, which was not true in the Burkinabé context. The government tried to convince unions of the relevance of its policy. It did so by organizing numerous meetings with them, either at the technical or the political level. They pressured the government so forcefully that it was decided to include them in the privatization commission and to seek their advice prior to any privatization.

Local business leaders had a different agenda. Fearing competition from foreign businessmen, they lobbied the government for a discriminatory policy, under which they would be systematically favored. While that could not be accepted fully, their influence was quite visible in both the drafting of the law and the conduct of the privatization operations.

The state bureaucracy, and more precisely the staff of the ministry in charge of state-owned enterprises, was more concerned with the loss of control of economic issues implied by privatization. Managers heading the would-be privatized companies, who were former civil servants of the ministry, were not zealous in preparing the organizations for the transition to private ownership. In some cases, it even ended up with enterprises being almost bankrupt when private owners arrived. This was encouraged by the slowness of the process, a long time usually being spent between the day the decision to privatize was taken, and the day things were handed over to new owners.

This unusual delay in dealing with the matter worsened the severe cash flow problems the privatization process was facing, which had to be addressed before several parastatals could be offered for sale. Many enterprises for sale owed huge amounts of money either to the banks or to the government, and the slowdown of their activities resulting from their intermediate status caused additional harm.

The hesitant approach of the government was noticed by outside observers. In 1994 the European Commission reported very positively about the cooperation between the European Union and Burkina Faso but also pointed out that official support for the private sector had been mixed. After three years of privatization, only half the enterprises affected had been successfully divested by the end of 1994, while the rest were liquidated, could not find buyers, or continued to experience severe financial difficulties.[116] Those problems could be attributed to the disinterest of local investors, slowness in carrying out the program, and a lack of sufficient incentives. There had also been considerable delay in restructuring the institutions designed to support the private sector.

The most important issue raised by privatization, however, was the internal political battle that it induced within the ruling party. Echoing the strong rumors and accusations spreading throughout political circles about mismanagement of the privatization process, Parliament decided on December 21, 1995, to establish an investigative committee on the privatization of state-owned enterprises. Behind what looked like a normal control action by the legislature was a battle between factions of the ruling party. It led to some changes in the political landscape and to a rather different approach to the whole matter.

In the meantime, the country had gained considerable experience and developed greater capacity to manage the privatization process. A second phase of the privatization program began. The main tasks of the privatization commission during this phase were to emphasize the larger and strategically more vital enterprises, and to respond adequately to the increasing demand for public information and accountability. In line with government policy,[117] the national assembly approved the second phase of the privatization process on July 1, 1994.[118] This phase envisaged the sale of 19 parastatals, including the strategically vital *Caisse de stabilisation des produits agricoles* and various corporations operating in sectors like petroleum, transportation, the sugar industry, rice ginning, leasing and construction, and textiles.

Because of the social and political issues now involved in the course of reform, opposition parties expressed their reservations and fear over job losses. During the debate in Parliament, the PDP,[119] the leading opposition party, voted against the law. The other opposition parties, the CNPP/PSD[120] and the RDA, abstained from the vote but warned that more job losses would result in social consequences. Furthermore, the opposition expressed concern over how much these sales contributed to state revenue. When in November, 1994, the government released the figures, they complained they were too small. The government replied to those

[116] EIU Country Report, Burkina Faso, 3rd quarter 1995, p. 46.
[117] The government had agreed with the IMF that chronically unprofitable parastatals would no longer be propped up by the Treasury, and that those which could not be rehabilitated must be liquidated.
[118] See *Loi 36/94/*
[119] *Parti pour la democratie et le progres*
[120] *Convention Nationale des Patriotes Progressistes-Parti social democrate*

critics that the main goal of the privatization program was to reduce the drain on the Treasury of the loss-making state enterprises and not to generate new income.

At the end of 1995, preliminary talks concerning the second Structural Adjustment Program between the World Bank and the Burkinabé government began. A continuation of the privatization program and greater support for small and medium enterprises were among the areas on which a new program was likely to concentrate.

A big step forward had been undertaken with the privatization of the national airline, Air Burkina. On December 17, 1996, Parliament approved a new privatization plan[121] despite some hesitancy and requests for further government clarification. One major concern was raised by the question of how privatization would affect the categorization of air transport as a "strategic" sector, which had generally been equated with a dominant state role. Under the new plan Air Burkina's capacity would be greatly improved with the purchase on credit of a Boeing 737, and its capital would rise from CFAFr 35 million to CFAFr 4.7 billion. The plan foresaw that the government's stake would decrease from 66% to 25%.[122]

As of end 1997, the status of the corporations whose privatization was authorized in July, 1994, can be seen in the table below. Three had been privatized; ten were still undergoing audits; and six had been liquidated.

Enterprises *Phase 1*	Date Priv.	Industry	Buyer
BRAKNIA	05/21/92	Brewery	BGI
SOBBRA	05/21/92	Brewery	BGI
SBCP	06/05/92	Leather	Ouédraogo Alizeta
SBMC	06/05/92	Leather	Ouédraogo Alizeta
SIFA	03/09/93	Bicycles	CFAO
SOBCA	03/29/93	Credit, Leasing	Local investors
SONAR	09/09/93	Insurance	Local investors
ZAMA PUB	09/30/93	Advertising	Yaméogo Louis de Gonzagues
FASO PLAST	11/02/93	Plastic	Barro Djanguinaba
GMB	11/26/93	Wheat Mill	Barro Djanguinaba
CIMAT	12/28/93	Cement	UMAR
SONAPHARM	08/10/94	Pharmacy	CFAO
SCFB	12/12/94	Railway	SITARAIL
FLEX FASO	03/25/95	Fruit, Vegetables	Ismael Ouédrago

[121] Like a number of other enterprises put up for privatization, Air Burkina has been in financial difficulty, prompting the government to announce its goal of privatization in September 1995. See: EIU Country Reports, Niger, Burkina, 1st quarter 1997.

[122] Another 25% will go to national private investors, 20% to an "external strategic partner", 15% to the Lomé-based *Banque ouest-africaine de developpement*, 12% to Air Afrique and 3% to the airline employees. See: EIU Country Reports, Niger, Burkina, 1st quarter 1997.

Phase 2			
RNTC X9	06/11/96	Transport	Appolinaire Compaoré
SHSB - CITEC	06/30/96	Oil and Soap	CFDT
BURKINA & SHELL	31/12/96	Prod. Petrol	Local investors

The necessity for continuing the privatization program and to take more steps to encourage the private sector is widely accepted among Burkinabé officials, although support is still lacking at the bottom. This certainly explains why the continuation of the program proved to be slow. Only 18 enterprises of 42 authorized to privatize have actually divested. That means that the program is still less than half complete. Another shortcoming of the program is its apparent inability so far to reach a quick decision on the issues of the public utilities (telephone, electricity, water) with regard to their future status. It would be hard to attract foreign investment without a strong signal in that area. But the most important problem with the Burkinabé experience of privatization was to get the general public to agree on the idea that the government should no longer be responsible for productive activities, but must instead focus on building basic infrastructure and regulating the economy.

II - THE REFORM OF THE FINANCIAL SECTOR

The reform of the financial sector, whose main component was the restructuring of the banks, was also a key element of the Burkinabé adjustment program. It proved necessary because on the eve of adopting the adjustment policy, the banking sector of Burkina was undergoing a rather severe crisis, due to a growing number of non-performing loans and poor risk management methods. It consisted mainly of bank privatization with foreign partners and enforcement of new regulation on banking activity and loan recovery.

A - Explaining the Crisis

When banking sector reform was to be implemented, Burkina had a banking system whose image was the result of strong government interference and poor management. The banking sector about to undergo the surgery of restructuring was a mix of development banks, commercial banks, consumer credit banks, equipment leasing organizations, and postal savings and checking banks.

The commercial banks were the continuation of French banking activities during colonial rule or the result of government initiatives after independence. The first group included the BIB[123] and the BICIA-B.[124] The most significant example of the second group is the BND-B,[125] which was founded in 1962. In accordance with the mood of the period, its goals were established very broadly, including long-term loans at low interest, both for individuals and businesses, and the financing of any project that could be beneficial to the social and economic development of the nation. In practice, the BND-B became the bank one would call on for

[123] *Banque Internationale du Burkina*
[124] *Banque Internationale pour le Commerce, l'Industrie et l'Agriculture*
[125] *Banque National de Developpement*

anything: business project, construction, personal overdraft, school fees, health bills, etc. The management disaster was such that when the bank was to be liquidated in 1994, many credit files could not be found.

Other banks were created to support objectives that were not economically viable or sound. The BFCI,[126] created to promote industrial development, became the financial tool of the import substitution strategy, resulting in the creation of a huge industrial zone outside Ouagadougou, where most corporations went bankrupt only a few years later. The UREBA[127] was the result of a silly idea of the revolutionary period: meeting the financial needs of local communities and financing various projects in rural areas, such as movie theaters. It never proved profitable. The CAI[128] was created to facilitate investments in enterprises. While that idea seemed attractive, the financing of the CAI through compulsory contributions from all enterprises in which government had a share looked like another tax burden. The BALIB[129] was the result of a political joint venture between President Sankara and Libyan leader Kadhafi, and was intended to promote trade between the two countries, which trade never developed. On the other hand, the idea of creating the CNCA[130] to provide agricultural credit proved more appropriate. The bank plays a very important role in the cotton region.

The interference of the government in the banking sector took many forms. Following the 1974 reform, government was the major shareholder in banks. Thus it appointed bank managers who, following a well-learned lesson from the French experience, were selected from among bureaucrats in the Ministry of Finance or other similar ministerial departments. Although they held degrees from universities, they were not *per se* bank specialists and most of the time had to learn from scratch. But extending its reach inside the banks was the best way for the state to keep control of the banking sector. In an environment that was strongly characterized by patrimonialism, banks became the object of battles between conflicting interests inside the state apparatus and in the business milieu.

State-owned enterprises were the largest providers of deposits in commercial banks. In an economy where these could be used at any time to meet a government liquidity crisis, one can easily imagine how volatile these deposits were. As was the case in many developing countries, there were many examples of government-induced lending, which took various forms. Banks were sometimes asked to perform some operations in place of the government, like paying salaries or granting loans to government bodies. High-ranking government officials would often exert pressure on bank management to obtain credit for relatives and friends.

Non-motivating management rules, strongly inspired by practices in the civil service, were designed by the government for the banks, and provided very few incentives for personnel. More serious was the very poor risk management that plagued the banking sector for years. Projects were granted loans, not on the basis of their high return, but because they were strongly

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[126] *Banque pour le Financement du Commerce et des investissements*
[127] *Union Revolutionaire de Banques*
[128] *Caisse Autonome d'Investissements*
[129] *Banque Arabe Lybienne du Burkina*
[130] *Caisse National de Crédit Agricole*

supported. Banks officials themselves quickly discovered what benefit they could gain from such a situation, and were themselves involved in projects with businessmen. Many of them would even leave a bank job to be hired by clients. Levels of required credit were artificially increased to accommodate bribes for bank officials, who would dutifully relax credit standards to avoid any legal pursuit or recovery procedure against their protégés.

The government budget suffered from the financial efforts required for banking rehabilitation in the late 1980s. Among other examples, the reorganization of the BND-B in 1988 cost CFAFr 4.2 billion, with no result. After 1990, the credit the banking sector was making to the economy started to decline and the level of non-performing loans to rise. At the same time, bank supervision was enforced by the monetary authorities, with the creation of the banking commission. This commission audited the Burkinabé banks in 1990 and 1992. By the time reform was to start, non-performing credits had reached 34 percent of domestic credit. The auditing showed that each individual bank had its own specific problems calling for a particular restructuring scheme.

B - The Restructuring of Banks

The restructuring of the banking system went through two phases roughly corresponding to the adjustment programs the country has experienced. In its first policy framework paper covering the 1991-93 period, the government stated its strategy as having the following components:[131]

- restructuring the balance sheets of banks in trouble
- reducing the share of the state to a maximum 25%
- reorganizing the banks internally to improve management
- reconstituting funds owed to the postal savings and checking banks by the treasury
- transforming postal savings and checking banks into a financial institution.

The fate of each individual bank depended on its unique situation. After many failed rescue attempts and a new discovery of bad loans amounting CFAFr 5 billion by the banking commission, the government was forced to liquidate the BND-B in 1993. The decision was emotionally painful, since the bank had been an integral part of the financial and economic evolution of the country for many years. The BFCI, the CAI, and the UREBA were first placed in temporary receivership, and then merged and privatized. The new entity is now a subsidiary of the French banking group Societé Générale. The BIB underwent a funny evolution. After an audit by the banking commission established the extent of the financial mess, the bank's capital was opened to the Meridien bank's at a level of 40%. But before the new partner established itself definitely, new developments occurred. The Meridien bank itself was in financial trouble, and a new partner had to be found, namely the Belgolaise.

Besides restructuring the banks, the government established a loan recovery agency, to pursue delinquent debtors.

[131] See *Document-cadre de politique economique 1991-93*, pp. 17and following

C - The Political Economy of Bad Loans Recovery

To ensure quick recovery of banks' non-performing loans, the government was advised to create a loan recovery agency, which it did in 1991 and transferred to it almost CFAFr 58.8 billion of bad loans. It was believed that a special body with enforcement power would prove more able than the banks themselves to recover loans from debtors. A set of legal steps was taken to give the agency full power:

- On May 18,1993, a law was adopted by Parliament[132] elevating the power of the agency to the same level as that of the Treasury.
- In August, 1993, the names of the delinquent debtors (more than 5,000) were published in the Official Journal.
- To take part in public bidding, one had to show a certificate from the agency proving you did not owe to it, or that you were paying your debt according to the agreed agenda.
- Banks now demanded certificates of clearance from the agency before granting loans.

The second step (publishing names) was both a legal requirement and a psychological maneuver by the government that played on the sociological aspect of the problem. It became quite shameful if your name appeared on that list. Business people still wishing to play a social role were quite annoyed by such devastating publicity over their personal finances.

The CFAFr 58.8 billion portofolio of the agency initially comprised credits to state-owned enterprises (13 billion) and credits to private enterprises (about 45 billion). The rest was due by many borrowers nobody could identify. Most of the state enterprises had gone bankrupt, and many of the private corporations were in huge financial difficulties. Until 1995, the agency could not perform well and recovered less than CFAFr 6 billion. This can be explained by many reasons. There were technical reasons like poor documentation, lack of support from other law enforcement agencies, or problems of computerization. Also, the low market for real estate did not help.

The most crucial reasons had to do with political and societal factors. The transfers received by the agency mainly consisted of properties seized from debtors, which the agency was supposed to sell and provide the state budget with the revenue collected. It proved very difficult to find buyers for the properties. Potential buyers, who most of the time were acquainted with the former owners, were reluctant to engage themselves, fearing retaliation from previous owners. Popular belief had it that these properties were haunted and that those who dared to buy them were likely to die. Businessmen cut deals among themselves, advising each other not to invest in others' seized belongings. Political interference played also a role in delaying the selling of properties belonging to strong supporters of the ruling party or the opposition.

The business community complained vigorously about the creation of the agency and demanded that its activities be terminated. Anger reached its highest level when the Official Journal published the list of debtors. Businessmen lost no opportunity to denounce the procedure, claiming it made them lose the confidence of their foreign partners. Some even

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[132] See *loi no – 12/93/ADP portant institution d'une procedure de recouvrement simplifiee de certaines creances civiles et commerciales*

asserted that business contracts had been broken by their foreign partners, who viewed their presence on the list as a sign of financial distress.

The agency list also became a political tool for parliamentary opposition. When the privatization program was launched, one of the key questions was whether debtors on that list could compete or not. The government thought equal chances should be given to potential buyers, provided they could prove through the certificate issued by the agency that their reimbursement plan was fully respected. A different view emerged from opposition circles; and when one debtor's name was cited as the beneficiary of the privatization process of a former state-owned corporation, accusations of laxness and corruption were heard.

In 1995, the government appointed a young army officer, with graduate education in economics and computer sciences, as managing director of the agency. Of course, the intention was to distill more fear and shake up the institution. The result of the new leadership came very quickly. In 1995, 1996 and 1997, the agency was able to recover more than what it had planned to do. But the cumulative result would remain very far from the initial amount transferred. The agency has now earned such strong confidence that banks would like it to extend its mandate and become a permanent bad loan recovery agency for the whole banking system.

One important lesson emerging from the reform of the financial sector is that the existence of a strong regulatory and control body for banks' activities is essential in avoiding mismanagement. Although such a statement may appear in contradiction with the conventional wisdom on freedom in financial markets, it is drawn from the crude reality of bad behavior that always emerges in the absence of a strong control.

Chapter 7: Sectoral Policies

Many sectoral programs are part of the Burkinabé reform agenda. They concern the issues of transportation, education and health, gender problems, public service, environment, and private sector promotion. In the course of implementation, some presented the government with political problems. Others programs were implemented more smoothly. The present chapter is an account of the most important of them, touching on the areas of transport, agriculture, education and health, and civil service.

I – THE SECTORAL PROGRAM ON TRANSPORT

The main objectives of the structural adjustment of transport were to insure the maintenance and rehabilitation of the existing transport infrastructure; to limit new investments in the sector to profitable areas only; to improve the competitiveness of the public enterprises; to modernize management structure; and to promote the expansion of private initiative. The overall strategy was to establish a fair balance between new investments and maintenance of the existing ones. The program had five components:

- road infrastructure
- public transportation
- public road traffic
- rail transport system
- air transport

The total cost of the program was US$453 million and was funded by a group of donors including the IDA, the European Union, the ADB, the West African Development Bank, the UNDP, and countries like France, Canada, and Germany. The program was approved on February 4, 1992, by the board of IDA and covered the four-year period 1992-1996.

Many changes were introduced in transportation policy as a result of the adjustment. The government committed itself to creating a maintenance fund of at least CFAFr 3 billion per annum for roads within the budget as early as end 1992. It also re-organized the Ministry of Infrastructures to enable it to perform more efficiently. Among the measures that were expected from the government, three proved the most difficult to implement: privatization of the public transportation company, the X9; privatization of the railroad company; and privatization of the national air company.

These measures were symbolically painful to take, perhaps because these corporations symbolized more than anything national pride. The X9 Corporation is a public bus system created after the revolution to cover urban and rural transportation. It proved to be a very salutary innovation, both for a city like Ouagadougou where distances had become very long, and also between cities, for which people had had to rely on a very dangerous private transportation system to go from one city to another. Due to poor management and low tariffs, the X9 was far from being profitable and had accumulated an outstanding deficit of CFAFr 1.5 million. It was over-staffed, with 330 persons for 40 buses only in Ouagadougou and 20 on inter-city transport.

In the beginning, the idea was to submit the corporation to a contract of performance with the government. But the deterioration of its financial situation forced the idea of privatization, although no one in the government or the general public could imagine its continuing to fulfill its social responsibility after privatization. The decision was thus quite long to take and was not finalized until 1996. The government started by drafting the terms of reference for the privatization scheme in March 1993, in which it committed itself to paying back the debt of the company and selling a big portion of its assets. The public offer was made on August 1, 1994, and only one offer was received. A few months after the private owner took over, a general strike occurred in the company, revealing strong opposition to the new management style that was being implemented.

The railroad company that was to be restructured was an integral part of the history of Burkina Faso and Côte d'Ivoire. It was built during colonial times to facilitate transportation of raw materials from landlocked countries (Burkina, Mali, and Niger) to coastal Ivory Coast. There as well, decades of public management had proven inefficient. In April, 1992, the company was placed under provisional receivership. A study was conducted to downsize the personnel, but the final idea that prevailed was that it should be privatized. A joint expert committee, with both Burkinabé and Ivorians, was set up to prepare for the privatization of the company. Offers were made on December 8, 1992, and proposals received shortly thereafter. The formula chosen was to privatize the management system and to keep the assets as the property of both states, but rent them to the new owner. This resulted in the creation of two different companies, a management company and an asset ownership company. The first was owned jointly by the two countries (15% of share each), the personnel (3% of share), and a European consortium (67% of share). The second was totally owned by the two countries. Here again, social issues had to be dealt with. Only 2,400 persons could continue working with the new corporation, half of whom were to be Burkinabé.

It was only after a lengthy debate, many questions, and some reservations that the Burkinabé Parliament voted for the privatization of Air Burkina, the national airline company, on December 18, 1996. This was a supplementary step after attempts were made in 1992, through a contract of performance, to improve the situation of the company. In the meantime, the tremendous efforts made in 1993 were overshadowed by the 1994 devaluation, which worsened the financial situation of the enterprise. A first bill was introduced before the Parliament in March, 1996, but was not adopted. Members of the Parliament showed strong opposition to the privatization of the company, claiming it should remain as a strong symbol of national sovereignty.

The scenario eventually adopted by the government would lead to the following distribution of capital:

- 20% for a foreign partner still to be chosen
- 25% for the Burkinabé government
- 25% for the local private sector
- 12% for Air Afrique
- 15% for the West African Development Bank

Only in the last quarter of 1997 were offers launched for an evaluation of the company and the proposal of a privatization scheme.

All these difficult reforms were implemented or started implementation with exceptionally long delays, which gives an idea of the problems encountered. At a certain point, they even caused tension in the relationship with the World Bank. Initial positions on what to do and to what extent were quite divergent, with the donor pushing hard for a state divestiture, and the government being under fire from the unions and the general public.

II – THE SECTORAL PROGRAM ON AGRICULTURE

The sectoral program initiated for the agricultural sector was signed in October, 1993, but started implementation only in August, 1994. It is mainly a reform and investment program, with three broad objectives:

- modernization and diversification of local production
- increase in the level of food security
- improvement of the management of human resources

To reach these objectives, five policies were defined, which in turn implied the measures to be taken:

- strong increase in agricultural output and management of natural resources
- reform of trade and price policies to give more room to market mechanisms in the agricultural sector
- creation of a new institutional environment
- management of public finance
- consolidation of the food security program.

Programs of action supposed to result from these policy orientations were meant to cover many subjects: cereals, cotton, sugar, fruits and vegetables, sesame, peanuts, etc. The structural reform measures fall into two broad categories. Some were administrative arrangements; others dealt with substantive policy issues. This latter category included strong reforms like the liberalization of trade and pricing policies (see chapter on regulatory reforms), the implementation of a new agrarian reform, or the privatization of agro-industries (wheat and sugar). These appeared later as the measures whose implementation or lack of implementation led to a deadlock in the conduct of this particular program. The program was even stopped in early 1988 because of disagreements on the policy to implement toward the sugar industry.

III – THE SECTORAL PROGRAMS ON EDUCATION AND HEALTH

A – The Education Sector

The objectives of the adjustment program for this sector were to expand primary education, to improve the quality and relevance of primary education, and to revitalize secondary education. Controlling the unit cost of education was also a major objective of the government, which tried to rationalize its expenditure policy to favor the social sectors and to insure access to educational facilities for the greatest number. Such an ambitious set of goals was necessary to overcome the poor level of education that had resulted from previous policies.

When the reform program started in 1991, the target for primary education was to achieve an overall rate of school enrollment of 40% for boys and 30% for girls by 1996, and 60% and 50%, respectively, by the year 2005. In the spirit of the donor's approach, with which the Burkinabé government did not totally agree, primary school would receive the greatest attention, with the objective of achieving universal education at this level. The system then prevailing in Burkina was quite elitist and was aimed at training at any cost a first generation of technically able people, believed to be the future engine for development. Of course that approach was less equitable and proved to be very expensive almost in the years until the early '80s, when university students were systematically sent abroad.

To shift toward more primary school enrollment, a seminar was held in Koudougou in 1992, and targets for building and equipping classrooms and the recruitment of new teachers were discussed. Despite the good preparation for the school year 1992-93 and the recruitment of 1,300 new primary school teachers and 200 professors for secondary school education, about 300 classes remained without teachers. The good idea was not easy to translate into reality. To deal with that situation and to still aim to reach the goal of 40% school enrollment by 1996, another colloquium on basic education in Burkina was held from June 2nd – 5th 1993 in Ouagadougou. The discussions focused on the expansion of the primary education system, the quality of schooling, and a strategy to mobilize additional resources. This colloquium and another on girls' education laid the groundwork for the overall government actions concerned with basic education.

An action plan for girls' education was adopted in 1994 for execution during the years 1994 - 2000. The plan focuses on improving the school enrollment rate of girls, concentrating on those areas of the country where the female school enrollment rate is lowest. This gender issue has received first-class attention from the government since the beginning of the reform program. It led to the institution of a positive discrimination system, a sort of affirmative action plan for girls' education, one of whose requirements was to favor girls when school places were limited. It also led to the creation of quotas of stipends exclusively reserved for girls, mainly at the level of secondary school. In 1995-96, all the 1,500 scholarships available for secondary schools were granted to girls. For university education, a quota of 10% has been reserved for girls in technical and scientific training.

Measures to create more acceptable conditions for the disadvantaged population for the school enrollment of their children included the creation of school dining halls and the distribution of free educational materials in all primary schools on a basis of two students sharing one set of material. For the first time in many decades, these materials were given freely to schools all over the country. The fundamental aims of that policy were to reduce the costs for students' parents and to improve the quality of primary education by increasing the accessibility of scholastic material.

Improving administration and management of the primary school system was also a concern for the government. In August, 1995, 950 deputy teachers, who would receive 15 days' training, and 700 student teachers, who would receive 2 years' training, were recruited. Above these, 20 inspectors, 20 pedagogical councilors, and 60 principal inspectors were recruited as supervising personnel. In March, 1996, 950 deputy teachers and 700 student teachers were enrolled in training programs. The first group was trained for two weeks and took assignment in September, 1996. The second group went for two years' training in a professional training center. The first 173 school buildings were finished and equipped in October 1995. The second stage of building another 227 school complexes didn't start in time because of financial shortfall.

The government also tried to implement pedagogical innovations like school classes with a double team of students and satellite schools, with the ultimate aim of reducing the cost of education. In 1995-96, 1,650 schools were involved with these innovations. The number increased to 2,410 in 1996-97. It was expected to reach 2,747 in 1997-98. During the same period, 30 satellite schools (for children aged 7 to 9) and 28 adult education centers were created. Government spending for primary education evolved in strong proportion thus complying with the requirements of the program. The overall recurrent budget allocation for primary education increased by 25% in 1991, 9% in 1992, 2% in 1993 and more than 20% in 1994. In 1997 and 1998 it reached 10% of all government spending. Equally notable was the portion of total government spending devoted to primary education: 9.4% in 1993, 12.4% in 1994,12,3% in 1995; and 14.5% in 1996.

But while attention was focused on primary education, the government was also concerned with the development of post-primary education. A "national plan for the development of post-primary education" was developed and was basically concerned with the improvement of secondary education and the reinforcement of the administration and management capacities. As one result of that plan, a training center for secondary school education officials, the *"École Nationale Supérieure de Koudougou,"* opened in 1996. It was designated to train the professors, the pedagogical counselors, and the inspectors of secondary education. The execution of the plan also led to the creation of a Polytechnical University Center in Bobo-Dioulasso

While expanding facilities for university training, the government adopted a new policy to reduce the student grants favoring primary while favoring education and research. This policy included lowering the number of grants from 1,000 in 1990-1991 to 500 in 1995-1996. Furthermore, the grants for secondary and tertiary education were allocated on a need and merit basis. The annual stipend for each student decreased from an average CFAFr 3.6 million in 1991 to CFAFr 2.9 million in 1993. The number of new scholarships was limited to 500 for university, down from 1,000 in 1991, and 1,500 for secondary education. The reform was not welcomed on the campus and in early 1997 students went on strike, demanding aid for all students entering university. It was certainly the most severe crisis that had ever occurred at the university. It almost endangered the whole academic year. The government proved unable to solve the crisis, forcing the President to call on the Ombudsman of Faso who reached an agreement after many days of consultation.

The evolving nature of the challenges faced in education continued to put strong pressure on the government, which had to take a long-term perspective for the sector. Very important was the issue of post-primary education. In October, 1996, a project was drafted with the support of the World Bank and started in 1997.

One major issue faced by the government was the lack of personnel in rural areas, as compared to urban zones. There is a strong tendency for civil servants to seek appointments in towns, mostly in Ouagadougou, sometimes for family reasons. That led to a concentration of personnel in urban centers, leading sometimes to overlap and duplication, while some peripheral zones were lacking personnel. A redeployment of personnel was ordered in 1996 as a way of definitely solving the problem with the enforcement of new strong criteria:

- no appointment for personal reasons was accepted for urban areas
- all school teachers with fewer than three years' experience were sent to rural areas
- all the female staff residing in Ouagadougou and with fewer than 6 years of experience were sent to rural areas.

The new measures were implemented despite strong interference from everywhere and the pressure of family and friendship ties.

Despite all these encouraging improvements, the issue of education remains a very critical one in the development perspective of the country. The basic problem, which needs to be solved once and for all, is to decide whether the focus should be on primary education, thus allowing for universal coverage, or if elitist training can still prevail, with the objective of training highly qualified people. A medium solution seems to gain interest within the past few months, which consists of making post-primary education professional.

B – The Health Sector

Since the start of the Structural Adjustement Program in 1991, the health sector has also been a high priority for the government. The main objective of the government has been to improve health coverage through better use of the health services and improved quality of primary health services. It also aimed at making essential and generic drugs available and accessible. Finally, it stressed the improvement of family planning as a way of addressing the population challenge.

In order to improve the coverage and quality of health services, from which only 51% of urban population and 48% of rural population could benefit at the start of the reform program, several measures were taken:

- **The development of a decentralized financial system with the adoption of the Initiative of Bamako in 1993.** This initiative provided for decentralization and establishment of autonomous financial management of the health institutions. The first medical center to be converted was the National Hospital Yalgado Ouédraogo, which became autonomous in January, 1991. In 1993, an initial evaluation was made. While the service inside the hospital had become better organized and more efficient, other problems appeared. Recovery of medical bills was poor; 40% of the staff of the hospital was ailing; and the elimination of

CFAFr 126 million of subsidies that had been previously granted to the hospital had not been offset by the revenue generated. Almost the same difficulties occurred in the National Hospital of Bobo-Dioulasso except that, there, the policy seemed to work better, since the hospital was able to make a 169 million CFA franc margin the first year.

- **Creation of 53 health districts and 11 health regions**.
- **Reallocation of the health budget to the benefit of the decentralized health districts.** The districts have to receive at least 50% of the goods and services budget allocation.
- **Several measures to ensure the full functioning of the 950 existing health centers.** From the year 2000 on, every unit has to fulfill minimum standards; for example, small medical centers (CSPS) will be required to have at least three village health workers with a minimum of training. Already by the end of 1993, the number of health facilities had increased as compared to the situation in 1985. The number of regional hospitals went from 6 to 9; medical centers were 67, compared to 51; and small medical centers (CSPS) were 763 compared to 376.
- **The issue of relocating medical personnel all over the country came under scrutiny**. As in the case of education, medical staff was more numerous in urban centers than in rural areas, making some heath facilities unable to function. In August, 1993, a study revealed that 17 dispensaries, 30 primary health care centers, and 205 maternity centers were closed down for lack of personnel.
- **Burkina adopted a policy of promotion of essential and generic drugs to provide high-quality and low-cost drugs for the population**. The government created the *Centrale d'Achat des Medicaments Essentiels et Generiques* (CAMEG) in 1992, and entrusted it with the duty of providing the health units with generic drugs. With the support of UNICEF, CAMEG was able to provide its first support to 418 health centers in May-June 1995. By June, 1996, a second tranche of funding was granted to nearly 200 health centers. But after a few years, some constraints continued to hinder CAMEG from carrying out its mission effectively. To eliminate the different problems the following measures were taken.
  - Establishment of the new statutes of CAMEG.
  - Implementation of a system of providing drugs that avoids stock ruptures in the health units. Measures include the increasing of the drug depots in Ouagadougou and Bobo. Another drug depot is under construction in Fada. Furthermore, 53 distribution depots have been built and provided with drugs.
  - Increase in the vaccination rate.
- **Recognizing the threats and consequences (long-term) AIDS could pose to the economic and social development of the country, the government has undertaken measures to fight the spread of AIDS**,[133]with the guidance of the National Committee against Aids. An inquiry about AIDS was undertaken by the CAP[134] from December, 1995, to February, 1996. The purpose of that inquiry was to supply the data necessary to elaborate a national strategy with strong emphasis on information, education, and communication. The results of the inquiry laid the groundwork for the implementation of an action plan for fighting the disease. These actions include the spread of information campaigns in order to make the population more aware of the AIDS danger. It extended also to the selling and promotion of condoms.

[133] By mid-1993 there were 1,263 officially reported cases of death from AIDS in Burkina.
[134] *Connaissances-Attidudes-Pratiques*

- **In the very recent period, the government has implemented a health plan** for the years 1997–2000. The basic aim of this plan is to focus on primary health care by emphasizing prevention and establishing a system of cost sharing between the state budget and the local communities. It is also meant to decentralize the health care facilities as a way of increasing the access of the general public, to improve the accountablility of local governments, and to develop an incentive system for the private sector to establish health centers and pharmacies.
- **Finally, a policy of developing a market for generic drugs** in order to improve their availability and accessibility for all segments of the population was adopted in 1997.[135]

IV – THE CIVIL SERVICE REFORM PROGRAM

The tendency of African states to spend revenue on wages rather than on long-term investments had grown stronger since the end of the '70s. Following this trend, the government wage bill in Burkina absorbed more than 60% of tax revenue and 55% of domestic expenditure during the '80s. Although in comparison to other African countries the number of Burkinabé civil servants is not huge (39,000 people), the burden relative to the country's wealth is very heavy, due to the level of remuneration. Reforming the civil service became an unavoidable question of the reform agenda. This paragraph will review the situation of the wage bill before adjustment and the reform measures taken so far in the framework of the public administration program.

A - The Situation of the Wage Bill: Dealing with a Loch Ness Monster

The situation of the wage expenditures before adjustment was the result of policies implemented by succeeding governments, some of them increasing the number of civil servants, a few of them leading to a contraction of the wage bill. All through the 1980s, the wage bill appears to be the main factor driving budgetary expenditures. Its share of domestic expenditure reached an average 65% and absorbed an increasing share of government resources: 58% in 1980 to 65% in 1990, with an average increase of nearly 4% per annum, although this trend was not even from year to year. Dismissal for political reasons during the Sankara regime led to a decline in the size of the civil service during 1983 and 1986, and led to a modest increase of the wage bill (an average 3% per annum). The trend was later reversed by the policy of national reconciliation of the Popular Front, which called back most of the civil servants who had been previously fired. The average annual rate of increase of the wage bill reached 12%; and by 1990, the wage bill was consuming 7.6% of GDP.

The evolution of the wage bill owes more to structural factors than to the policies mentioned above. The law that created the civil service in Burkina[136] in 1959 was inspired by the French approach to career civil service, where one goes from hiring to a guaranteed retirement, and where promotion was automatic. Under the pressure from unions and various

[135] See : Monga, Celestin, Programming and Tracking Public Expenditures on Education and Health in Burkina Faso. Washington, D.C., 1997.
[136] see *loi 22/AL DE 1959*

categories of workers, the law had been constantly altered to grant special status to particular groups, resulting in a form of institutionalized discrimination among civil servants.

In February, 1974, the military hierarchy that stopped the democratic process promised to revise the law, but failed to do so, under pressure from unions and various lobbying groups. Not until 12 years had passed and eight civil service ministers had held office would the change occur. Political circumstances were quite different, with a revolutionary government now ruling the country. In October, 1986, a new law was adopted,[137] announcing the new general status of civil service workers.

The new law had three main objectives. First, it mandated more uniform treatment of civil servants. The notion of civil servant was replaced by another term, government employee, which in the political mood of the period suggested a more egalitarian and broader view. It included anyone who happened to work in a structure linked to the government. All the special statuses granted in the past were therefore abolished. Second, it claimed a stronger desire for justice. The wage difference now goes from 1 to 6 only and many temporary workers were included in the civil service. Third, it intended to break the vicious trend of an endlessly increasing wage bill. For that purpose, a new wage scale was adopted, which resulted in a drop and a freeze of wages.

The civil servants did not agree with the new law, and soon began to criticize the government. The political change of October 15, 1987, offered a more favorable opportunity for demands for a revision of the law, which the new government promptly accepted in order to broaden its political support.

In October 1988, a new law was adopted[138] whose differences with the former were quite substantial. Excluded from the new statute were the military, magistrates, and workers in state-owned enterprises and local districts. Temporary workers were later (1991) explicitly excluded. Special statuses were drafted again for each of these categories. The new statute also proved less restrictive on matters of remuneration, thus responding favorably to popular demand. None of these revisions had dared to touch the sensitive issue of automatic promotion, one of the main factors explaining the burden of the wage bill and the structure of the civil service.

The size of civil service had grown as a result of the automatic hiring policy that had prevailed since independence, and which led government to systematically offer a position to students finishing their university or professional training. Only after 1983 did the hiring of university graduates became less systematic. Government professional training institutes remained, however, a direct path for access to civil service. In 1970, Burkina had 16,265 civil servants. The number rose to 35,739 in 1980, before dropping to 30,688 in 1985. It climbed again to 33,518 in 1990. By the end of 1995, the size of the civil service was 39,000, about 3.6 civil servants per thousand inhabitants. However, when compared with other African countries, this size appears quite modest.

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[137] see *Zatu no AN IV 011 bis /CNR/TRAV du 25 Octobre 1986, portant Statut Général des Agents Publics*
[138] see *Zatu no AN VI- 008FP/ TRAV du 26 Octobre 1988 portant statut général de la fonction publique*

The strength of the unions largely explains both the level of the remuneration and the structure of the civil service in Burkina. Since independence, with the exception of the revolutionary period, unions have succeeded in imposing wage increases on governments and opposing any attempt to introduce changes. Moreover, haunted by the remembrance of the January 3, 1966, events, when unions ousted the Yaméogo regime over protests against austere wage policy, governments have been reluctant to enforce a tight wage policy. Wage remuneration often included huge allowances, like the one for housing, which could reach 10% of the total wage bill. The result was that in 1994, the average civil service wage equaled 15 times the per capita income. The regional average was 10, and the ratio for other sub-Saharan countries was 1 to 5. The structure of the civil service has also dramatically changed over years, stressed by the system of automatic promotion and the systematic hiring of university graduates. Professionals have become more numerous than lower-level staff, which of course accentuated the increase of the bill.

This change in the structure was accentuated by the policy of the Sankara regime, which did not hesitate to fire its political opponents and those accused of being corrupt. Most of these belonged to the elder generation. Quickly, the average age of civil servants dropped so that almost two-thirds of the civil servants were less than 40 years old. Experience also suffered, employees with more than 20 years of service accounting for less than 10% of total staff. The management of the civil service personnel was also defective. Rules governing movement of staff were less and less respected and records were poorly kept. Some "ghost" civil servants were even discovered later, when the reform program started.

B - The Reforms Implemented

To stress the importance of the civil service reform on its reform agenda, the government started by creating in 1991 a ministry exclusively in charge of the civil service, which had not previously been the case. The name of the new ministry itself, Ministry of Civil Service, and the modernization of the administration, suggested the ambitious change that was expected.

The reform program was carried within the framework of a new program, the *Projet d'Appui à l'Administration* (PAA), negotiated with the World Bank in 1992, whose broad mission was institution building. The government committed itself to diminishing the wage bill to a level not higher than CFAFr 53.8 billion in 1993. To that end, it decided not to introduce any alteration of the wage scale that might lead to an increase of the wage bill in nominal terms, nor to increase the nominal value of the salary grading and various allowances. Instead, the government managed to decrease the level of salary grading in 1993, after postponing the payments for automatic step increases in 1991 and 1992, amidst huge protests from the unions.

The government felt it necessary to control net recruitment. Since 1991 it has allowed hiring only for ministries believed to perform priority work in the development agenda: education, health, and tax collection. Housing allowances were reduced by one-half in 1991 and in 1992. Its re-establishment at its initial level is one of the main demands from the unions. Salary increases were rare all through the reform program. After the devaluation of the CFA currency, the government granted a 5% to 10% increase in wages, while unions were demanding

50%. In October, 1996, another increase of 3% was granted, to fulfill a promise made in 1994. This restrictive policy brought down the ratio of wage bill to GDP, which dropped to 5.7% in 1994.

The government was concerned with unmasking the ghost workers and therefore undertook a census of the civil service in 1995. A cash payroll system was subsequently experimented with for two months, to control the matching of the worker list with effective workers. Based on the results of that census, the ghost workers were eliminated.

To attack the structural causes of the wage bill increase, the government decided to change the general rules governing the civil service in Burkina Faso. Many innovations were introduced in the new law submitted for the first time to Parliament in 1995: automatic promotion was eliminated; labor productivity and incentives attached to performance were introduced; career civil service was limited to only a few ministries. The change was revolutionary. But despite a massive campaign of explanation and a national seminar on the issue, the bill was rejected under the pressure of the unions. The government introduced another bill with similar objectives but slight modifications at the end of 1997. It was finally adopted in April, 1998, after serious alteration by the Parliament, although the original spirit still remains. This issue of the wage bill had strong political consequences. It brought tension in the cabinet and even influenced negatively the political career of some ministers. Obviously, the reshuffle of September, 1996, which led to the departure of the long-time minister of civil service just a few months before the bill was submitted to Parliament can be read as a political move, to give more chances to the government during the debate. It proved wise.

PART 3 THE POLITICS OF THE MANAGEMENT OF REFORM

The day-to-day management of a reform program raises many political issues. First, it is obvious that conducting the reform implies making choices on various matters. Making these choices implies using a process of decision making and relying on a certain number of criteria. The analysis of these two elements helps to elucidate the real motivation of policy makers and the conflicting priorities they were facing. Implementing the decisions requires building or at least organizing institutions and making them perform efficiently.

Second, the management process is intimately connected to the prevailing political environment. Burkina is now governed under a democratic system. This kind of system provides both opportunities for and threats to the reform process, and it is essential to understand this in order to grasp the challenges that were attached to that side of the reform process.

Third, the conduct of reform is not only a domestic issue. It is also a joint venture with foreign donors, whose influence has grown stronger during the last decade. The management of such a venture is the search for a best way between the country's problem and the funders' agenda. It is a highly political matter, of the utmost importance for the success of any reform program.

After reviewing these issues in the Burkinabé experience, we make an overall appraisal of the reform program so far, by analyzing its results as compared to the initial objectives, and by examining the impact on each of the conflicting or cooperating interests inside the society.

Chapter 8: Management of Policy Choices

Implementing a reform program carries the task of continuously making policy choices, and the process of making these choices is of great importance in shaping the success or promoting the failure of the reform program. The politics of the management of reform starts with the criteria for and process of decision making. These two elements are strong indicators of the main concerns and preferences of the decision-makers, as well as of the interactive dialogue with the various groups who are part of the reform agenda. Once choices are made, their implementation and the challenges attached to implementation are also a key concern. One important question has to do with the institutions and the way they are organized to perform the functions for which they are designed.

I - CRITERIA AND PROCESS OF DECISION MAKING

What are the issues considered by policy elite when they make the decisions that are expected to introduce a change? Grindle and Thomas[139] suggest a framework of analysis for choices where the lenses of policy elites, the concerns influencing decisions, and the influence of main actors intermingle as explanatory elements. Situations and issues in a reform process vary

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[139] Merilee S. Grindle and John W. Thomas, 1991: Public Choices and Policy Change, Baltimore: The John Hopkins University Press, p. 96

and are so strongly related that one cannot generalize as to which aspect of the decision process prevails. Technical advice may be predominant for one issue, while international pressure will be the most crucial element for another. In some cases, bureaucratic implications will be the leading force, while in others political stability and support will prevail. Not to mention cases where many elements interplay. The following section weighs the relative importance each of these elements had in the conduct of the adjustment process of Burkina.

A - Technical Advice and the Use of Technopols

The appointment of technical specialists to high positions in the cabinet or the state apparatus is often believed to be an indication of leaders' willingness to rely on technical advice. This has been a constant feature of the Burkinabé reform process.

The profile of the seven finance ministers who have been appointed since the beginning of the reform program strongly suggests an attempt to involve technical specialists in the conduct of the reform program. They were all graduates in economics or a related field and had extensive experience with economic matters. Three came from private banking; two were former central bank governors. One made his career in private industry. And the last is a former staff member of the Ministry. The same is true for ministries with economic agendas like the Trade Ministry, which has been headed by people with a background in private or public industry since the beginning of the reform program. In the same way, appointments for high positions such as undersecretaries or permanent secretaries have always favored staff with high technical qualifications and extensive career experience.

The important question is how this influences the ultimate decision process. This depends on the nature of the issue at stake and the ultimate outcomes of the decision that has to be taken. Strategic decisions on reform matters were highly political and were thus taken in the framework of the weekly cabinet meeting where, like everywhere in Africa, staunch believers in adjustment coexist with strong opponents to " the domination of the World Bank and the Fund." In that context, advice from technical staff was mainly a filter, used by the political body to reach a final decision.

The supremacy of technical advice was obvious for matters whose comprehension required technical knowledge. One of the areas of the Burkinabé reform program where technical advice was preeminent was certainly macroeconomics, and more precisely the budget. The overall process of budget making in Burkina is dominated by the technical staff of ministries in liaison with the Department of Budget within the Ministry of Finance.

The importance of technical advice is clearly illustrated by the way the whole procedure of establishing the country's budget is carried out. It starts with the budget framework paper, a document that describes the objectives and constraints of the budget policy for a given year. It is prepared by the Ministry of Finance, submitted to the President for approval and signature, and sent to different ministries to serve as a guideline for the writing of their draft budgets. The President's office has never tried to introduce the slightest change to the draft presented by the Finance Ministry, thus endorsing what is really the view of the technical staff of the Finance

Ministry. The other ministries receive it as a presidential instruction, with which they can but comply.

In the second phase, proposals made by the ministries are submitted to the Ministry of Finance for discussion during the annual budget debates, where ministers come to defend their claims before the Finance Minister supported by his budget specialists. There again, real autonomy and decision-making power are given to the Finance Minister. As a result of these discussions, a first draft of the budget is submitted to the cabinet meeting and, after reconciliation of various claims, the final budget is prepared for Parliament.

This primacy of technical advice was made possible by the support of the top leader. It was also reinforced by the widely established belief that the Finance Ministry was dealing with such a highly technical and sensitive issue that it was wise not to interfere very much. It was finally made possible by the wise use the Finance Minister made of the perfect scapegoat -- the Bretton Woods institutions. The last, best way to resist pressure was to pretend the country has commitments to the Bank or the Fund that will not allow a positive response to what is demanded.

Another area where technical advice proved most important was that of monetary policy in general. As a member of the CFA zone, Burkina has no real autonomy in conducting its own monetary policy. Central Bank staff and those of its local office are empowered to deal with this issue. The devaluation of the CFA currency in January 1994 was certainly one of their achievements, more than the Finance Minister could take credit for. On the other hand, when a situation starts to become critical, the superiority of other considerations becomes readily obvious. In the aftermath of the devaluation, the program launched by the President on June 4, 1994, and viewed by many as parallel to, not to say conflicting with the adjustment agenda, was inspired and designed by political advisers with nothing but political concerns. When decisions were likely to have a huge political cost, the political instinct emerges automatically, and the Finance Minister would be advised to seek a better compromise with donors. In sum, during the Burkinabé experience with adjustment, technical advice was and still is strong, mainly in highly technical matters, but lags a little bit behind the concern for political stability and support. The subtlety of this way of acting is clearly illustrated by the particular use made of technopols during the reform program.

Reform processes in Asia, Latin America, and Africa have sometimes relied on the expertise of technocrats, who accept positions as political appointees. The word "technopol," coined by J. Dominguez and R. Feinberg [140] to designate this category of technocrats, suggests a shift from the easy status of technician to the more risky one of policy maker at the top level. The use of technopols also suggests that the laws of modern economy have become so difficult that a specific and deep knowledge of the matter is required, in order to understand and implement the reform program. In addition, it calls for a strong focus on the economic rationale and insulation from political and pressure group interference, whose interests are against the reform program.

[140] See for example, Feinberg, Richard, "Latin America: Back on the Screen." International Economic Insights 3,4 (July-August): 52-56

In Africa, the recent use of technopols resulted from the recommendation of the Bretton Woods institutions when adjustment programs were to be adopted. In Burkina, as in many other countries, the belief was that the shaping and implementation of the reform program required technocrats at a political level. The literature of political economy describes the technopol as somebody deciding to take a political appointment and making a career in politics. Then, based on the nature of the problems he is facing, rules are prescribed on how to become successful.[141]

But the perspective from which the role of the technopol is described often fails to take into consideration another fundamental dimension, namely the way the technopol arrives in the political arena. This is a very important factor that can help explain the agenda of the technopol and his chances of success or failure. The technopol may have decided by himself or under advice to run for an elective office. But most of the time, at least in recent reform experiences of Africa, the career of the technopol begins with an appointment to a political job related to the reform program, usually that of Finance Minister or Prime Minister, under the leadership of somebody wise enough to accept being surrounded by competence. The tendency of the literature to focus only on how effective the technopol proves to be in the implementation of the program leads to a failure to consider the perspective of the person who decides his appointment, when that is the case. Viewed from that angle, the Burkinabé experience suggests a sort of political use of the technopol by those who identify and appoint them, in addition to the technical ability expected, and which makes them a tool in somebody's hand for political bargaining with others in the local game.

Another important feature of the Burkinabé use of technopols is that even if their technical capability is welcomed as an asset for reform success, most of them did not arrive as a result of a collapse of the economy. This is a substantial difference from a country like Côte d'Ivoire, where Alassane D. Ouattara was asked to come and rescue a badly ailing economy. By being merely a tool in the internal fight among fractions, the technopol is not really in control of his agenda. That was experienced on many occasions in the Burkinabé adjustment process.
The first technopol to be appointed in Burkina under the reform program was certainly Prime Minister Youssouf Ouédraogo, who was in office from 1992 to 1994. While his appointment was largely explained by his knowledge of economic issues and his technical profile, it also appears that his choice was the least harmful decision in the context of a political fight between fractions of the ruling party. Having no political base, he was a threat to nobody. Very telling was the fact that his career as head of the government suddenly ended when he in his turn started to enter the game of political intrigue.

The same analysis holds for other technopols who were appointed subsequently, although it does not negate the technical job expected from these technopols, nor does it imply the political objective was the only one. The appointment of a technopol at the Ministry of Finance in September, 1993, was also, among other things, a way of solving an internal political problem. In the local political game, his predecessor, a heavyweight of the ruling party, was viewed by his opponents as eventually using the Ministry of Finance to extend his political base of support. The nominee was a newcomer, whose previous experience had been in Dakar at the headquarters of

[141] See for example, John Williamson,1994: "In search of a Manual for Technopols" in John Williamson ed, The Political Economy of Policy Reform, Institute for International Economics, pp. 11-28

the BCEAO. He could not adapt to the local environment and was fired six months later. In the same line, the appointment of a new Prime Minister in February, 1996, another technopol from the Central Bank, can be interpreted as a political maneuver, since no collapse of the economy nor any difficulty in implementation of reform could justify it. He also replaced a heavyweight of the ruling party, actually the same we referred to above, and who once again was under accusations from opponents within the ruling party, of preparing a national career.

Although technical capability has guided the choice for key decision makers at the ministerial level, politics has never been out of the game. This is illustrated by the very high turnover that has characterized the job of Finance Minister in the last decade, and which was linked to the evolution of the internal political game. During that period, eight finance ministers were successively appointed, which amounts to an average of 13 months per minister. The success the reform program has registered despite these frequent changes may appear quite astonishing, but is mainly explained by the stability at the highest level and the sustained commitment of the top leader to the reform process. Here again, the Burkinabé experience openly contradicts the "longevity theory," which links reform success to the long presence in office of a finance minister or economic team.

B - Political Stability and Political Support

The concern for political longevity is present at every step of the implementation of a reform program, because reforms are painful, hurt the majority, and can lead to political trouble. In Burkina, this concern clearly explained or influenced many decisions taken in the course of the reform program. A few examples can be given.

1. The pricing policy of cotton has always been a highly political subject, which even breaks down the barriers between congressmen from the cotton areas, be they from the opposition or the majority. Along with that goes the tax on agricultural inputs, which the government has been constrained to keep very low, despite divergent view from the World Bank and the IMF.

2. Politics and regime survival also certainly explain the move made by the leaders on June 4, 1994, to launch a program on production for rural areas. The fear was that the recent devaluation would lead to a loss of support in rural areas, where most of the pro-government constituencies are.

3. Despite the harsh constraints of the wage bill, the government could do nothing but recall civil servants who had fired after the revolution. It would have been politically risky to ignore such a claim in a period characterized by a rebirth of democracy.

4. Decisions were sometimes the result of pressure from specific groups. Trade unions succeeded in exempting products of mass consumption from taxes after the devaluation, as well as an increase in salary during the same period. They lobbied Parliament and delayed the vote of the new bill on civil service, which was to suppress the system of automatic advancement. This was and still is one of the strongest conditions set by the IMF on the Burkina program.

To what extent did that lead to a shift from orthodox thinking? Hopefully not much. The political situation of the country was such that no immediate threat could lead to a derailment of the program. The concern for political stability did not translate into an anti-adjustment approach of economic reform. It only prevailed in influencing the timing and the pace of measures. And here again a few examples can prove that the concern for political survival did not translate into an anti-adjustment policy.

Despite strong opposition, the government was able to take very difficult measures when the survival of the whole reform package was at stake. Unions' protests did not prevent the reform of the labor code. Consumer anger did not prevent an increase in the VAT tax rate from 15% to 18%. In late 1997, the vocal bar association of Burkina could not prevent the government from adopting a new law regulating the legal profession. Nor did complaints from business people lead to a suppression of the program on import surveillance. This ability to resist has much to do with the strength of the regime and its political base. It is not certain that the same result would have been obtained in a different political setting, or if the political difficulties consequent on a particular reform were likely to endanger the survival of the regime.

C - Bureaucratic Implications

To what extent did decision makers in Burkina represent bureaucratic constituencies? The theory of bureaucratic implications builds on the existence of constituencies within the administration, whose interests are defended by decision makers. Some decisions strongly support that view in the Burkinabé reform process. Other would lead to a more balanced conclusion.

The concept of bureaucratic coalitions and pressure groups was fairly visible in the Burkinabé reform situation. First, ministries are in themselves pressure groups when they deal with other institutions or when they defend their budgets. The institutional reform dealt with below offers a first example. The decision taken to merge the Finance and Planning Ministries was both a rational decision and an indication of the victory of the finance ' people,' whose minister was better connected to the top. In the fight for primacy, the finance constituency won the battle over its counterpart in planning also because donors supported that approach.

The staff is always eager to brief the minister about a particular decision when they think the authority of the ministry or the extent of its influence was being diminished. This results in all kinds of fights during cabinet meetings and numerous examples of reforms offered such opportunities. When it was decided to limit recruitment of new staff to a small number of ministries, the other ministers continued to complain and pretended they could be less and less efficient. The same kind of bureaucratic pressure was obvious when some categories of staff succeeded in getting specific benefits. The conflicting interests of the bureaucracies often led to open quarrels between ministries. Among many examples, the Finance Ministry and the Ministry of Foreign Affairs have been fighting for years on the issue of international cooperation, the question being which ministry should take the lead in dealing with outside financial sources. The diplomats of the Ministry of Foreign Affairs briefed their boss on the necessity of having control over the whole issue of international cooperation, and launched a program of "development diplomacy." Their basic argument was that the Ministry should not restrict itself to political matters in a cold war era when ideological struggle has been replaced by economic war. For their part, the staff of the Finance Ministry and their Minister claimed that the whole issue of attracting foreign aid is a strong component of the reform program and has become an integral part of budgetary policy. It should therefore remain within the Finance Ministry, following the will expressed by donors. The matter was never really definitely resolved and provokes sometimes ridiculous overlaps between the two ministries.

Second, pressure groups formed inside ministries and were prompt to attack reform decisions that were likely to undermine their influence. It was true with the price inspectors, who vehemently opposed price and trade reform, as described above, or with managers of state-owned enterprises who slowed the privatization process, or the staff of the Ministry of Agriculture which opposed the personnel downsizing of its ministry.

Were these kinds of pressure a key determinant of the decisions? Not necessarily. And in fact, most of the reforms that were implemented relied mainly on the determination of top decision makers, often against the will of the bureaucracy. Overall, the Burkinabé experience offers a telling example of how bureaucratic groups did not help the reform as much as was required. On the other hand, however, they did not succeed in preventing it.

When the reform program started, the Burkinabé administrative staff was undergoing a severe crisis of identity, as a result of the policy implemented by the revolution toward urban workers and intellectuals. For political reasons, many of the well trained senior staff had been fired after accusations of being an impediment to the revolution or for corruption, sometimes accused by a younger generation eager to accede to responsibility. These accusations were not totally false, although these were less severe when compared to other countries at that time. The dramatic changes introduced by the revolution resulted in installing people with little experience in command and in lowering the average age of key decision makers at the administrative level. But this new generation, trained like its predecessor in the best universities in France, was not *per se* strongly reform oriented. It was not motivated because most of the incentives and privileges from which it could benefit had been suppressed, and because the excessive politicization of the administration made it a difficult environment for those who wanted to rely only on competence. It could not allow itself the same predatory behavior that it was denouncing. Moreover, it certainly viewed reform as a process of erosion of a power it had hardly had time to build. During most of the course of reform, this group proved quite reluctant to assist the change.

II - THE MONITORING OF THE REFORM PROGRAM

Monitoring the reform program included issues such as the institutional aspects, the sequencing of reforms, the timing and magnitude of problems, and the whole sustainability of the experience.

A - The Institutional Dimension

The institutional dimension of the reform program was a critical one. When the reform program was about to be adopted, the economy of Burkina Faso was managed by the following departments:

- The Minister of Finance was in charge of collecting revenue and managing the budget. It had just been reunited, after the revolutionary government had splintered it into two components: a ministry of financial resources and a ministry of budget.
- The Ministry of Planning and Cooperation, whose job was to set the direction for economic development and to gain donors' confidence for the financing of development projects.
- The Ministry of Economic Promotion, formerly the Ministry of State Enterprises, which stood as a strong symbol of the interference of the state in the industrial development, and the watchdog of state interest in the economy.
- The Ministry of Trade and People's Supply, whose area of competence extended to the regulation of trading and pricing.

That was obviously too much and too fragmented for the conduct of the kind of reforms usually undertaken during a structural adjustment program.

The first trip to Washington in 1991 to start negotiations with the Bank and the Fund highlighted an important unsolved question: the choice of the team leader. The Minister of Planning and Cooperation believed he should have that honor, because discussions would be held with donors, for whom his ministry had always been a local counterpart, and because adjustment is about an economic strategy for the country, which fits into its area of competence. The Minister of Finance, based on the fact that financial and budgetary issues are at the core of the reform program, and looking at experience of other adjusting countries, insisted on having the lead. The decision was finally reached to let the Minister of Planning be the head of the delegation. But the course of the reform process shows the difficulties in getting so great a number of ministries to work together. Conflicts of competence were so numerous that a political decision had to be taken.

In 1991, the Ministry of Trade merged with the Ministry of Economic Promotion and a new ministry was created, in charge of trade, industry, and mining. On the same occasion, the Ministry of Planning joined the Ministry of Finance, creating the Ministry of Finance and Planning. But merging the two ministries did not solve the problem immediately. One big challenge was to create a unique bureaucratic culture. It was performed very gradually. In 1992, the position of Deputy-Minister for Planning was provided, under the authority of the Minister of Finance, with the responsibility for the "planning" side. After the 1994 devaluation, the position was suppressed, but planning still continued to be referred to in the official spelling of the ministry. That would cease in 1996, when a cabinet reshuffle led to the creation of the Ministry of Economics and Finance.

To ensure complete autonomy of the monitoring of the reform program, a distinct department was even created at a certain point and called Ministry Delegate for Economic

Reform, as part of the Finance Ministry. It proved difficult to avoid conflict with the Finance Minister, and the formula was quickly abandoned. To monitor the program at a technical level, a ministerial committee for adjustment was created and a permanent Technical Secretariat for Adjustment set up to serve as a technical body. This secretariat was initially placed under the Ministry of Planning and Cooperation. It went to the Ministry of Finance when the two were merged.

This configuration did not solve the problem of reform monitoring and could not prevent conflict from erupting between the Finance Minister and his colleagues. A big problem that had rapidly arisen out of the reform program was that of the relationship between the Ministry of Finance and the other ministries. In the hierarchy of the government since 1992, the Finance Ministry had occupied the Number 3 position, immediately after the senior ministries, which were usually political. But this was mainly a rank of protocol, which implies no authority over the rest of the cabinet. As the main watchdog of the program, the Finance Ministry is the natural counterpart for IMF and World Bank missions. Under the guidance of the Minister, the permanent secretary prepares the documentation for negotiations, after gathering information from everywhere, and makes sure other ministries implement reforms quickly and efficiently. Negotiations are held at the Finance Ministry, the Finance Minister acting as the leader of the government delegation. Reluctant ministries are called and advised to comply quickly with the reforms.

Trouble began when, as is often the case, the Finance Ministry and another department did not agree on a given reform. It worsened when other ministers had the feeling of being "instructed" by the Finance Minister or his staff on various matters. Areas where that occurred the most were the liberalization of trade and pricing or reform of the public service. Of course, internal politics and rivalry among cabinet members did not always facilitate things. Complaints began to arise that led to a shift of the permanent secretariat from the Ministry of Finance to the Prime Minister's office in early 1993. It was also an obvious attempt by the then-Prime Minister to control the reform process, which he had partially initiated when he was Minister of Planning and International Cooperation. When in September, 1993, a deputy governor of the Central Bank was appointed Finance Minister, he made it very clear that he wanted to supervise the permanent secretariat. His request was accepted and the secretariat returned to the Finance Ministry, which was elevated to the rank of senior ministry. In September, 1996, to ensure stronger control over the reform process from the top, the Prime Minister named himself Finance Minister. The experience lasted only nine months, because running the two departments proved very difficult and time consuming.

The tendency of prime ministers to name themselves finance minister has grown in Africa during the recent period. It has shed light on the rivalry between finance ministers and prime ministers during adjustment. This tendency is clearly attributable to the renewed prestige of the finance minister's job. He becomes the star of the government, thanks to his close working relationship with the donors and the importance of the economic program on the government's agenda. This results in a powerful profile, not to say position, which many prime ministers find hard to accept in a subordinate. The situation proves to be more manageable when the prime minister is not educated in economics than when he is. A close and friendly relationship between the two is a fundamental condition for reform success whenever the job of prime minister exists.

The Burkinabé experience shows how difficult it is to find the best institutional framework within which to conduct the reform program. The main issue in the monitoring of the program is to get a technical structure like the permanent secretariat which has authority over various ministries whose comprehension of economic issues is not necessarily reform oriented. Also important is that the finance minister, who is seldom a political giant, have the power to make things happen in ministries he does not control and that do not care about deadlines that are part of a matrix of measures necessary for financial support for the budget. The challenge is also to have the finance minister and the prime minister act as a team and not as rivals. Whatever the formula chosen, and the situation, another major issue is the relative position of the finance minister as compared to his colleagues. It is necessary to make his primacy a given and to insulate him from the domestic game of intrigue that goes on while he is far away from home, busy obtaining the confidence of the donor community.

B - The Sequencing of Reforms

In Burkina, as was the case in many African countries under adjustment, the theoretical distinction of stabilization from structural adjustment did not apply in practice. The two were considered together, while many developing countries in other parts of the world conducted their reform programs by considering stabilization to be a prerequisite for deeper structural reforms. The question of dealing with the sequencing of the policies that were part of the two reform packages is a subject for which theory has few answers. Economic theory is at ease in comparing a liberalized economy with a controlled one, and portraying the first as more efficient. But as Michael Bruno pointed out quite bluntly, "theory tells us virtually nothing about optimal transition paths from a distorted system to one that is more fully liberalized. Unfortunately, this is the most important problem for any successful reform."[142] Countries learn from experience and realize the mistakes that have been made once the process is under way. That was also the case for Burkina Faso.

When the country signed its first program, it did not even consider the eventuality of tackling the stabilization issue first and then embarking on deeper reforms. The donors did not propose that either. The most accurate explanation of such an approach might be that the state of government finance did not require a stabilization program before the distortions of the economy could be addressed. Unlike many Latin American countries, the country had no problem with hyperinflation. Its budget deficit was fairly acceptable and was not financed by money creation. Indeed, its imports were under control and the currency was overvalued. The general thought was that it could afford a unique and complete package of reforms, which according to the lessons learned elsewhere might prove adequate in provoking a quick change. The donors also thought the government was robust enough to maintain the political stability necessary to carry out the whole reform package.

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[142] Michael Bruno, 1985: "The Reforms and Macroeconomic Adjustments: Introduction," World Development, No. 13, pp. 867-69.

The country found itself trying to curb the deficit, devalue the currency, reform trade and pricing policies, privatize state-owned corporations, save money for the social sector, and embark on civil service reform. All were initiated at the same time, and probably due to ignorance and lack of experience, nobody in the government thought of demanding another initial sequencing. Inside the package of structural reforms, some measures were taken simultaneously which, viewed in retrospect, does not appear to have been the wisest decision. A few examples will support this opinion.

The liberalization of imports and the lowering of tariff barriers occurred at the same time, leaving no time for adaptation for local industry, even if a temporary protection tax was granted. In a similar way, prices of agricultural products became free of controls before the currency was devaluated. As a consequence, resources moved to food crops and returned to export commodities only after 1994.

In the framework of the BCEAO, the credit markets of the sub-region were liberalized quite early, with the abandoning of statutory ratios of resources use, even before some countries could start their reform programs. It led to an increase in interest rates, in a move by lenders to avoid inflation, which slowed down investment.

One final but significant example has to do with the elimination of arrears. Primacy was given to the clearance of external arrears, while a strong focus on domestic arrears in the beginning of the reform process would have given strong leverage to the local economy, favored better revenue collection, and enabled the government to invest in social sectors sooner.

Being unable to establish the sequencing of the reform package according to its will, the government could play only on gradualism in the implementation of any given reform, once the principle was agreed on. This was very true for the pricing and trade policies, where liberalization was made for one group of products before another and took three years to achieve. When we now look back on the difficulty of each set of reforms, it appears that a different sequencing might have proved less politically painful. Obviously, the country would have gained from an initial focus on the reform of trade and price policy and embarked on more difficult reforms later. The implementation of this type of reform was far easier than the privatization of state enterprises or civil service reform. The trouble experienced with sequencing was also encountered with the timing and magnitude of reforms.

C - Timing and Magnitude of Reforms

Beside the question of sequencing, the question of timing and magnitude is another issue that was part of the discussion with donors in the course of implementing the reform program. The basic question is simple: should reforms be implemented quickly or phased in gradually, and to what extent.

The government never thought it was possible to apply a "shock therapy" type of reform, although the kind of package Burkina and other African countries were receiving was not far from that, since stabilization and structural reforms started together. Donors did not push in that direction in the beginning. But after an initial year of a standard facility, the Fund proposed that, based on outstanding achievements, the country could qualify for an enhanced structural adjustment facility (ESAF). It would bring additional resources, but it also implied a faster rate of reform implementation. The country readily agreed, flattered to be an example of success, and less concerned with the implications for reform.

The evaluation of the correct timing for some measures was not always the same for the country and the donors. In fact, the IMF and the Bank do not show particular concern as to whether the time is appropriate for a given reform measure. Political feasibility is supposed to be assessed by the country itself, donors being willing to implement as much reform as possible.

For example, the IMF mission was particularly impatient after the devaluation; and just a few weeks after the event occurred, the head of mission expected to see a complete rebirth of the economy and a sharp increase in fiscal revenue. The review made in April, 1994, just three months after the change of exchange rate, was in that regard discouraging and troublesome. Revenue was not at the level expected, due to a natural slowdown of the economy and the wait-and-see position taken by the private sector. Also contributing to the poor performance was the fact that the private sector had built stocks in anticipation of the devaluation. Regardless, the Fund insisted on having the results immediately and started to question the effectiveness of the hard reforms that were supposed to be implemented. For its part, the government was willing to take some time and resume adjustment once the first effects of the historical event were gone.

Another divergence emerged as to the magnitude of some reforms to be implemented. This mainly concerned the areas where reforms meant less power for the government and led to the definition of a core number of areas where this was reaffirmed. Price deregulation was accepted, except for highly sensitive products or services: petroleum and public utilities, for example. Privatization was accepted in principle, but refused for strategic enterprises. Imports were free, except for guns or explosives. In general, this was an illustration of the hesitation that always marks the reform process and that influences its sustainability.

D - Sustainability of Reform

As we know from experience, making policy choices is only tackling half the reform issue. A major problem is to get them implemented, and moreover to sustain them over time. All adjusting countries, Burkina included, face this problem in the course of their reform process. The challenge of sustainability was not faced the same way for all measures. Depending on the nature and magnitude of the problems a reform posed for the government, which problems depend on the segment of the population that is hurt, some measures were fully implemented, some altered, and some simply abandoned.

Since 1991, the government and the IMF had been eager to eliminate exemptions on projects financed by outside donors. They never succeeded in doing so, because bilateral donors made it clear the laws in their countries do not permit them to invest in the tax collection of countries they are helping. They were initially planning to clear all external arrears in 1991. It was not feasible and later on was gradually scheduled over a three-year period. Most of the painful liquidation or privatization operations started first as restructuring schemes and were altered later when that proved quite impossible. One might also mention civil service reform, recently adopted, which was substantially modified in the course of the discussions in Parliament. Alteration always resulted from pressure from the public or the bureaucracy, whose complaints end up by making the government grant some concessions.

The sustainability of the reform program was also endangered by a sort of adjustment fatigue that occurs from time to time during implementation. It is usually the case when results are slow to appear, thus favoring harsh criticisms against the reform program for lack of immediate results. This was true in 1993 when the mid-term review proved to be disastrous and when the program was almost stopped. It was obvious again after the devaluation of the CFA currency, when opponents to adjustment inside the ruling circles started questioning openly the relevance of the strategy the country was pursuing and advocated alternatives. However, these slight modifications did not lead to an abandonment of the whole program; they only proved how hesitant a government can be in implementing adjustment policies.

Chapter 9: Democracy and Reform

The link between democracy and economic reform is a classic topic of the literature of political economy.[143] Most research has studied the Latin American situation. Indeed, the African experience with democracy is more recent and has produced little analysis of the link between democracy and the economic changes introduced simultaneously. Many theoretical assumptions have been developed to explain the direction the influence of democracy on reform could take, but no definite answer could reasonably be given.

We try in this chapter to investigate such a link in the Burkinabé experience with adjustment. But complete understanding of this interaction between economic reform and democratization requires a deep knowledge of the characteristics of the Burkinabé democratic experiment. Describing such characteristics will open the way to an in-depth analysis of the nature, direction, and magnitude of the interaction.

I - CHARACTERISTICS OF THE BURKINABÉ DEMOCRATIC EXPERIMENT

The Burkinabé version of what Samuel Huntington[144] has called the third wave offers some of the paradoxes described by Robert Bates.[145]

- changes were demanded domestically but were supplied internationally
- new political beginnings were led by old politicians
- reforms were initiated by the governments they were supposed to attack.

But one of the distinctive features of the Burkinabé democratic experiment is that those who initiated it were younger and stronger than those who demanded it and were able to control the process from the very beginning to the end, while at the same time constantly weakening the opposition.

According to former speaker of House Arsene Bongnessan Ye,[146] the idea of drafting a democratic constitution was expressed by President Compaoré early in November, 1989, just a few months after a failed coup. Even if the international setting was important in influencing the decision, this was a deliberate move by the ruling power, while in other countries, democracy was granted as a response to public demand and protest. This anticipatory approach proved decisive in the control and shaping throughout the process.

When political life resumed in 1991, the ruling party quickly appeared as the main player in the political game. The ODP/MT,[147] as it was named, had been created in April, 1989, and was mainly composed of a new generation of politicians, most of whom had started their careers with

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[143] see for example Larry Diamond and Marc F. Plattner eds, 1995: Economic reform and democracy, The Johns Hopkins University Press,
[144] Samuel P Huntington, 1991: The Third Wave: Democratization in the Late Twentieth Century, Norman: University of Oklahoma Press,
[145] Robert Bates,op cit
[146] Bongnessan Arsene Ye,1996: *Burkina Faso: les fondements politiques de la IVe république*, Ouagadougou: Presses Universitaires de Ouagadougou
[147] *Organisation pour la democratie populaire – mouvement du travail*

the 1983 revolution. It was privileged to be in power and to have an unquestionable leader, President Compaoré. Things were less clear in the other more than 60 parties, be they opponents or supporters of the government. The opposition had two wings. The right conservative wing mainly comprised old parties who had influenced the history of the country since independence. Some, like the RDA,[148] kept their old name. Others, like the CNPP/PSD[149] or the ADF,[150] are also old political parties that had adopted new names. The left wing of the political spectrum was occupied by countless small leftist parties. Some were nostalgic for the revolution and opposed President Compaoré on that basis. Others were opportunistic organizations that would go from opposition to majority and back according to circumstances.

The dominance of the ruling party was obvious in the start of the reform process. Following a habit born with the political experience of neighboring Benin, the liberal parties demanded that a national conference be organized to reflect on and evaluate the period of the revolution before a jump was made to democracy. In fact, they were looking for an opportunity to conduct a popular trial against the revolution and its violation of human rights. In the game of confrontation, they appeared too weak to be able to impose it. They only succeeded in gaining a liberal type of constitution, where former revolutionaries were willing to write a revolutionary constitution that would have simply legitimated the ruling Popular Front. But a second failure of the liberal wing was to follow. The elections held in June, 1992, to elect a new parliament were overwhelmingly won by the ruling party, which gained 77 seats out of a total of 107.

This election undoubtedly opened a new era in the democratic life of the country and confirmed the decline of the old generation of politicians. The reasons for their failure are quite simple. The 1983 revolution and subsequent political developments had created a completely different political environment. The old politicians who had relied in the past on predation and rent to build their political support and social base had been weakened by the measures taken against them by the revolution. Connections in the state apparatus were gone. The private sector was no longer an ally able to provide campaign funds. Neither could show new faces and new programs, having failed to recruit from the new generation. Contrary to what usually happens in African politics, the challengers were men of the past, while the incumbents stood for hope for the future. The opposition was also fragmented. Ideological differences were huge, and political agendas deeply contrasting. The ruling party added to their division by playing them against one another.

Another important feature of the democratic life of Burkina is that as in many African countries, opposition is not really a matter of belief or ideology, but rather a struggle for access to power. The fight is more between personalities or egos than it is between economic visions and programs. Most opponents who were vocal against adjustment inside or outside the parliament had no alternative to propose. Their comprehension of economic matters was limited, and they were content to point out everything that was going wrong rather than searching for a logical explanation. Since the beginning of the democratic process, the opposition continued to

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[148] *Rassemblement Democratic Africain*, a very old anti-colonial party which fought for independence in many francophone countries and dominated Burkina's political life until the 1983 revolution.
[149] *Convention Nationale des Patriotes Progressistes-Parti social democrate*
[150] *Alliance pour la democratie et la Federation*

weaken, while the ruling party grew stronger. In February, 1996, many of the opposition parties joined the ruling party to create the CDP.[151] In the election held in June, 1997, only 23 seats out of 107 were left for the opposition. The influence of the opposition became smaller at the following elections in June 1997. Only 9 seats out of 111 were captured by it. This weakness of the opposition sets a different political environment for the reform program, and certainly influenced the way its implementation was influenced by the democratic game.

II - THE INFLUENCE OF DEMOCRACY ON THE REFORM PROGRAM

Democracy can influence a reform program in many ways. Electoral events can determine the timing, the delay, or even the abandonment of economic measures that are not popular, when the government fears to lose a vote. In the course of the reform program, the relationship between the government and the parliament over the reform issues can be troublesome, even with a large majority. Finally, a democratic environment opens more avenues to the pressure and interest groups that can alter reform decisions. Let's examine these patterns in connection with the Burkinabé experience.

A - Electoral Cycles

Democracy influenced the Burkinabé reform process at the very beginning in several different ways. Unwilling to conduct the two processes simultaneously in 1992, the government made a request to the Fund and the Bank for a deferral of the reform program. The 1992 election was a sort of founding election for the Burkinabé parliament, since it was the first time in decades a parliament had to be elected. The government's administrative capacity was absorbed by the political agenda. Thus the discussion of the new policy framework paper covering the 1993-95 period was very slowly conducted and was not concluded until the end of 1992. Some of the measures in the reform program would have needed a greater consensus, and it sounded wise to have them taken by the parliament. The democratic rebirth also led to a slippage in the management of the reform program and in the budget, because of expenditures related to the creation of new democratic institutions, or the satisfaction of popular demands.

Since the adjustment program started in 1991, Burkina has held one presidential election (1991), two parliamentary elections (1992 and 1997), and one election for city mayors (in 1995). The 1992 election is the electoral event that had the strongest influence on the conduct of the program. Subsequent electoral events were marked by milder confrontation, maybe because of the strength of the ruling party and the fragmentation of the opposition. But it should also be said that the Burkinabé never really voted for or against reform the same way it was experienced in some countries.[152] The issue and details of economic reform were never the core debate of the political campaigns. In 1992, people were primarily concerned with having a new form of government, democratically elected, which seemed to better guarantee basic freedom. Although expectations were high that change would bring a better life, the government did not have an explicit mandate for or against economic reform. In 1995, elections for city mayors were more

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[151] *Congres pour la democracie et le progres*
[152] see for example Stephan Haggard and Steven B. Webb, eds, 1994: Voting for Reform, Oxford University Press, p. 519

local events, the concern being mainly the management of city problems rather than a discussion on the relevance of adjustment. The general public was again less concerned with these issues during the 1997 elections for parliament. The discourse against adjustment was mainly limited to the parliament and to the discourse of political leaders from the opposition, who rather insisted on issues like corruption, privatization, or the constitutional change introduced early to lift any limit to the presidential term. Of course, during election times there was a change in the mood of political partners, even inside the majority, that called for a cautious approach and a refrain from taking provocative decisions. But overall, electoral cycles have not greatly influenced the conduct of the reform.

The relations between the executive and the legislative branches were more difficult to manage; and the government learned that a strong majority in the parliament did not automatically guarantee a vote of confidence.

B - Relations with the Legislature

Certain decisions in the reform context require the approval of the legislature. It might be a decision to privatize a state-owned corporation, an issue regarding the budget, or even the liquidation of an enterprise created by law. Many episodes occurred that enabled the government to test the solidity of its relationship with the legislature. Two levels of confrontation must be distinguished here. The first one is the dealing with the ruling majority, whose support was indispensable for gaining the winning vote. The second level of confrontation is with the minority in the parliament who find pride and political benefits in opposing the government systematically.

The government quickly understood how important it was to convince its own majority first before seeking a vote of parliament on tough issues. This proved more than necessary because in the absence of a strong opposition, the internal debate within the ruling party tended to become contentious. The process of convincing the majority always started with a briefing, not easy to conduct, where plea and blackmail were genuinely combined. It was not always easy, the congressmen of the ruling party having the feeling of not being told all the “secrets” on the issues presented to them. Some felt being instructed or used for purposes they did not always understand. And some even felt bitter for not having been chosen to be member of the government, and decided to put pressure on any cabinet member coming to make a presentation before them. In addition, there were the unavoidable political fights between factions of the party. As a result, some subjects almost led to confrontation. Here are some typical examples.

In order to be able to decide quickly on matters that would normally require the approval of parliament, the government is entitled by the constitution to ask for an habilitation bill, covering a certain area of competence, that would allow it to decide without the prior approval of the parliament, and then to ask for an ex-post clearance. Due to some delays in the reform program, the government decided to use this mechanism, and would ask for a bill of habilitation any time the parliament was in session. It was agreed in the beginning, but the practice later became a subject of controversy between the government and its own majority. Members of parliament accused the government of trying to avoid debate on sensitive issues and started to restrict the duration of the bill or even to question openly the relevance of the practice.

On July 31, 1992, parliament approved an habilitation law to allow decisions on subjects related to international agreements, conventions with the World Bank and the Fund, specific statuses, higher education, but decided to limit its duration to only three months. Members of congress also limited the areas in which decisions could be taken under the rule of the habilitation law and would not extend it only after some soft bargains. The parliamentary majority even went on to investigate its own government. On December 21, 1995, two resolutions were voted by parliament at the initiative of congressmen from the majority creating a parliamentary investigative committee on the privatization process and on the subsidies granted to some state-owned corporations. On the other side, minority leaders lost no opportunity to distance themselves from difficult decisions taken by the government.

Parliament argued for a long time before approving the liquidation of the OFNACER on May 6, 1994, because of its social consequences and unions' pressure. It debated for many days before agreeing to the privatization of Air Burkina. It vilified the whole privatization program and joined unions to oppose civil service reform. Ironically enough, these debates were mainly limited to the political arena, and did not really echo the concerns of the average citizen. Primarily they reflected the agendas of pressure groups, inside the political landscape or in the society.

C - Democracy and Pressure Groups

With the new democratic setting, various pressure groups quickly found a way of getting the ear of the government. But once again, their ability to blackmail was limited by the strength of the ruling party. The lobbying and pressure activities took various forms. Unions were the first to understand the use they could make of the democratic game. They started to lobby parliament whenever a bill dealing with issues of interest to them was under discussion. They would do so by publishing open statements, writing to individual congressmen, or organizing sittings in front of parliament. The only notable result of their action is that they are now consulted by parliamentary commission when there is the feeling that a bill might touch on their interests. They only succeeded in delaying a discussion, but could not organize a vote against a bill introduced by the government before parliament.

Other social groups have a more subtle way of defending their interests. In fact, political blackmail is not part of the Burkinabé culture. People do not say they will refuse to vote for you if…They join you to support you and then ask for something. This was highly visible with the creation of countless number of associations or organizations of any kind (women's organization, retailers' organizations, etc) that claim to support the ruling party, hoping to have access to decision centers and to gain some personal or collective benefits for their members. Once again, the reform program was not fundamentally endangered by this game, and was kept on track because of the strong leadership that prevailed.

Like many previous studies, the analysis of the Burkinabé experience with democracy and reform does not allow for a definite conclusion about the widely discussed issue of the kind of regime that better suits economic reform. For a long time, conventional wisdom held that authoritarian governments could better carry out reform measures than the democratic ones. This so-called "firm hand theory" was based on a set of assumptions that, at first sight, seem seductive:

- reforms are painful, mainly for the poor, who will thus tend to protest against cuts in their living standards.
- even the privileged groups have something to lose from reform process; they are thus likely to withdraw their support of the government.
- in a democratic environment, it is easier for protest groups to organize and disrupt the implementation.
- the process of decision making is easier under an authoritarian regime than it is under a democratic one, because technocrats are more autonomous under the former

The view was first supported by empirical studies conducted by Skidmore[153] and by Kaufman[154] on Argentina, Brazil, and Mexico. We later learned from Haggard[155] and Remmer[156] that the final outcome is more complex. The record on the ability to comply with World Bank conditionalities in Africa strongly supports this view. Many democratic countries are considered good compliers: Benin, Malawi, and Mali, for example. The group of poor compliers includes non-democratic countries like Burundi, Kenya, Nigeria, or Democratic Republic of Congo (former Zaire).

The case of Burkina, where the opposition has been consistently defeated in elections since the start of the reform program, would also support the view that a ruling party implementing adjustment can still win elections and that a democratic country can succeed in making reforms. This was not really an exception in Africa. Not many democratic changes that have occurred recently in Africa can be explained by economic reform. Voters ousted the reform-minded government of Nicéphore Soglo in Benin and brought back the former Marxist president Mathieu Kerekou, under whom the economy nearly collapsed. The change in Congo Brazzaville is more easily explained by rivalry over oil interests than by the issue of reform implementation. The coup that ended the democratic experiment in Niger in 1996 was nothing but a shock of ambitions.

But the Burkinabé experience also suggests that strong leadership is a guarantee for successful implementation of reform program and that democracy is not exclusive of a firm hand. The usual political game inside the parliament was such that the majority had to be under firm control, to avoid surprising votes. This was worsened by the fact that members of parliament are under pressure from various constituencies, and when difficulties appear in the

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[153] Thomas E. Skidmore, 1977: "The politics of Economic Stabilization in Post War Latin America," in James Malloy, ed, Authoritarianism and Corporatism in Latin America, Pittsburgh: University of Pittsburgh Press, 1977

[154] Robert R. Kaufman, 1985: "Democratic and authoritarian responses to the debt issue: Argentina, Brazil, Mexico" in International Organization, 39, 3

[155] Stephen Haggard, "The Politics of Adjustment: lessons from the IMF's extended fund facility" in Miles Kahler ed, Politics of International Debt, pp. 157-186

[156] Karen L. Remmer, 1993: "The Political Economy of Elections in Latin America,1980-1991" in American Political Science Review, vol 87, pp. 393-406.

course of the reform process, they tend to reflect the usual resistance from these pressure groups. The action of these groups is not favored by democracy only, since they would have found a way to exercise pressure, even under an authoritarian form of government.

Chapter 10: The Donor-Recipient Relationship

International pressure was a key element in creating the impulse to reform in Africa. Both the political and economic changes that the continent has gone through have been demanded locally and supplied internationally. Even if it is hard to agree with Jeffry Frieden on the assumption of the primacy of international influences,[157] as he asserts was the case in Latin America, one must recognize that the attitude of donors proved determinant both for the move to adjustment and for the implementation of some decisions in the course of the reform program. Burkina is no exception to that rule, even if the decision to adjust had been taken while the economic situation of the country was still acceptable.

Early contacts with donors and Burkinabé citizens working in international organizations certainly played a great role in favoring the ultimate decision to adjust. Futhermore, the presence of donors was strong in guiding the conduct of the reform program. The conduct of a reform program is a partnership between a country and the Bretton Woods institutions, the World Bank, and the Fund. The primacy of that relationship is now a given, and all other donors position themselves according to its nature and quality. The quality of this relationship, an important factor of reform success, is built or destroyed during many episodes and around many issues. The initiation of the program and the negotiation for any new phase of the reform program are very important moments in the building of that relationship. Equally important in shaping the quality of that relationship is the whole matter of implementation of reform, in which the issues of donors' conditionality and pressure play an important role.

I - THE CONCEPTION OF REFORM PROGRAM

The initiation of reform programs offers the first opportunity for strong convergence or divergence over the nature of the change to introduce. This happens both during the choice of the conceptual framework and during the practical discussion of the program.

A - Agreement and Disagreement over Concepts

The initiation of reform programs or sub-programs revealed on many occasions strong disagreements over conceptual issues. First, the decision to initiate a reform program sheds light on an intellectual divergence between country experts and donor missions, centered around the drafting of the policy framework paper. The PFP is supposed to reflect the policy choices made by the recipient country and the strategic means chosen by the government to reach its goals. The usual and official designation of the document clearly implies that, since it is said to have been written by the country, with the help of the Bank and the Fund. Initially in the Burkinabé case, the draft of the PFP was prepared by the Bank and Fund mission, after a broad exchange of views on the policy to be implemented. The draft was then submitted to the government for

[157] Jeffry Frieden,1996: "On the Primacy of International Influences" in Leslie Elliott Armijo, ed.,1996: Conversations on Democratization and Economic Reform, Los Angeles, Center for International Studies, pp. 346-348

discussion, in the framework of plenary meetings headed by the finance ministers with the participation of other ministers in charge of specific aspects of the reform program.

Experience with many countries and various situations has given donors a real advantage in the initiation of programs, although the programs tend to become quite standardized. This was noticed by reading and comparing the draft proposals submitted to Burkina with the proposals received by other countries. Also, it became clear that this document reflected the views of the donor, detracting significantly from the useful appropriation of the program by the country. Burkinabé technicians felt a little bit useless, seeing the basic documentation of their reform program initiated from outside, while they believed that they had the required knowledge. It was also obvious that this way of doing business could by no mean insure a real appropriation of program by the country. Thus, in an attempt to strengthen its ownership of the reform program, the government of Burkina decided in 1995 that the initial draft of the PFP would be elaborated by its own technical team and serve as a basis for discussion with the mission. It proved quite difficult to reach an agreement with the IMF, whose representative asserted that the new procedure proposed by the government was making discussions longer. The experience was tried once and abandoned in 1996. It poses the basic question of intellectual trust among partners, which took quite a long time to reach and proved very hard to sustain.

The freedom of intellectual debate that occurred while designing the reform program also quickly appeared as something difficult for the recipient country to indulge in. In fact it was viewed with suspicion by the donor, who tended to suspect the return of heterodox thinking behind any sort of criticism or discussion of the basic principles. The ideas of the "Washington consensus" seemed for some mission heads like the truth of the Bible, to be accepted without discussion by a finance minister to prove his commitment to reform. A clash almost happened when, in 1995, as part of its adjustment program, and in a move to respond to criticisms over the lack of concern for social issues by the government, Burkina convened a donors' meeting in Geneva and unveiled a letter of intent for human sustainable development. This meeting, as was the case for a donors' roundtable, was organized by the UNDP, which was obviously delighted to see one of its favorite topics of interest to the government. Preparation for the conference was difficult, the Bank and the Fund fearing the reform program was to be replaced by another concern in which the macro framework was no longer of any importance.

The problems of conceptual convergence become worse when, as is often the case, the country finds itself caught in a fierce battle between donors who disagree. First, bilateral donors do not always agree with the multilateral one on all the issues of adjustment. More influenced and concerned by the status of their political relationship with the recipient country, they tend to be more indulgent as far as compliance with the rules is concerned, and based on the economic views and interests of their own countries, they can oppose some of the measures prescribed by the IMF or the Fund. One might even suspect a certain jealousy to see "impersonal institutions" take the lead in countries where former colonial powers were the main providers of budgetary support, and thus stood as the most privileged partners. It is not easy now to share power with Bretton Woods.

Second, multilateral donors themselves tend to disagree on the issue of adjustment, or on its modalities, Some view the approach of the Bank and the Fund as being too "financial" and call openly for alternative approaches that, as they say, will give more consideration to the human side of development. Some even question the relevance of adjustment as a means of correcting imbalances and returning to growth. The divergence sometimes reaches very specific and important issues. During a certain period, the Bank and the French development fund could not agree on the agricultural policy Burkina should implement with regard to the cotton sector. The Bank was calling for the elimination of any subsidies on fertilizers and for the termination of the advisory role and the privatization of the SOFITEX, the state cotton corporation. Opposite views were defended by the French. Unfortunately, these struggles result in taking disbursements hostage, each camp refusing to release its part unless its views are implemented. These differences in conceptual views strongly influenced the discussion of programs.

B - The Discussion of the Program

The practical discussion of the draft program takes the form of a roundtable, with the finance minister as host, surrounded by other cabinet members, technical staff from the ministry and the central bank, and the Fund and Bank mission, usually led by a Fund senior staff member. The discussion has a very strong psychological dimension, with the leader of each camp under strong pressure.

First and most important, a finance minister in that position is haunted by the concern of projecting an image of competence and intellectual mastery of the issues that must be discussed. This was ensured by preparation with the technical staff before the mission arrives, during which all the issues were reviewed and the strategy of discussion defined.

Second, depending on the nature of the specific issues at stake and on the instructions received from the hierarchy, he is under stress, fearing to yield too much, or not to reach a conclusion, which in the first case may be politically damaging, and in the second case would be bad publicity for the country and in both cases may cost him his job. The presence of other ministers makes the pressure stronger, since any mismanagement of the discussion may provide an opportunity for criticism and, sometimes, open the way for others' ambitions.

Third, he wants to appear in control, a feeling that becomes stronger when he is surrounded by his staff, who also judges him on that, and which is important in building his reputation and the respect paid to him inside the ministry. On the other side, the Fund's or Bank's mission head is bound to gain as much commitment to reform as possible, to make his report back to Washington a very impressive one, which as everybody knows is important for his career. These factors put both team leaders on the defensive and can create a great deal of suspicion if confidence is not built quickly. After this first round of observation is over, and when trust begin to build, a new kind of relationship starts to build, often leading to a certain complicity that makes the conduct of the program more relaxed.

During the discussion of the basic documents of the program, the choices of some reforms to implement were easily the result of a consensus, while other topics revealed great difference of views and even created tension in the negotiations. The determination of a growth rate target was usually a very easy question, maybe because the tradition was to target a low rate, and because the implications in terms of hard structural reforms or conditionalities were largely affordable. The same was true for an inflation target, even after the devaluation of the currency led to a strong jump in the price index in 1994. Although the implications were strong in terms of wage and price policies, everybody was relaxed defining where the level should be, since no disbursement or other kind of commitment was attached to it.

On the other hand, the determination of the ratio of revenue to GDP was the subject of hard discussions. The Fund mission appeared particularly obsessed with the level of revenue collection, stressing the importance of a steadily increasing ratio as proof of successful implementation of the program. The problem was that it invariably implied difficult and sometimes new measures in the fiscal arena: increase in the VAT rate, better enforcement of customs duty, or stronger control of exemptions. The whole issue of expenditure reduction is a rather painful one, because it implies unpleasant political consequences for the government, and also because it can create hostility from colleagues whose ministries are the victims of the cuts.

Some of the regulatory reforms were easy to decide. For others, the government was more reluctant. After initial hesitation, the move towards price liberalization was fast, as it was for import liberalization, with very few exceptions. On the other hand, the debate on public service reform was long and hard, the government not feeling strong enough to reach the expected decision. The same was true for the privatization of some specific enterprises (the airline company, for example) which the government accepted only under pressure.

The best compromise in the discussion of difficult issues was to agree on the principle and bargain for an extension of time. Discussions become more difficult when, as was sometimes the case, members of the government delegation did not agree among themselves, or when the Bank and the Fund did not share the same views on a given topic. In the first case, the finance minister would be struggling to maintain the cohesion of his team, while in the second case, he would be trying to exploit that in order to gain more concessions. Once an agreement had been reached over the basic documentation of the reform program, the implementation showed another face of the complex donor- recipient relationship.

II – CONDITIONALITIES AND DONORS' INFLUENCE

The implementation of the reform program, once agreement has been reached on the policy framework of reform, reveals the strong push of donors to get the country to move from intent to policy acts. Sometimes deadlocked occur, resulting in disbursements being held by donors until the conditionality has been fulfilled. As we know from other experiences, donors' influence takes the form of direct political pressure, transmission of new ideas, or soft financial blackmail. The Burkinabé adjustment case offers another specific example of that donor influence.

A – Political and Financial Pressure

The perfect watchdog of a typical Bank- or Fund-funded program is the traditional matrix of measures, consisting of a very long list and timetable of macroeconomic and structural adjustment policies and specific performance criteria, which are determined by the nature of the program. The obsession of donors with structural measures has been stressed many times by critics of the adjustment policies, who point out the huge number of things to be done by countries in a very short period of time.

When Burkina signed its first program in 1991, the policy framework paper included a list of 152 measures to be taken during the period 1991-1993. The one signed in 1993 had 106 measures to be implemented between 1993 and 1995. The second ESAF program signed in 1995 had 123 measures, whose implementation was scheduled during the period 1995-1997. Beside this general set of adjustment measures, the country was to fulfill performance criteria related to specific issues believed to be important in its reform process, and which could open or close the way to disbursement. These were both quantitative and structural.

The quantitative performance criteria were established with regard to good management of public finance. They were relative to the ceiling on the cumulative change in net domestic assets of the central bank, the ceiling on the cumulative change in net bank credit to government, the minimum cumulative net reduction in external arrears on public debt through cash payments, and the minimum cumulative net reduction in domestic payments arrears. The country was also asked not to contract new external public or publicly guaranteed borrowing on non-concessional terms. As for the quantitative benchmarks, the Burkinabé program was concerned with the change in net domestic assets of the banking system, the expenditure on government wages and salaries, and government revenue with a special emphasis on revenue from petroleum products.

The structural benchmarks were more related to the hard issues at stake. Examples included measures like the completion of the civil service census before a certain date, or the implementation of reorganization plan for Air Burkina before a target date. It may appear to be too much and too constraining to comply with all these conditions. But, in fact, it is not obvious that the monitoring of the program would have been better if a more relaxed approach had been chosen.

What was painful was to deal with the disbursements attached to some of these measures and that were absolutely necessary for the budget at a given time in the conduct of the reform program. Sometimes, the disbursement itself was necessary to meet some performance criteria, such as the reduction of debt arrears, or the change in net credit to government. Disbursement is the ultimate weapon of the donors, and the detailed precision with which these conditionalities were written is sometimes quite frightening.

One strong criteria the government had to meet by June, 1993, in order to qualify for the mid-term review which opened the road to disbursement was to reduce the number of products whose import require an authorization from 15 to 10, and then reduce it again from 10 to 5 by December, 1993. One other condition in the same year was an official decision of the liquidation of the OFNACER not later than. March, 1993. A similar criteria which was to be met no later than June 30, 1996, was the liquidation of the BNDB, or "the re-offer for sale of 3 enterprises remaining from phase one of privatization program, as well as 8 enterprises that were offered for sale in 1995."[158] Another one in 1994, just a few weeks after the devaluation of the currency, was to lift price controls from milk, sugar, and cement, three products of mass consumption, and to raise the tariffs for electricity and water no later than March 28, 1994. The resulting problem was that half of the measure, or two thirds of it, or nine tenths of it were still considered as a non-performing achievement, and would not qualify the country for even a slight portion of the disbursement expected. It is a "winner take all" game. In all these cases, the government complied with the conditionality, but it is obvious that in the absence of consequences for the disbursement program, chances are high that such decisions would not occur in the immediate aftermath of a devaluation.

Political pressure was obvious in the case of very hard and painful decisions. It is clear that a decision like the devaluation of the CFA currency in 1994 would not have occurred, or would have been delayed, in the absence of an international pressure. And this is just one example. The influence of donors was more visible in some decisions, always the most painful for the government: privatization, liquidation, and reform of the public service.

The decision of the entire donor community to rely on the judgment of the Bank and the Fund to grant aid puts stronger pressure on reforming countries, Burkina included. Getting clearance from the mission of the Bank and Fund became an ultimate goal, while other donors would be waiting to hear the opinion of the Fund or Bank mission chief and give the OK back home for the transfer of budgetary aid. While that leads to strong focus on all criteria of performance, its main influence was noticeable at the level of public finance, a key component of the Burkinabé reform program.

Collecting the level of revenue stipulated in the program was a national duty and the concern of everyone, including other donors, who would lose no opportunity, be it a cocktail party, an inauguration, or a gathering at the airport to welcome an official guests, to approach the finance minister and whisper to him: *How are the customs doing this month*? Also under surveillance was the level of wage expenditure, which as in other African countries, would have kept on increasing, if not for the vigilant eye of Bretton Woods.

Donor influence on the decision process was stronger in periods of huge financial needs. It tended to be less when the biggest part of the reform package had already been implemented, or when the country was enjoying a healthy liquidity position, which is the case of the country today. In addition to all these soft financial soft “blackmails,” the influence of donors was important in changing ideas.

B – The Transmission of New Ideas

There is no doubt that a new intellectual life began for the Burkinabé with the adjustment program. By itself, the adoption of the reform agenda was for Burkina a strong shift from a

[158] Policy Framework Paper 1996

heterodox vision that triumphed during the revolution period. While a leftist view of the management of the economy was strongly held by the new generation, donors and the new environment created at the global level brought different views on essential matters. Through seminars and meetings, by pointing to successful reforming countries, or by just putting subjects like privatization or civil service reform on the reform and disbursement conditionality table, donors were able to gradually insure the transmission of the new ideas.

The whole issue of the role of the state, what it should do and what it shouldn't, received special attention. It resulted in the acceptance by the ruling elite that the state should limit itself to the construction of basic infrastructures and withdraw from productive activities. The reforms of privatization, civil service reform, and the application of commercial laws to state-owned enterprises find their origins there. Another idea stressed by donors was the importance of the private sector as the main engine of growth. It was not easy for a country with a long-time tradition of state interference in the economy and a weak tradition of entrepreneurship to accept such an idea. One of the most important ideas brought in as part of the reform program had to do with the understanding of the strong link between human development and economic growth. The Asian model was particularly useful in showing the imperative of investing in human capital and led the country to create a whole strategy of human development as part of the reform agenda.

The ambiance of the adjustment program takes a country and its decision makers into an international intellectual environment where one gradually learns the main concepts of orthodox thinking, and makes some of the key elements of the new policy obvious: privatization, liberalization, free markets, etc. It was true for the finance minister, but also for other ministers as they started dealing with donor representatives. Through a kind of slow acquaintance process, words like "reform," "adjustment," "globalization," "liberalization," and "privatization," which would have been taboo in the recent past, became part of the usual vocabulary of ministers. At a certain point, ministers even feared appearing ridiculous when their vocabulary was not in line with the sort of "*pensée unique*" that shapes the destiny of the world.

Chapter 11: Results and the Search for Winners and Losers

The search for winners and losers in reform has been a focus of the recent literature on the distributional effects of economic reform. But the impact of economic reforms is not always easy to measure. During a certain phase, an economic reform may have disastrous consequences on the level of income and its distribution, but this may be a necessary step before an improvement. Also, reform results can only be judged by comparing post-reform data with data from the period preceding reform. The most accurate comparison, of course, but impossible to perform, would be to compare the situations with and without the reform. An adjustment program is also a set of different policies, each having its targets and its effects, making it difficult to generalize.

We keep this in mind while trying to judge the effects of the Burkina reform program so far. The task is made more difficult because of the recent nature of the Burkinabé program, which started only in 1991, and which may not yet have reached the point where a completely accurate assessment can be made. Another issue is to decide which yardstick to use and for which purpose. To have a correct picture of how the overall situation of the country and its inhabitants has changed, we're bound to look at several variables and to examine the way various social groups have seen their situation evolve as a result of the reform process. We do so by reviewing the results on the macroeconomic level with an emphasis on growth, the change in human sustainable development, and the overall credibility and image of the country.

I – MACROECONOMIC RESULTS

Let us first recall the basic broad macroeconomic objectives of the country at the start of the reform program and build our analysis on the question of the extent to which the policy implemented has enabled the country to achieve them. So far, these objectives have been based on three components that have been constant throughout the reform program:

- substantial growth of GDP, that would allow for a positive evolution of per capita GDP
- moderate rate of inflation
- curbing of the deficit of the current account

The following paragraphs compare targets with achievements in these three areas.

A - The Growth of GDP

1 - Overall Evaluation

After initially poor performance in the beginning of the reform program, the result for the growth chapter is now quite positive, even allowing an increase in real per capita GDP in a country where population growth is approximately 3.3%, as shown in Chart 3 below. Real GDP growth was high in 1991 (6%), while 4% had been expected. This result was not necessarily due to the reform program, since it was just starting. In 1992, real GDP growth was only 0.75%, compared to a target of 4%, a severe drop explained by rainy conditions. In 1993, the rate stood at -0.8%, compared to a 4% target. This third year of the reform program was a year of poor economic performance, also marked by a strong decrease in cotton production (-30%) and a continuing loss of competitiveness that would lead to the 1994 currency devaluation. In 1994, the country achieved a real GDP growth of 1.2%, compared to 3.3% target. The first real per capita GDP increase occurred in 1995, when GDP growth reached 3.8%, compared to a target of 5%. In 1996, real GDP grew by 6.2%, compared to a 5% target, thus allowing another positive growth of per capita GDP. This was confirmed in 1997 with a real GDP growth of 5.5%.

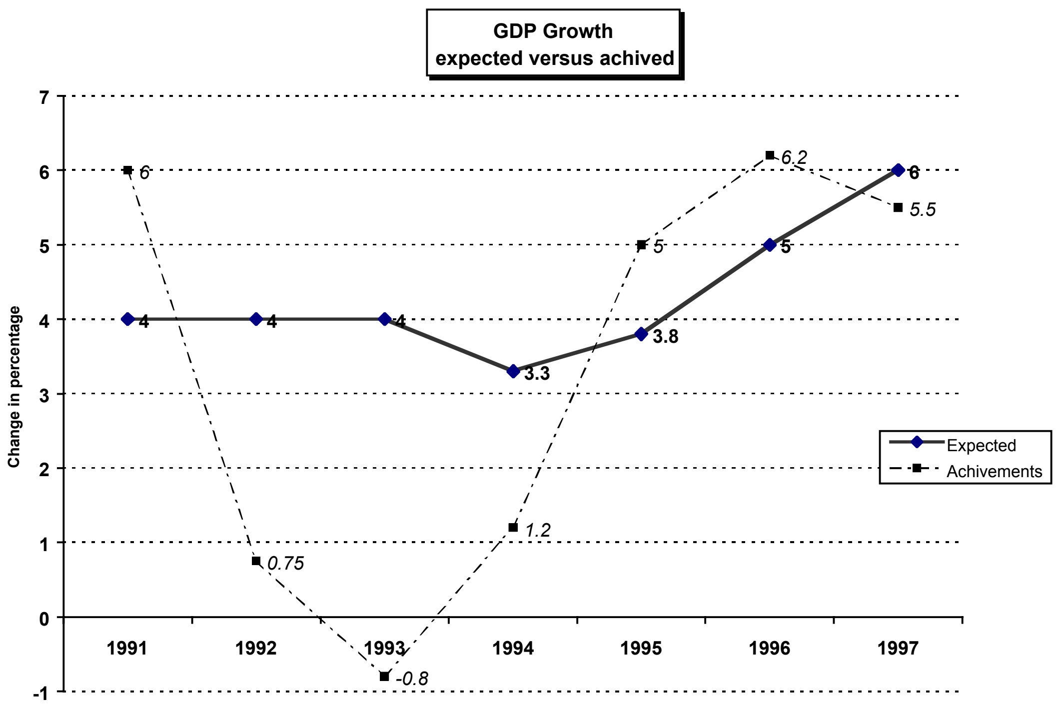

Chart: 3

The results presented above show that the reform program is paying off, as far as real per capita growth is concerned. But the statement needs to be qualified. First, the primary importance of agriculture in the domestic products of Burkina (almost 35%) and its exports (nearly 60%) makes GDP growth strongly dependent on climatic conditions. In that case, success or failure in GDP growth cannot always be attributed to good or bad implementation of reform. Second, the current level of GDP growth must be sustained and increased to be able to make a significant dent on poverty. This issue is a crucial one, in a country where the recent past has shown higher rates of GDP growth, and where the comparison, although inappropriate in terms of before /after, can easily be made by critics of adjustment. The sustainability of recent growth is predictable, based on some of the encouraging stimulation the economy is receiving. Banking and financial institutions are reporting an increase of 43.3% in new lending, reflecting the overall rise in the economy, especially in construction and public works. Government also reduced its registered domestic debt arrears by 75% by the end of 1996.

The overall rates shown above tend to mask the specific changes that marked the different economic sectors, analysis of which may shed light on the specific impacts of the reform program on the main economic activities of the country, agriculture, industry, and trade.

2 - Sectoral Analysis of Growth

Agriculture

Evaluated at constant 1985 prices, the gross domestic product of agriculture increased by 31% in 1991, stagnated in 1992, increased by a slight 2% in 1993, before declining by 3% in 1994 and by 4% in 1995. In 1996, it increased by 7.5%, before declining by 8.4% in 1997. Over the reform period 1990-96, cereals production increased by more than 50%, from 1.5 million metric tons to 2.3 million. But the growth was uneven, since the strongest part of that growth occurred 1991 (60%), while the following years were characterized sometimes by a decline.

Cultivated areas for cereals also evolved the same way, from 2.5 million hectares in 1990-91 to 2.7 million in 1995-95, with strong annual rates of growth alternating with weak ones: 11.1% in 1991-92, 4.1% in 1992-93; 3.4% in 1993-94; 4% in 1994-95; and –13.5% in 1995-96.

Production of fruits and vegetables averaged 360,000 tons in 1995 and 378,000 tons in 1996; revenue generated from the export of that commodity doubled in 1996, compared to 1994 (CFAFr 4 billion).

A similar trend marked the production and export of livestock, whose estimated population rose from 16 million in 1994 to 20 million in 1996. In 1996, the trade in livestock amounted to CFAFr 21 billion. But these promising results in the immediate aftermath of the devaluation are slow to confirm. On the contrary, the export of livestock diminished in 1997.

Cotton production, a strong export commodity, decreased from 189,500 tons in 1990 to 150,500 tons in 1995, due to unfavorable market prices and lack of incentives for producers, before climbing to a record 206,000 tons in 1996, a spectacular increase of 36% compared to the year before. In 1997, it climbed again to 230,000 tons.

The absence of steady, constant, and sustainable growth in the agricultural sector over the period under review does not allow for a definite conclusion on the impact of reform on agriculture. The figures since 1995, however, indicate a positive impact, mainly in export products, which just needs to be confirmed in the years to come. Value added in the primary sector rose at an annual average 2.5% since 1994, after a 1.1% annual average decline during the 1990-1994 period. Cotton is one area where the result definitely confirms an impressive impact of the policy conducted, with exports increasing by 40% in 1997.

Industry and the secondary sector

Lack of reliable statistics makes it difficult to make an accurate evaluation of the impact of the reform program on the evolution of the industrial sector. Taken in general, the secondary sector's growth was uneven until 1995, but started then to show better results: 0.4% in 1991; 4.8% in 1991; -1.8% in 1993; 2.3% in 1994; 5.8% in 1995; and 10.5% in 1997.

Available information shows different patterns of behavior, depending on the activity. Gold mining, agro-industries (breweries, sugar, milling), metalworking, chemical industries, and construction are the main industrial activities in Burkina Faso. After a steady decline in the early '90s as evidenced by official gold exports, gold mining has shown better prospects since 1995, with the rapid expansion of gold exploration activities, performed by a growing number of foreign companies. Gold exports amounted to1,487 kilograms in 1995.

Turnover and value-added in other industries appear to be more encouraging than ever since 1995, the latter growing at an annual average of 5.0% between 1994 and 1996, after dropping between 1992 and 1994. Beer, soft drinks, sugar, and cigarettes seem to have made it well, but textiles, chemicals, and tires or inner tubes were less successful. Construction activity is recovering from its 1991 low, due to an increase in government financing of public works and subsequently to a private sector construction boom. The growth in the secondary sector received a strong boost from the high level of public investment promoted by the reform program but it stayed uneven. The industries that are in a certain monopolistic situation have been able to resist better than those who are facing competition, and who may need more time to adapt to the new environment.

Trade

The reforms implemented so far have not been able to effect much change in the trade balance of Burkina, which has been negative for many years. Exports rose from CFAFr 77.1 billion in 1990, to CFAFr 121.2 billion in 1995. Percent changes were 18.0% in 1990, -1.6% in 1991, -17.1% in 1992, 18.3% in 1993, 40.1% in 1994, and 18.0% in 1995. The 1994 figure clearly illustrates the favorable impact of the devaluation. During the same period, imports have gone from CFAFr 147.6 billion in 1990 to CFAFr 242.1 billion in 1995, with annual percentage changes following a trend similar to that of the imports: -6.4% in 1991; -1.1% in 1992; 12% in 1993; 26.7% in 1994; and 24.8% in 1995.

The encouraging thing is that in comparison to GDP, the trade deficit has reached almost a constant level since 1990: between 8 and 10% of GDP. It reached CFAFr 167.9 billion in 1996, and worsened to reach CFAFr 170.8 billion in 1997, despite a strong increase in exports (23.5%). Clearly, trade is an area of mixed outcome that brings into question the effectiveness so far of the reforms implemented in that area.

3 - The Deficit Struggle

The Fiscal Deficit

We consider here the fiscal balance excluding foreign financed and restructuring operations. As it appears in Chart 4 below, from a fiscal surplus of 0.6% of GDP in 1991, the country went into a series of deficits in the years that followed: 1.6% of GDP in 1992; 3.1% in 1993; and 2.3% in 1994. A spectacular and positive breakthrough in the evolution of the fiscal situation marked 1995. Revenue collection reached 12% of GDP, a higher rate than what was actually targeted. The level of domestic expenditure was reduced to 12% of GDP, from a level of 15% in 1993. In 1995, the deficit improved to 0.2% of GDP. In 1996, a primary budget surplus of 1.7% of GDP was gained, which reached 1.9% in 1997. This is one of the most remarkable achievements of the reform program. Beyond the level of primary saving the government can enjoy, it stood as a lesson of financial management and a strong move towards more independence.

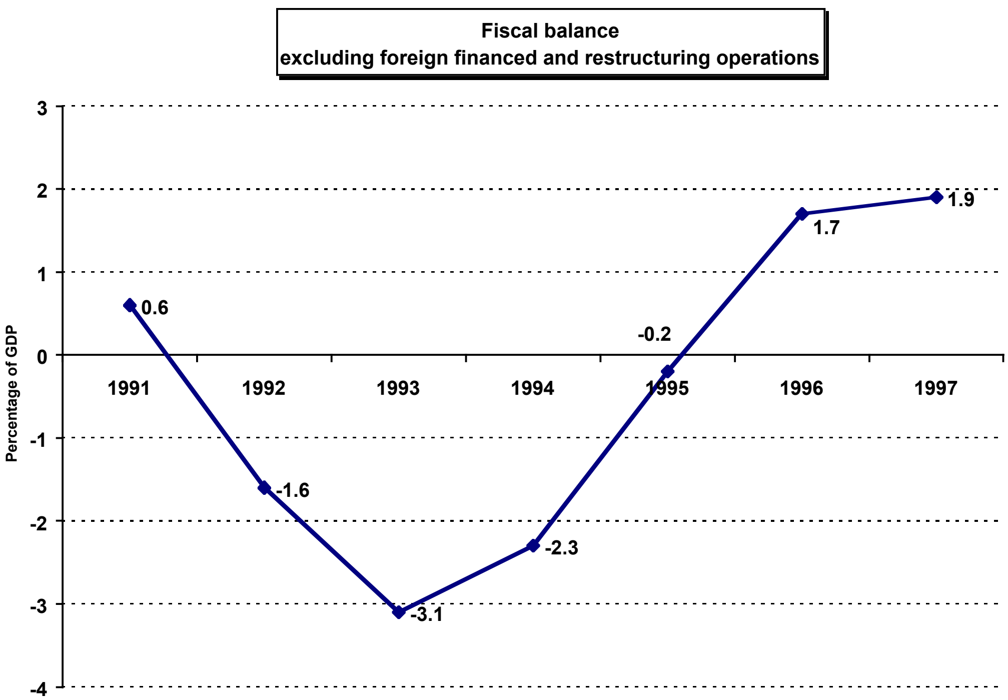

Chart: 4

The Current Account Deficit

From a level of 14% of GDP in 1991, the current account deficit (excluding official transfers) reached 15.5% of GDP in 1992, while projections were for a 13.2% level. (See Chart 5 below.) This can mainly be explained by low export earnings combined with an increase in imports. It worsened in 1993 to 16% of GDP, again because of poor performance of the export sector. It stayed at 14% in 1994, compared to a projected rate of 22% of GDP. In 1995, it reached at 13% but remained in 1996, at 14% of GDP compared to a target 14.8%. This slight deterioration was due to a strong increase in imports of capital and intermediate goods.

The success of the government here seems quite limited, due primarily to the persistence of a structural trade deficit, which apparently has not yet been overcome. It is also due to the slowdown in private transfers, with the shrinking of workers' remittances, after economic crisis occurred in countries that were favorite destinations for Burkinabé migrant workers: Côte d'Ivoire and Gabon. This poor performance raises many questions as to the ability of the country to compete in the global economy and certainly calls for the design of a whole new strategy.

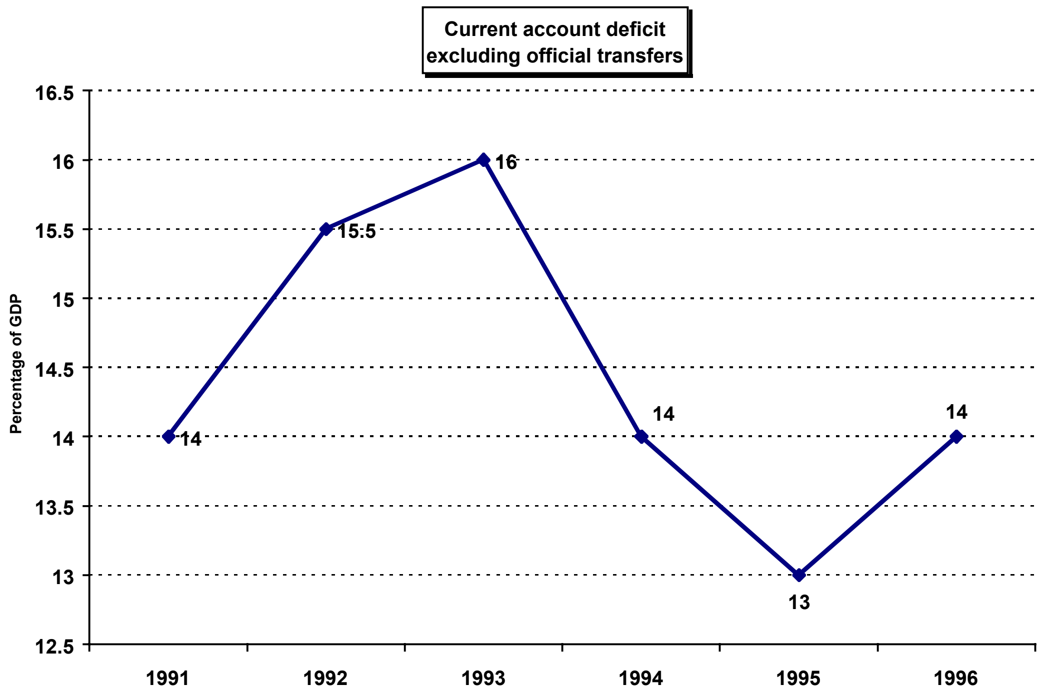

Chart: 5

4 – Inflation

The inflation rate was 4.3% in 1991, compared to a target rate of 5.0%. Inflation was moderate in 1992 (2.8%) and in 1993 (0.4%) compared to a 1% target. The 1994 devaluation would bring a sharp increase in the price index (29%) but the figure was lower than expected, and things returned to a normal level by the end of 1995, when inflation decreased to less than 4.0%. In 1996, tension on the prices of cereals led to a slight increase in inflation rate, which reached 6.9% compared to a target 3.5%. It went down to 2.3% in 1997. It appears clearly from these figures, illustrated in Chart 6 below, that the fight against inflation was a real success throughout the period under review. Even during the difficult period of the devaluation, the government was able to implement a very restrictive wage and monetary policy that kept the rate at a moderate level.

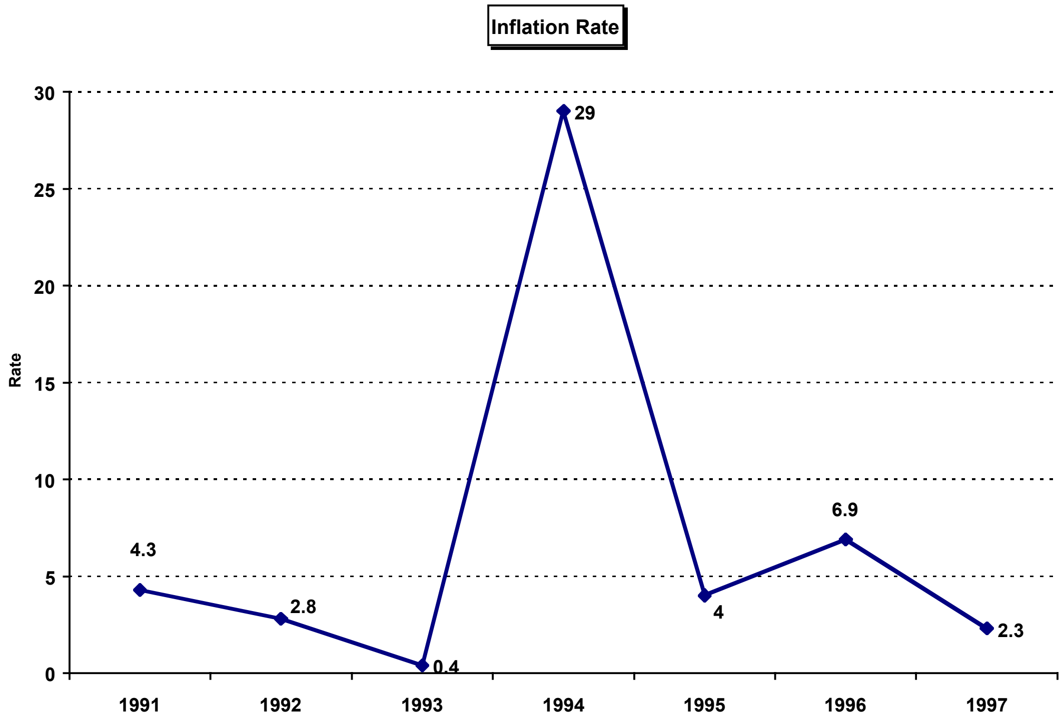

Chart: 6

In partial conclusion, the results in the macro field can be characterized as encouraging. Growth has resumed, and remains to be sustained. Inflation is under control. Fiscal balance has strongly improved but needs to be strengthened. Only the current account deficit seems to persist, a reminder of the fragile competitiveness of the Burkinabé economy on the global market. However encouraging these macro results may be, it is important to see their impact on the life of the average citizen by examining to what extent they led to a substantial improvement in human development and poverty reduction.

II - HUMAN DEVELOPMENT AND POVERTY REDUCTION

The human development report, published by the UNDP since 1990, has served as a reminder to policy makers that development is not only a sum of macro figures, but also a concrete reality: the fulfillment of basic human needs. Based on that conviction, we assess the social development of the country that resulted from the implementation of the adjustment program; an analysis of income distribution follows, and an identification of the winners and the losers of the reform process ends the discussion.

A – Social Development

We measure the results of the reform program in two key areas of human development, education and health. This first evaluation is followed by an analysis of how the various social categories have seen their situation evolve since the reform program started.

1 - Education

The overall rate of school enrollment was 29.98% in 1990, just one year before the reform program started. It climbed to 37.5% in 1995 and reached nearly 40% in 1998. Knowing that the rate was 5.0% in 1960, that means that before adjustment the country was gaining 0.83 percentage points each year. This increased to 1.25 percentage points after adjustment started. It is a very low improvement, but an improvement nonetheless. The rate of school enrollment for girls was 30.07% in 1996 and 32.0% in 1997, up from 11% in 1980 and 23.55% in 1990. The rate was higher for boys: 44.55% in 1996 and 46.5% in 1997, from 19% in 1980 and 36% in 1990. The rate of illiteracy was difficult to decrease. It went from 82% in 1990 to only 81% in 1995, the most recent available statistics.

2 - Health

Life expectancy at birth was 36 in 1960, 45 in 1982, 47 at the start of the reform program in 1990, and 52 in 1996. It is a slight improvement. Infrastructures for public health have not improved substantially since the start of the reform program. No new national hospital has been built and centers of primary health care increased by 9% from 1990 to 1995, climbing from 577 to 628. But this slow evolution was offset by the increasing number of private health clinics, whose number more than doubled between 1990 and 1995, from 19 to 59. The ratio of population to health staff has not really improved since the reform program started. While in 1990 the country had 28,895 people for one doctor, the number was almost the same in 1995: 28,572. With regard to similar ratios, the situation has worsened. The number of inhabitants per pharmacist increased from 81,009 in 1990 to 156,930 in 1995. For women doctors, it went from 27,917 in 1990 to 28,572 in 1995. These figures give an idea of the challenge the country is still facing in the area of health care and the efforts still ahead to produce a visible improvement.

The level of social development was very poor in Burkina when the reform program started, and huge and sustained efforts will be needed to make a significant change in that situation. The partial results gained till now are strong indications of the concern related to the issue, even if the road ahead is still long.

B – Poverty and Income Distribution: A Category Analysis

1 - General Overview

It is difficult to show how the Burkinabé reform has affected the distribution of income or the level of poverty. The only study available on the issue was conducted in 1996 as part of the reform program, with the concern of better tackling the poverty issue. The results it yielded can merely illuminate the severity of the problem and how large the challenge is in that area.

The poverty study[159] revealed that 44.5% of the Burkinabé population live below the poverty line, and 28% of them are in absolute poverty, which is a huge number. Poverty is mainly concentrated in rural areas, in the Center-North, the South-East, the Center-South, and

[159] see INSD *Le profil de pauvreté au Burkina Faso* February 1996, p. 170

the North of the country. Poverty is highly concentrated among farmers, mainly among those who cultivate cereal crops (51.5% of them are poor) and less among urban workers (only 2.2% of them are poor). The income level of farmers is below the national average, while they represent 78% of the population, which gives an idea of the unequal distribution of income in Burkinabé society. The urban bias is strong, with the average income in urban areas being three times the average income in rural areas.

Poverty levels are not evenly distributed among geographical areas or according to gender. The literacy rate is 12% in rural areas and 50% in urban areas. It is 11.5% for women and 27% for men. It is 5.2% in the north, and 14.6% in the west. The same pattern can be observed for school enrollment. The rate is 68% in urban areas and only 27% in rural areas.

As initially stated, these are not effects of the reform program, since no comparative study has been conducted in that regard, but this is a situation an adjustment program is expected to change. Future studies may provide the clue as to what have really been the effects of adjustment, since the rank of Burkina Faso on the Human Development Index has constantly been among the worst, with no real improvement since 1991. A close look at the situation of particular social categories can give an idea of how the reform process has influenced their well being, and what they have gained or lost from it.

2 - Analysis of Social Categories

Urban workers

The least one can say is that the urban workers, especially those belonging to the public sector, were not particularly spoiled by the reform program. One of the main objectives of the program was to reduce the level of the wage bill. It resulted in a very conservative wage policy, which translated into cuts in benefits, freezing of wages, and very low increases when that could not be avoided: from 4% to 10% after the devaluation of the CFA currency in 1994, and an average 3.5% in 1996. The average annual civilian wage was CFAFr 1.2 million in 1990. It remained at that level in 1996. The program also undertook to change the status of civil workers toward something more competitive, and planned reduction of personnel for some departments, while changing the labor code to make it more flexible. In private or parastatal sectors, privatization led sometimes to downsizing, although on a small scale, and inability to compete within the global economy led to some bankruptcies.

It would thus be difficult to portray urban workers as being among the winners of the reform program. In fact, the basic aim of the whole reform process was to make them losers, and to shift toward a rural bias. The result was partially achieved. But one can argue that the reform program has on the contrary assured the civil servants of regular salaries, which was not the case in some neighboring countries until they decided to reform, and the remaining ones of the private sector with new jobs, while the absence of program would have led to a collapse of the economy and a more severe loss of benefits.

Business People

The conduct of the reform program has created a new and more rewarding environment for the private sector. Trade has been liberalized, and overall, business activities transpire more freely. Taken as a whole, the private sector has without doubt benefited from reform. Consequent advantages vary from sector to sector, but the flow of new money resulting from donor aid has opened many opportunities for a new and growing class of rich people. One element among others that can testify is the booming market in real estate that the capital city, Ouagadougou, is witnessing nowadays. A distinction should be made between traders and industrial corporations, and in this latter category, between those who enjoy a monopolistic situation (for example the beer, sugar, and tobacco industries) and those who face tough competition from the world market (for example, tires and matches). This being said, much remains to be done, mainly in the perception of the private sector as a partner for economic growth and in the need for acceptance of its role as the new engine of development.

Women

Without hesitation, women can be considered among the winners of the reform program so far. The issue of gender has for the first time been a key component of development policy. The family code has been rewritten to give more rights to women. A sort of affirmative action plan has been promoted for their education. Their health care has become a key concern in the new health policy. And through various mechanisms, their empowerment is a reality. Among many facilities, the FARF,[160] created for that purpose in 1991, has granted loans to 39,666 beneficiaries, for a total of CFAFr 718 million in 1996, and CFAFr 1,097 billion of loans to 45,233 women in 1997. Still, women continue to suffer from inequality and discrimination as described in previous paragraphs. Their access to public responsibility is also still limited: they form only 20% of civil servants, 10% of members in parliament, and only 3 out of 26 ministers are women.

Farmers

Poverty is strongly rooted in rural areas, but that did not start with the reform program. It did not change substantially either as a result of the reforms. The policies implemented in key areas of agriculture were likely to produce good results for at least some categories of farmers, although no precise study can confirm it. For example, the devaluation of the CFA currency was without doubt a good thing for cotton producers and livestock holders. Farmers in cotton areas have seen their product prices rise from CFAFr 95 per kilogram in 1990-91 to CFAFr 85 in 1992-1993, CFAFr 112 in 1993-1995, and 140 CFAFr in 1996. Industrial corporations selling goods in these areas have reported a big increase in sales (motorcycles, beer, textiles, soap), which is an indication of an increase in revenue. These farmers are, however, a minority. Producer prices for other agricultural products have increased less. Sometimes they have decreased, and farmers of food crops remain among the poorest people of the country. The trade of livestock boomed in the aftermath of the devaluation, providing revenue to those who had cattle. Unfortunately, the stocks have not been renewed, and the volume of livestock export has strongly decreased.

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[160] *Fonds d'appui aux activites remuneratrices des femmes*

Students

Students have lost much with the reform program, but this was also a deliberate objective. The granting of scholarships has become more selective; jobs in administration are no longer automatic, as it had been for decades; and increases in stipends seldom happen. On the other hand, new loan facilities have been established for them and investments have been made in new educational facilities. Their behavior during the recent period tends overall to portray them as losers under the new policy, at least in the short run.

The Military

The military has been under constant pressure to reduce spending. This also was a deliberate aim of the program. Recruitment has stopped, and benefits have become meager. Housing has been eliminated, whereas in the recent past any new officer joining the army was granted a flat. Equipment loans have disappeared. Wages have not increased. As a percent of government expenditure, military expenditure has declined from 18% to 13%.

C - Identification of Winners and Losers

Analysis of the various components of society allows us to say that the main winners of the reform program so far have been the business sector, farmers in cotton areas, livestock breeders for at least a short period, and women. Losers include urban workers, and above all public civil servants, the military, and students. The conclusion is, however, a more complex one, since some sub-categories within any given category may not share in the loss or the gain its group has experienced overall.

III - INTERNATIONAL PROFILE AND CREDIBILITY

Image and Credibility

The reform program and its apparent successful implementation have given a real boost to the image of Burkina Faso. Donor confidence has risen and led to an exceptional flow of aid (see next paragraph) while the country is requested more and more often to host international events.

The Flow of Aid

Official transfers account annually for nearly 11% of GDP. Since 1991, cumulative official transfers have reached CFAFr 700 billion, more than the half of current GDP of the country. Added to this are the long-term public loans and debt rescheduling. These official transfers are supported by a huge amount of money granted by NGOs and various partners of the local organizations, whose contributions to development cannot be overestimated.

Foreign Investment

While the exact level of foreign investment has not been evaluated, it is a fact that Burkina is now a destination for foreign private investment more than before. This was encouraged by the privatization program, through which many foreign investors were successful in buying all or part of state enterprises. It is also true in the banking sector where all banks are now controlled by foreign interests. But the most visible area of these foreign interests is the mining sector, where during the last five years no fewer than 80 mining corporations have been registered and granted exploration permits. One major consequence is the appearance of new jobs and of new offices in the capital city. New restaurants, hotels, and various services are visible since 1991, which indicates the presence of a strong market for expatriates.

CONCLUSION AND THE ROAD AHEAD

The political economy of adjustment in Burkina Faso has been so far the political economy of a controlled paradox. A very poor country with a hostile climate, limited land, and scarce natural resources, Burkina never went financially bankrupt and has gained respect for its ability to survive. The instability that long characterized its political life, and which explains a substantial part of its backwardness, appears today almost an asset, for having contributed to an overall political maturity that seems to prevent the success of any political adventurism. In a continent in democratic turmoil, where the learning curve is being shaped through violence and instability, Burkina's political legacy becomes on the contrary an element of stabilization. Ruled by leftist Maoists since 1983, the country was able to shift into adjustment and turn its back on heterodox thinking with apparent success.

Post-independence policies did not create a socialist state in Burkina. They created a state-led economy, in accordance with the prevailing economic thinking of that time. The state thought it natural to be a player in the economy, and believed it was the best way of insuring the state's overall interests. The bureaucracy was trained to believe it had all the rights and none of the duties, and everybody considered the state a cushion for the average citizen. But as almost everywhere else in the developing world, initial sincere objectives were embezzled and perverted into inefficient allocation of resources. Having no room for free action, the nascent private sector made an intelligent reading of the situation and, wherever and whenever necessary, found allies in the political circles in order to access the decision centers.

This situation was first shaken by the Maoist revolution of 1983. Its leaders made the right diagnosis of the social injustice and development backwardness of the country, but implemented the wrong medicine of 'more state,' although they proved wise enough to resist the temptation fueled by more radical members to build a socialist economy. In a context of mixed economic performance, the move to adjustment was more a preventive act than a decision born out of severe crisis. The economy was growing, although unevenly; deficits and inflation had not yet reached an alarming level; the interference of the state did not prevent some economic sectors from performing quite well; and the most important backwardness was in the field of human and social development.

It was not easy to understand the unsustainable pattern of such a situation for decision makers whose initial ideological orientations were far from being liberal. That was made possible because a sharp perception of the situation and the belief that something different needed to be built emerged in the top leadership, whose vision proved helpful to provoke the desired change.

But the adoption of adjustment was more than just a policy shift for the Burkinabé decision makers. It was also an ideological change, by a whole generation that was born to politics through a leftist revolution. Also, the transition to liberalism was not only an economic one. It was also a political move toward democracy, and thus presented a dual challenge that could only be overcome by a genuine combination of strong persuasion, subtle courting, and, unfortunately, political violence.

Like people who convert to a different faith, the ruling elite of Burkina was quick to show impressive commitment to reform, judging by the opinion of the Bretton Woods institutions. Conducting the difficult reforms of adjustment was not an obvious move in a country with an old tradition of political protest, where unions were said to be among the strongest and the most demanding in Africa, and which had experienced full democracy before the third wave inundated the continent of Africa.

The partial results achieved so far and the politics of the management of that reform process do not at least indicate a failure. But they suggest that more needs to be done. In fact, the political environment in which the Burkinabé leaders are carrying out the reform program is a one minted by them through a transition to democracy they have controlled from the beginning to the end and strongly dominated by them, with an opposition in permanent search of rebirth. The society in which the interplay of politics and reform is playing is quite a new one, different from the one of the '70s, tempered by the trauma of the revolutionary period, and where cynicism and self-interest appear to have replaced dreams for collective well being. But that does not explain everything. The ability to implement the reforms peacefully rather than in endless confrontation owes much to the exceptional skills of the top leadership, whose belief in the reforms gave the first impulse, and whose ability for maneuvering has provided the decisive edge in implementing the new policies.

It did not, however, prevent politics and political games from playing their part in influencing the reform process or prevent various vested interests from making their presence felt whenever their interests seemed endangered. And this was witnessed on many occasions. The conduct of the macroeconomic reforms proved successful in cutting the fiscal deficit, in controlling the inflation, resuming per capita GDP growth, and clearing the arrears. But the creation of new revenue sources offered some tough episodes of confrontation, with the difficulty of having fiscal reforms accepted, while the devaluation of the currency almost provoked political trouble.

Politics entered again in the implementation of the regulatory reforms (pricing, trade, the business environment) with divergent interests being expressed, sometimes within the same social groups, while unions were raising concerns for consumers' well being. The privatization program was more difficult to implement in a country not used to state divestiture, and where the feeling of ownership for common goods is very strong. Echoing the fears of the society at large, the game of fractions inside the ruling party became more confrontational and presented many opportunities for political protest, at least inside the parliament. The politics of the management of reform brought more challenges.

The government proved politically strong in dealing with all this resistance, thanks to a large support base and a strong (although hard to manage) majority in Parliament. It had trouble with its own bureaucracy, which sometimes did not hesitate to act as an impediment to policy change. That inability to rely totally on the technicians forced the government to seek a skillful balance between technical advice and political concerns when facing a tough issue in the management of its reform program. Redesigning institutions was a limited solution to unlimited problems, and the use of technopols was more a way of solving internal political rivalry than of fixing the economy.

The Burkinabé reform program could not escape the usual game of donors' influence, which was formative both at the inception stage and throughout implementation. In that regard, Burkina is no special case, and its experience offers nothing but one more example of how the Washington consensus has become the unavoidable road for everybody to follow.

The reform program is far from being complete but has already produced some winners and temporary losers. Farmers of export crops, cattle breeders, and women belong to the first category. Urban workers, students, and soldiers are counted among the second.

But the successes registered in some areas cannot mask the many areas where improvement is still expected, nor the crucial questions that will need to be addressed on the road ahead. Growth has resumed but is still too weak to make a significant dent in poverty. Successful countries, like those of Southeast Asia, have been able to raise the average level of income by growing at a double-digit rate for a long period of time. The challenge is a pressing one for Burkina. The whole issue of sustainable human development remains crucial. If the aim of development is to enable the fulfillment of the basic needs of the population, then the road is still long for Burkina. Despite recent improvements, its social indicators still lag behind the average of sub-Saharan Africa, and inequality still marks the distribution of well being. Half of the population is stricken by poverty, school enrollment is low, access to heath facilities is limited, and gender issues remain unsolved.

More fundamental is the question of the sustainability of this whole experience, in which political change and economic reform are so intermingled. The future of the current democratic experiment Burkina is enjoying needs to be envisaged. Strong leadership has played a crucial role in installing the current democratic setting in Burkina Faso. Since its start, democratic government has been dominated by a strong ruling party, whose political weight has closed the doors to alternatives so far.

A new step has been taken in the right direction with the renewal of the national assembly, since it is the first time since independence that a parliament has been peacefully renewed. But the problem is that a democratic system becomes rooted only when it favors a change of government. Yet this remains an experiment, and no one can predict how things may evolve in such circumstances and if today's losers can endanger the reform process tomorrow.

Also questionable is the degree to which the average citizen has become a free market believer, which is crucial to avoiding a policy reversal in the future and to insuring the sustainability of the whole experience. Unfortunately, the solidity of popular adhesion to liberalism beyond the circles of top decision makers is yet to be proven. Questions are still raised concerning the relevance of the new doctrine. The view is also true for the bureaucracy, which proved reluctant in enforcing the reform program. There is something incomplete in the conversion of the Burkinabé to the new ideas, which sometimes brings back the instinct for statism, even at the level of decision makers.

An illustration of that is clearly given by the collective attitude toward the private sector, which many Burkinabé still cannot imagine to be the main engine of growth. This certainly explains why the formation of a real capitalist class has not yet occurred. Business is still weak, more oriented toward trade than industry, and still a little bit conservative in its refusal to acknowledge the rules of the global economy. This is a major weakness in the whole system and needs to be addressed seriously if, as is claimed, the private sector must be the engine of growth. Only strong confidence in local investors can provoke the flow of foreign investment that is so badly needed to boost the growth of the economy.

It may be too early to judge the results of the Burkinabé experience with adjustment. The reform program is just starting, while the challenges are still numerous. Let us assume that politics in Burkina will continue down the same road that was followed these last six years, and hope that in terms of good results, we haven't seen anything yet.

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