PN-ABC-069

BURKINA FASO

PROSPECTS FOR ACCELERATED ECONOMIC GROWTH

APAP TECHNICAL DOCUMENT NO. 505

APRIL - MAY 1988

AGRICULTURAL POLICY ANALYSIS PROJECT

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Prime Contractor: Abt Associates Inc.

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Abel, Daft & Earley, Inc.
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Under contract to the Agency for International Development, Bureau for Science and Technology, Office of Agriculture
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AN ASSESSMENT OF GROWTH IN BURKINA FASO

ANNEXES

ACRONYMS

ABS	-	Annual Budget Submission
AID	-	Agency for International Development
AID/W	-	Agency for International Development, Washington, D.C
APICOMA	-	Atelier Pilote pour la Construction Materielle et Agricole
ADRK	-	Association pour le Developpement de la Region de Kaya
ARTS	-	Agricultural Research and Training Support
AVV	-	Amenagement des Vallees des Voltas
BND	-	Banque Nationale de Developpement
CC	-	Chambre de Commerce
CCCE	-	Caisse Centrale de Cooperation Economique
CDR	-	Comite de Defense de la Revolution
CILSS	-	Comite Inter-Etat de Lutte contre la Secheresse dans le Sahel
CIP	-	Commodity Import Program
CITEC	-	Communaute de l'Industrie Textile et Cotoniere
CNCA	-	Caisse Nationale de Credit Agricole
CNEA	-	Caisse Nationale d'Equipement Agricole
CNPAR	-	Centre National de Perfectionnement des Artisants Ruraux
CNR	-	Conseil National de la Revolution
CRPA	-	Regional Center for the Promotion of Agro-pastoral Development
CSPPA	-	Caisse de Stabilisation des Prix, des Produits Agricoles
CUNA	-	Credit Union National Association, Inc., of the United States
DFA	-	Development Fund for Africa
FASO YAAR	-	Public Commercial Center
FCFA	-	Franc de la Communaute Financiere Africaine
GNP	-	Gross National Product
GDP	-	Gross Domestic Product
GOB	-	Government of Burkina
HRDA	-	Human Resources Development Assistance
IDA	-	International Development Association
IMF	-	International Monetary Fund
INERA	-	Institut d'Etudes et de Recherches Agronomiques
NCBA	-	
NGO	-	Non-Government Organizations
NRM	-	Natural Resources Management
OFNACER	-	Office Nationale de Cereales
ODA	-	Office of Disaster Assistance
OYB	-	Operational Year Budget
PD&S	-	Program Development and Support
PRE	-	Bureau for Private Enterprise
PROMAGRI	-	Societe de Promotion Agricole
PSP	-	Poste de Sante Primaire
PVO	-	Private Voluntary Organization
R&D	-	Research and Development

RSP	-	Recherche, Systeme de Production
SAFGRAD	-	Semi-Arid Food Grain Research and Development Project
SOFIB	-	Societe de Fabrication Industrielle BARRO
SOFIDEC	-	Sociere Fiduciaire Internationale d'Expertise Comptable
SOFITEX	-	Societe des Fibres Textiles
STABEX	-	Systeme de Stabilisation des Recettes d'Exportation
UGVO	-	Union de Groupement des Villageois de l'Oudalan
USAID	-	United States Agency for International Development
WB	-	World Bank

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PROSPECTS FOR ACCELERATED ECONOMIC GROWTH IN BURKINA FASO

I. Overview of the Economy

Economic growth in Burkina is closely linked to the productivity of the agricultural sector. Primary production of crops, livestock, fisheries and forest products accounts for just under half of GDP. Moreover, industrial production, which contributes about 10 percent to GDP, and commercial activity, which adds another 10 or 12 percent to GDP, are also correlated with agricultural productivity. The manufacture of cotton fiber is the principal activity of the country's largest industrial operation, SOFITEX, and exports of cotton earn between 40 and 50 percent of foreign exchange. CITEC, the fourth or fifth largest manufacturing firm in terms of annual turnover, fabricates edible oil and soap for the domestic market using cotton seed as its principal input. Exports of shea butter, a forest product, and livestock (including hides and skins) accounted for about 40 percent of earnings in the 1970's (Roth, 1986: 34). The actual value of exports of these commodities has remained roughly constant although the percentage has decreased as both cotton and gold exports have grown.

The climatic variability which characterizes the Sahel has a marked influence on overall productivity in Burkina. Export earnings, GDP and the pace of economic activity in general vary widely from year to year. In 1984, for example, GDP growth in constant (1975) prices was estimated to be 1.6 percent. The following year, 1985, the annual growth rate jumped to 13 percent, falling back to 10 percent in 1986 and about 2 percent in 1987. In large measure, these movements were due to variations in local grain production which went from one million tons in 1984 to 1.6 million tons in 1985 and to 1.9 and 1.6 million tons in the two succeeding years.

Overall growth is also influenced by fluctuations in international markets for Burkina's commodity exports. Burkina is a price-taker on world markets and has no exclusive marketing arrangements for its output. The world price drop for cotton in 1985, for example, was immediately reflected in a sharp decline in total export earnings -- from 43 billion CFA francs (CFAF) in 1984 to a loss of 9 billion CFAF in 1985 (IMF, 1987). STABEX and other international financial compensation programs have not been effective in smoothing out these swings.

In the face of such volatility, it is not, therefore, surprising that consecutive governments have taken steps since independence (1960) to stabilize the national economy -- controlling prices, trade, public employment, food supplies, etc. Such internal stabilization efforts have been successful to some extent, although they have without doubt resulted in levels of economic activity in Burkina which are lower than they would have been otherwise (See Annex A, Roth, 1986, and Cao, 1988).

What is perhaps most noteworthy, however, is that this objective of economic stabilization has been maintained through a series of governments. The presidency has changed hands five times since independence (1960). Each one of these governments has quixotically tried to combine, with varying but always meager degrees of success, this stabilization objective with a greater opening of at least the internal marketplace. Since 1980, the government has changed hands four times, but each successive regime has at least paid lip service to reining in the regressive influence of the parastatals on economic performance. For all the problems that this inconsistent policy has had in the eighties, it is generally agreed that the pernicious impact of state control was even worse prior to the 1980 coup.

The Sankara regime, toppled last October, and leaving aside its ideological rhetoric, was perhaps as effective in improving public sector performance as any of its predecessors. Corruption was significantly reduced, perhaps more rapidly and effectively than anywhere else in Africa. Parastatals were required to present and explain their profit and loss accounts in a public forum. Internal administration was decentralized to genuinely promote more popular participation in public life. Protecting the environment and promoting the social, political and economic participation of women were given highest priority within the Sankara decentralization program. Social services, particularly health, began to be reorganized on a sounder recurrent cost basis and the national budget was trimmed in other ways as well (salary freezes, staff reductions etc.) such that Burkina's balance of payments picture began to look a lot better than that of most of her neighbors.

Unfortunately, the Sankara government's public sector discipline was not matched by a consistent policy of encouraging the private sector. Most of the public institutions long since set up to direct and control different aspects of the economy were maintained (e.g., the whole price-setting structure) and others were added (e.g., the Ministry of Economic Promotion). Public sector ownership of financial, industrial, and commercial operations was also maintained. Business activities in the private sector continued but with an increasingly rigid structure of control. Furthermore, business confidence was given periodic jolts by spontaneous outbursts of anti-capitalist rhetoric, declarations, and even, on occasion, decrees. Nevertheless, Sankara did enthusiastically sponsor the Chamber of Commerce's 1985 private sector symposium (financed by USAID), and continued to support the Chamber's follow-on price policy symposium originally scheduled for November 1987.

Since its takeover in October 1987, the Compaore administration has emphasized a consultative process in establishing and consolidating its position of authority. The word "pragmatic" is widely used to reflect the economic management style which this government wishes to project. At present, there is little hard evidence of actual change in economic or regulatory structures or ways of doing business and no visible changes in either economic structure or operating styles have been made.

However, the new regime is only six months old. Major shifts are not likely until, the new regime has completed the complex task of establishing its political legitimacy, both at home and abroad. Still, there has been intensified pressure on USAID to get on with its price policy symposium. Next month the World Bank is sending its first Economic Assessment mission to Burkina in six years. There is a new sense of growing freedom at least to talk about different approaches to economic growth. There is open, public criticism, at all levels, of the policies of the previous regime, particularly its penchant for maintaining past structures of government interference in the marketplace. And even on paper, there has been a gradual (so urban consumers, particularly the powerful labor unions not get unduly alarmed) flexibility discernable in the published price control ("homologation des prix") decrees.

II. Scope of Assessment

The remainder of this report attempts to lay out what the prospects for increasing economic growth in Burkina Faso appear to be at the present time and how USAID as a donor might facilitate the generation of such growth. Information and judgments are based upon a series of interviews with both public and private sector representatives conducted during April 1988, by a six-person team of AID staff and consultants. While extensive literature was consulted, the very newness of the present government in Burkina made it necessary to use these documents only as a first step in the analysis. The assessment benefits from the comparative perspective brought by two team members who had worked in Burkina both during the Sankara and the prior Saye Zerbo administrations.

The principal findings of the team and recommendations for AID action are laid out in the three sections which follow. Section III sketches out how the Burkina economy works -- or appears to work. Section IV presents program and project options which AID might wish to consider exploring further, depending upon the level of financial and technical assistance to the present Government of Burkina which appears to be justified following the program guidelines of AID's Development Fund for Africa. Section V summarizes the team's recommendations with regard to the level of effort and specific steps which AID should undertake.

Individual consultants' detailed reports on the macroeconomic situation, the agricultural sector, trade and pricing, and national to local institutional prerequisites to growth are attached as annexes although much of the information has been woven into the body of the report. This report reflects the views of the Assessment Team but does not of itself engage the U.S. Government in any way with regard to economic assistance to Burkina.

III. How the Burkina Economy Works

A. The Role of Government: Policy and Action

The hand of the government in the Burkina economy, while strong, is not as pervasive as it may appear from the outside. Reading official declarations and formal institutional mandates purport establishing the policy and administrative framework within which the economy is expected to function, one could easily be led to believe that the government is managing and intervening in day-to-day economic activity at all levels. For example, virtually all commodity exchanges are to be made at officially established prices with the threat of enforcement by the Brigade des Prix or the police (Cao, 1988). The Caisse de Stabilisation des Prix functions to skew freer price determinations for far too many commodities. Fortunately, however, this disruptive price interference is not in practice, universal. Nor, fortunately, has the broader-based market manipulation, which official policy calls for, ever been put into effective operation.

The most recent statement of government policy, the Programme d'Action, announced in March 1988, envisions a role for the government which is largely consistent with the past. Emphasis is placed on the creation of an "independent" economy guided by the state. Consolidation of existing public organizations and creation of new ones under "State Capitalism" are the first-cited means for achieving this goal. No mention is made of divestiture, reorganization, or liquidation of the present inefficient and/or unprofitable structures. Virtually all sectoral components of the Programme also imply maintaining or adding public functions -- not diminishing them. The Programme calls for an exercise of public control over the activities of the private sector combined with official encouragement of the private sector to invest in economic development activities which will benefit all the people of Burkina. More than one source, however, has opined that this old-style text was taken off the shelf and published just so that the new government could get a plan down on paper - so as to buy time for thinking through a more original plan of its own.

The agricultural sector program echoes these general themes. Food self-sufficiency remains the priority objective, albeit discussion elsewhere in the Programme acknowledges that food imports must, and should (if stabilized), remain an important part of national food security. Other agricultural sector objectives reflect distributional concerns (the gap between rural and urban incomes) and the need for security of supply for both primary and processed commodities. The approaches specified to accomplish these objectives imply local level cooperation (which has proved useful in facilitating public service delivery and other interventions) and, again, a guiding hand from the state to "stimulate production through the establishment of remunerative prices compatible with the producers" conditions while taking into account the purchasing power of the people and the requirements of agro-industries and the market" (GOB, 1988, Sidwaya article). Again, fortunately, the grand scope of such a policy is rarely matched by a commensurate range of action. For example, OFNACER, in spite of its global mandate, handled less than 12% of the cereals marketed over the last two seasons.

B. Who Produces What? Where?

1. Rural

Nearly 80 percent of the roughly 8,000,000 Burkinabe derive their livings from employment in agricultural production (crops, livestock, forestry). Approximately 600,000 family farms are the characteristic economic unit. Burkina is fairly densely populated for a Sahelian country and changing climatic conditions since 1970 have meant that soil and water carrying capacities have probably been exceeded in parts of the northern and central regions as rainfall isohyets have shifted southward. Nevertheless, output per capita and total output of foodgrains have only declined in Yatenga province over the last two decades (CILSS, 1987: 63 and Annex B) and farmers remaining there are net buyers rather than sellers of agricultural products (see Annex C). Opportunities for expanding production in the south, however, are constrained by a relatively underdeveloped infrastructure, cultural tensions between the resident and immigrating populations, and inconsistently applied government resettlement policy.

The traditional individual/household response mechanism to reduced opportunities at home has been labor migration, most often to the Ivory Coast. It is estimated that more than a million Burkinabe live and work outside of the country and private remittances are an important contribution to the country's balance of payments (IMF, 1986: 17). The recent eradication of onchocerciasis in the relatively well-watered southern zones combined with diminishing job openings in the Ivory Coast have provided another option which farming households seem to be taking in increased numbers in spite of the constraints already mentioned. Although the Government-sponsored Volta River Valley resettlement effort (AVV) undertaken in the late 1970's proved to be too expensive to sustain, recent flights by a World Bank consultant over the AVV zone comparing 1979 maps and 1975 satellite imagery with present-day cultivation patterns indicate that "spontaneous migration" is continuing apace. Whole forests have disappeared into a patchwork of fields. Anecdotal information from SOFITEX and ORD staffs in the southwest indicates similar levels of migration there. The Hauts-Bassins and Comoe regions, for example, which were the least densely settled areas of the country in 1975 but have benefitted from oncho eradication and relatively stable rainfall, have become the top producers of cotton in recent years.

The governmental response to both the regional disparities and to the attempts by individuals to cope with reduced production opportunities in their areas of origin has been inconsistent. On the one hand, it is decreed that each region should receive an equal amount of public sector attention and investment regardless of its potential. Thus, for example, an attempt is made to make credit uniformly available throughout the country, even though the demand for and the ability to repay it is greater in the higher rainfall latitudes to the south. On the other hand, certain administrative measures, such as the new land tenure legislation, both encourage and facilitate outmigration to the south.

The government is, in principle, organized to provide all farmers with services through regional service organizations (the ORDs, soon to be called CRPAs). The ORD structure is, theoretically, designed to provide equal access to credit, inputs, and technical advice throughout the country. In fact, the real provision of these services to farmers within a given ORD depends more upon donor funding decisions. The fact that the lion's share of fertilizer remains in the west and southwest where it can be profitably used on cotton rather than being shipped north to Dori, where it will be a dead loss on millet, illustrates the reality of governmental "pragmatism" in overcoming policy gaps and inconsistencies. On the other hand, somewhat less pragmatically, donors have been encouraged to provide substantial funding for ORD/CRPA operations in a marginally productive agricultural zone to slow rural to urban migration while ORDs in areas of high productivity will have their funds cut off when the current World Bank projects end in June 1988.

2. Urban

Based on social security registration figures, fewer than 100,000 people are employed in the formal sector (Haggblade, 1986). Most of these appear to be urban, living in either of Burkina's two major cities -- Bobo-Dioulasso or Ouagadougou. An estimated 36,000 people are employed in the civil service, of which 32,800 are on the central government payroll (IMF, July, 1986: 17). A large but unknown number of people are earning principal incomes in informal sector enterprises and trade. Little information is available on the level and distribution of personal incomes, although, as already noted, the gap between rural and urban levels of living is a concern of the Government of Burkina. Nevertheless, no coherent policy has been developed to address this concern. Current price controls, particularly those on cereals, have had precisely the opposite effect of transferring income from rural to urban areas.

In the September 1982 - August 1983 period, a limited urban expenditure survey was undertaken in Ouagadougou under the auspices of the SAFGRAD project (Sawadogo and Brandt, 1985: 14). Reported household incomes in this survey averaged 73,000 CFA F per month but ranged from 21,000 to 169,000 CFA F per month, indicating substantial variability in urban incomes. If SAFGRAD figures on the net returns to grain production are assumed to indicate rural incomes from agriculture, it is clear that the assumption of a major gap between rural and urban incomes is justified at least in the central region. Very roughly, gross margins per hectare of about 40,000 CFA F combined with an estimate of average farm size of 5.5 hectares imply a farming income for the household of less than 20,000 CFA F per month (SAFGRAD, 1986: 45). On the other hand, it is known that farmers engage in other enterprises (livestock production, trade, exploitation of forest products such as sheanuts) and receive remittances from relatives who have migrated, so the income gap is probably not as large as assumed.

C. Who Invests?

In 1984, the Government of Burkina laid out an ambitious plan for stepping up domestic investment, projecting an investment budget of 900 billion CFAF for the five year period 1986-1990 or 180 billion CFAF per year. Capital expenditures from the GOB treasury have been only five to seven billion CFAF annually since 1984. Most of the financing requirements for the investment plan, however, were expected to be made up from external rather than domestic resources. Roughly half the anticipated investment levels were made in the first year (IMF, 1987), and it is unlikely that more was accomplished in 1987.

While investments by private sector Burkinabe and private foreign firms are, in principle, encouraged in Burkina (Haggblade, 1984: 27), several changes in policy and the overall business climate in the country since 1984 appear to have limited actual investment growth. The GOB has mandated, for example, that 50 percent of the membership on enterprises' Boards of Directors be made up of workers in the enterprise, that at least one-third of the ownership of financial institutions operating in Burkina be held by the state, and that production of goods for local rather than export markets always receive priority in terms of granting start-up business advantages. Further, conservative lending practices on the part of banks, the regulatory complications of price-setting, and an attitude of suspicion toward private sector business practices were maintained and even reinforced during the 1984-87 period.

Bilateral and multilateral donor organizations have played an important role in the Burkina economy in providing official development assistance (ODA), including food aid, since the early 1970's. Since 1983, ODA has been between 50 and 60 billion CFAF per year. This external financing -- which has tended to be government-to-government, and on grant or very soft loan terms -- has been supplemented by 100 percent grant resources from the nearly 100 expatriate non-governmental organizations (NGOs) working in Burkina. NGO transfers most often bypass governmental structures and go directly to supporting grassroots development or charitable efforts at the village and household levels. Official development assistance flows have diminished somewhat in recent years, both in response to general shrinking of assistance budgets in donor countries and to the Sankara administration's rhetoric. However, NGO assistance, the importance of which has long since been a distinctive characteristic of rural development investment trends in this country, was further encouraged by Sankara and is said to have increased by as much as 30% in recent years. Also under the Sankara regime, this growing NGO support received more national-level coordination and planning attention.

There is much untapped potential for savings mobilization and investment at the grassroots level (see Annex F), which so far only the NGOs have tried to exploit. However, a new German funded initiative with the new Ministry of the "Question Paysanne" is taking a more systematic, nation-wide look at this option.

D. Macroeconomic Summary

The IMF's Article IV consultation carried out in September 1987, resulted in a sympathetic report card on an economy which continued to show signs of inadequate management. The central government's budgetary position in 1986 was noted to be good, as revenues exceeded expenditures on a commitment basis. Gold's rise to 16% of exports in 1986 gave that year an unexpected boost. But external interest obligations have not been paid and only part of domestic payment arrears are settled. The balance of payments in 1986 was judged to be generally good (notwithstanding the accumulation of unpaid arrears) largely because of a good agricultural harvest which decreased food imports. Large increases in volumes of cotton exported offset the 45 percent decline in export unit price experienced. Subsequent projections are not turning out to be as positive. If current public sector expenditure increases (featuring ambitious infrastructure projects) are not held in check, the trade deficit may double before 1991. So far, however, balance of payment discussions with the World Bank have not led the government to seek any IMF assistance.

Public policy regarding investments, pricing policies, and state enterprises were noted to be areas which the IMF felt warranted further work. It would appear, however, that some of the measures which the IMF expected to be implemented in 1987/88 have not been (e.g., limitation of OFNACER's role to management of a national security stock and of food aid). Further, some of the achievements which the GOB and the IMF had earlier expected to be registered in 1987 (increased revenues and restraints in the expansion of the public sector wage bill) were not. On the contrary, the public sector wage bill has experienced some large increases in the first few months of the Compaore government. At least 1,500 primary school teachers have been put back on the payroll; a substantial pay increase was allowed in March (although salaries still have not regained their 1983, pre-Sankara level); and indemnities and bonuses were raised in April and on May first, respectively.

The IMF's medium-term outlook at the end of 1987 stressed a growing imbalance between exports and imports and, therefore, a deterioration in the balance of payments. This was felt by the IMF team to "underscore the need for the authorities to adopt and implement a comprehensive adjustment program," including measures to improve the fiscal position, rehabilitate public enterprises, and reassess marketing and pricing policies.

Informal discussions with various GOB officials regarding these areas of proposed policy and program reforms, however, did not indicate that the IMF proposal was being seriously considered at this time. However, the upcoming (July) World Bank economic assessment mission will include IMF participation with a view, according to Bank staff, to the preparation of some sort of structural adjustment protocol.

E. An Overall Appraisal of Economic Performance To Date

Depending on the yardstick one chooses, the economy of Burkina Faso appears to be doing better than one would expect but worse than it could or should be. Economic stability has been achieved, but the cost in disincentives to investments and growth has probably been high. An industrial development policy designed, along classic import substitution lines, to provide local substitutes for finished imports has not been a success and its cost in both economic and financial terms has been substantial. Not only has this cost served as an impediment to overall growth, but it has restrained incomes and purchasing power in the shorter term. This import substitution orientation has kept the government from developing agricultural export markets more agressively. For example, a fifth of Burkina's major export crop, cotton, is held back for a local public sector textile plant. Exports of the bulk of Burkina's agricultural output, cereals, are actively discouraged due to concerns over food shortages, even though growing regional demand for Burkina's millet and sorghum could stimulate sustainable productivity increases - which are now known to be technically possible.

Nevertheless, there is a new interest in alternatives. The public sector discipline of the Sankara era is still very much in force. At the same time, as evidenced by intensifying interest in USAID's price policy symposium, there is a search for realism in setting out an alternative analytic basis for future economic planning actions.

1. Better Than One Would Expect

By applying its own rhetoric and regulations with "pragmatism", the Government of Burkina has managed to avoid some of the excessive distortions and economic losses which a stricter application would have engendered. These pragmatic instincts have probably been helped along by a lack of resources, both financial and human. Inspection teams are unable to inspect and enforce regulations; regulatory oversight is diminished in power because the people exercising it do not understand the concepts they are supposed to apply (Cao, 1988). Pragmatism in policy implementation may also have been facilitated by the distance between the major industrial and agricultural enterprises in Bobo-Dioulasso from the center of political power in Ouagadougou.

Other factors also make the current situation appear more satisfactory than one would expect. First, most donors have kept the necessary financial resources flowing into the country even while, in the Sankara period, they were being denounced in political speeches. Some gaps in the channeling of ODA resources to productive activities through the public and parastatal hierarchies have been filled by direct assistance coming from NGOs. When food has run short, donors have been willing to assist the Government of Burkina in ensuring food security to the population at risk.

Second, since public institutions have never performed quite as intended, there have been no major perturbations of the production system when they fell short in implementing the established policies. OFNACER, for example, has never had the financial capacity to actually act on its floor price policies, so farmers were not in a position to notice if abundant harvests, in higher rainfall years, or, more rarely, donor-contributed food stocks kept farm-gate prices below the official level. Similarly, urban consumers, public sector civil servants and the equally powerful labor unions, with salaries frozen for several years and low purchasing power in any case, have militated for continued availability of subsidized foodgrains. As both emigration to the Ivory Coast and spontaneous resettlement in oncho-freed zones illustrate well, rural people are both capable and ready of taking action to ensure that household economies remain viable without waiting for the state.

2. Worse Than It Could/Should Be

On the other hand, it appears as though many of the policies and interventions of the Government of Burkina have constrained economic growth. Rationing of agricultural inputs, for example, has probably reduced overall growth in both cotton and foodgrain production (Roth, 1986). Development banks have been pushed to invest in enterprises which had either no economic priority (construction of urban housing) or were just simply poor investment choices (e.g., Savana's tomato processing operation) (Berg, 1985).

The conceptual failings, rigidities and the administrative nightmares of the price-setting mechanism certainly do not encourage good management in either the public or the private sector (see Cao, 1988) and are cited in interviews by managers of both parastatal and private firms to be a major problem. Finally, the lack of credit and the unwillingness of the Government to reduce private sector risks in taking credit has also surely been a major brake on growth (see Berg, 1985, and Annex A).

IV. Prospects for Change and Increased Economic Growth

In conducting this appraisal, an attempt was made to discuss informally with various respondents their personal as well as official views of the prospects for change in the status quo, either in the near future or over the longer-term. The willingness with which they did so was itself indicative of a certain openness to new thinking and change. It has led us to conclude that there is a chance that opportunities to better exploit the potential for increasing agricultural and agro-industrial growth in Burkina could be improving.

Nevertheless, it is too early to judge just how "pragmatic" the present government will be in carrying out its Programme d'Action. Constraints in the policy, administrative, and financial environments are still restraining potential economic growth and not all of these constraints appear to be susceptible to change in the short-term. The economic and financial risks associated with rainfall variability and the currently low level of productivity are endemic and will continue to induce some planners in the GOB to look for short-term stability whatever the cost. At the same time that Government will be increasingly reviewing analyses suggesting that social objectives and economic investment and growth goals could be compromised over the medium term if short-term stability is given highest, or sole, priority as an economic policy. Initially, the Government of Burkina must learn how to combine a short-term stability objective with longer-term economic growth planning.

Potential opportunities for the promotion of economic growth identified by the assessment team, the constraints which will have to be removed to exploit them, and the implications of each for social and political stability are discussed in the following sections. An emphasis has been placed on opportunities which could be feasibly financed by AID, which are consistent with the guidance regarding the use of the Development Fund for Africa (DFA), and in which U.S. assistance would seem to present some advantages.

AID and other donors have, in the past, generally chosen to direct the bulk of their assistance to governmental programs and interventions rather than to attempt to channel resources more directly to private sector firms and entrepreneurs. There have been exceptions to this -- grants to NGOs and lines of credit in various banks (e.g. AID support to CNCA under the Entente Fund and the aborted World Bank loan to the BND) for small/medium enterprise development, for example -- although these have been minor programs in terms of resources.

In spite of the drastic funding reductions since 1983, relations between AID and the Government of Burkina at the technical level have remained warm and cooperative. In interviews with the present assessment team, members of the new government have raised the prospect of increased AID funding, inquiring at the same time after its conditionality, at almost every opportunity. Thus, at present, the time seems propitious for collaboratively drawing a new model for providing development support to economic growth in Burkina, a model which does not necessarily involve channeling all funding through the Government. This would permit USAID/Burkina to take full advantage of the program flexibility provided by the Development Fund for Africa (DFA). Program and project options presented below thus involve both public and private sectors.

The most conservative options are presented in the context of a scenario for the future which anticipates little, if any, change in the present policy and economic environment of Burkina.

A second scenario assumes that the pragmatism evidenced by several members of the current administration is real and windows of opportunity become open. Options associated with this second scenario reach a little further, intending to nudge the GOB in the direction of economic liberalization, an increasing reliance on the market and an increasing emphasis on economic growth in addition to economic stability.

A third scenario assumes that aggressive action on the part of a high-risk donor such as AID can have a strongly galvanizing effect on the economy and will be welcomed by the Government of Burkina.

A. <u>Scenario One: Continued State-Led Development</u>

Under this scenario, it is assumed that the Government of Burkina will (a) continue to seek to implement a state-led program of economic development in which economic stability, broad-based participation, and social equity are fundamental objectives, and (b) maintain the regulatory, supervisory, and ownership structures perceived to be necessary to attain these objectives.

Option 1.1: Training for Public Sector Personnel

> Expand and support training and study tours for public sector personnel to foster more enlightened control and improved planning (e.g., in health planning, pharmaceutical logistics, agricultural and agri-business organization/operations, economic planning and commercial reform) as well as to open the door for future policy reforms.

The success of USAID's health planning support project in the Ministry of Health, (in large measure attributable to the administrative discipline exacted by the Sankara regime) illustrate the potential effectiveness of a well-focused project seeking to develop the skills of Burkinabe professionals. Project technical assistance not only trained Ministry staff in carrying out routine tasks of planning, but is also being instrumental in supporting a new approach to rural health care user fees and cost recovery. This cost recovery approach could, if successful, pave the way for broader policy reform with regard to social service delivery in Burkina. The administrative link between focused operations research, information systems-based planning and service reorganization, which this project has demonstrated, is seen as the model for upgrading planning divisions in other ministries.

Of special importance, for the prospects of better economic growth planning, is the interest which the Ministry of Commerce has taken in the information system of the Ministry of Health. With an equivalent training package, the Ministry of Commerce, and perhaps other Ministries as well, could be encouraged to link, such an upgraded planning capability with major policy determinations. The Ministry of Commerce's interest in the upcoming price policy seminar provides an opening through which policy-reform oriented training might be introduced. By training staff in the establishment of an information database featuring the impact of price regulations and import/export controls, a basis for future policy dialogue could be laid. Training for improved functioning of public administrative services which pave the way for an expanded policy dialogue and reform might usefully be applied elsewhere.

An upcoming World Bank project consecrated to the re-training and administrative upgrading of extension service personnel (attached to the newly established CRPA's) could provide a similar opportunity to institute growth enhancing management practices in Burkina. The venue for USAID involvement in this domain is already set out in the proposed Agricultural Research and Training (ARTS) Project. The aide memoire of a recent World Bank project appraisal mission confirms this opening by requesting that ARTS play a pivotal role in extension agent training and in research/extension liaison oversight. The ARTS design provides for precisely such a catalytic role: INERA/RSP will provide upgraded extension agent training and will have a protocol for preparing collaborative work plans with the Development/Research units within the CRPAs. These units will provide the CRPA extension services with a working knowledge of farm-level growth constraints and of improved technologies adapted to enhance productivity. Since the World Bank extension project does not specify such farm-level technical/organizational development themes, the ARTS project will play a crucial role in insuring a greater growth impact for the World Bank investment and in improving institutional performance in the agricultural sector by linking research and information to operations.

Another such high-impact training opportunity may also exist in the rural credit subsector. The CNCA (the Agricultural Credit Bank) could expand by progressively establishing its own credit recovery system throughout the country, rather than relying on the extension structure. As it expands and personnel are added, it would need training to improve CNCA's capacity to seek out and analyze investment possibilities. Farmers' access to agricultural credit may depend in large part on how quickly such expansion could take place. Training which could facilitate such expansion and improve the quantity of CNCA's rural credit would improve farmer access to credit.

Another alternative which presents itself would be to revitalize USAID institutional assistance to the OFNACER cereals board and include also the users of the OFNACER produced market information. At present, USAID and other donors' past experience of providing assistance to OFNACER in planning and market information management does not seem to have borne the desired fruit. The provision of timely market information is a necessary public sector function even under completely free market conditions, and OFNACER has shown signs of beginning to fulfill it adequately. Unfortunately, while OFNACER also began to improve its food storing and food aid distributing efficiency, the project activities apparently had little lasting impact on market performance. Unrealistic national price policies, favoring urban consumers only, thwarted OFNACER efforts to stabilize producer prices leaving farmers with less rather than more stimulation to increase cereals productivity. The problem is that price and trader regulation policies are set by agencies other than OFNACER; agencies which have not taken advantage of the market information and price/cost analyses emerging from the OFNACER project. By working with OFNACER as well as the users of the market information, key personnel can be trained and sensitized to the efficiency of open cereals markets, thereby having a positive impact on the institutions themselves as well as Burkina's grain marketing system.

<u>Option 1.2: Public Sector Capacity Building</u>

> Support the development of public organizations to do the job better or more efficiently, such as reorganization of the ORDs into CRPAs, the development of the agricultural

research institution INERA, and the strengthening of agricultural credit operations (cf. CNCA).

This option goes beyond the more modest and more focused training option just discussed to propose the provision of institutional support as well. As a classic institutional strengthening option, this approach would have USAID working with institutions which are presently public sector entities, and should remain so; but in which at the organizational level good management and a commitment to the promotion of growth need reinforcement.

The World Bank seems to have adopted this option in shaping its present IDA assistance program in Burkina -- with major projects focusing on the institutional, rather than the policy, basis for agricultural research, extension, and natural resource management. Parallel or co-financing with the World Bank, therefore, might be a way for AID to pursue this option. Indeed, the Agricultural Research Training and Support (ARTS) project being developed does just this, focusing AID's efforts on the development of one part of the national agricultural research system tasked with production systems research.

The nature of the Bank's support, through a donor consortium led by the CCCE and including major German and Dutch participation, for institutions involved in natural resource management is not yet clear, but this might bear watching as its develops. So far the consortium appears to be moving toward examining the possibility of working with local organizations as well as national institutions. The terroirs villageois approach that it is experimenting with includes both new local organizational development methodologies as well as refined national-level land tenure policies. As such it might provide AID with a good opportunity to capitalize on its local development and natural resource management working relationships with PVOs (e.g. Africare in Yatenga and in the south, or Save the Children which is expanding its innovative program into the Sapone region). Save's commitment to intensive and sustained community-centered interventions in agricultural production, improved water supplies, improved labor productivity, and maternal/child health care (through targeted health training and supervision) provides an especially positive model of service delivery, growth stimulation, and personnel efficiency. The model's demonstration effect could prove instructive for public sector actors if brought to their attention through the national-level planning framework of this terroirs villageois initiative. If AID can persuade the Government, perhaps using counterpart funds, to include these U.S. PVOs in this national program, then the innovative local organizational actions of other donor funded ONGs (e.g. UGVO, ARDK, 6S etc.) might also get taken into consideration as these crucial natural resource management approaches are planned.

Funding and technical assistance to develop improved credit and management skills in the regional branch offices of the CNCA (the

Agricultural Credit Bank) is a high priority activity which could provide a strong complement to the World Bank Extension Project. The CNCA is profitable and has implemented a conservative lending strategy in reaction to the very poor repayment history on credit which the CNCA provided through the ORDs. It needs funding and technical assistance to help establish a system of regional branch offices covering the country, which would allow it to handle its own credit recovery. This alone is nevertheless unlikely to solve the constraint on credit flowing to agriculture, given the high risks involved in this type of lending and the lack of collateral on the part of the farmers. Providing a loan guarantee program to share a portion of the risk might allow the CNCA to have a much more dynamic credit program within the constraints of good banking and credit management considerations.

Funding and technical assistance to develop improved credit appraisal and credit management skills in the regional branches of the CNCA (the Agricultural Credit Bank) might complement the efforts of the World Bank extension project. The CNCA, while profitable, has been criticized as being overly-conservative in its lending. Several informants suggested that lack of capacity to seek out and analyze new projects may explain a significant part of this conservatism. AID involvement in the CNCA would require close coordination with the French Caisse Centrale (CCCE) which has been the major financier of the CNCA to date. Furthermore, a credit sector training project would pave the way for policy or program-level involvement in the credit sector at a time when the GOB is open to fundamental changes permitting credit institutions to play a more dynamic role in economic growth.

<u>Option 1.3: Training for the Private Sector</u>

> Train and sensitize private sector entrepreneurs to improve their efficiency, even in the current business environment, and pave the way for their playing a greater role in the economy. This training could be organized through the Chamber of Commerce providing courses and seminars in legal affairs, business management, accounting, etc. Study tours to neigh-
> boring countries in which private sector action is being more aggressively encouraged could also be arranged.

The Chamber of Commerce appears to be the primary information and support institution serving the business community in Burkina. Though formally attached to the Ministry of Commerce, the Chamber has been able to maintain an impressive degree of financial and political autonomy and is showing increased vigor in the range and value of services it offers to the private sector. Specific actions to support might include:

(a) Upgrading staff skill levels and providing financing for seminars offered by the Office of Training and Enterprise Support.

AID has already begun to work effectively in this area and could usefully continue, perhaps at a somewhat expanded level, this effort.

(b) Helping the Chamber of Commerce to provide technical support and referral services to existing enterprises, especially in the areas of commercial data analysis, project preparation, market research and business management.

This is not to say that the Chamber of Commerce should be encouraged to take the lead in creating private sector enterprises. Rather the Chamber is better suited to provide existing businesses with a forum for discussion between themselves and GOB. Under this training activity it would thus only be enlarging its role as an advocate of private sector interests and concerns. Specifically, it could facilitate the time consuming and technically demanding procedures required of private business in fulfilling government requirements and regulations. At the same time, it could provide them with broader access to information on internal/external commerce, changes in government provisions and regulations, and assessments of prevailing economic conditions.

Option 1.4: Public Sector Organizational Reform

Provide development administration guidance in the streamlining of certain public organizations to reduce duplication, e.g., in the area of price control and business licensing. Such technical assistance might help pave the way for consensus on reform or elimination of extraneous organizations altogether.

The 1988 Cao report discusses the present degree of organizational overlap which makes a flawed price regulation system function even worse. Recognizing that the GOB is unlikely to do away with price control legislation tomorrow, one could envision AID support for organizational reforms which would, as with the training option (1.1) provide the information base and position needed for expanded support if and when opportunities for more comprehensive reform opened up. But beyond the training option, this guidance could go further in actually working on reorganization plans and perhaps personnel reductions or transfers.

For example, an exercise in simplifying the existing system of commercial regulation might be mounted in the Ministry of Commerce. A collaborative analysis of the costs (and benefits, if any) of the current requirements for import and export authorizations might, from the weight of its own saliency and reasonableness, encourage a gradual elimination of some of this maze of marketing and price controls. Current public sector interest in and enthusiasm about USAID's price policy seminar suggests that there is a general recognition that some serious policy analysis for the commercial sector needs to be done.

Likewise, in conjunction with other donors equally frustrated with the lack of impact of OFNACER administrative reforms on cereals market performance (see above), AID could target the real culprit, Caisse de Stabilisation des Prix et des Produits Agricoles (CSPPA), with the appropriate mode of policy analysis guidance. The time may in fact be ripe for some real pricing policy change if IMF (1987) reports of an imminent GOB reduction of its direct intervention in the market are born out.

All of the other organizations mentioned in Options 1.1 and 1.2 might also be explored as targets for technical assistance in the appropriate mode of public administration guidance.

Option 1.5: More PVO Participation at the Grassroots

> Foster more PVO participation to ensure more benefits at the grassroots level.

NGOs or PVOs appear to be a major channel of development and charitable assistance directly to rural populations in Burkina. The relief responsibilities that confronted them during the recent drought do not seem to have deflected them from a steady increase in the funding and scope of their rural development actions. As noted above many of them are launching local organizational development initiatives which are consistent with a natural resource management focus: soil conservation measures; creation of ponds for small-scale irrigation, well recharge, and livestock watering; potable water; tree planting; and community-based range/woodlot management.

If packaged correctly (see Option 1.2. above) increased assistance to such PVOs could have a strong impact on public sector policy awareness, similar to that of increased levels of direct training and technical assistance to the public sector.

One specialized area meriting USAID investigation would be credit union development overseen by one of the specialized cooperative business development organizations, NCBA or CUNA, which qualify as PVOs. Group-based credit associations are the borrower of choice for the ORDs and CNCA. More effective operation of existing farmer groups and the development of more of them, therefore, would appear to be a key target for grassroots action. A CUNA or a NCBA could work at the local level preparing such groups, and perhaps their associated traders as well, to qualify for CNCA and, at a later date, some new agro-industrial credit.

B. Scenario Two: A "Pragmatism" with Windows of Opportunity

It is assumed that a "pragmatic" approach to policy implementation by the Government of Burkina will be followed by a more formal loosening of the governmental control structures, resulting in at least a partially liberalized economy and an explicit and expanded role for the private sector.

Option 2.1: Revive Policy Reform Initiatives

> Continue to support the IMF/World Bank policy reform dialogue by standing ready to support any new IMF initiatives and by fostering a more relaxed balance of payments atmosphere through carefully targeted budget support.

This option would require AID to undertake more in-depth analyses of two or three key constraints to private sector functioning and to work out a detailed strategy for removing them. Even if the IMF did not ultimately work out a SAF with Burkina, AID could proceed to insert a few sectoral wedges in the present policy framework of the Government of Burkina. This approach conforms with AID/Africa Bureau policy on supporting such IMF/World Bank structural adjustment initiatives by working on the sectoral and grassroots linkages of the induced economy-wide change.

The three policy areas which presently engender the most economic distortion and private sector disfunction are probably: (a) grain marketing controls; (b) business licensing controls and price setting regulations; and (c) export/import controls and duties.

AID has already supported some of the most detailed work on grain marketing analysis in Africa in Burkina and should now be positioned to develop a strategy for gradually fostering liberalized grain markets -- taking care to learn the lessons from Mali, Senegal and Niger. Ongoing work of the CILSS and the Club du Sahel in this domain can be used to remind the Burkinabe how, and why, their neighbors are liberalizing.

Given the particularity of the Burkina situation regarding business licensing and price controls, this area will require further study to identify viable strategies and tactics for gradual elimination of these constraints but the Haggblade and Cao work provides a good starting point.

Export control modification (leading to the elimination of export duties) is perhaps the least explored option for AID but would appear to have some promise, particularly with regard to exploiting the potential markets for maize in Ghana and the Ivory Coast from the southwest, and also perhaps with regard to developing the fledgling private fruit and vegetable export business.

Modifications in shea nut butter and sesame marketing controls would not only help to promote two other export commodities of growing importance, they would facilitate their internal marketing as well.

While the Government of Burkina's general financial position is not bad by African standards, the shortage of resources for accomplishing the 1984 public investment plan and a chronic balance of payments deficit may constrain consideration of a new IMF proposal. In this financial environment additional external resources could assist the country in a material way and, therefore, give the government more budgetary space within which to review its long term options vis-a-vis the IMF. Politically, such an unconditional grant (tied at least on paper to a particular sector such as recurrent funding for the University of Ouagadougou and the Institute for Rural Development to conform with DFA guidelines) would send the message to the Government of Burkina that AID is again interested in providing an increased level of support.

Option 2.2: Pivotal Subsectoral Privatization

> Support specific subsectoral actions which by their nature address both short-term constraints to agricultural growth and long-term policy constraints to more dynamic (private sector) development in general.

Two specific subsector interventions in agriculture, one in manufacturing, and one in education can be suggested to illustrate this option.

(a) Fertilizer

The research literature of Burkina points clearly to a potential for expanded fertilizer use (Roth, 1986; SAFGRAD/FSU, 1986). AID could work in three areas of the fertilizer subsector to promote expanded and more efficient use: promoting private sector distribution and sales, production systems research to develop more economically efficient recommendations, and targeted expansion of fertilizer credit in higher-productivity zones for grain production.

At present, the Government of Burkina has centralized the importation of fertilizer and insecticides in the hands of the quasi-private SOFITEX. This is not a monopoly situation, but rather a matter of practical and economic convenience. SOFITEX handles most of the fertilizer anyway, since most goes to the cotton producing areas. Also SOFITEX's potential for using credit is much greater than the ORDs (now CRPA's), given the financial problems of those organizations. But given financing limitations on the part of SOFITEX, it is natural that imports to fill cotton production requirement take precedence. SOFITEX is contracted to import fertilizer for the Food Crop Fertilizer Project (funded by the World Bank), but what part of the demand for fertilizer is to be used on crops other than cotton remains a question. SOFITEX imports are limited to the pre-mixed formula judged most appropriate for cotton production, and urea. Types of fertilizer which might be more appropriate for other crops are not available.

Price subsidies on fertilizers were removed in 1987 by the GOB, a year before the phase-out negotiated with the World Bank and other donors (part of the early 1980s policy reforms) so that it would appear that encouraging private distribution of fertilizer would likely expand fertilizer use. This increased use might be particularly important among groups who are not served by the credit services of the CRPA's, such as the spontaneous migrants in the Southwest.

Integrated agronomic and economic research on-farms in the south and southwest regions of the country would probably pay off in the development of recommendations as to more economic doses of fertilizer and strategies related to fertilizing an entire rotation. The productivity of this effort, of course, would be constrained by the continuation of commodity pricing policy and market controls. Maize, for example, responds well to fertilizer and, if export outlets could be sought when surplus production in Burkina drove prices downward, maize producers would probably be steady users of fertilizer.

Rural credit limitations also play a role in fertilizer use. Experience elsewhere would indicate that rural savings promotion might facilitate or increase the capacity of farmers to use fertilizer even when seasonal credit was not made available. On a pilot basis, AID might find it useful to test this hypothesis in the southern and southwestern areas of the country.

To deal with this potentially high demand, the fertiliser market needs to be opened up to private traders who themselves are eligible for special supply credits.

(b) Agricultural Equipment

Again, the research literature and on-farm trials by the Purdue SAFGRAD/FSU teams show the potential for increased use of adapted agricultural equipment. At present, parastatal agricultural equipment manufacturers (CNEA, APICOMA, and the CNPARs) are so heavily protected that no private sector imports of such equipment are permitted. Traditionally, the link between local manufacturers and farmers was officially discouraged by requiring the ORDs and CNCA to serve as intermediaries in the sale and distribution network. Since the ORDs were officially disbanded in may of 1987, the CNEA has very timidly attempted to establish direct links.

Privatization of the distribution networks would be one step which AID could support. A second step might include collaboration with the Dutch and Germans who presently support the CNEA to look at the possibility of privatizing the manufacturing operations. Permitting private sector imports and exports of equipment might also provide a useful spur to development of the subsector. R&D on the mechanical tied ridger tested in prototype by the SAFGRAD project appears to be more advanced in Burkina than elsewhere and would seem to have promise in neighboring Sahelian countries. This might be an area for regional AID collaboration.

The limited borrowing capacity of farmers will be a constraint to successful intervention in the equipment subsector. Although manufacturing capacity is adequate, the capacity to market the equipment once made will also be a serious constraint.

(c) Agricultural Processing

CITEC, an industrial operation processing cotton seed from SOFITEX into laundry soap and edible oil, appears to be a good example of a relatively dynamic and profitable parastatal manufacturing operation. Even if it accomplishes its present plans for expansion, however, there would appear to be substantial room for agro-industrial growth in Burkina. Fully private agricultural processing operations are springing up at an encouraging rate. At the primary processing level, Projet Mouhoun and PROMAGRI are treating and packaging fruits and vegetables. SOFIB, in Bobo-Dioulasso, is processing shea-nut butter and, in competition with CITEC, producing soap.

Given AID's unfamiliarity with this subsector, further study would necessarily precede serious consideration of this option. Constraints, of course, would be the range of factors which limit all private enterprise in Burkina.

(d) A Private Sector Business Training Center

AID might also support the development of training facilities for business people to be run as a private sector business. The training center could be operated by the Chamber of Commerce as a separate income-generating activity or it may be something which one of the private accounting or business advisory firms (such as SOFIDEC) would like to take on. Such a private sector center could provide training in basic accounting and business management on a fee-for-service basis with both capital start-up and perhaps initial technical assistance provided on a grant basis by AID. The target population would be primarily artisanal, small and medium scale enterprises in the informal sector. The objective would be to improve the economic efficiency of small and medium enterprises and stimulate increased employment in urban areas.

An indirect benefit would be to accelerate and facilitate conversion of business taxpaying units from schedular to accounts-based system of assessment, thereby also increasing the credibility of the public tax service and perhaps increasing revenues and compliance over the longer term.

Option 2.3: Expanded Natural Resource Management Program

> Support the new World Bank/CCCE initiative in local natural resource management and develop a major component of this program for USAID support

Given the state of development of this program, it is difficult yet to suggest exactly what might be done in this area. AID's PVO community development interventions (see Options 1.2. and 1.5. above) already provide one entry into the national planning framework of this program. However, given the technical/organizational acumen being worked into AID NRM projects elsewhere in the Sahel, USAID/Burkina would be in a good position to make significant technical (soil conservation, agroforestry), local organizational (rural development participation methodologies) and policy analysis (land tenure, fuelwood/energy economics) contributions to this nationwide, multidonor initiative. It is likely, therefore, that a program with a significant agricultural productivity and growth policy impact could be developed in FY 89 for funding late in FY 89 or FY 90.

Option 2.4: Targeted Private Sector Business Support

> Establish new private sector operations to compete with existing parastatals by making available credit lines which could only be tapped by private sector businesses.

In pursuing this option, AID would be making an obvious test of the degree of pragmatism which the Government of Burkina is ready to exercise. The possibility of supporting agro-industrial enterprises which would compete with CITEC, for example, has already been cited in Option 2.2. The constraints, of course, are many and there would be a good possibility that a credit line, for example, would go unliquidated for a long time (see, for example, the World Bank evaluation of its SME credit project, 1986).

However, with an expanded version of the loan guarantee mechanism proposed for CNCA (Option 1.2 above), more of this capital might be moved more quickly. In all of the attached annexes the availability of credit and of institutions capable of allocating it efficiently and effectively are cited as major constraints to growth. Also on the institutional side, the absence of an efficient and reliable banking institution capable of attracting savings and of turning them into productive investments, as credit, is also emphasized as a major constraint.

Yet, it still may be too early for the establishment of such a private sector banking institution. Without comprehensive nationwide banking sector reform, any new institution, public or private, particularly if it were too conspicuous in either the capital or Bobo-Dioulasso, could fall sway to political pressures on loan allocations as have many of the existing banks.

C. <u>Scenario Three: An Agressive Program to Push for Change</u>

It is assumed that more aggressive actions (and larger funding) on the part of a donor like AID are needed to get the Government of Burkina's attention and/or to demonstrate clearly that economic growth can be stimulated without causing social and political upheaval. Such aggressive actions can, in this scenario, support a move toward more extensive liberalization of the economy and substantial reductions in the distortions associated with excessive control.

<u>Option 3.1: CIP/PL 480 Title II 206 Conditionality</u>

> A major investment in a policy reform quid pro quo through tying of certain conditions to a CIP and/or some PL 480 Title II 206 commodities.

This option would require AID to be an effective and committed interlocuteur in the arena of policy reform and to be capable of offering a substantial enough incentive (in the way of future OYBs) to be convincing. This is unlikely to be the case at the present time as AID's financial assistance levels are already too low to be much of a loss to the Government of Burkina and, given the overall pressure on DFA resources for Africa, there would be little justification for setting aside adequate amounts to use as leverage. Nevertheless, a Commodity Imports Program (CIP), conditioned upon appropriate policy changes regarding import licensing, liberalization of price setting, and agreement on private participation in sales strategies for imports, might catch the GOB's attention. This option, if well-funded (say, $30 million over three years), might be big enough to attract attention and important enough in balance of payments terms to make a difference. The major constraint would be the source and origin of the commodities. If restricted to American imports, an effort would have to be made to ensure adequate demand (say, for cotton ginning equipment, tires appropriate for animal carts, milling equipment, well-drilling equipment, fertilizer, etc). However, it might be possible, given the buy-American waiver provisions of the DFA, to be more liberal in this regard and the policy reform-value of the CIP would be incrementally higher.

However, if host country management of a CIP were not considered institutionally feasible, some of the same conditionality might be tied to a PL 480 Title II 206 (wheat and oil) allocation (outstanding arrears with FASO YAAR, under the old program, having already been cleared up).

Either alternative would permit AID to focus its direct-hire staff effort on policy analysis and dialogue.

Option 3.2: Conditional Targeted Budget Support

> Targeted sectoral budget support to the Government of Burkina could be extended if conditioned on a relaxation of controls on private sector activity (at least in agriculture) and/or permission for the establishment of a wholly private industrial development bank and policy reforms needed to make it work.

Initially, of course, the possibility of stimulating private industry through existing public sector banking institutions should be given careful consideration. However, a good case for establishing a wholly private industrial development bank already is made in Annex A. The existence of such a bank would drive a major wedge into the public economic control structures and would foster the growth of the private industrial sector. Recognizing that the reduced public control may be perceived by the Government of Burkina as a challenge and that the GOB will need to exert substantial effort to implement the policy reforms needed to let a private sector development bank work effectively, budget support might be targeted to the areas of public management in which the reforms will need to be implemented (e.g., legislation on public participation in ownership, changes in price setting structures and mechanisms, waivers on price controls, interest rate/fee flexibility). It is not clear to what extent the existing, wholly private FIB could provide a basis for this proposed institution.

AID could also parallel this public sector assistance with assistance to the proposed bank itself, although it would be desirable that the majority of capital invested in the bank should also be private. Nevertheless, business guarantees, special credit lines, training, technical assistance, and infrastructural assistance could be envisioned.

If one were reasonably certain of GOB commitment to liberalization of the agricultural economy, sector program grants conditioned on discrete policy reform measures could facilitate assistance to, for example, cover recurrent costs of public sector organizations (particularly for material and equipment required to allow civil servants to work efficiently).

Option 3.3: Comprehensive Banking Sector Reform

At a future date Comprehensive banking sector reform should be studied once some results have been evaluated from the Senegal, Mali and Niger experiences.

V. Recommendations for AID

A. The Context of the DFA and Implications for Burkina's OYBs

The Development Fund for Africa (DFA) has required the Africa Bureau to rethink its budget allocation process as well as its overall program priorities. In FY 88, an indicative planning allocation model was developed to generate tentative OYBs for each country in the program. The three variables included in the model were: population, per capita GNP, and policy performance. Once tentative OYBs were derived, adjustments were made on a case by case basis.

Burkina has roughly the same population as neighboring Mali and Senegal and a level of income as low as Mali and Niger, but Burkina's economic policy performance still was judged to be too inconsistent in terms of promoting sustainable economic growth that the FY 88 OYB was only increased to $2.5 million for the bilateral program. With the change of government in October 1987, however, the necessity for reassessing Burkina's growth prospects became evident. This report has attempted to sketch out what the current situation is and to come to some sort of judgment as to what the development environment might be in the coming two or three years.

Our overall assessment of the prospects for economic growth is guarded. While there is evidence of the "relaxation" of certain aspects of governmental control and domination of the economy which have restricted growth in the past, extensive and probably excessive public sector interventions continue. Private sector initiatives are thus blunted and public sector operations are inefficient and/or unproductive.

B. An Assistance Strategy in This Policy Environment

It is impossible to predict the likelihood of Burkina conforming to AID's picture of positive policy performance in the next two or three years. The chances are, however, definitely higher that such a picture will come to life under the Compaore administration than they were under the previous government. Contingency planning for an expanded AID development assistance program seems to be warranted, although it would be a mistake for AID to move too fast and too aggressively given the very tentative nature of the Government of Burkina's openess to policy and program reforms of the types which would justify DFA support.

This assessment, therefore, sketches out options for DFA policy and program support which the Mission might wish to implement pending clarification of the extent to which the GOB is ready and willing to loosen up its economy, to underwrite a greater role for the private sector, and to develop an efficient public sector which provides public services necessary for a dynamic economy.

- Scenario One options assume that a state-led economy with the current multitude of economic controls and contradictions continues to prevail.

- Scenario Two options are suggested for Mission exploration if it is judged that there are enough openings in the present structures to permit some changes to be tested and implemented.

- Scenario Three options could be launched if the Government of Burkina shows itself to be ready for major, far-reaching changes in institutions, regulations, and legislation bearing upon the functioning of the economy.

It is recommended that the Mission continue through FY 88 and most or all of FY 89 to assume that Scenario One will hold. However, it is also recommended that the Mission undertake the necessary in-depth analyses and program design activities, including preliminary negotiation with the GOB on selected subsector reform issues, to be able to cast its program along the lines envisioned by Scenario Two by late FY 89.

C. Resource Requirements for Both Scenarios

Funding levels for FY 89 have already been set at $2.5 million for the bilateral Burkina program. Assuming that the Mission will wish to continue its successful health sector intervention, that the Agricultural Research Training and Support project (ARTS) will absorb an additional planned obligation of $1.55 million and that regional project buy-ins will take $0.7 million, new options proposed under Scenario One which can be adopted will be limited. Some of the HRDA expenditures might be able to be reprogrammed to focus on the private sector training option and an addition of $1.5 million to the OYB might be sought to begin to replicate the health sector training/information system/planning model in, for example, the Ministry of Commerce as a way of establishing adequate contacts in the price regulation area. PD&S for FY 1989, now budgeted at $250,000, would have to be programmed as a matter of priority to carry out the in-depth studies on what appear to be the most promising options under Scenario Two.

Implementation of Scenario Two could be greatly accelerated, however, if an OYB supplement in FY 89 allowed USAID to:

1. Pay off its mortgage on existing projects, thereby freeing up more FY 90 resources for Scenario Two;

2. Fund existing PVO local development proposals encouraging their impact on the grassroots, thereby leveraging national-level land resource management policy and providing a demonstration lesson for public sector rural development agencies; and

3. Increase PD&S so that the studies required for Scenario Two can begin sooner rather than later.

Assuming that Scenario Two looks closer to reality in FY 89 and that it is possible to develop, say, one of the subsector interventions proposed under Option 2.2, increased levels will have to be considered and programmed into the FY 90 OYB. Since the FY 90 ABS is due in Washington within a month, it would seem prudent for the Mission to propose adding $1.5 million to continue the Scenario One option of improved public sector management in a key area for potential policy reform and another amount for actually moving ahead with the reform-oriented program which will be identified more fully as FY 88 and FY 89 progress. Since there is no way at this juncture of setting this amount as a function of specific activities to be undertaken, the alternative of budgeting an amount which will get the attention of the Government of Burkina to explore options with AID should be taken, i.e., a reasonable size carrot of, perhaps $3 or $4 million a year. Thus, assuming scenario two comes on stream, an oppropriate FY 90 OYB would be of the magnitude of 7-8 million.

D. Recommended Options: Levels, Timing, Approach

Assuming that the funds are available and that the GOB continues to improve the prospects for economic growth, it is specifically recommended that the Mission consider:

1. Extending Option 1.1 to either the CNCA for improving its rural credit/savings operations in the south and southwest regions of Burkina or to the Ministry of Commerce to lay the groundwork for post hoc "homologation" of prices as is now being done in Mali with increased attention to collection and timely publication of information on imports and exports.

2. Consider the upcoming ARTS project to be an application of Option 1.2, ensuring that support is regionally focused where the CNCA is most active and that sufficient attention is devoted to testing and refining recommendations regarding fertilizer and agricultural equipment.

3. Free up enough money, perhaps under HRDA, to continue the private sector training actions which have already been started and should be sustained as Option 1.3.

4. Using PRE and other consultants, carry out prefeasibility studies of Option 2.2 sub-options in the order which follows:

- The prospects for privatization of the agricultural equipment manufacturing and distribution operations should be explored in depth, leaving capitalization and infrastructure development to other donors, but providing training in business management and perhaps some technical assistance to assure adequate linkages with other organizations (such as INERA's regional farming systems operations). The main opportunities for AID assistance would seem to be in supporting the policy dialogue and reforms and developing private sales networks and the credit connections needed to make them work.

- As a parallel or alternative activity, the fertilizer subsector would seem a good candidate for AID policy and program reform support. The examples of Kenya, Cameroon, and Senegal should be thoroughly studied by both expatriates and Burkinabe involved in the pre-feasibility design phase.

- As a third alternative, the establishment of a private sector business training center could also be explored.

5. Between the prefeasibility and actual program/project design, the Mission should conduct its own review of the political context for growth oriented economic reform and lay out its conclusions in an interim Action Plan for AID/W review before going ahead with the design activity which will presage a sharp increase in resource commitments to Burkina.

MACROECONOMIC SITUATION IN BURKINA FASO AND AN APPRAISAL OF ECONOMIC POLICY

by Alinaghi Alikhani

I. Economic Situation and Government Policy in Burkina Faso

Burkina Faso (with Mali) is the poorest country within the Economic Community of West African States (ECOWAS). From 1960 to 1982 the real per capita growth of gross domestic product (GDP) has been estimated between 0.1% and 1.1% per year.[1] Since 1982 the situation has worsened and the real per capita (at 1979 constant prices) has decreased.

Gross Domestic Product at Market Prices (1982-1986)
(in billions of CFA francs)

	1982	1983	1984	1985	1986
1. GDP current market Price	359.4	381.0	390.6	455.8	455.4
- Primary sector	143.2	152.0	164.2	214.0	190.9
(Agriculture)	(83.2)	(89.4)	(102.2)	(148.2)	...
- Secondary sector	51.2	60.0	56.9	59.7	62.4
(mining/manufacturing)	(41.1)	(48.2)	(47.8)	(51.2)	...
- Tertiary sector	144.5	150.9	153.3	160.9	169.9
2. GDP at 1979 constant prices	274.0	270.8	275.2	311.0	342.2
3. GDP (2) per capita of (in CFAF) resident population (total population minus temporary emigrants)	42,000	40,800	40,626	38,990	....

Source: Based on IMF, Statistical Annex, December 31, 1987.

The share of the secondary sector in the formation of GDP is small, and in recent years not only does not show any growth, but at constant prices is decreasing.

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[1] S. Haggblade: A Macroeconomic Profile of Burkina Faso, p. 6, USAID: Burkina, Dec. 12, 1984

The degree of the economic backwardness of the country is best shown by its power production and new car registration:

Power Production

	1980	1981	1982	1983	1984	1985
KW of Installed Capacity	38,930	38,930	54,836	54,784	58,474	58,474
Total production 1000kw/h	112,776	114,593	122,825	124,729	121,217	123,215

Source: INSD: Annuaire Statistique du Burkina Faso 1986
BCEAO: Statistiques Economiques et monetaire. No. 336, December 1987.

Thus, power production per capita is less than one per cent of the per capita production in industrialized countries.

New Car Registration

	1980	1981	1982	1983	1984	1985
Private cars	1,540	1,712	1,607	3,218	435	561
Coach & bus	26	80	27	88	27	6
Trucks & vans	921	821	1,030	2,231	203	372

Source: INSD Annuaire Statistique de Burkina 1986.

In the recent census the rate of growth of population was estimated to be 2.68%. The resident population was 7,926,000 in 1985. The rate of literacy is very low, and only 29% in the primary school age group attend school.

Primary School Enrollment in Burkina
Compared to Neighboring Countries
(in percentage)

Ivory Coast	74%
Mali	46.5%
Niger	28%
Senegal	50%
Togo	32%
Burkina	29%

A. Agriculture

This sector is analyzed in a separate report. It should nevertheless be noted that agriculture provides the greatest contribution to formation of the GDP, and that agricultural products are the main export items of the country. As there are no significant proven deposits of mineral resources (except gold), any future industrial development should rely heavily on the potentials of the agricultural sector, and the income of the rural the population.

B. Industry

This sector is relatively unimportant. During the last years, it has not registered any growth, and to some extent is declining. There are about 55 industrial units, mainly concentrated in the capital and Bobo-Dioulasso. Their main activities consist of transformation of agricultural products (sugar, edible oils, ginning, cotton textile etc.).

No detailed study is available on the productivity, prospects and problems of existing industries. They are heavily protected and enjoy a monopolistic or oligopolistic position. There seems to be some room for greater efficiency and a better use of inputs (i.e. in textile, sugar and edible oil industries). The industrial sector is suffering from high cost of energy, lack of qualified manpower and the lack of a consistent and dynamic growth policy by the Government.

Since 1979 the Government initiated a program of "voltaisation", and bought out all or part of the foreign capital in the industry.
The share of the Government in different branches of industry is as follows:

Food & beverages	55.5%
Leather & textile	30.1%
Metalwork & mechanical	14.5%
Chemical & electronics	9.2%

C. Foreign Trade and Balance of Payments

The trade balance of Burkina shows a substantial deficit, but it is not worsening. In 1986 it has even improved. Transfers, both private and official, compensate to a large extent for the trade and services deficit. Thus, the current account deficit in 1986 has substantially improved. But IMF projections for 1987 to 1991 estimate that the current account deficit might double.

The main weakness of Burkina's foreign trade is its dependence on the export of a few commodities which have sharp fluctuations in international market. On the other hand industrialization policy based on promotion of import substitution enterprises has created some rigidity on the import side. The GOB should promote secondary and tertiary sectors on a competitive basis and diversify its economy. This will result in the promotion and diversification of its exports, and thus smooth its movements.

Current Account Balance of Burkina
(in billions of CFAF)

	1982	1983	1984	1985	1986
Exports, F.O.B.	41.6	43.0	61.6	55.9	61.9
Of which cotton	7.9	(15.8)	(19.7)	(13.3	(12.8)
Gold	(...)	(...)	(0.2)	(5.6)	(9.8)
Import, F.O.B.	118.3	117.6	118.0	134.0	132.7
Trade balance	-76.7	-74.6	-56.4	-78.1	-70.8
Services (net)	-44.7	-45.4	-45.7	-50.9	-50.7
Transfers (net)	91.1	97.3	100.7	107.3	106.0
Private	38.7	42.6	41.7	47.3	52.0
Official	52.4	54.7	59.0	60.0	54.0
Current account deficit	-30.3	-22.7	-1.4	-21.7	-15.5

<u>Source</u>: Extract from IMF report, Statistical Annex Dec. 31, 1987.

D. Trade Regulations

All imports require government authorization. There are three kinds of authorization:

a. prior authorization;
b. special authorization;
c. exceptional authorization.

Case (a) applies to items which are not produced in the country, and includes the bulk of imports. The main official justification for prior authorization is collection of information.

Case (b) is an instrument for protection of local industries. Imports are only allowed to the extent that local production does not satisfy the demand. Sometimes authorization is granted provided the importer accepts to take delivery of some determined quantity of local products (enlevement jumele).

Case (c) concerns imports of arms and computers. It also applies to imports by non-commercial entities (embassies, government etc.).

The right to import basic foodstuffs is reserved for the Caisse de Perequation. The Caisse may eventually authorize other organizations to import. Imports from CEAO member countries enjoy preferential treatment.

Export is free, except for oil seeds which is reserved for the Caisse de Stabilisation des Prix des Produits Agricoles (CSPPA). Under some conditions, the Caisse can authorize export by private businessmen. The export of some cereals is prohibited. The Ministry of Commerce may at any time subject export of any item to its prior authorization. It has used this power in the past, with the objective of securing the supply of agricultural inputs for local industry at a low price.

All exports except those to CEAO countries are subject to taxes. Some items such as cotton and oil seeds are exempted from one or several taxes.

Taxes on Exports

Tax	Nature of tax	Exemption and deduction	Rate
Export duties	All exports, except those to CEAO countries	Agricultural products such as cotton and oil seeds	From 6 to 26% ad valorem
Statistical Tax	All exports		3%
Research and conditioning Tax	Levied with export duties	numerous exemptions	0.5 to 1.5%
Customs stamp duty	All exports		6%
Toll tax	Earmarked for Office National du Commerce Exterieur		0.5%
Shipment tax			0.5%
Livestock tax			cattle: CFA F 2,500 per head sheep & Goats: CFA F 150 per head

Source: IMF, Statistical annex, Dec. 31, 1987.

E. Monetary Policy

Burkina is a member of the West African Monetary Union (UMOA), the other members being Senegal, Mali, Ivory Coast, Benin, Togo and Niger. The monetary unit is the Franc CFA (Communaute Financiere d'Afrique), which is tied to the French franc at a fixed rate (one FF = 50 CFAF). The monetary policy of the Union is implemented by its central bank, which has representation in each member country, acting as the local central bank.

The Union has a common foreign reserve, unified policy on rate of interest and credit, and enjoys freedom of capital movement.

Monetary policy is elaborated by the Council of Ministers (Ministers of Finance and eventually Ministers of Planning). The actual implementation of monetary policy is the task of the Board of Directors (Conseil d'Administration) of the central bank, where each member country, as well as France, has two representatives. The board prepares its annual program and determines the level of liquidity and the volume of credit of each member country.

Implementation of monetary policy at the national level is the task of the Comite National de Credit. In Burkina, any credit above 30 million CFAF requires prior approval of the National Committee. The Committee elaborates the selective credit policy and determines different rates of interest in accordance with the State's development plan.

The money market is regulated through varying mandatory reserves which the financial institutions keep with the local representative of the central bank. This market acts at local as well as regional levels.

Any surplus liquidity is made available to the central bank. Due to the slow rate of economic growth, and the lack of dynamism of local financial institutions, the credit absorbing capacity of Burkina is weak. The country has a constant surplus of liquidity, which is used by other more enterprising members of the Union. Thus from October 1986 to the end of September 1987, the net creditor position of Burkina had increased by 17.3 billion CFAF, reaching a total of 52.7 billion CFAF. All other members of the UMOA had a negative balance during the same period.[2]

Coordination between unified monetary policy and each member country's fiscal policy is achieved in two ways: limitation of deficit financing, and the similarity of fiscal structure.

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[2] BCEAO: Statistique economiques et monetaires, No. 367 - janvier 1988.

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Credit advanced by the central bank to each member country's treasury, cannot exceed a 20% limit of the Government's actual tax revenues for each fiscal year. Such credit can be used either for current expenses or can be allocated to development projects.

Due to their common colonial past, the fiscal structure of the member countries is nearly the same, although the tax rates vary from country to country.

The discount rates of all banks and financial institutions are regulated by the Comite National de Credit. Some rates are preferential, and this mainly for:

- small and medium scale enterprises: debts not exceeding 30 million CFAF (for working capital this limit can be exceeded);
- seasonal agricultural credit (purchase and marketing of agricultural products);
- individual housing (not exceeding 15 million CFAF).

The preferential rate is between 1-3 points above the base rate presently 6%), regardless of the duration of the loan. The normal rate, applied to all commercial operations, can be up to five points above the base rate. For consumer credit and leasing of the "etablissements financiers," the rate of interest is determined (homologation) by the local office of the central bank according to the type of the product or activity. Presently this rate cannot exceed 22%.

F. Financial Institutions

There are three types of financial institutions:

- commercial banks;
- specialized financial institutions;
- financial establishments (etablissements financiers).

The two commercial banks of the country (BIB and BICIA) are involved in all kinds of banking operations. The financial institutions which are specialized in particular banking activity are as follows:

Name of the institution	Type of activity
- Banque de Developpement	Small and medium scale enterprises; housing (due to financial problems, this bank is not active).
- Caisse Nationale de Credit Agricole (CNCA)	Agriculture and animal husbandry
- Union Revolutionnaire des Banques (UREBA)	Regional development
- Banque pour le Financement du Commerce et des Investissements (BFCI); formerly Caisse Nationale de Developpement Industriel (CNDI)	Large industrial enterprises
- Caisse Autonome d'Investissements	Industrial investments

The banking laws of Burkina stipulate that a minimum of one third of the share capital of the above-mentioned types of institutions should be held by the Government.

There are four private financial establishments specialized in consumer credit and leasing:

Establishment	Type of activity
Societe Burkinabe de Credit Automobile (SOBECA)	Credit for car purchase (Government participation)
Financiere de Burkinabe	Household electrical appliances.
Societe Internationale d'Equipements par Leasing (SIEL)	Leasing (mainly transport vehicles).
Societe Burkinabe d'Equipements (SBE)	Household electrical appliances.

G. Price Control

All the prices in Burkina are fixed and controlled by the Direction des Prix (Ministry of Commerce), or by specialized agencies (Caisse de Perequation, Caisse de Stabilisation du Prix des Produits Agricoles, etc.).

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Price fixing is practiced:

- by determining a price ceiling (applied to mass consumption food stuff, as well as some services);

- by addition of a fixed margin-homologation- (applied to locally produced industrial products, and imported hydrocarbons);

- by establishing a fixed margin in percentage (taux de marge).

The Ministry of Commerce through its "Brigades des Prix" is in charge of price control. Because of the lack of qualified personnel, this control is limited to urban areas, and even there it is not totally effective.

H. Fiscal Policy, Budget & Public Debt

In the limited available time, there was no possibility to add anything new to the IMF report of December 1987 and its statistical annex.

II. POLICY APPRAISAL

A. Background

The main characteristic of Burkina Faso's economy is the pervasive presence of the Government in economic life. This state of affairs stems from two origins: administrative practices and approach of the former colonial power, and the intellectual attitude of the generation that came to power after independence.

France had for a very long time practiced price control and established minute administrative rules and regulations for a multitude of operations. Contrary to anglo-saxon tradition, many decision-making processes were centralized and required approval by government agencies. Such a policy, though questionable, could work in France because of the availability of a highly qualified and extensive body of civil servants. This was complemented by the existence of a true parliamentary and independent judiciary system, and the institution of a Conseil d'Etat, which was a guarantee for individual freedom.

Inspired by such an interventionist and bureaucratic attitude, the GOB has gradually set a whole range of rules and followed the colonial administrative pattern by creating institutions to supervise and regulate the economic activity of the country: price control, import authorization requirements, internal trade regulations, etc.

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The intellectuals who led their country to independence were supported by European leftist movements. In fact they joined these movements and adopted their progressist ideology. For these elements, primacy of the state and the necessity for government intervention to promote economic growth, was paramount. The public sector was covered by an aura of sanctity, and the private sector, if at all tolerated, had to be led firmly by the state which had the privilege of possessing providential clairvoyance and infallible knowledge.

In the colonial period, those who had greater intellectual ability and were fortunate enough to attend school and eventually undertake advanced studies were recruited by the administration. Being a government employee meant job security and was a sign of intellectual brilliance. In a country where the number of literate people is, even now, tragically limited, the educated class has acquired a superiority complex, and believes that being illiterate is by definition equivalent to being ignorant. Such a belief has become a cliche, and nearly all the government officials we met, were reminding us that as the "Commercants" are, among other vices, illiterate, government intervention is justified and necessary. The new slogan is the advocacy for "Capitalism d'Etat" which on the one hand has a capitalist connotation and should thus reassure the private sector, but unfortunately on the other hand, reaffirms the role of the state in economic activity.

B. Performance of Government Enterprises

The reality of the country is fortunately different from the oft-repeated claims of the bureaucrats. The number of primary and secondary school goers, though small, has increased substantially and doubled between 1978/79-1984/85. Many university graduates, can no longer find jobs in the civil service and are looking for opportunities in the private sector.

The performance of enterprises in which the government has a share has been unimpressive or in some cases dismal. Many incur losses and are kept afloat by the massive credit offered to them by partly government owned banks.

The state companies are far from being ideal taxpayers. Depending on their financial situation, they decide on their own whether they can afford to pay taxes on their turnover or profit. There have been many instances of accumulated tax arrears. The common practice for the debtor company is to submit a rehabilitation plan to the Government. If the plan is approved, the government grants a dispensation (remise gracieuse). In this way, for example, the textile company Faso Fani was exonerated from the payment of tax arrears amounting to around one billion CFAF. Such a practice has become so common that a disgruntled official called it "a part of national folklore"! In these circumstances any potential investor in the private sector will hesitate to enter into an activity in which the government is already involved.

C. What the Limit of Government Intervention Should Be

The Government may have some points in its tendency to intervene in some specific economic areas. When the population is so poor and so dependent on cereals, no government can afford to let the prices of such commodities fluctuate at the whim of speculators. The same can be said for state participation in new industries or the creation of new units in remote areas. In this case it has been said that government, in its development endeavour, cannot idly wait for the private investors who do not show up!

But the problem is to define the degree and modality of the intervention and the approach which the Government should adopt in the face of such problems. For instance OFNACER can play a role in keeping a permanent stock of cereals in consuming regions, particularly when the private suppliers enjoy a monopolistic or oligopolistic position. It can also attempt to import whenever the local prices are unduly high. But there is no justification either to fix administratively the price of cereals, thus distorting the market mechanism and giving wrong signals to producers, or to restrict imports by the private sector. The same can be said for other commodities such as rice imported by the Caisse de Perequation. Even disregarding its often below average performance, there is no valid reason to restrict or forbid private importation.

The same can be said about government participation in industrial enterprises. None of these enterprises can either be called technologically new, nor are they located in areas where the question of need for government intervention for regional development arises.

D. Price Control

One of the worst features of the Government's interventionist policy is price control. The official view is that the "commercants" are greedy and unscrupulous, and that without the government's tight control they will exploit ruthlessly the consumers and start an inflationary process. The same argument is applied, by extension, to local industrialists. Nearly all the officials are convinced that without price control there will be chaos, and that letting market forces determine the level of different prices (which may be workable in advanced countries) can not be applied to Burkina. The same arguments are repeated all over again: greed of the "commercants", danger of inflation etc.

The reality of the situation is obviously very different from the government's thinking and wishes. The simplistic view that there is one price for each single commodity and that it will stay stable for a sufficiently long period of time, has no relation with the hard facts of today's economic life. Whether an industrialist needs chemicals or metals or raw materials, the prices are fluctuating practically every day. It is impossible for any price control agency to record immediately these prices changes and calculate its impact on the price of the final product for wholesalers and retailers. In fact the organizations responsible for price control are very reluctant to revise prices once approved. Such revisions takes months or even years, during which time international prices continue to fluctuate!

We were not able to find what the real strategy of importers and industrialists is. It is most probable that right from the start the importer will try to quote and "justify" a price substantially higher than the effective price. This is obviously the opposite of the result which the Government wishes to achieve: in the absence of price control, the price might have been lower! A second strategy is to issue the invoice at the official price, but to ask for some additional payments under the counter. This practice has been confirmed to us by several well-informed businessmen. The third possibility is simply to ignore the official price, mainly in rural areas. There is nonetheless always a risk of being caught and fined. Thus the trader increases his margin to include such a risk. Again, the price for the consumer is higher than it otherwise would have been.

The Government is not well-informed about the international market, and in any case lacks qualified experts in sufficient number to deal with price setting. In addition, its ability to enforce its decisions and supervise the traders is very limited.

Its few price inspectors can only show some presence in the capital and main provincial cities. Thus the prices are relatively lower in large cities than in the rural areas where the vast majority of the population lives.

Farmers are adversely affected by price control in another way."... Although one of the objectives of price control of agricultural products is to support the farmers..., it happens that the level at which the price is fixed can be influenced by State-owned enterprises which buy certain products from the farmers... One example is the case of the Government-owned food processing company SAVANA, which buys tomatoes from growers at a price much below their current costs, because SAVANA uses the high-yield year of 1986 as a base for calculating the unit cost of production for 1987 when the rain was insufficient and the cost of irrigation was therefore much higher. Worse than that, the Government prohibits the farmers from selling their tomatoes to other countries such as Togo in order to guarantee the supply of tomatoes to SAVANA".[3]

The manipulation of the price of inputs with the aim of avoiding an increase in the official price for final products manufactured inside the country is also practiced for imported items. If the price of an imported input increases substantially and affects the cost of the production, the industrialist, obviously, applies for a price revision. The government might at the end admit the validity of such a request, but at the same time be unwilling to increase the price for consumers. In this case it reduces the customs duty of that input (or other imported items) by the amount necessary to compensate for any rise of its international price.

The procedure consists of applying for such a reduction on the basis of "Government development plan priorities" (les priorites du plan de developpement du Gouvernement).

The price controlling authority requests an "additional price subsidy" (subvention complementaire de prix) from an inter-ministerial committee which, in case of approval, issues a decree to that effect.

Apparently this happens quite often, and consequently the same imported item by different industries, may be subject to different customs duties!

Such a policy, though attributed to government development plan priorities, is in fact a serious impediment to future development. It will simply keep the import-substitution industries afloat, but discourages any future attempt to produce inside the country the intermediate material which will increase the local value-added of the final product. It also creates a chaotic situation and may tempt the importer who pays the lowest customs duty, to supply other users at an attractive price!

The bureaucrats may answer that they can prevent such practices by additional controls and the introduction of new rules. But they lack the required numbers of qualified manpower. Even if they could recruit ideal candidates in sufficient number, what would be their opportunity cost in a country which is so cruelly in short supply of skilled people. When the absurdity and inefficiency of the present price control system is pointed out to bureaucrats, their reaction is not to admit that it is better

[3] A.D. CAO. Pricing Policy in Burkina Faso: The Institutional Dimensions, pp. 14-15. DIMPEX, January 1988.

to rely on market forces, but to stress the need for greater administrative efficiency.

The result of price control has been:

a. To increase prices above their normal free market level; for local industry it implies eventual upward revision, but fails to consider decrease in imported inputs prices;

b. To discourage new investments;

c. To create a price differentiation in favor of the urban population, thus inducing rural migration towards the cities with all its adverse social consequences;

d. To waste the limited human and economic resources of the country.

E. Trade Policy

Trade policy, as with the rest of economic life of Burkina, is characterized by a great number of bureaucratic rules and frequent government intervention. All imports are subject to quota or prior approval of the Ministry of Commerce. The official argument for maintaining this system is:

- protection of local industry;
- standardization of imports (in the case of computers);
- collection of information about trade (customs statistics are published with much delay, and many small importers do not use banking services);
- advice to importers about the best sources of supply (through the Office National du Commerce Exterieure)

It was pointed out to the officials that protection of local industry doesn't necessarily require the adoption of the present import system. It would be much simpler to impose an adequate customs duty on similar imported products. Considering the small size of the local market and consequently the limited number of local producers who enjoy a monopolistic position, it is highly desirable to allow imports, albeit with high duties, and to create some degree of competition. But the officials are adamant that such a change of policy will not work: dumping will ruin national producers and the traders who will have a higher margin on imported goods will persuade the consumers to buy these goods in spite of the fact that they are more expensive! The underlying eternal assumption is the "devil" trader confronting the Government, the righteous protector of the ignorant consumers.

As for the collection of information through the present system, it doesn't seem to work as desired. In different departments of the Ministry of Commerce, it was not possible to get any up-to-date information concerning foreign trade.

One of the potential dangers of the present import regulations, under the guise of advice for the best source of supply, is to divert imports from an open international market towards particular sources. This would be an additional distortion in a market which is already suffering from overwhelming bureaucratic rules. Apparently such a situation has never occurred, but its possibility in the future cannot be discarded.

The exclusive right of import or export of some items enjoyed by several government agencies, has no justification. It has either increased prices or wasted resources, or both. It has been used indirectly as a source of collecting additional tax revenues for the government. As mentioned before, it is understandable for the government to intend to stabilize the price of basic cereals or to smooth the price fluctuation of some export commodities. But none of these problems require granting a virtual monopoly to government agencies or to subject private businessmen to some sort of tax payment if they desire to get involved in that trade.

Customs duties on imports are not homogeneous, as has been explained in the context of price control policy. As for export duties, they reduce the competitiveness of the local products on foreign markets, and reduce their internal price, thus causing an income transfer from agricultural producers to urban consumers. For instance, in 1985 duties on livestock amounted to 22.5% ad valorem for cattle, and 17% ad valorem for goats and sheep. The exporters are confronting fierce competition in the Ivory Coast and Togo from cheaper Latin American and European meat imports. Burkina has the advantage of supplying fresh meat versus imported frozen meat. But this niche is quite limited. Its maintenance or eventual expansion requires the government's understanding and assistance, or at least its neutrality by removing these unjust and unjustified duties.[4]

Another factor adversely affecting exports is the sudden change of government policy, prohibiting the export of some local products such as the above-mentioned case of tomatoes. Consequently the neighboring countries are reluctant to conclude

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[4] OECD-CILSS, "Analyse des Conditions de l'Elevage et Propositions de Politiques et de Programmes". Burkina Faso. December 1986.

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long-term contracts with Burkina exporters for the purchase of agricultural products. There is a need for greater consistency and discipline in foreign trade policy. If the Government wishes to inspire confidence in the business community, it is essential to forbid any change of trade regulations more than once in any given period (i.e. once a year at a particular date). In addition long-term contracts should be respected until their term and should not be retroactively and adversely affected by any new rule.

These constraints on foreign trade have resulted in the expansion of smuggling and illegal practices. The amount of this "parallel" trade is apparently quite substantial, and many studies indicate that the official foreign trade statistics do not reflect at all the true situation.

The Government's rules sometimes originate from ideas which theoretically might seem attractive, but are hardly in accordance with reality. It is advisable for the Government to cautiously try such ideas and avoid making them mandatory by decree. In the last few years, the Government decided to organize the importers into 17 Groupement d'Interet Economique (GIE), according to their line of activity.

The reasoning behind this decision was that Burkina's businessmen, because of their limited financial resources, order only small quantities of different items from foreign suppliers. By adding the individual orders of the importers it would be possible to make a bulk order and be in a better bargaining position. The cost of freight and handling charges may also be reduced in this way. Since the adoption of this policy no importer can get the prior authorization of the Ministry of Commerce without having been registered in his respective GIE; as if the existing bureaucratic constraints were not sufficient!

In practice this has meant additional expenses for the importers to provide office facilities for their GIE, and to recruit staff. The importers have (or believe they have) their business secrets, and are reluctant to share their know-how with competitors. Even if this arrangement worked successfully, it would become a coalition of vested interests trying to apply cartel practices, and to increase prices above their free market level. In addition, the belief that bulk ordering means cheaper prices is not necessarily true. In many instances small quantities of a product are available at a warehouse, and the producer (or broker) tries to get rid of it at a bargain price. These opportunities are great incentives for small, shrewd businessmen, provided they are not obliged to share their knowledge gratuitously with less enterprising "associates".

For the import of pharmaceuticals, the Government suddenly decided to create a company (<u>societe mixte</u>), in which it holds 51% of the share capital. The 11 local pharmacists-importers were summarily ordered to each put 17 million CFAF in the new company, SONAPHARM and get 49% of the capital. The private shareholders are extremely upset by this arrangement. They complain also that on the Board of Directors, 50% of the seats are allocated to the workers and employees who have not the slightest idea about the pharmaceutical business. Once again, either this arrangement will mean inefficiency and mismanagement, or it will become a closed shop for the actual established importers. In both cases it will result in higher prices for the consumers, through elimination of private initiative and competition.

Internal trade also is regulated by the Ministry of Commerce. In many fields of activity the wholesalers must get the agreement of the Ministry. This agreement is granted to a limited number of traders, preventing newcomers from free entry. Only the agreed wholesalers can participate in the government tenders. Theoretically, anybody can apply for such an agreement, provided he is recognized as "qualified" by the government's authorities. But in practice the vested interest of the established traders is a powerful hindrance against any new applicant. For instance there are three distributors of telephone sets for the entire country. Any new application must be submitted, for approval, to a committee in the Office National de Telecommunication (ONATEL). A young and dynamic local businessman has been trying for more than a year to get an answer for his application. But it so happens that the competent commission does not meet!

F. Industrial Policy and Performance

The industrial sector of Burkina Faso is characterized by lack of clear and consistent industrial development policy, and unjustifiably large government participation. Its industrial development followed the common pattern of many developing countries: import substitution and consumer products industries. As the national market is small, there is either only a single producer, or just a few of them. The strong protectionist policy, has put the national market at the disposal of the local industries which enjoy a monopolistic or oligopolistic position. Thus the competition for these industries is virtually non-existent.

The size of the industrial units is relatively small, and does not warrant any economic opportunity for gradually producing a part of their inputs locally. In addition, the reduction or elimination of custom duties on inputs, for the sake of avoiding any change in the price of the final product (as described before), does not provide any incentive for whoever might have the capacity of producing them locally.

Some industries, such as moped (cyclomoteur) assembly, have hardly any economic justification or priority, specially when its capacity utilization has only been around 31%.[5] It just creates a captive market for the mother company. It would be worthwhile to calculate domestic resource cost (DRC) of this (and many other!) industries, and to see clearly what is their cost and benefit to the economy. One of the officials was saying that the only justification for some of the local industries, is to have the pleasure of claiming that "nous avons aussi de l'industrie!"

The main vehicle for the promotion of industry is the investment code. It is less generous than the similar code of the neighboring countries (Ivory Coast, Mali, Mauritania and Niger).[6] The rate of taxation is also somewhat higher in Burkina. Supposing other conditions being equal, the present fiscal and investment legislation puts the country in a disadvantageous position in comparison with the other members of the CEAO. It is advisable to coordinate investment and fiscal codes with those of the other member countries. The code restricts the number of expatriates in middle and top management position. This is probably a wrong approach if the Government aims at creating job opportunities for its nationals. The country has an acute shortage of qualified manpower. Any inflow of such people should be welcomed. Their increase in number, brings down their cost, and makes local enterprises more competitive. In addition, their presence reduces one of the bottlenecks of industrial expansion and is therefore conducive to new job opportunities.

The code stipulates that 20% of the distributable profit must be allocated to reinvestment. This kind of provision is often counterproductive. Either the economic environment is favorable to investment, in which case there is no need for mandatory regulations. Or the climate is inauspicious, in which case it is better for the Government to reassess its policies, and not to kill the messenger! Such constraints induce industrialists to show as little profit as possible, and at the end of the game the government loses some of its tax income.

G. Caisse Autonome d'Investissements

In 1984, the Government instituted a new body called the Caisse Autonome d'Investissements (CAI). All industrial and commercial enterprises are subject to an annual "contribution" (cotisation), calculated on the basis of their turnover. Its rate increases

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[5] Government of Burkina Faso. Premier Plan Quinquennal de Developpement Populaire 1986-1990. Rapport General de Synthese, Volume 1, p. 38, 1986.

[6] S. Haggblade, A Macroeconomic Profile of Burkina Faso, pg. 39, USAID: Burkina, December 12,1984.

progressively from 0.5% to 2% and then, for larger amounts, decreases down to 0.1%. This "contribution" is kept for two years with the CAI without bearing any interest. Subsequently the "contributor" can apply for a refund, provided he submits an investment project to CAI.

If the project meets with the Government's investment priorities, his application is approved and he is refunded (it is not clear whether the refund is 80% or more of the contribution). Otherwise the "contribution" will be converted into a long-term loan (20 years) to the Government, bearing 4% interest!

Though this "contribution" is in fact a kind of taxation, the price controlling authorities refuse to accept it as a part of the cost structure. The business community is obviously dissatisfied with the CAI. Business leaders tried without success to base this "contribution" on profit and not turnover. But the Government felt that in such an eventuality, no enterprise would show much profit!

The reason for imposing such constraints, is the Government's perception of the private sector as described before: the "Commercants" have plenty of money, and make substantial profit, but are reluctant to invest; the industrialists, if successful, must have committed some wrong and should pay back a part of their gain to the community, i.e. the Government. It is significant that enterprises applying to take advantage of the investment code must indicate which part of their projected profit is attributable to Government services!

H. The Need to Create a More Favorable Climate for Investments

It must be recognized that the economic policy of the GOB has not been a success and that its continuation in the future will even worsen the situation. The profusion of administrative rules and regulations and the tendency of the Government to intervene in all areas of economic activity makes people dependent on decisions by the central government in all instances. One of the effects of such bureaucratic centralization is to attract the more enterprising people to the capital, so that they can get more easily in touch with the decision makers. Such a process will be at the expense of rural areas and far-off regions which will lose their most dynamic elements. This, and price policy which favors the urban populace, will ultimately result in more acute regional imbalance, and the mushrooming of shanty towns around the capital. All this will put an additional burden on the economy and reduce its growth.

The economic growth of the country requires greater dynamism in the secondary and tertiary sectors. In recent years, these sectors have not registered any growth (at constant prices). Consequently, even when the agricultural sector has performed well the rest of the economy has not followed suit and the situation of near-stagnation has persisted.

The growth of the secondary and tertiary sectors depends on a radical change of Government policies. It should withdraw gradually from industry, abolish in phases the system of price control, liberalize its trade policy, allow market forces to determine the allocation of resources and put the administration at the service of the private sector.

I. Need For More Dynamic Banking

This means the need for a range of positive measure in favor of the private sector. One of the weaknesses of the economy is the inadequacy of the banking system. It is not yet conscious of its role in economic development and behaves, probably unwittingly, as a usurer. For private enterprises, obtaining credit from commercial banks is an arduous task. Long-term credit is hardly granted to anyone. Even for short term credit the beneficiary must provide a personal guaranty and securities worth several times the amount of the credit.

A dynamic exporter of fruits and vegetable had decided to build a cold storage facility close to the airport and to expand his exports. However, no bank accepted to give him credit without a personal guaranty and adequate (from the bank's view) security. At the end he decided to finance the total project himself. The lack of bank credit naturally limits the possibility of implementing attractive projects and thus reduces the potential economic growth.

The banks also neglect to induce farmers of cash crops to put their saving in the bank. In fact people, even in urban areas, are hardly familiar with banking operations and the facilities the banks are supposed to offer.

What the country needs is a more dynamic banking system. What the business community needs is more understanding and less exorbitant requirements by the banks. For a dynamic policy of economic growth, it is essential to grant long term as well as short term credit on the basis of the merit of the projects, without any requirement of additional security.

To accelerate economic growth and to facilitate granting credit by the banks, there is a need for an investment promotion center. The task of such a center would be to prepare attractive projects and to study their feasibility. The present system where the Ministry of Economic Promotion is passively waiting for investors and expecting them to provide a large amount of information is most discouraging. The investor should not be treated as an accused facing his judges. On the contrary, he should feel that the administration puts all its facilities at his disposal, and the only thing which is expected from him is to succeed.

III. Minimum Strategy for the Promotion of Economic Development

The present economic prospects of Burkina Faso seem bleak. Statism and disregard for a free market economy has wasted the meager available resources. The real problem is conceptual: it is difficult for the officials and policy makers to change their state of mind regarding primacy of the state and the need to follow an interventionist economic policy. This is a reality which should be taken into account by any aid donor country. Instead of outright condemnation of the present economic policy, it would be better to understand its origin and historical evolution. Through such an understanding, it would be possible to gradually persuade the policy makers of the advisability of some radical changes.

Fortunately the officials give the impression of not being dogmatic and show some degree of pragmatism in their approach. They are open to new ideas and willing to try them.

In this context, it would be preferable not to wait for a sudden total change of the economic policy, but to try an alternative policy (encouragement of private initiative, promotion of the private sector), in some strategic areas. The private sector is suffering, among others, from the following constraints:

- unavailability of credit promoting economic development;
- lack of a center for project preparation and evaluation;
- shortage of qualified middle management.

In this regard the following measures are proposed:

- creation of a wholly private industrial development bank;
- creation of a management training institute;
- creation of a center for project preparation and evaluation.

A. The Industrial Development Bank

Present banking legislation stipulates that the Government should have a minimum 1/3 participation in any banking institution. But the economic authorities have expressed their readiness to make an exception and to allow the creation of a wholly private bank.

In such a case, the bank may start with a capital of around $2 million, with external assistance providing $1 million. This capital would be sufficient for the initial stages of the Bank's operation: it is equivalent to 40 projects, each of $50,000. The rate of interest may be higher than the prevailing rate by other banks. But the credit should be granted on the merit of each project and not on the basis of personal guaranty.

B. Project Preparation and Evaluation Center

Such a center is needed both for the promotion of private investment and for the assistance it can give to the Industrial Development Bank. The center can be an institution jointly managed by the Chamber of Commerce and the Ministry of Economic Promotion. The Center should be staffed by few highly qualified experts, who may, at the start, be expatriates with local counterparts. At the same time private local consultants should be encouraged to assist the Center as well as the private investors who are directed to them. The cost of any study would be borne by the applicant.

UNIDO can also be asked to participate in the creation of the Center.

C. Institute for Management Training

This Institute can be established as an independent body attached to the Chamber of Commerce. Its main task would be the training of staff required at low and middle levels of management. The courses should be of short duration (2 - 3 months) and of different complementary levels.

The ILO can also be asked to participate in the creation of the Institute.

It would also be worthwhile to organize seminars and study trips for government officials in the economic ministries (Economic Promotion, Commerce, Finance, Plan). They should gradually get acquainted with the realities of the outside world and the prerequisites of economic development.

AGRICULTURAL DEVELOPMENT POLICY

by John Lichte

This section will attempt to provide a brief summary of the existing situation with regard to agricultural development, agricultural support institutions and important agricultural development policies, beginning with the Five Year Plan.

I. National Agricultural Policy and Priorities

A. STATED AGRICULTURAL SECTOR OBJECTIVES

The basic objectives of the 1986-1990 five year have been retained by the new government. Where there has perhaps been an important change is in the means of attaining them. The more radical aspects of the plan (state farms, cooperatives based on communal ownership of the means of production, etc.) have been left without funding and there does not appear to be a serious attempt to find funding for them. The basic five year plan objectives can be summarized as follows:

1. Economic Objectives

a. Food security and a high degree of food self-sufficiency
b. A decisive contribution to improving the balance of trade
c. Subobjectives
- intensify rainfed agriculture
- develop irrigated agriculture
- controlled intensification of animal production
- diversify cash crops
- integrate and improve agro-industry
- stabilize the availability of agricultural products

2. Social Objectives

a. Improve farm family income and the standard of living
b. Subobjectives:
- organize farmers
- promote woman's activities and improve woman's work conditions
- adequate compensation for farmers
- improve the distribution of the agricultural population relative to land availability
- reduce regional income disparities
- improve access to credit

3. Land Resources: Conservation and Optimum Use of Land Resources

Three major actions are proposed relating to the environment and the use of natural resources:

a. Protect the environment and fight against desertification
b. Contribute to food self-sufficiency
c. Satisfy energy needs and other needs for wood

The subobjectives are:

- agrarian reform and improved management of local (village) territory
- equalize demographic pressure on land
- integrate of livestock and trees into agricultural production systems
- decentralize planning and management

Several interesting projections are provided in the five year plan:

1. A 3.9 % increase in global agricultural production per year;

2. A 14.7 % increase in rainfed cereal production over 5 years, including a 5.7 % increase in area cultivated and an 8.6 % increase in yields;

3. Farmers will adopt intensified production techniques at the rate of 11.7 % per year. Farm families using modern production practices will increase from 72,000 to 125,000 and the acreage farmed using intensified techniques will increase from 288,000 ha. to 502,000 ha.

We were told by the Minister of Agriculture that total cereal production in 1986 surpassed the production expected at the end of the five year plan, primarily due to good rainfall. Rainfall does appear to be the most important factor influencing agricultural production.

II. Agricultural Support Services

A. Extension

Since 1966, extension services have been provided by the Regional Development Organizations (ORDs). During the 1970s, the era of integrated rural development, the ORDs under the Ministry of Rural Development accumulated responsibility for most aspects of rural development. These responsibilities included: promotion of agriculture, development of physical infrastructure, literacy training, some health and social programs, training animals and farmers for animal traction, input and credit delivery, building roads, collecting agricultural statistics, installing village grain mills, setting up cereal banks, marketing, etc.

The ORDs were provided with the legal status of public industrial and commercial enterprises and were expected to undertake activities which would generate income for the ORD. In the cotton production zone, ORDs were able to generate income as a commission on the sale of cotton and inputs. At times, income was also generated by marketing other cash crops, such as groundnut and sesame. Unfortunately, weak marketing structures and unstable world prices often made this a losing proposition, rather than a profitable one.

Many of the activities like road building and providing social services, provided only expenses, rather than any possibility of generating income. For several years, the ORDs also shared a national cereal marketing monopoly with the National Cereals Office (OFNACER). After some experience it was recognized that the ORDs were inefficient cereal marketing structures and could only provide such services at a high cost. Over time, the allure of the notion of integrated rural development has worn off and it has been recognized that one organization can not efficiently provide all of the services needed by the rural populations.

Since 1985, the Ministry of Rural Development has been disassembled in the move away from integrated rural development towards more limited and better defined tasks for the institutions and field agents. The tasks previously united under one ministry are now divided between:

The Ministry of Agriculture and Livestock
The Ministry of Farmers Affairs
The Ministry of Water

The Ministry of Agriculture and Livestock (MAE) retains the responsibility for technical aspects of crop and livestock production as well as input delivery and basic extension services. In mid 1987 the ministry had 1089 field level extension agents, 2422 field technicians (primarily Matourkou training), and 280 cadre superieur with university level training; for a total of 2710 personnel.

The MAE is also undergoing a major reorganization. The ORDs were officially declared disbanded in May of 1987. Almost 11 months passed before a new Ministry organizational chart was officially declared and the ORDs were replaced by the new Regional Agro-pastoral Promotion Centers (CRPAs). In the interim, there has been much confusion. The ex-ORDs had no legal status during the 11 month interim, which among other things prevented CNCA from using them as intermediaries to distribute credit to local village groups and cooperatives. Although there were other reasons this certainly contributed to the CNCA's discontinuing credit disbursement to small farmers and to its new policy of establishing its own channels for credit disbursement.

There is still relatively little information about the structure and program of the new CRPAs. There will be 12 CRPAs instead of the 11 ORDs. Although there are several boundary changes, the primary change is to detach the southern half of the Ouagadougou ORD and establish it as a separate CRPA to work specifically in relationship with the AVV. The CRPAs will have the legal status of public industrial and commercial enterprises, the same as the ORDs. The government still seems to think that they can set up small agro-industrial activities which will return a profit. This seems unlikely given the historical performance of the ORDs. The ORDs had a combined debt of about $9 million when they were disbanded.

The CRPAs are considered to have become functional with the naming of directors in mid April, 1988, but in fact will have little or no budget until the new World Bank Extension Project (Renforcement des Services au Producteurs) comes on line in late 1988 or early 1989. The project being prepared may cost as much as $8 million to $10 million a year to implement the T&V extension system on a nation wide basis. The project is oriented towards different programs in each CRPA based on the agro-ecological and socio-economic conditions of each region. What these different programs might be are not specified, and will depend to an important extent on what is available from adaptive research programs. When asked about the role and the activities of the CRPAs, many GOB officials say that these will only be defined when the World Bank project is prepared and implemented.

The World Bank papers call for the implementation of the T&V system, work with village groups, a strong emphasis on regular training sessions for extension agents, and a serious upgrading of the research and development liaison units within the CRPAs. A close working relationship with INERA (The Institute of studies and Agricultural Research), and particularly with the RSP (the Production Systems Research Program, is envisioned to help adapt and integrate technologies appropriate for local conditions. It appears that agents will continue to be involved in the selection of candidates for agricultural credit, but that CNCA will move slowly towards establishing the network of agents necessary to collect credit payments.

Some of the NGOs have a reputation for doing some good work in the promotion of agricultural production as part of their rural development activities. The PFP program in Fada has a reputation for being particularly successful in its handling of agricultural credit and its integration into an agricultural program. Africare has facilitated agricultural production around a number of small dams.

An interesting aspect of the present extension situation is the entry of vertically integrated private companies, producing high value cash crops, primarily for exportation. Some of these organizations have developed sophisticated production schedules in order to allow them to take advantage of time specific marketing opportunities. Although most operate on a relatively small scale, the extension services provided are more sophisticated than those provided by the government extension services, and implemented with very few personnel. These companies have spent several years developing the production of export quality produce (primarily vegetables and fruit) and have demonstrated an ability to produce on a basis which is profitable for both the company and cooperating farmers. Activities like these can help provide crop diversification and a highly profitable cash crop. This is an important complement to World Bank/GOB extension activities, particularly in the traditional cereal cropping production systems of the northern half of the country.

Findings

1. The extension services are in a state of confusion due to the reorganization of the Ministry and to lack of clear definition/information about what the new World Bank Extension Project will include. There remain questions of the appropriateness of the T&V system in countries like Burkina that have significant problems with recurrent costs and with mastering logistics to the point that rigid scheduling can be maintained. The World Bank seems to be waiting for the GOB and applied farm level research to define the technical programs for each region. This may make sense in the 20 year time frame of their commitment to the extension services, but is difficult to accept within AID's shorter horizon for project activities. A strong adaptive farm level research program appears to be a crucial need to determine the technologies and production systems which be the basis of the regional extension programs.

2. The private sector companies producing and exporting high quality, high value produce are helping to provide much needed cash crops to establish production systems which can provide economic growth and help sustain the natural resource base.

Recommendations

1. USAID should avoid investment in the National Extension Program of the GOB and World Bank, at least until the Ministry is much more stable and the proposed extension system begins to show some (positive) results.

2. USAID should support and encourage the development of private companies producing high value produce for export as a complement to GOB extension activities. It appears that the most effective types of support might be channeled through a guaranteed loan

program, and programs to improve management, accounting and marketing capacity.

3. USAID should continue to support high quality NGO programs which focus on agricultural production or other aspects of economic growth.

B. Agricultural Education

1. IDR

Training of agricultural technicians is provided by several institutions. The basic source of agricultural engineers is the Institute of Rural Development (IDR) at the University of Ouagadougou. The IDR has three basic training programs in the areas of crop production, livestock production and forestry. The bulk of the agricultural engineers in the government services and in the private sector, received their degrees from the IDR. Most higher level degree training is done outside of Burkina. The IDR has proposed and is attempting to find financing for a program to give doctorats de 3eme cycle. A team sponsored by the University of Georgia is in the process of preparing a long term plan for IDR. One of the questions is whether to build and move IDR to facilities at the Gompela research station, 15 km East of Ouagadougou. The primary purpose of this would be to provide more practical training to students and to encourage faculty to become more involved in research. At present faculty members are only paid for the number of hours they teach. There is no orientation and little incentive for them to become involved in research. IDR also provides very little in the way of non-degree training or continuing education. There is a real need to provide better training to research and extension personnel already in the field, but no ready source of such training. Part of the ARTS training program is oriented towards initiating and facilitating the start up of such training for personnel already in the field.

2. Matourkou

Matourkou is the traditional training center for non-university agricultural development training. It provides training at the CTAS and ATS levels. Prior to 1976, with funding from UNDP, Matourkou also provided a 9 month training course for basic extension agents. With the loss of funding and personnel this training stopped and ORDs had to train their own extension agents. Here also the ARTS project would attempt to initiate continuing education activities in collaboration with Matourkou.

3. Kamboinse

The Ministry of Farmers Affairs maintains a training center near Kamboinse for training the trainers responsible for the CFJA.

4. Dinderesso

Apparently the Dinderesso Forestry School has not been accepting new students for the last several years and has had serious operating problems since the end of the USAID project. Reports indicate that it will accept a new group of students this year. In the interim it has been providing some short term technical training primarily in aspects of forestry and environmental protection.

Findings

1. Burkina agricultural education institutions presently provide very little in the way of non-degree training which working graduates need to keep current and to improve their skills. There is a very serious need for short term technical courses which would respond to these needs. Burkina's need for continuing education in areas of practical technical applications are greater than its need for a higher level degree. At present much of the faculty has little research or practical experience to use as a basis for practical short term training or supervising a research degree.

2. It is difficult to imagine that IDR can offer a quality research degree (doctorat de 3eme cycle) when much of the faculty is not involved in research. The lack of research orientation also makes it difficult to provide practical and up to date information to students. Much of the faculty has little practical experience to communicate to students.

Recommendations

USAID should continue to encourage IDR to change its traditional orientation towards degree training alone. The faculty should be encouraged to become involved in research and other practical experiences. Incentives as well as the opportunity will need to be provided. Long term US training can help provide a vision of a different and more appropriate role for a University faculty.

C. Farmer Training and Organizations

Although previously under the Ministry of Rural Development, responsibility for training and organizing farmers was placed under the Ministry of Farmers Affairs (Question Paysan) in 1986. Its major programs include training young farmers (FJA), functional literacy and promotion of cooperative activities. A predominant part of the Ministry's program is to operate the 589 Young Farmer Training Centers. Of a total staff of 1260 people, 817 are trainers working in these centers. Ministry representatives say that a new orientation will be to use these centers for adult training (adult literacy, cooperative promotion, extension support, and political-ideological training) as well as for training rural youth.

The Ministry of Farmers Affairs (MFA) is also has the mandate to establish and promote village groups, credit unions and cooperatives. It is responsible for supporting and improving the approximately 3000 village groups and cooperatives that now exist. It promotes the cooperative orientation with audio-visual presentations, through functional literacy, and by providing help in the areas of accounting and management. It also attempts to promote rural savings and generate local resources through the establishment of credit unions.

Historically, village groups were established by the government organizations as a means of reducing the costs of distributing production inputs and to serve as a local collecting agency for product marketing. Village groups were also required to accept group liability for individual loans as a means of improving loan repayment rates. More recently village cereal banks have also been established on a cooperative basis to help insure local food security.

In regions where the benefits of village group activity are obvious, like the cotton and green bean producing areas or areas of chronic cereal shortage, farmers are moving to develop and expand their cooperative activities. In areas lacking a cash crop and where input delivery and agricultural credit and have broken down due to the ORDs financial problems and organizational changes in the MAE structure, there is little perceived incentive to improve cooperative organization. Of the 3000 cooperative groups recognized, only about 60 have official cooperative status. Although a village group probably has to officially become a cooperative and gain legal status to borrow money for cooperative infrastructure and investments, the role of village groups in individual loans blurs the difference between the two.

The Five Year Plan identifies three types of cooperatives and calls for moving some of the cooperatives to common ownership of the means of production. There appears to have been very little effort made in this direction and little interest in doing so. The five year plan also included establishing state or pilot farms under the MFA. No funding was provided for the state farms nor does it seem likely that any will now be provided with the change in government.

It is not clear what the relationship will be between the new CRPAs and the MFA. It appears that the MFA will establish offices near or in each of the CRPAs. Since the MFA provides only structural and organizational support to coops, and the MAE provides support for the technical programs, the two Ministries must work closely together to be effective. In fact it would seem that the effectiveness of cooperative activities must be impeded by the fact that technical and organizational support are provided by different organizations with no structural basis or other detailed program for working with each other.

Findings

1. Using the CFJA infrastructure for training both adults and rural youth seems to be a practical solution for providing a base for adult education at the village level.

2. Cooperative activities have been successful where farmers perceived benefits (primarily financial) from belonging to such an organization. Cooperative activities need to focus on productive economic actions rather than just the organizational aspect of cooperation.

3. Village groups are necessary for efficient extension, input delivery, marketing and agricultural credit programs.

Recommendations

Cooperative activities among private farmers should continue to be supported, but with a stronger insistence on productive financial objectives. Credit unions can play an important role in generating much needed local resources, especially when developed in conjunction with profitable economic activities.

D. Agricultural Research

Until recently the organization of agricultural research closely resembled the structure inherited from colonial times. Agricultural research activities were largely organized around the programs of the specialized French research organizations of CIRAD and other regional or international research programs. [1] With limited human and financial resources, Burkina found it necessary to take maximum advantage of the resources available through the these different organizations. These organizations and their programs were relatively autonomous, and there was no unified national agricultural research program with global priorities across the various programs. In 1983, a joint GOB, ISNAR, FAO and World Bank mission report on the institutional organization for a National Agricultural Research Program served as a catalyst for reflection on the appropriate role and structure of agricultural research. Several national workshops in 1984 and 1985 continued this reflection and led to the official adoption of a National Agricultural Research Program

[1] CIRAD includes: IRAT, IRCT, CTFT, IRHO, IRFA, IEMVT, etc. Other regional and international agricultural research programs include ICRISAT, IITA, SAFGRAD, WARDA, and projects under UNDP, FAO, and INSAH.

consisting of the following 8 programs listed in order of priority:

1. RSP - Production Systems Research
2. ESFIMA - Water, soil, Fertilization, Irrigation, and Agricultural Equipment
3. Animal Production
4. SOMINA - Cereals Program (Sorghum, millet, maize)
5. Proteagineux - Oilseed and leguminous crops
6. Fruit and Vegetables
7. Rice
8. Cotton

The previous agricultural research organization was replaced by the Institute of Studies and Agricultural Research (INERA) and given the responsibility of implementing this national program. An 18.5 million dollar project was negotiated with the World Bank to serve as an umbrella for donor participation in this National Agricultural Research Program. World Bank statements imply that it is willing to provide this supporting role for agricultural research in Burkina for the next 20 years.

RSP is given first priority among the 8 programs because of the existing system's recognized weakness in adaptive research. Although numerous technologies have demonstrated promise when tested under research conditions, few have been readily adopted by farmers. Adapting such technologies to farmers' conditions in different agro-ecological zones and finding ways to integrate them into farmers existing production systems is a key element of translating technical potential into increased productivity and economic growth. There is a recognized need to improve the cotton - maize production system of the Southwest and to find ways to integrate migrants without destroying the natural resource base. Cash crops must be integrated into the cereal production system of the Mossi plateau, to provide the means to purchase cash inputs which can help stabilize both production and the natural resource base.

On the other extreme, cotton is given low priority because cotton research has already been extremely successful. The present cotton variety used in Burkina gives yields which are double those of its predecessor, and four times higher than the variety used only a few years ago. A new variety is about to be released which will increase fiber quality and ginning efficiency.

The proposed ARTS project would provide funding, technical assistance and training to the RSP, INERA's Production Systems Research program. The strategy being that improving INERA's adaptive research capacity to provide a better balance between on-station and on-farm research will improve the efficiency and effectiveness of the total research program. This in turn will translate into better performance of the technology generation and transfer system, and result in more appropriate technologies being developed and transferred to the extension services, and finally higher rates of adoption of technologies by farmers. This will translate into higher production, productivity, and income for the adopting farmers and the agricultural sector as a whole.

III. Promising Technologies in Agricultural Production

A. The Cotton - Cereal System of the Southwest

The most promising production system in Burkina is the cotton - cereal system of the West and Southwest, which is also applicable to a large portion of the South and Southeast. Although relatively productive, the example of neighboring Southern Mali demonstrates that the systems productivity can be considerably improved. In part, this increase in productivity can be achieved from switching from sorghum to maize as the primary cereal in the system. SOFITEX results for farmers using tractors in the Southwest, show maize yields at least double those for sorghum. Besides switching from sorghum to maize, this system needs improvements in the areas of a (profitable) legume crop or at least a cover crop, anti-erosive practices, crop diversity, agro-forestry and better integration between crop and livestock production.

Burkina's average seed cotton yields over the last few years has varied from 1000 to 1300 kg/ha (very respectable). With the price ratio of first choice cotton and fertilizer at about 1:1 (a favorable ratio), it should require about 500 kgs/ha of cotton to repay the purchased inputs (NPK, urea, insecticide). In the better production areas of the Southwest this leaves farmers with a gross margin of 50,000 to 80,000 CFAF per hectare and sufficient residual phosphate to significantly improve cereal production in the following 1 to 2 years. The best farmers in Southern Mali regularly produce up to 21/2 tons/ha of (seed) cotton so there is still substantial room for improvement with improved agronomic practices.

Statistics show that average maize production in the Southwest is perhaps 1100 to 1300 kgs/ha. This is low relative to maize's potential productivity and relative to the yields of the better farmers in neighboring Southern Mali. With the improved maize varieties which are available (eg. SAFITA-2), cotton farmers using the recommended dose of fertilizer on their cotton, should be able to rapidly increase their maize production to 2 tons/ha. With the addition of urea or a source of natural nitrogen, maize yields can climb even further. Maize is not nearly as technically demanding as cotton and the better farmers in neighboring Southern Mali often attain 3 tons/ha.

The productivity of the maize fields can also be increased through intercropping. Based on the Southern Mali experience, the maize/millet intercrop is probably the most productive. Better farmers can often produce 2 ton of maize and 1 ton of millet per hectare on residual fertilizer from cotton. Some of the best farmers produce 3 tons of maize and 11/2 tons of millet per hectare. However, the cotton - maize/millet rotation is hard on the land, providing little return of nutrients or even crop cover. For purposes of sustainability, this rotation needs to be extended to three years and include one year of a cover crop, preferably a legume which would reduce the need for purchased urea and provide some feed for livestock.

Where the cotton - maize/millet rotation is particularly successful, it is at least in part due to manure produced by an unusually large livestock population relative to the area cultivated. The animals are corralled and most of the cereal stalks are used to produce manure and returned to the fields. Heavy doses of manure and/or compost are needed along with purchased fertilizer to maintain soil texture and fertility. Due to population pressure, many areas in Southern Mali now have insufficient pasture land available to support the necessary livestock population to make this work, even if the farmers can afford the livestock. With migration the Southwest will come under increasing population pressure. Over time, the system is likely to lead to a continuous decline in soil fertility, unless farmers have access to large quantities of manure. (In fact this seems to be the trend in significant parts of Southern Mali.)

A significant effort will be necessary to maintain the livestock population necessary to produce that manure. Several aspects of improved livestock production will need to be combined. One would be the establishment of part of the village territory as a pasture and forest reserve within the amenagement de terroir activities and statutes. These pasture and forest reserves need to be instituted quickly before migration increases population pressure to the point where it is no longer possible. Within the larger reserve, smaller areas should be set aside for periods of 3 to 4 years at a time during which livestock are prohibited entry, in order to allow natural regeneration of the vegetative cover. These prohibited areas should be rotated so that all or most of the larger reserve is occasionally mis en defence. No natural regeneration of trees and perennial grasses can be expected unless the animals are kept out for a three to four year period. Achieving community agreement to control livestock within the village territory, to allow specified areas to remain protected, is one of the most challenging and most important aspects of improving natural resource management.

Increasing the ratio of livestock to area cultivated will also need to include a greater orientation and acceptance by farmers towards using crop land and the efficient use of crop by-products to help feed their animals. Millet, sorghum and maize stalks along with other types of crop residues and cut grasses can provide an important part of the livestock diet, if a high protein supplement is provided. This protein supplement can be provided most practically by producing sufficient quantities of legume forage. Since making silage and improved pastures have generally not been well received by farmers, the most practical means of increasing legume forage seems to be to make a serious effort to integrate legumes into the crop rotation. Since this also seems to have often been resisted by farmers in the past, a strong emphasis needs to be placed on the profitability of the legume crop and the food needs of the livestock.

As an alternative to the maize/millet intercrop, a maize/cowpea relay has certain advantages. It provides a source of income, some high quality forage for livestock, and potentially some reduction in the amount of nitrogen (urea) needed for the following crop. Planting cowpeas in the relay has the advantage that they need little or none of the insecticide necessary to produce cowpeas in pure stands. With the improved pest resistance of some of the new varieties, cowpea production is becoming more practical. The price of cowpeas remains relatively interesting throughout most of the year so that it has cash crop potential, if the storage problem can be solved. Insect damage prevents farmers from storing cowpeas for more than a very short amount of time, except for that which they keep as seed. Practical and cheap methods of storing the cowpeas need to be found to improve their marketability. Potential solutions ranging from the use of insecticides to coating the cowpeas in edible oil have been found to be effective. But at present, none of these potential solutions is generally applied by farmers.

Groundnut could serve the same purpose in the rotation as cowpeas, ie. providing a source of income, some high quality forage and some reduction in the amount of nitrogen fertilizer needed for the following crop. In terms of production alone, the varieties are better adapted than for cowpeas, insects are less of a problem during production, and groundnut are much easier to store. However, the groundnut grown in Burkina are primarily oil producing varieties for which there is a limited a declining demand on the world market. Burkina and West Africa in general have not proven very competitive in producing the large eating or snack peanuts, which is demanded by the world market. The local market will support a substantial increase in groundnut production, given the high price of groundnut, the shortage of edible oils in Burkina, and CITEC's excess capacity to produce edible oil from local products.

In fields with even a slight slope, continuous cultivation in row crops will almost certainly lead to increasing erosion, unless anti-erosive measures are taken. Known anti-erosive measures like tied ridging would be easier to apply in this area than on the Mossi Plateau due to the higher rate of animal traction use. Some tests with tied ridging in the Southwest have actually shown a decrease in production, presumably due to water logging. But tied ridging should be appropriate for those areas with less than 800 to 900 mm of rainfall. With present declining rainfall trends, this may cover an increasing part of the Southwest. In higher rainfall areas, anti-erosive measures probably need to be accompanied by measures to exclude excess runoff from entering the fields. In between there will tend to be an area where it will be difficult to determine if water should be conserved or excluded from the fields, and the appropriate mix of practices will have to be found.

Farmers need to be encouraged to move towards practices which are based on the contour farming concept. Unfortunately, this concept is not part of traditional farming practices. One of the advantages of diguettes, grass strips or rows of trees placed on the contour, is to rearrange the physical space in a field such that contour farming techniques become a practical extension of the physical arrangement. The amount of erosion control needed is a function of the slope, the amount of run off and the soil type and texture. Where there is only a slight slope, mounding up (buttage) of rows planted across the slope and occasional contour strip of grass or a cover crop, may be sufficient. In areas with steeper slopes, more rainfall, receiving more runoff from higher in the watershed or lighter soils, more extensive erosion control will be needed. This may include protection diguettes to prevent runoff from higher in the watershed from entering the field(s). Strips of grass or cover crops and dirt or rock diguettes may also be used to slow runoff and partially protect some of the soil. With excess water and slope, various types of water breaks will be needed to prevent or limit gully erosion.

Unfortunately, the use of cover crops is not part of traditional practices, yet the use of cover crops is a necessary and practical part of soil and water conservation. Research needs to look at the possibility of using sesame and fonio as profitable cover crops, much as American farmers use small grains. For the future, it would be interesting to see if legume or grass crops could be planted with fonio and/or sesame to provide additional cover later in the year and an additional source of livestock feed.

The intensification of input use and production techniques can still have a considerable impact on the Southwest. Although cotton acreage increased by 1/3 in 1986, fertilizer use on cotton acreage increased by 80 %, which produced a 9 % increase in yields. This increased fertilizer use bodes well for cereal production, which will benefit from the residual phosphate during the second year of the rotation.

Animal traction use can also be significantly intensified. MAE statistics show that only about 10 to 15 percent of farmers in the Southwest own animal traction units. There is only about one plow for each 35 ha cultivated in the region, where a complete set of animal traction equipment for each 5 or 6 ha, would be more appropriate. No information is provided on how many farmers own both plows and cultivators, but the percentage of farmers who have the means to properly prepare land and maintain their crop is probably no more than 2 or 3 %. There is only a cultivator available for approximately each 150 to 200 ha cultivated. The percentages in other parts of the country appear to be even lower. Animal traction weeding has the been demonstrated to increase yields due to improved timeliness of weeding. It also tends to slightly increase the area cultivated, and the area harvested. Use of animal traction weeding provides the possibility of rapidly moving to use of the tied ridging in those areas needing additional water retention. Use of the tied ridger can increase yields 30% to 40% in those areas needing water retention. By reducing the risk of crop failure due to drought, the tied ridger also reduces the risk of using fertilizer.

The Southwest has considerable potential for crop diversification, and particularly the diversification of cash crops. Yams and sweet potatoes, and to a lesser extent, cassava are grown in significant quantities, but the market potential certainly exists for additional production to be profitable. The tobacco company has started an effort to produce more of its cigarette tobacco in country and this appears to be quite profitable. As mentioned above sesame, fonio, and groundnut appear to have significant cash crop and production potential. The region has considerable potential to grow rice under bas fond conditions and also irrigation. Finally gardening activities are beginning to produce high quality produce for the export market as well as for the local urban centers. The blessing of relatively high rainfall means that there is no lack of cash crop production and income generating opportunities.

A final area where the system needs improvement is in the area of integrating tree crops and agro-forestry. Although the following is far from complete it gives some indication of income generating possibilities of tree crops and the forestry sector.

The Southwest has enormous potential to improve and expand its production of tree crops. The major products now produced for the export market are sheanut, mango and cashew nuts. Sheanuts follow a natural cycle of high and low production which makes prices highly variable. Last year the large quantity was a problem to market, but greater use in domestically produced soaps and other products should help stabilize the market (the price to producers was 65 CFAF/kg last year). Producer prices for cashews last year were around 100 CFAF/kg. Cashew has the advantage that in the higher rainfall zones of the Southwest it needs little or no maintenance (other than keeping the animals from eating it), once planted at the beginning of the rainy season. There seems to be an expanding export market for high quality grafted mangoes, particularly through some of the small private export companies. Savanna (fruit drinks and jellies) has serious technical, marketing and financial problems and is not absorbing the quantity of local fruit expected. Yet this experience demonstrates that there is considerable potential for this type of transformation if done well and on an appropriate scale.

The Southwest also produces considerable quantities of citrus and other fruit, primarily for domestic consumption. The continued importation of such fruit from coast countries indicates that this production can also be increased. Nere trees are also important as a source of seeds processed into a popular condiment for cooking. Papaya, passion fruit, avocado, guava tamarind and Baobab also have cash income potential.

In addition to fruit and nut production, wood production can provide additional complements to the production system. There is a constant demand for poles for building purposes which can be produced with neem, cassia or fast growing species like eucalyptus. The wood of the ronier palm is highly sought for building purposes as is that of prosopis for making charcoal. While numerous other trees have economic interest, these are some which have proven product marketability.

Some initiatives in agro-forestry also need to be made. Some of the most practical are the use of live fences or hedges to protect garden plots, orchards or serve as a permanent corrals. Other possibilities include: planting trees or bushes along paths or roads, windbreaks, planting on the contour along water retention or field protection diguettes, use of acacia or leucaena in or along cultivated fields to take advantage of their nitrogen fixing properties.

Finally, technologies need to be tested within the context of a development strategy, particularly with regard to migrants. Many migrants arrive in the Southwest with very few resources. They must clear enough land to grow the food necessary to feed the family, and often have obligations or debts back up north which must be paid. They often do not have the means to invest in production inputs and are not familiar with cotton production techniques. They also may not be familiar with animal traction technology. Both animal traction and cotton production techniques have long learning curves and may require 3 to 5 years to learn to use each one effectively. If migrants lack the means to invest, it may be many years before they even begin to learn to use these technologies. In the meantime they are trying to produce enough food to meet family needs and repay debts back home.

A strategy must be found to progressively increase the cash income and technical capacity of farm families. Many can not afford the investment in animal traction, even with medium term credit, until they can produce some savings and improve their standard of living. A development strategy which progressively moves resource poor farm families toward the point where they can make such an investment, and towards the relatively advanced technical capacity necessary to produce cotton profitably is needed. Maize, groundnut, sesame, fonio and cowpeas all provide cash crop opportunities which can help resource poor farmers make this transition. The development strategy must deal with the probability that many resource poor farmers will need 5 to 10 years of improving income and technical capacity before they are ready to enter the cotton production system. During this period, resource poor farmers will tend to mine the land, as a partial substitute for their lack of labor and capital resources.

B. The Mossi Plateau

The Mossi Plateau is of strategic importance in Burkina's agricultural sector because of its large population and its importance in cereal production. This cereal production needs to be increased or at least maintained to meet the needs of a rapidly growing population. Although migration to the South is generally to be encouraged, if lack of food pushes people south too fast, the regions being settled will not be able to establish production systems which permit the rational exploitation of resources without destroying the natural resource base. Unfortunately, drought and population pressure are rapidly bringing about the destruction of the natural resource base on the Mossi Plateau. Increasing cereal production is important, but sustaining the productive capacity of the region is an even greater priority.

At present the production system on the Mossi Plateau consists largely of continuous cereal production, interspersed with an occasional and ever decreasing fallow period. It has no predominant cash crop like cotton in the Southwest, but needs purchased inputs to increase productivity and maintain the natural resource base. Groundnut, sesame, fonio, cowpeas and dry season vegetable production all have the potential to serve as cash crops for this region, but support services for the production of these crops do not exist on a large scale. SOFIVAR has recently been created to support groundnut production and marketing, but is not yet completely functional. Integrated production and marketing services for vegetable crops are available from small private sector enterprises and from the national cooperative UBOCAM, but only in certain regions and on a limited scale. The market for any one of these crops is probably not strong enough to support a serge of production across the entire region. However, when taken as a group, they provide substantial potential for farmers of the region to increase their cash incomes.

Another, and presently perhaps the most important source of cash income for the Mossi Plateau is livestock production. Almost all households own small ruminants and studies show an average number as high as 28, depending on the sub-region [Prudencio: 1987]. Livestock and particularly small ruminants serve the role of a savings account, providing a ready source of cash in response to family needs. If health problems can be avoided, small ruminants provide a return as high as 50 %, so they are an extremely good investment, as well as serving the savings function. Perhaps 30 % of farmers also own cattle, but these are much fewer in number (2-7) and are cared for by Fulani herders, rather than kept on the farm [Prudencio: 1987].

Although livestock are a good investment and a good source of cash income, they also pose a serious problem to efforts to improve the vegetative cover. Most villages do not maintain systems to herd or control small ruminants, once the crops are harvested. Given the scarcity of vegetation on the Mossi Plateau in the dry season, any efforts to plant trees or encourage natural regeneration of an area tend to fail unless livestock are controlled. Pilot activities in the Yatenga show that villages can organize to control their animals, if and when agreement to do so can be reached. Obtaining this community agreement to control livestock is a necessary precondition and one of the most important factors in the effort to regenerate vegetative resources. This is an area where PVOs might be particularly effective. Small ruminants must be kept out of an area for 3 to 4 years, before perennial grasses and particularly trees can be expected to survive additional grazing.

Perhaps the most promising technology for the lower rainfall areas of Burkina, like the Mossi Plateau, is the tied ridger. Tied ridging attains its effectiveness by providing water retention and soil conservation at a micro level. Unlike terraces, dikes or most other water retention devices, tied ridging affects practically every square meter of the field. Tied ridging has the advantage of generating significant increases in cereal yields, while at the same time conserving the natural resource base. Use of tied ridging in farmer managed trials on the Mossi Plateau, demonstrate that tied ridging alone can produce a 30 % to 40 % increase in sorghum production. The same trial showed that when combined with both NPK and urea fertilizer, sorghum yields increased 80 % to over 100 % [SAFGRAD/Purdue: 1986]. Although tied ridging can be done by hand and the SAFGRAD/Purdue studies show that manual tied ridging is profitable, it requires 75 to 100 hours of hard labor per hectare. Adoption of manual tied ridging was very limited, and indications seem to be that farmers thought it was simply too much work.

Use of a mechanical tied ridger attached to a donkey or oxen cultivator/ridger was much better received by farmers. It reduces labor requirements to about 20 hours per hectare (two passes), or only 2 to 3 hours per hectare more than necessary for simple ridging when both are done simultaneously in a single pass. CNEA is now producing the mechanical tied ridger to attach to the oxen and the donkey multi-purpose tool bars. This option costs only 15,000 CFAF for the donkey model and 16,000 for the oxen model, for farmers who already have the multi-purpose tool bar. Otherwise they must invest 100,000 CFAF or 115,000 CFAF for the donkey and oxen tool bars respectively, plus perhaps the cost of the animals. With only about 40,000 cultivators placed in recent years, it is likely that only 90 to 95 percent of the farmers must make this larger investment in order to adopt. It is not yet clear if this investment will hinder the adoption of tied ridging or whether the high returns from tied ridging will promote animal traction use.

Other water retention and soil conservation techniques should be explored for use on the Mossi Plateau. Several large development projects will be coming on line to promote such activities, but it is not yet clear that adapted techniques have been determined for different regions. One of the more popular techniques, using rock diguettes placed on the contour, has worked well, but is somewhat limited to where rocks are readily available in large quantities. Rock structures have the advantage that they allow some water to pass and are less likely to be destroyed by excess water, while increasing water retention and reducing velocity. Earthen diguettes have been used in the past, but maintenance has been a problem. Unlike rock structures, earthen structures must respect contour lines and uniform height much more closely, or the lowest areas will be destroyed by water running over the top. Unless built very close together, such structures also keep water from some parts of the field. Many of the earthen structures built the past have been damaged by water flowing over them, and have not been repaired. Grass strips above and below the retention structure or rows of bushes or trees provide some protection and use land which might not otherwise be appropriate for row crops. These are additional steps which can be taken to increase the vegetative cover.

Various conservation techniques need to be combined to find effective and efficient means of preserving the natural resource base. Where there is little slope and the quantity of water is not large, planting on the contour and use of grass strips between row crop strips may be sufficient. With more slope or more water, retention structures may be needed. However, the retention structures do have the advantage of rearranging physical space so that farmers are more or less compelled to work on the contour.

Selection and breeding of shorter cycle varieties is also having a positive impact on production in these dryer areas. Many of the traditional crop varieties have become inappropriate with declining rainfall patterns. Shorter cycle varieties provide the opportunity to allow the crop to reach maturity and produce even with a shorter rainy period.

Various animal feeding techniques also allow improvements in livestock production. Various village territory management techniques to reserve certain areas for grazing and to protect specific parts of the village territory from grazing to promote regeneration are important components of improved livestock production. Better use of crop byproducts and production of high protein forage provide opportunities for significant improvements in livestock production.

IV. Production Systems

A. Crop Production

Although no intensive review of agricultural production was possible in the time allowed for this exercise, a very useful reference was found in the Banque de Donnees de Base sur l'Agriculture Vivriere et l'Elevage, published in 1987 by the Permanent Diagnosis Project (Diaper) of CILSS and based primarily on Ministry of Agriculture and Livestock statistics. It provides information on national acreage and production of major crops. The same information is provided by ORD, along with yield and production per capita information. Livestock and meat sales, animal production and animal health statistics are summarized, as are input use and producer prices. Although questions can and will undoubtedly be raised about the accuracy of the food crop statistics, it does provide a time series data for much of the last 25 years.

The rapid increase in cotton production from 79,000 tons in 1984 to 175,000 tons in 1987 is probably the most important change in Burkina's agricultural sector. In comparison, it took Ivory Coast about 8 years and Mali about 12 years to produce a similar increase in cotton production. The cotton production alone is a major source of export earnings and potential economic growth. But as the motor of development for the high potential Southwest region, it bodes well for a major transformation of agricultural production in that region. From 1984 to 1987 the acreage devoted to cotton production increased from 82,000 ha to 170,000 ha. According to SOFITEX production statistics, each farm family produces about 0.9 ha of cotton, which indicates that the number of farm families growing cotton grew by almost 100,000, i.e. more than doubled. The availability of such cotton revenues implies that these families will have the means to invest in fertilizer use and animal traction, producing a structural change in there crop production systems. Such structural changes should lead to continued agricultural production increases in the short and medium term.

Although there are undoubtedly logistical problems due to the rapidity of the production increase, this general level of cotton production should be sustainable if SOFITEX can supply the needed quantities of inputs and assure the marketing. The one obvious constraint at this point is SOFITEX's lack of ginning capacity. SOFITEX is upgrading one ginning mill and needs to upgrade at least one other. Unfortunately, its credit arrangements with the French Caisse Central (CCCE) do not allow SOFITEX to use that credit for the purchase of the American made ginning equipment that it wants. A loan can be arranged through the African Development Bank, but SOFITEX experience is that this is slow and cumbersome. Help in resolving this constraint would help insure that the higher level of cotton production can be maintained.

A brief analysis of food crop data in the CILSS document compared to earlier World Bank data, seems to raise questions concerning the common belief that total production and per capita foodgrain production is decreasing in Burkina. MAE statistics show that cereal production increased from a typical level of 1.1 to 1.2 million tons to 1.6, 1.9 and 1.6 million tons respectively in 1985, 1986 and 1987 [table 1.1 and 1.2]. Some of this increase is rumored to depend directly on changes in statistical procedures, but this increase of 1/3 or more does not have any single obvious cause. Production seems to be primarily dependent on rainfall, which was somewhat better during 1985-87 than the preceding years, but total rainfall does not correlate well with production statistics. Even with these much higher production figures, 1987-88 seems to be a year of cereal shortage, raising the question of whether those increases are real. One factor which may be contributing to increased cereal production is the significant increase in cotton acreage over this period. This argument may seem contradictory, but is based on the very significant yield increases which can be obtained by growing cereal on the residual of fertilizer place on cotton the previous year. For comparison, cotton producers in Southern Mali produce 2 times as much cereal per capita as the farmers not growing cotton, even though nearly 1/2 of their acreage is in cotton production.

Regional trends in food crop production through 1985 are also less clear than might be expected. Total production and per capita production are down in Yatenga, but due to a 40 % decrease in cultivated area rather than decreased yields. Out-migration and an increase in land degraded to the point of not supporting production are reported, but it is not clear how this can take place without yield reductions. The Sahel and most of the Mossi Plateau show high variability in production and yields, but no obvious trend.

If production data for the last three years are anywhere near reality, these higher production figures break the previously observed trend of stagnant total production and declining per capita production. But the declining per capita production trends are questionable for a second reason. The World Bank statistics [table 1.2] show higher per capita production in the 1960s and 1970s. However, the World Bank calculations are based on population data from the 1975 census. Data from the 1985 census indicate a population of approximately 1 million people more projected for the same years based on the older 1975 census. If the World Bank per capita production figures are adjusted for the apparent 20 to 25 percent under estimation of the population, the per capita production in the 1960s and 1970s does not look any better than more recently.

One must be very cautious about drawing any conclusions from these statistics, given the expectation that they are not consistent. While they provide hope that the food production situation in Burkina is not as bleak as previously supposed, it is much to early to assume that in the future Burkina's cereal production will be 1/3 higher than the previous trend.

B. Livestock Production

Livestock production in Burkina is undergoing a serious transition. Traditionally, the Sahelian zone in the northern part of the country was the primary livestock producing region. Since both grazing and water are relatively scarce in this area, animal husbandry was essentially the domain of nomadic and semi-nomadic (primarily Fulani) herders. Animal husbandry and traveling across the region in search of grass and water was a way of life for these people. Many sedentary farmers entrusted livestock, particularly cattle to these herders who knew where to find the grass and water necessary to keep the animals in good condition.

In recent years this traditional transhumant livestock production system has come under severe pressure. Part of this pressure is due to the drought, which has caused many herders to lose or sell off many of their animals. But the drought is not the most important cause of the changes taking place. Population pressure and the degradation of pasture resources has had an even greater impact.

V. Production Factors

A. Land

Traditionally land has not been an important constraint in Burkina, but gradually this is changing under the influence of population pressure and reduced rainfall. The traditional system of cultivating a piece of land for 4 to 6 years and then placing it in fallow of 20 or even 40 years is no longer possible in many areas. Many farmers in densely populated areas no longer have the possibility of leaving land in fallow for more than 5 years, and this is not sufficient to allow soil fertility to regenerate naturally. In the absence of purchased inputs, this leads to an ever decreasing level of soil fertility and degradation of the environment. This is accompanied by increasing problems with striga, reduced water retention capacity. etc.

For a number of years the GOB encouraged controlled migration to the thinly populated oncho free areas in the South, under the AVV project. This GOB sponsored resettlement program was very expensive and did not lead to the type of positive resettlement experience which the government had hoped to provide. The GOB maintains extension and social services in the area, but donor support for new resettlement has trailed off and practically stopped. Spontaneous migration continues apace, according to many reports, but is also creating numerous social problems as well leading to a serious degradation of the natural resource base in the Southwest. Some people are convinced that unless steps are taken now to protect the resource base in the Southwest, in 20 years it may reach a state of degradation similar to that in the North.

Burkina wants to encourage migration to the newly oncho-free regions of the South to promote growth, more efficient use of national resources, and to reduce population pressure and food shortages in the North and on the Mossi Plateau. At the same time that Burkina would like to encourage migration to these better watered and more productive regions in the South, it also wants to prevent the degradation of the natural environment often caused by migrants mining the land for a few years and then moving to a new area. At the same time that projects are beginning to support and encourage rational and planned management of village territory, the Sankara government passed a new land tenure law which can be interpreted as giving migrants more autonomy in the use of settled land.

The new land tenure law reserves ownership of all land to the state while providing use rights to those who use the land. This contradicts traditional land rights based on first use and inheritance of those rights based on first use by the descendants of the person who originally cleared the land. Traditionally land is often lent to people in need by those who have a surplus, but the "owners" can reclaim the property at any time. This system provides a distinct disincentive to investment in the land and thus agricultural production, because the borrower never knows when it might be reclaimed. Under such conditions almost no long term and even very few short term investments are made in the land. The new land tenure law gives perpetual use rights to those people working a property, with the idea that this would greatly increase the incentives to investment in agriculture. The law might well have this desired effect in areas of stable land tenure. It is less clear what the outcome would be in the areas of rapid in-migration in the South.

No implementation text for the law has ever come out and it is not clear exactly how it is meant to be applied. It also is not clear whether it is acceptable to the rural populations and if it can be applied. The government is presently working on a campaign to sensitize the rural population to the advantages of this land tenure reform. It does, however, seem like there may be an element of contradiction between this law, depending on its interpretation, and the national program to improve the management of village territories.

The program to improve the management of village space attempts to have communities specify the manner in which different parts of the village territory should be used. They have been allowed considerable leeway in determining which lands should be reserved for cultivation, which for grazing and forest activities, etc. However, once this land use plan has been negotiated with the authorities and established, it takes on the attributes of a

zoning law and must be respected. What is less clear is whether the villages have any means to require migrants to respect this plan and limit the areas where they are allowed to settle. In areas of limited migration this should not be a problem, but experience shows that in some villages the number of migrants increases so rapidly that they outnumber the original population in only a few years time.
It is unlikely that land use plans prepared before the migration takes place will have considered the possibility of this much larger population. Agreeing on a land use plan is likely to be very difficult in areas where in-migration is proceeding rapidly. Many people indicate that unless these land use management plans can be established very quickly, they will not be established in time to prevent the farming of marginal lands and the resulting degradation of the natural resource base.

One view holds that the new law gives too much autonomy to the migrants or borrowers of land, and may allow them to negate the present village management efforts. People with this view say that the new land reform should give use rights to the community, which in turn gives land use rights to an individual. An opposing view holds that this would give villages the right to exclude migrants, even when a surplus of arable land was available. The application and results of this land reform are as yet unknown.

The World Bank has done a pilot project on village land use management and will evaluate the possibility of doing a major project towards the end of 1988. Although the need for village land use management is readily recognized, the policy environment in which this will take place is much less certain. RSP research under the proposed ARTS project will study the impact of in-migration in the Southwest. The results of such studies will provide information to feed into policy decisions concerning land tenure and how to deal with the migration phenomenon. It will also attempt to identify technologies and strategies which can be used to help develop the Southwest while at the same time sustaining the natural resource base. RSP researchers are already working closely with the Gestion de Terroir units within the CRPAs. This relationship is expected to continue and improve with these units benefiting from the training activities under the ARTS project.

Findings

In many respects maintaining the natural resource base may be the most critical problem facing Burkina Faso. The land tenure reform needs to be clarified since the present situation creates much uncertainty concerning land rights. This uncertainty and the lack of an implementing text impede progress in village land use management programs needed to prevent the progressive destruction of the natural resource base.

The proposed ARTS project will both provide information concerning migrants and their farming practices which can feed into decisions related to land tenure and migration policy. It will also attempt to define technologies and strategies which will allow migrants to improve their standard of living while maintaining the natural resource base.

Recommendations

USAID should support the study of migration and the potential study of land reform within the context of specific production systems under the proposed ARTS project. Maintenance of the natural resource base should be a top priority in the adaptive research under the proposed ARTS project.

B. Labor

Labor is perhaps Burkina's most abundant natural resource and yet the lack of labor is often a serious constraint to increasing agricultural production. Burkina's population of 8 million people makes it one of the larger concentrations of people in West Africa and also one of the most densely populated. Burkina has historically been a major source of labor regionally, providing an important part of the labor force for Ivory Coast, Ghana and other neighboring countries. Some people would claim that labor is in fact Burkina's major export. Population pressure has been relatively severe on the Mossi Plateau and along with migration to the Oncho free zones, migration to coastal countries has provided a vital escape valve for the large and rapidly increasing population. Repatriated funds from workers who have migrated to the coastal countries also has an important positive impact of Burkina's balance of payments. Even with this apparent excess of labor, the lack of labor is in fact often a major constraint to agricultural production.

Many of the major agricultural operations including land preparation, planting and the first weeding all need to be done in a short period of time in most of Burkina's production systems. Land preparation and planting can only be done for 2 or 3 days after a relatively large rain. Then the soil becomes too dry and farmers must wait until it rains again. This seriously constrains how much land a farmer can prepare and plant. Usually before the last crops are planted, the first already require weeding. If farmers wait too long to weed, it will seriously compromise yields and they may in fact loose the entire field to weeds. At some point the farmer has to stop planting and start weeding in order to save his crop. Since almost the entire rural population is involved in farming activities, there is no additional labor to call on during these periods of peak labor demand. The higher wage scales of the cities and neighboring coastal countries make it nearly impossible to attract additional labor from outside the community.

Only about 10 to 15 % of the farmers use animal traction and probably only half that many use animal traction for weeding. With most farmers' capital limited to hand tools, the amount of labor they can call on is the primary determinant of how much acreage they can farm. Families with a high percentage of children or elderly members often have a hard time cultivating enough area to insure self-sufficiency in cereal production. The families that get ahead in this traditional system are those who have a relatively high percentage of teenage boys or young men who can provide the labor needed to cultivate and maintain a relatively large acreage per capita. The need for this large labor force to improve the families standard of living is a distinct disincentive to population control in the rural areas.

Limited opportunities and arable land on the Mossi Plateau have made it necessary for many young people to leave the area in search of a better life. This has migration of young people has left the region short on people in the productive age groups and has skewed the population pyramid. Even if families have not migrated permanently, many of the young men will have left on temporary season migration. This still leaves the women, children and elderly to attempt to provide enough food for the family. Although an intensification of agricultural production would generally be desirable, the lack of capital and lack of labor often make this nearly impossible.

Findings

Although Burkina has a high population density, a high rate of population increase, and exports large amounts of labor to neighboring countries, labor is often a constraint to increasing or intensifying agricultural production.

C. Agricultural Inputs

1. Fertilizer

Burkina soils are extremely low in phosphorus and this deficiency is a major constraint to increasing agricultural production. Nitrogen has an impact on production only after the phosphorus needs have been met. Therefore, the provision of phosphate fertilizer plays a very important role in the potential growth of agricultural production.

Changes in the traditional pricing strategy related to agricultural production has had a significant impact on fertilizer in the last few years. The traditional strategy was to maintain low food grain prices for consumers and to compensate producers by maintaining low input prices. Policy changes negotiated with the donor community in the early 1980s changed this strategy. As a result both input and agricultural product prices have increased substantially. One of the factors applying pressure on this change in policy was the rapidly expanding use of fertilizer. Fertilizer use increased almost 11 times in 15 years, from 800 tons in 1968 to 8700 tons in 1982 [CILSS: 1987]. From 1982 to 1986 the quantity used more than tripled from 8700 to 29,700 tons [Projet Engrais Vivriers: 1987]. Donors were unwilling to continue the subsidy on such rapidly increasing fertilizer use. A gradual reduction in the subsidy was negotiated, calling for the subsidy to decrease 10 % per year, from 40 % in 1984 to 0 % in 1988. In fact the GOB terminated the subsidy a year early in 1987, following the significant drop in world fertilizer prices between 1986 and 1987.

All fertilizer imports are handled through SOFITEX in order to take advantage of economies of scale and SOFITEX's experience in dealing with the world fertilizer market. This approach also takes advantage of SOFITEX's ability to obtain credit for such activities, when the ORDs' financial problems did not allow them to do so. For example, the World Bank financed Food Crop Fertilizer Project also contracts with SOFITEX to import its projected fertilizer needs. This approach also has the advantage that most of the fertilizer is used in cotton producing regions for which SOFITEX handles the distribution, so it would end up handling most of the imported fertilizer anyway. This centralized purchasing is therefore a matter of practical convenience, rather than a decreed monopoly.

Until the end of the subsidies in 1987, there was little opportunity for private traders to get involved in handling fertilizer. As yet there is little indication as to whether they will now get more involved. It is believed that SOFITEX operates an efficient distribution system in the major fertilizer consuming/cotton producing regions. This being the case, traders may find a role in small quantity retail sales to people not having access to SOFITEX services. This role could be filled either by buying directly from SOFITEX or by importing directly. In the past merchants have not been allowed to buy large quantities of fertilizer from SOFITEX for resale. This restriction seems to be based on the fear that merchants would not respect the official price. But now that different CRPAs also sell fertilizer at different prices, it should be possible to accept that merchant costs and prices must differ also.

Many of the ORDs outside the cotton zone provide little fertilizer, and are rumored to have serious logistical and financial problems which impede the expansion of this activity. This situation may improve somewhat under the World Bank extension project with the newly created CRPAs, but this is far from certain. There is no good study of fertilizer demand to know what this market may be, but it is likely that traders could play a major role is meeting whatever that demand might be.

Until 1987 the demand for fertilizer and the amount sold by SOFITEX and the ORDs were considered to be synonymous. While no field studies exist concerning what demand might be, the Projet Engrais Vivrier made an attempt to correlate demand with price, based on the experience of the last five years. This exercise using the SOFITEX direct delivery price and indexed for constant prices shows a demand of 1175 grams per capita (rural population) or approximately a demand of 8000 to 9000 tons of NPK for food grains, in addition to cotton related demand. Another table in the same document shows an average of 5 kgs/ha of fertilizer used on non-cotton cultivated acreage. With an estimated 2.9 million hectares in this category, NPK demand would be about 14,500 tons in addition to cotton requirements. Assuming use of the recommended dose of NPK on cotton, demand for cotton production in 1987 would have been about 25,500 tons. Using SOFITEX statistics on application rates of 83 % of the recommended dose in 1986, NPK demand would be about 21,000 tons. This provides an indication that total NPK demand might fall somewhere between 28,000 tons and 40,000 tons for 1987. With planned imports from SOFITEX and donors of 27,000 tons, the supply should satisfy between 67 % and 96 % of the estimated potential demand.

The use of rock phosphate has been tested and appears very attractive from a macro-economic perspective. But so far it has not become a major factor in agricultural production. Crushed (powdered) rock phosphate requires the least investment to prepare, but is difficult to spread and looks very much like red dirt. Stories of merchants substituting dirt for the phosphate make farmers very hesitant to purchase it in this form. Technically, rock phosphate can have a significant impact on production, but its low solubility delays this impact, which is progressive over 3 or 4 years. Farmers are used to the immediate impact of imported fertilizer, and tend to be dissatisfied by this delay. Furthermore, it means that the financial return on rock phosphate is reduced by this same delay. From both a cash flow and an economic standpoint, farmers find it difficult to wait 3 or 4 years to receive a return on their investment. Attempts to granulate the rock phosphate to overcome the problems with the powdered form, met with resistance because it further reduce the agronomic results (even if only marginally). Various studies continue, looking at the possibility of using and producing partially acidulated rock phosphate. The IFDC is conducting tests on various forms of acidulated rock phosphate. These technical results then need to be correlated with the process and investment necessary to produce the different forms.

Burkina would very much like to find a substitute for imported fertilizers. The high cost of these imports limits the quantities which can be used, and thus the growth of agricultural production. If a means can be found to produce a cheap and effective form of rock phosphate, it could have an important impact on the balance of trade, fertilizer use, yields and total agricultural production.

2. Pesticides

Pesticides are also largely imported and supplied by SOFITEX. Most pesticides are used in the cotton production system. Cotton requires important quantities of insecticides to be used. Some herbicide use is also being tested.

3. Seeds

Several projects, including two financed by USAID have attempted to improve the availability of seeds of selected crop varieties in Burkina. Except in cotton and perhaps in rice, it is not evident that better availability of pure seed from improved variety seed has had the desired impact. Farmer demand for cash crop seed was relatively high, but the supply of cereal crop seed produced greatly exceeded the effective demand. It is not clear to what extent this lack of demand was due to the fact that farmers are accustomed to producing their own seed, so that the process of buying seed was foreign. Or whether the farmers were simple skeptical about the "improved" nature of the seeds being multiplied. Many of the early "improved" varieties only produced good results under conditions of high fertility and sufficient rainfall. With the exception of cotton producers, most farmers do not operate under such conditions. The evaluation of the Foundation Seed Production Project, does not really identify if the varieties or the process seemed to be the major constraint.

4. Animal Traction Equipment

Due to the labor constraints identified earlier, the substitution of other forms of energy, like animal traction, in agricultural production is particularly important in Burkina. Animal traction has been recommended and supported since colonial times, but with limited results. The CNEA (the National Agricultural Equipment Center) estimated in 1987 that about 84,000 or 14 % of farm families have animal traction equipment [CNEA: 1987]. Many of these have only a plow or only a cultivator (houe Manga), and many only use animal traction for land preparation. Although in many respects, animal traction weeding may have greater benefits than land preparation, the number of farmers using weeding techniques is probably less than half of those with equipment. Statistics show a strong demand for animal traction equipment only in the cotton growing regions, where cash income from cotton sales permits farmers to make this type of investment.

The institutional situation for animal traction equipment manufacturing in Burkina is somewhat complicated. The CNEA,, a parastatal company under the Ministry of agriculture and Livestock (MAE), is the major producer of such equipment and presently has a capacity of 12,000 multi-purpose tool bars (including plow, cultivator, and ridger) per year. APICOMA, under the Ministry of Labor, is the second largest producer with a capacity reported to be about 1000 Houe Manga per year. The Houe Manga is a simple donkey cultivator without either plow or ridger. APICOMA is the production unit of the National Center for Rural Artisan Training (CNPAR). Its trainees get their experience in producing animal traction equipment by producing them for APICOMA. Several other regional artisan centers also produce limited amounts of materials.

Although CNEA production has never exceeded 1/2 of its capacity (or 6000 units), it is presently planning to replace the old factories in Bobo and Ouagadougou, and replace them with installations which would have a capacity of 20,000 multi-purpose tool bars. The CNEA reported that this would be supported by Dutch and German financing. And this at a time when the traditional sales structure through the ORDs has become non-functional. With the ORDs officially disbanded in May of 1987, the CNCA (the National Agricultural Credit Bank) refused to continue providing credit for the ORDs to manage. Without such credit, the ORDs have practically stopped purchasing equipment. The total CNCA order for 1987-88 is for 600 units rather than the 6000 units on which CNCA was planning.

To compensate for the lack of CNCA sales through the ORDs, the CNEA has attempted to persuade the Ministry to have CNCA lending and credit recuperation included among the attributes of the new CRPAs. (Other indications are that the CRPAs will not handle credit recovery.) CNEA has also initiated sales of equipment directly to cooperatives and village groups, but such sales are still very limited. Contract sales through merchants was also attempted, but ran into difficulties. Merchants required credit to allow them to purchase the equipment. The contracts called for a 50 % down payment, with the rest to be paid 60 days later. Unfortunately, CNEA has had trouble getting merchants to continue the operation and to repay the original credit. The CNEA will attempt to devise a new contract which greater assurances of repayment. The question is whether traders will be willing to participate under the stricter regulations, when there seems to be little interest in participation even now. The CNEA is attempting to pay off another 240 million CFAF in arrears (down from 400 million) and financially has relatively little room to manuever without donor support.

Traditionally, the CNCA provided credit at three different levels for the production and marketing of agricultural equipment. It provided credit to CNEA to buy the raw materials necessary for manufacturing the equipment, it provided credit to the ORDs to purchase the equipment from the CNEA, and it provide credit to farmers to purchase the equipment from the ORDs. It is unlikely that the CRPAs will be any more dynamic in marketing agricultural equipment than were the ORDs. But without a more vigorous marketing structure, agricultural equipment and animal traction can not play the role in increasing agricultural production which is desired.

The trend towards increased cotton production in the Southwest should generate a substantial increase in demand for agricultural equipment. Under present conditions it is not clear how the existing system will be able to respond to such demand. Given skepticism about the potential for marketing agricultural equipment through the CRPAs, it would seem that the most logical alternative would be to find a way to provide merchants with the necessary credit and conditions, and to privatize equipment marketing. Privatizing CNEA itself should also be considered in collaboration with the Dutch and Germans who are already involved in financing CNEA activities. Expanding production capacity at this point in time seems like a poor investment. The present marketing system only seems to be able to sell about 5 % to 10 % of the existing production capacity. Until this marketing capacity is significantly improved, increasing production capacity seems to be a waste of resources.

Findings

Access to fertilizer, particularly phosphate, is very important for the improvement of agricultural production. It seems unlikely that sufficient fertilizer is imported and distributed to meet potential demand, especially outside of the cotton zone. An improved distribution mechanism is needed, as is seasonal credit for farmers to buy the fertilizer. Outside the cotton zone, the ORDs did not seem to be an efficient marketing channel, nor do they presently have the means to provide credit to farmers for fertilizer purchases. Merchants also need access to credit to purchase fertilizer if private distribution is really to be promoted. Private distribution can provide fertilizer under conditions and in places which the CRPAs are not likely to do. Private distribution can probably provide fertilizer at prices which are very competitive with the CRPAs, either buying from SOFITEX, or importing directly.

It is unlikely that importing only a single NPK mix is an appropriate technical and economic choice, given the variety of crops and choices to which it must be applied. If private traders are allowed to import other forms of fertilizer, it would likely be technically and economically advantageous.

Animal traction technology also has the potential to significantly improve agricultural production in Burkina. Access is limited by the high cost relative to farmers incomes, poor distribution of equipment, and lack of credit at various levels. CNEA must find new and efficient channels for marketing its equipment. The ORDs were not efficient in this task, and the CRPAs are not likely to be any better. Privatization seems the most tenable approach to creating a true marketing structure. The regulations mandating official uniform prices for the whole country will need to be changed.

CNEA also needs to become much more market oriented in its production activities. Privatization of its manufacturing should also be considered.

Credit is needed to make the agricultural equipment sector work efficiently. For the old system to work, CNCA had to provide credit to 1) CNEA to buy raw materials, 2) the ORDs to buy equipment from CNEA, 3) to the farmers to buy equipment from the ORDs. Merchants will also need credit if they are to replace the ORDs in the distribution capacity.

Recommendations

Fertilizer use and animal traction incorporate several of the most important technologies for increasing agricultural production in Burkina. Therefore, these are priority sectors for increasing Burkina's economic growth and areas where USAID has had previous involvement.

USAID should provide program or project support to promote the liberalization of fertilizer importation and distribution in Burkina. Certain restrictive regulations need to be changed and merchants will also need access to credit to provide such services on a practical scale. Collaboration with the World Bank financed Food Crop Fertilizer Project should also be investigated.

USAID should also consider program or project support to promote the privatization of agricultural equipment marketing and distribution, and potentially the manufacture of agricultural equipment as well. The past marketing structure was ineffective and has disappeared with the disbanding of the ORDs and changing credit strategy of the CNCA. It is a very opportune time to replace this structure with one which is more market oriented and more responsive. Restrictive regulations need to be changed and the marketing system needs access to credit to function at any significant scale of activity.

OPPORTUNITIES AND CONSTRAINTS IN AGRICULTURAL

MARKETING AND PROCESSING

by Chantal Dejou

I. IMPORTANCE OF THE AGRICULTURAL MARKETING SECTOR

In Burkina Faso, almost half of GDP is represented by the production of crops, livestock, forest products and fisheries. Agricultural production consists primarily of coarse grains and cereals (millet and sorghum - 71%, maize - 7%, paddy rice - 2%) for 80% of crop production. The other main crops are cotton (7%), tubers (6%), peanuts (7%) and sesame. [Figure 1]

Except for grain (whose amount marketed could reach 400,000 ton), cotton is the most marketed of the local products. Shea nuts, a gathered tree crop with a three year production cycle, are also an important product both for internal marketing and for export. They are also referred to as karite nuts and are the source of the highly valued karite butter. [Figure 2]

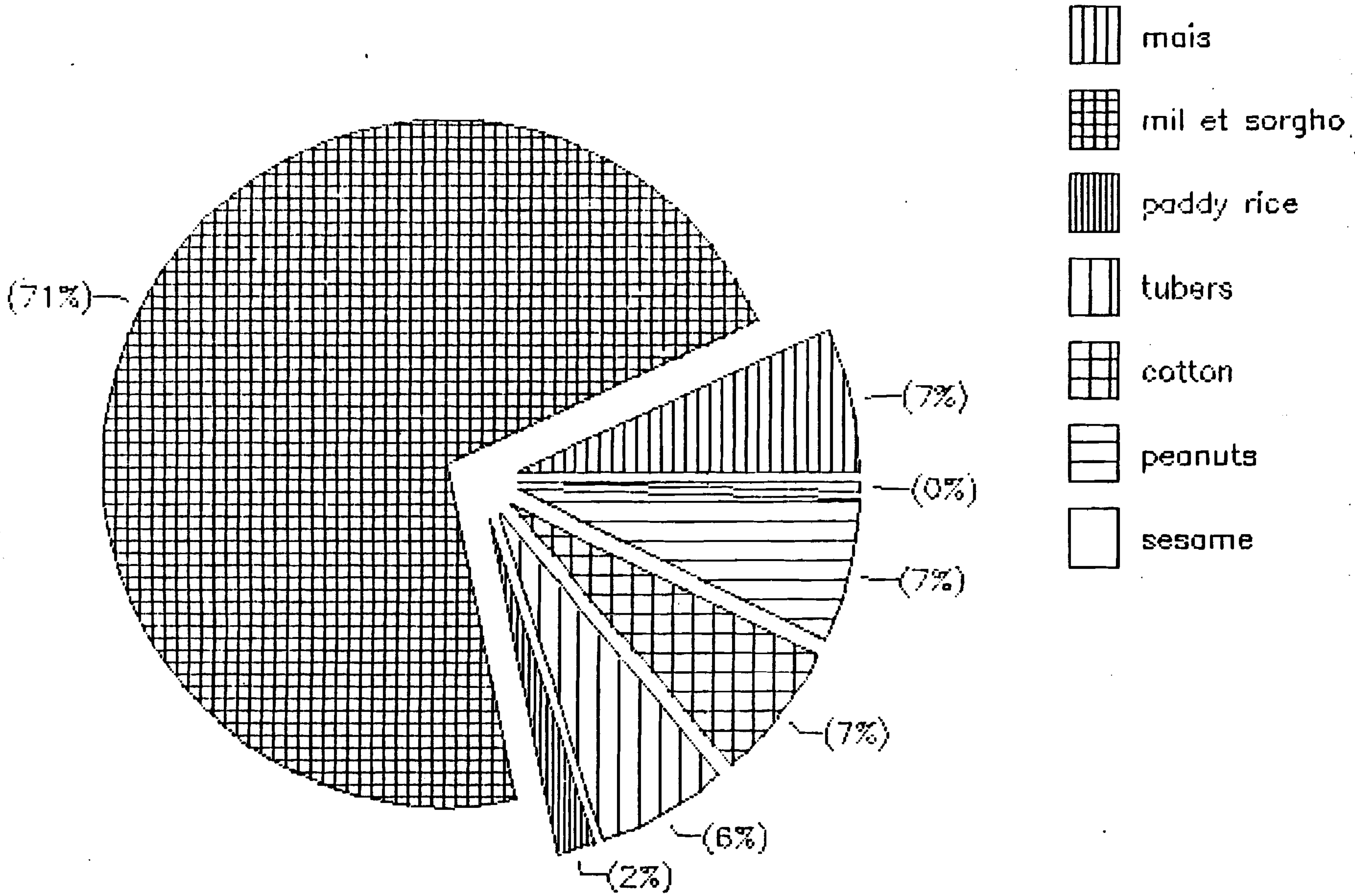
Agricultural products represent the great majority of Burkinabe exports. The main agricultural exports are cotton, livestock, hides and skins. [Figure 3] Cotton exports represent about half of total agricultural exports. Gold's share in exports increased dramatically from an insignificant percentage in 1983 to 10% in 1985 and 16% of total export value in 1986. The main customers for Burkinabe exports are France, Ivory Coast and Taiwan. These three countries together account for more than 50% of total exports. [Figure 4]

Manufactured goods, mechanical and transport equipment and petroleum products constitute the bulk of total imports. Food products and food oil represent between 25% to 50% of total imports. [Figures 5 and 6] The fluctuation in the relative importance of food imports is due primarily to the variability of rainfall and the consequent impact on domestic foodstuff production. Food products generally comprise 50% to 70% (1985) of total food product and food oil imports. The main suppliers of Burkinabe imports [Figure 7] are France (for an average of more than 30%), Ivory Coast and the U.S., the three of them together accounting for roughly 60% of total Burkina imports. Germany, the Netherlands and Japan are the next most important suppliers, totalling 20% of imports.

The coverage rate of imports by exports has been at an average level of 20% to 25% from 1980 to 1985. [Figure 8]

1- percentage of main crops produced

for the last 3 years (85 to 87)



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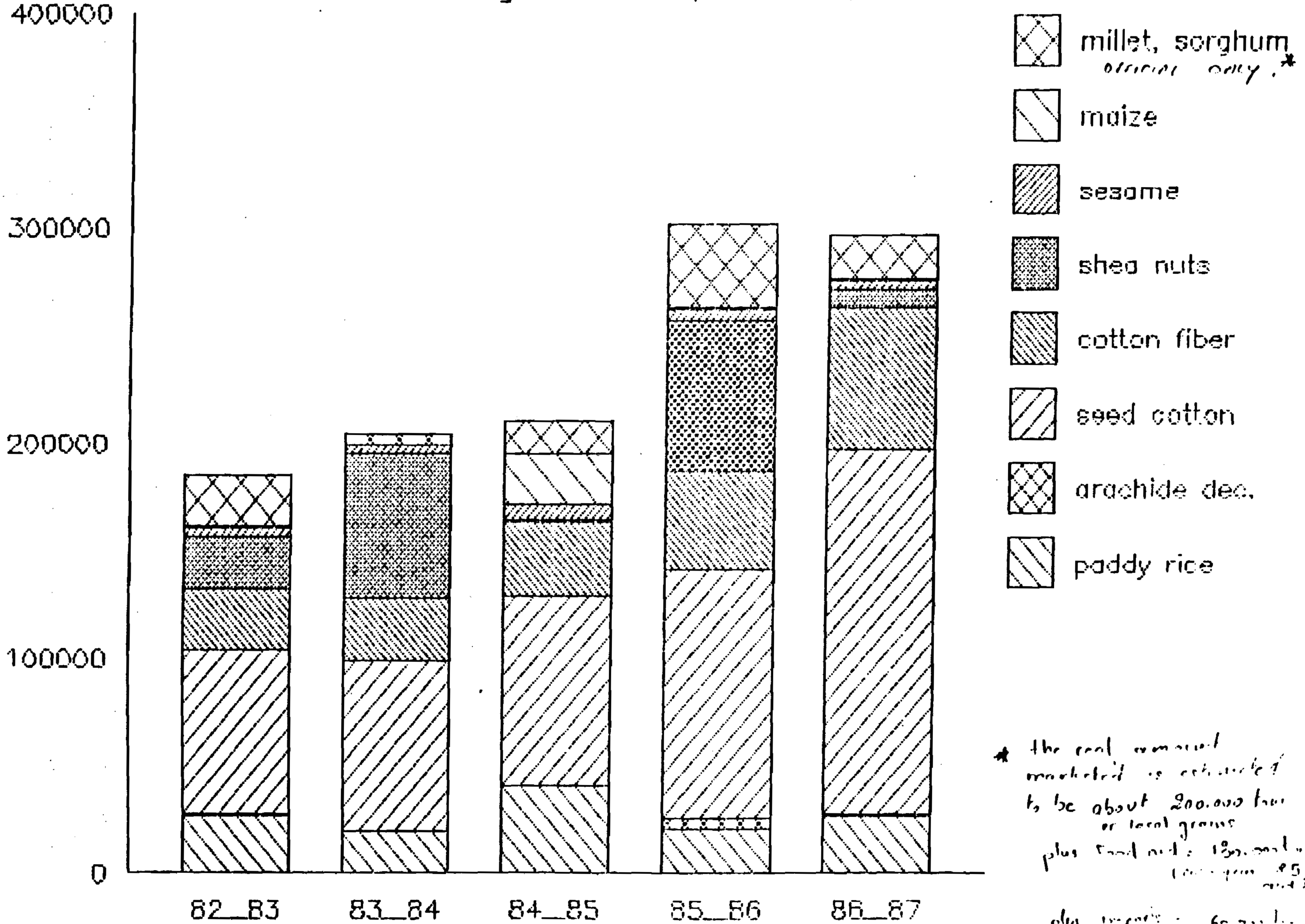
Source : DIAPER_CILSS, 87_0[L]
ORD Report _ 87-88

2- marked agricultural products, in tons



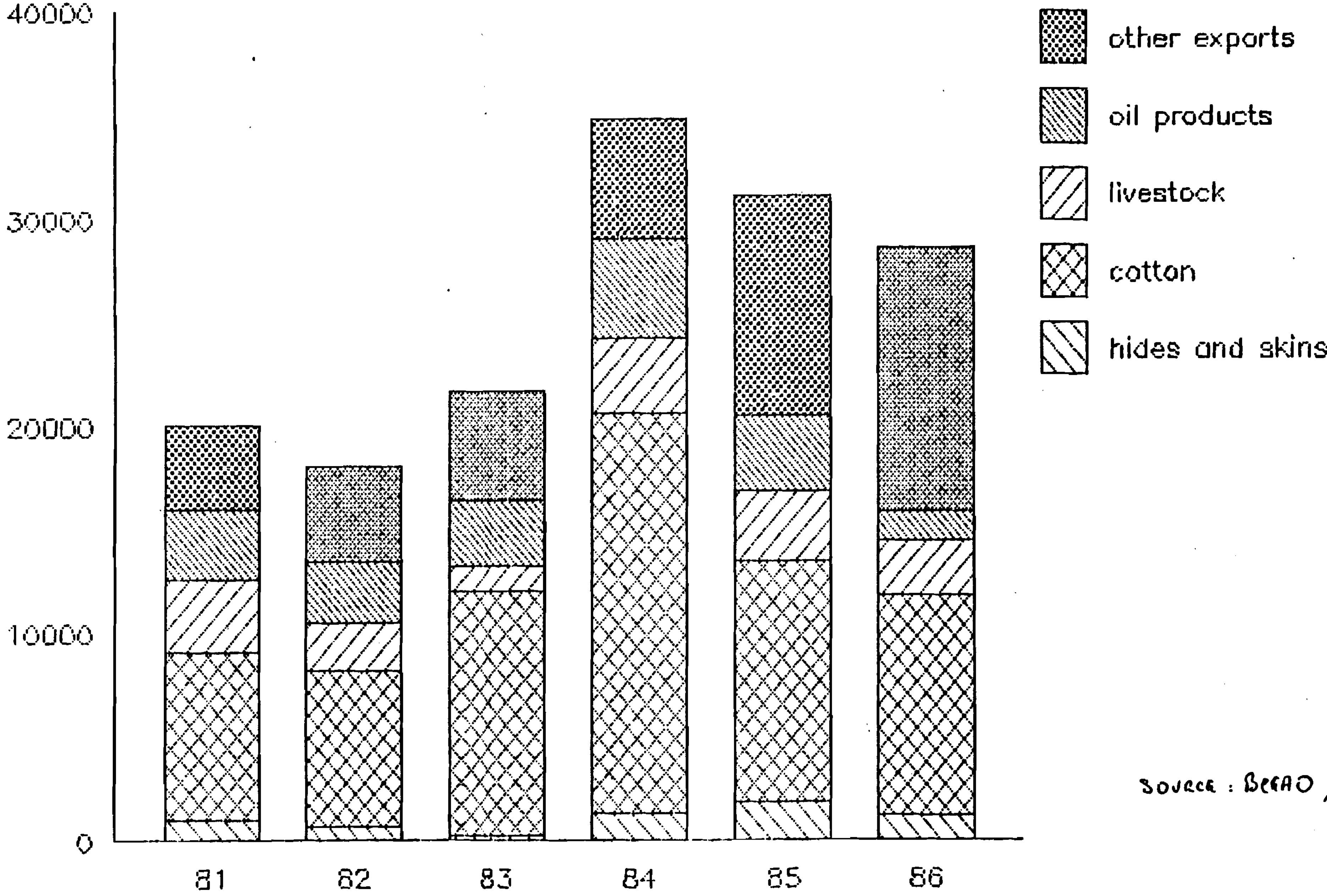
* the real amount marketed is estimated to be about 200.000 tons of local grains

plus food aid: 180.000 tons (campaign 85 and 86)

plus imports: 60.000 tons [illegible]

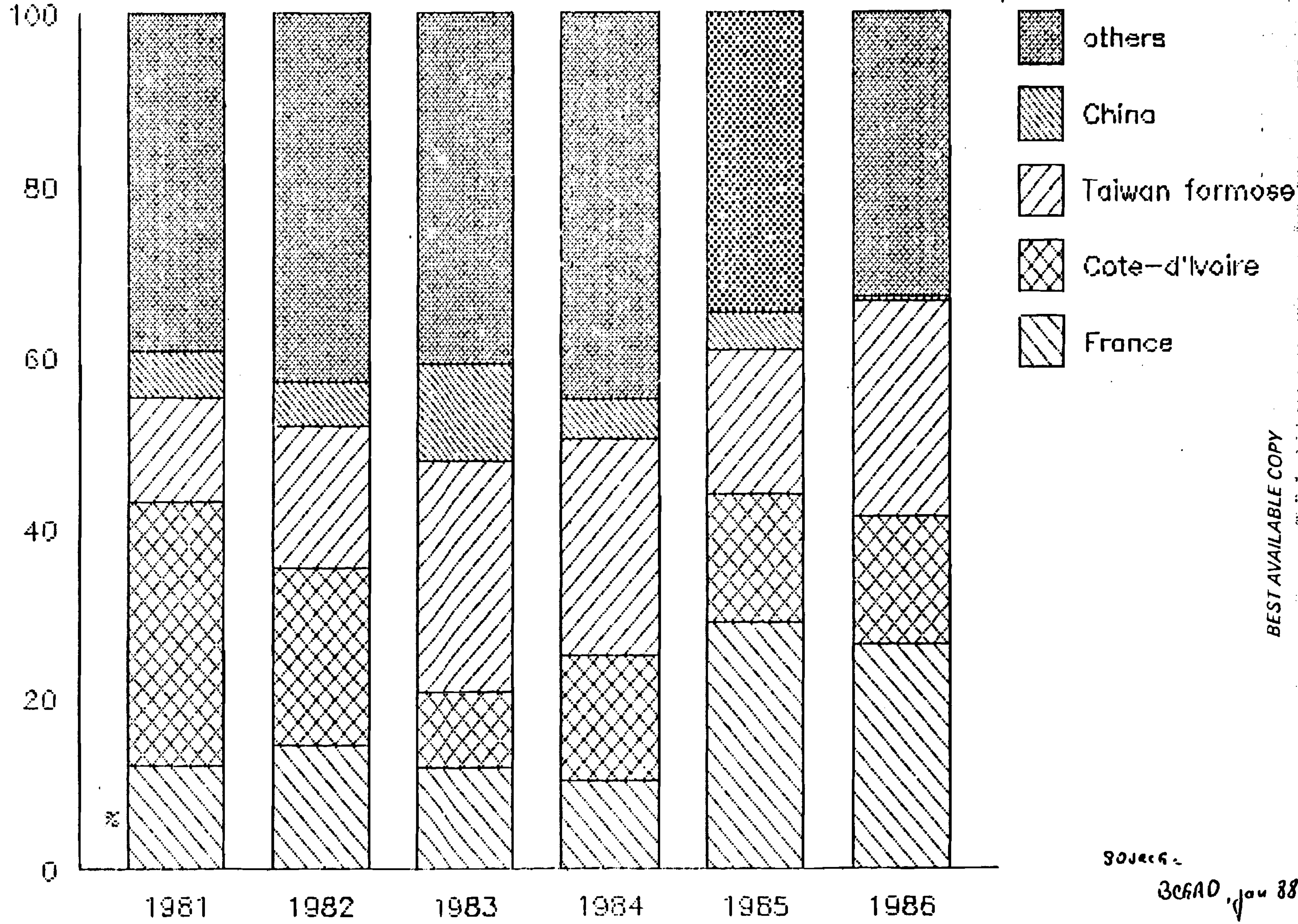
3. main agricultural products exports

fcfa millions



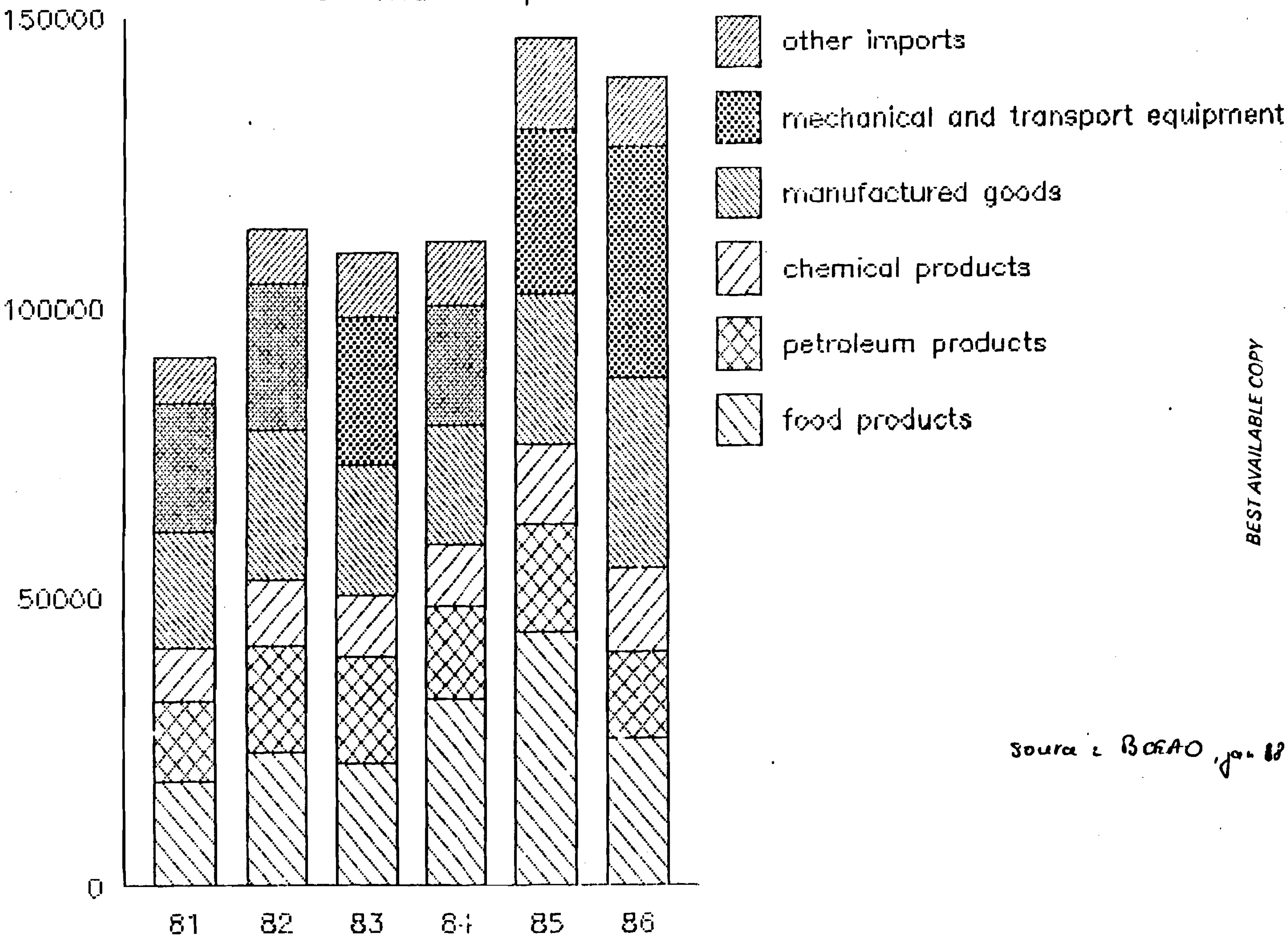
SOURCE : BCEAO, jan 87

4- main customers for burkina exports



source : CCAD, Jan 88

5 - main imports in fcfa millions



source : BCEAO, jan 88

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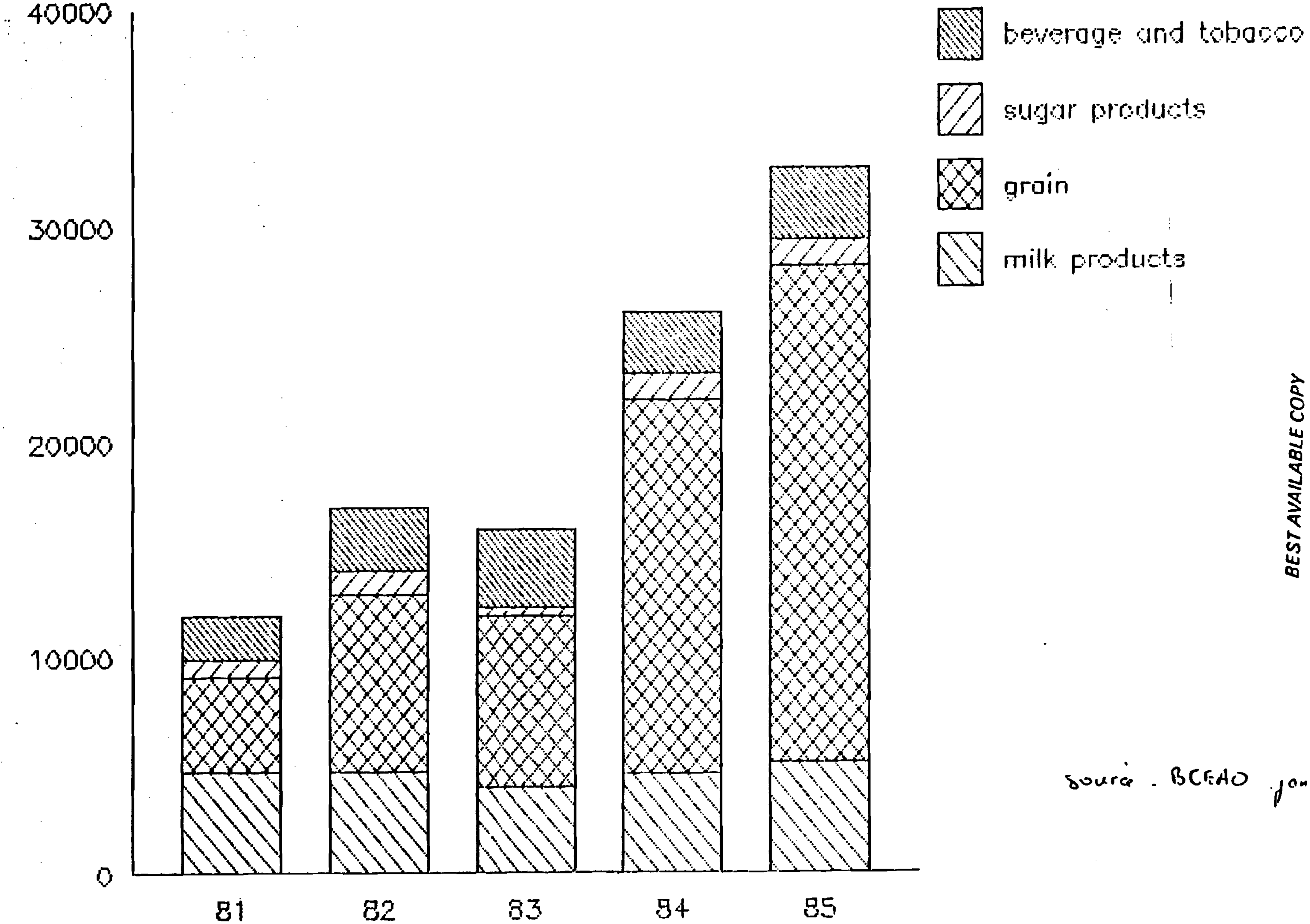
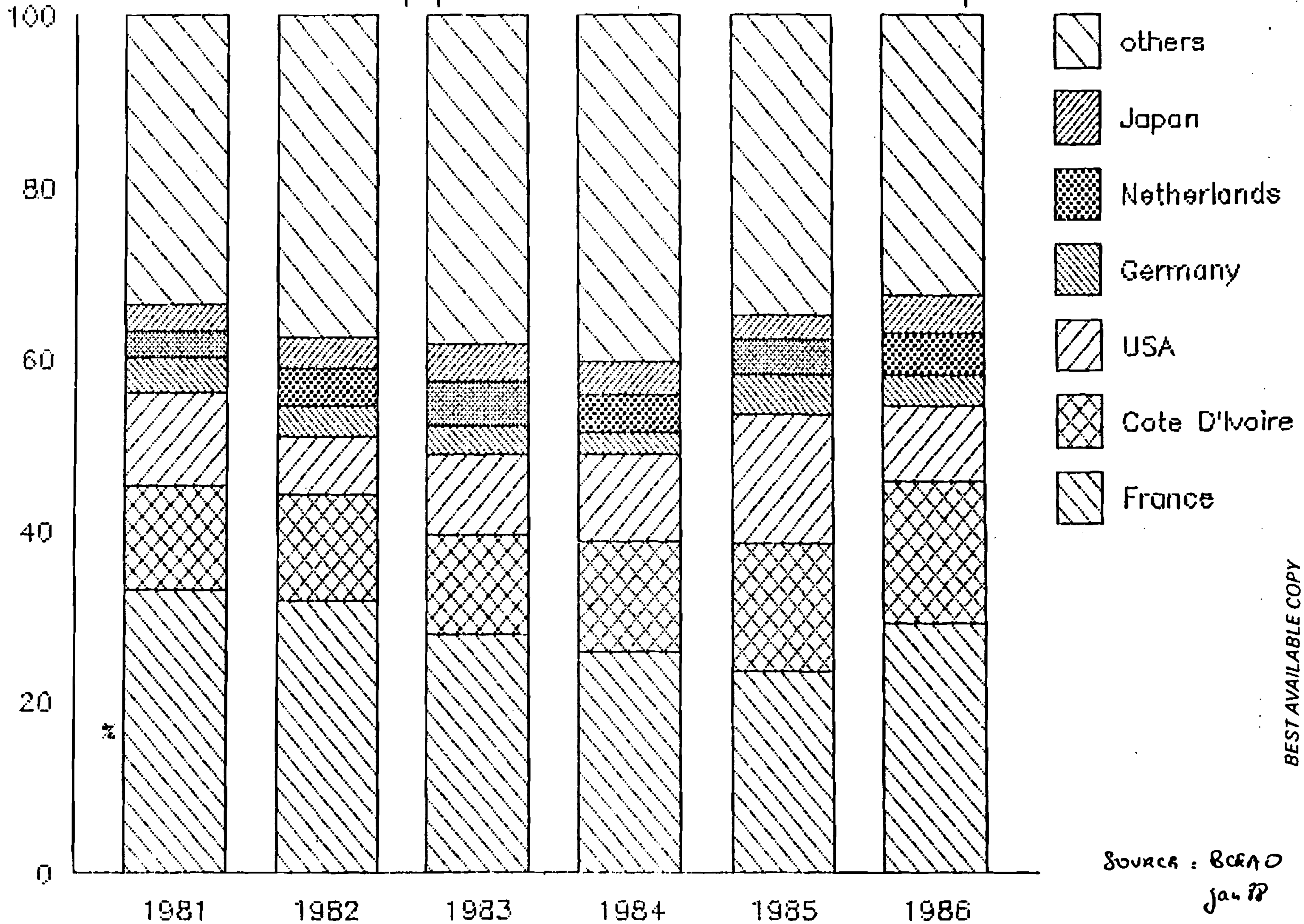
6- food products imports in fcfa millions



source . BCEAO jan 88

7 - main suppliers of burkina imports



Source : BCEAO
Jan 88

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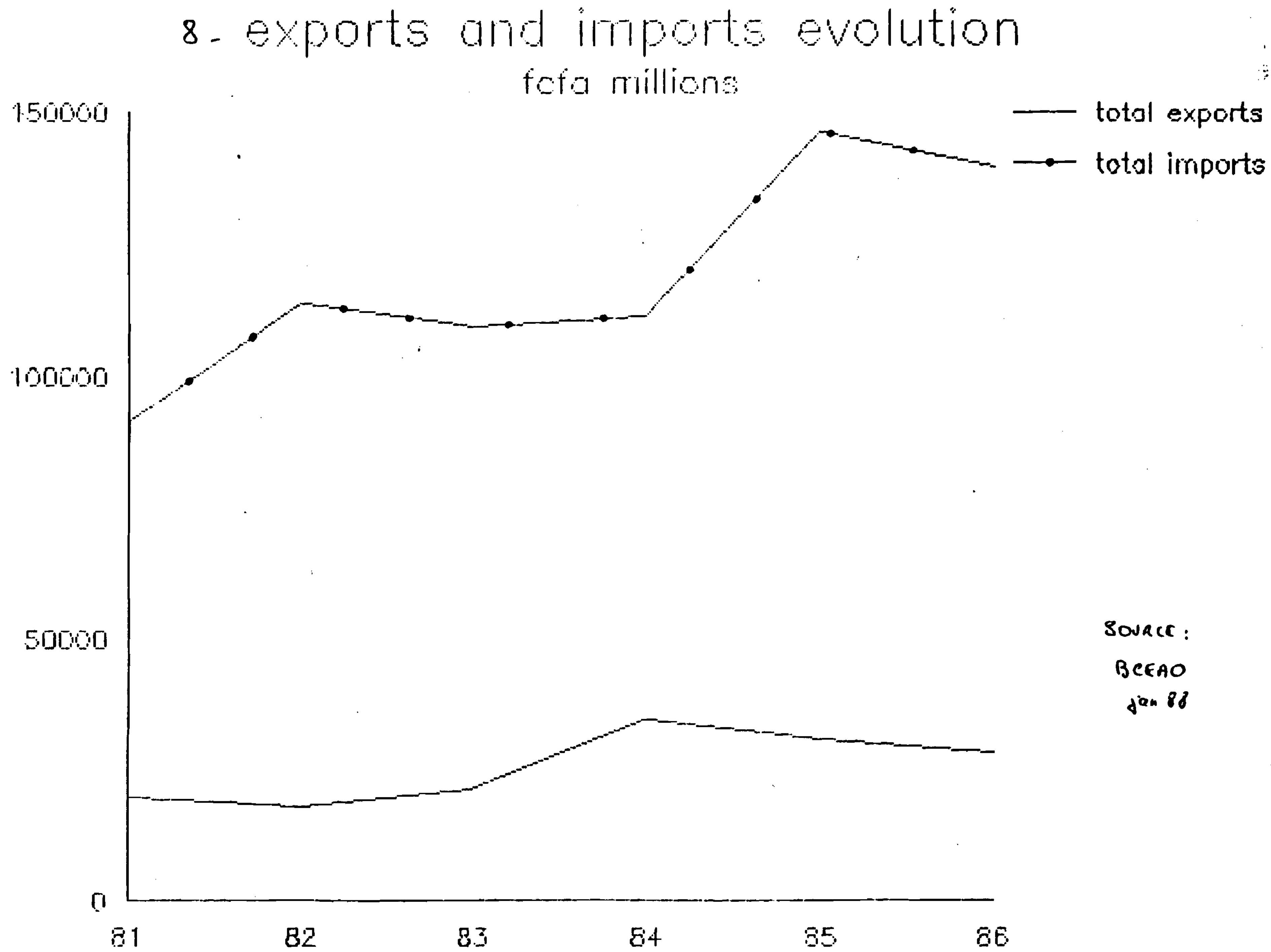

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II. GRAIN MARKETING POLICY

A. Price Controls and Regulations

Little change appears immanent in current grain marketing policies: OFNACER continues to try to enforce floor (producer) and ceiling (consumer) prices (50 CFAF and 80 CFAF respectively for local grain for the 1987-88 campaign) throughout the country. Official producer prices fluctuate substantially according to the production situation. [Figure 9] Grain exports are strictly forbidden and grain imports are highly restricted.

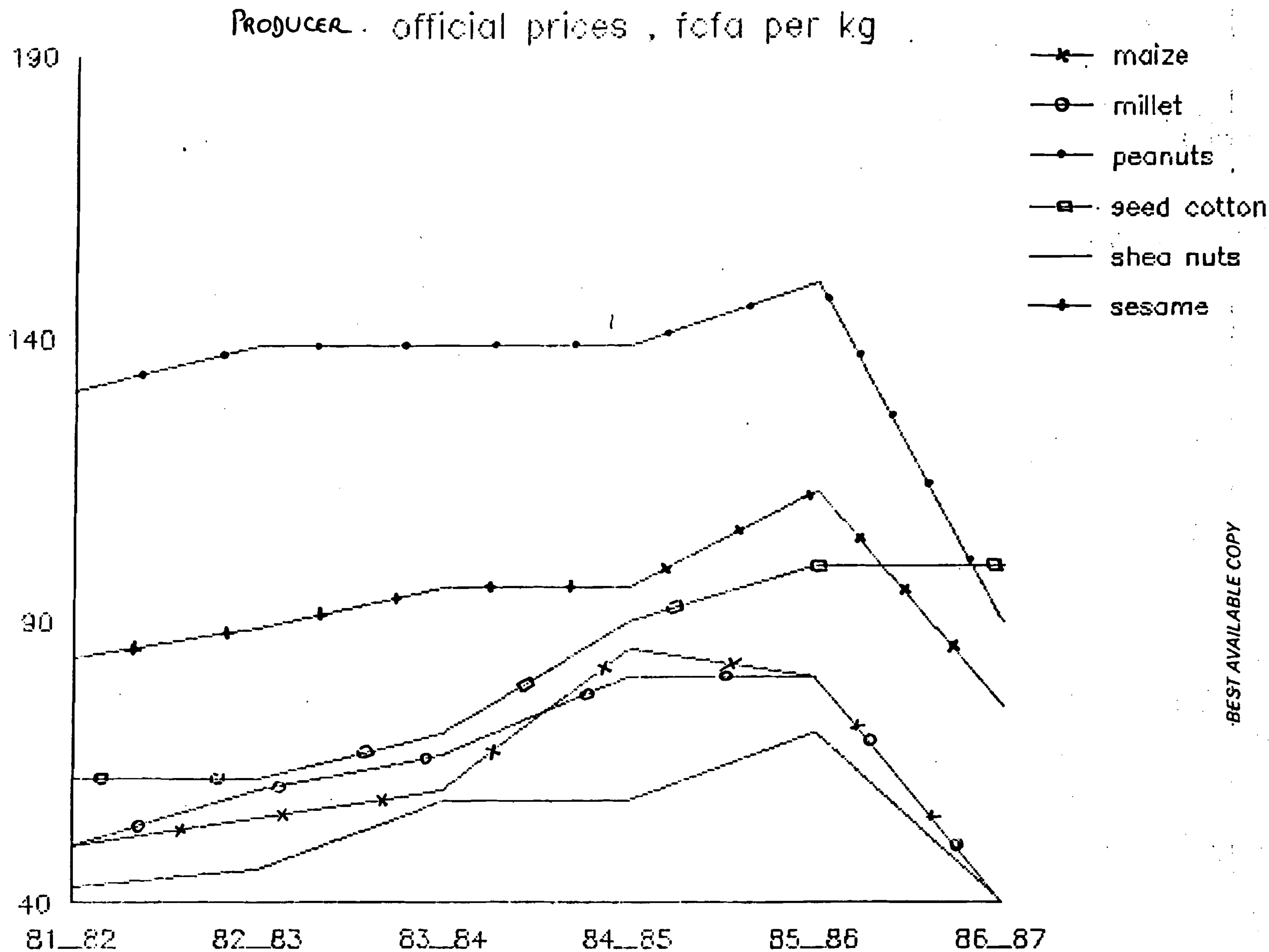
Prices for grain (and other agricultural commodities) are set by an interministerial committee, consisting of representatives from the ministries of Commerce, Social Action, Agriculture and Question Paysanne. There are also delegates from the Revolutionary Defense Committees (CDR), now reformed as Revolutionary Committees, consumer representatives and representatives of producers. The latter are often retired civil servants with interests in agricultural production. (Cao, 1988)

Since 1984, there has been a concerted campaign led by the government and the official press to vilify grain traders as social parasites, profiteers and price gougers. Government leaders, Ministry of Commerce officials and important segments of the urban population are apparently convinced that traders are artificially forcing grain prices up by withholding large stocks of grain from the market. Although a more moderate and realistic perception is slowly gaining ground among the more competent technicians at OFNACER and in the ministries, political spokespersons continue to indulge in inflammatory rhetoric and assume an overtly oppositional and distrustful stance in regard to grain merchants.

A new director was appointed at OFNACER in January 1988. He is the ninth OFNACER director in about five years. Directors typically have had little if any decision-making power in the determination of prices. The director and his assistants simply propose a set a prices based on OFNACER's cost structure and knowledge of prevailing market prices. Official prices are then determined by the interministerial commission referred to above. Unfortunately, official prices often deviate markedly from OFNACER recommendations. Except in the exceptional case of the 1986-87 campaign when prices proposed by OFNACER were accepted by the commission, official prices do not generally reflect the real costs incurred in handling, transport and administration and take inadequate account of market conditions.

The difference between the purchase price and the maximum resell price is often an impediment to the free flow of grain between areas of surplus production and deficit markets that are distant or involve high transport costs. Administrators know that 30 CFAF per kg is not sufficient to cover the costs of traders (or of

BCEAO, jan 88



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OFNACER), but justify the deficit as the price to pay for protecting the consumer from wide price fluctuations.

In fact, unrealistic and unprofitable official price levels have the effect of encouraging circumvention by producers and traders, act as a disincentive to the supply of distant markets (such as in the northern region where foodstuff shortfalls are a chronic problem) and may create artificial grain shortages at official prices while forcing consumers to participate in black market transactions.

B. Recent Developments in Grain Marketing Policy: the 1987-1988 Campaign

In April 1988, the main grain traders took the initiative to request a meeting with the Minister of Commerce to discuss the national grain situation. Traders were concerned that grain prices were increasing rapidly due to lack of supply and they proposed that traders be authorized to import grain as quickly as possible to address the threatening price evolution. The answer they received was that OFNACER had adequate stocks and would be able to moderate grain prices without resorting to private sector grain imports.[1]

Traders were further requested to release their stocks on the market and to participate in the OFNACER grain distribution program according to the following scheme: traders would be allowed to buy OFNACER grain for 7,880 CFAF a bag and to resell it to consumers at the official price of 8,000 CFAF, thereby "participating in the national effort." A margin of 120 CFAF per 100 kg sack of grain will not cover handling costs alone. Nevertheless, members of the "Groupement d'interet economique" (GIE) of primary foodstuffs agreed to distribute large quantities of OFNACER grain to small merchants. The latter will be allowed to retail the grain for a "profit" of 60 CFAF per sack. The traders insisted on the fact that they would do this purely as a humanitarian action but that they would be incurring a loss on transactions.

OFNACER has recently sent telexes to order important amounts of grain on the world market in order to keep consumer prices at the desired level. They ordered and are expecting 28,000 ton of grain (commercial imports) and they have requested and expect a total

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[1] An article in the official daily, SIDWAYA, presented a typically colorful account of the meeting and of public statements attributed to government officials replete with the standard anti-trader vituperative. The stock denunciations of "commercants pourris" and "commercants vereux" (generally preceded by an exclamatory "A bas!") were used in the article although our informants reported that a much more moderate and pragmatic tone characterized the actual meeting.

of 30,000 ton of food aid (6,000 ton of red sorghum from the U.S., 6,000 ton from France, 7,000 ton from the Netherlands, 5,000 ton of rice from China, and 6,000 ton of rice from Japan). They sent firm orders for the commercial imports and expect the grain to arrive before June. As for the food aid, apparently only the U.S and Japanese contributions have been confirmed.

C. OFNACER's Roles in Grain Marketing

OFNACER intends to play "fully" two roles: (1) famine prevention through the maintenance of a long term security stock to be used to alleviate shortfalls throughout the country and (2) price stabilization through the use of a stabilization stock of grain to keep market conditions in line with official prices.

The current capacity of the security stock is 35,000 ton, of which 30,000 ton are in secure warehouses and the remaining 5000 ton are stored in simple silos, offering poor and only temporary storage conditions. OFNACER wishes to maintain a long term security stock of 50,000 ton which represents an estimated four months of local consumption.

Financing for an additional 11,000 ton has been secured from France, the FED and Germany. The 22 new warehouses are to be located in the north of the country. Funding has yet to be obtained for the remaining 9,000 ton of storage capacity. [Table 1] International donors are being requested to provide the grain for the increased security stock capacity.

The second role of OFNACER is that of price stabilization. The present capacity is 120,000 ton, of which 70,000 ton are in permanent warehouses. The remaining storage space is constituted of corrugated steel sheds and silos and does not offer secure storage conditions. OFNACER officials tend to justify the professed need for extra storage capacity for stabilization purposes on the precept that "l'OFNACER se doit d'etre partout".

In November 1987 OFNACER had a stabilization stock of 25,000 ton and 35,000 ton in the security stock. One-third of the security stock must be renewed each year. The amount removed is then considered as part of the stabilization stock. In 1985-86, a bumper crop year, the official producer price was way over the market price and OFNACER bought a record 41,000 ton. The 1986-87 harvest, though good, did not attain the previous year's level and OFNACER made a realistic 50% cut in the official purchase price (from 80 to 40 CFAF). This producer price was still above the market price and might have contributed somewhat to a market price increase if OFNACER's financial and structural capacity had not limited its purchases. From December 1985 to December 1987, OFNACER had difficulties selling grain, since the official consumer prices were higher than market prices. Prices may have been pushed further down by the important amount of food aid received in 1985 and 1986.

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TABLE 1

tableau 9 CAPACITE DE STOCKAGE DE L'OFNACER au 10 mai 1983

C. R. A.	Magasins de de stokage (1500-750 t)	Magas. "aide au Sahel" (500 t)	Silos tempor. couvert (550 t)	Silos en tôle (~~225~~ t)	Magas. Stocks sécurité	Total
OUAGADOUGOU	(2) 5000T	-	-	-800T	6000	24350T
- Ouaga	(4) 6000T	-	(11) 6050	-	6500T	-
- Pô	-	-	-	(1) 200T	1500T	1700T
- Manga/Zorgho	-	-	-	(2) 400T	-	400T
Sous-total	11000T	-	6050	1400T	8000T	26450T
BOBO-DIOULASSO						
- Bobo	(2) 3000T	-	(3) 1650T	-	3500T	8150T
- Banfora	-	-	-	-	2000T	2000T
Sous-total	3000T	-	1650T	-	5500T	10150T
KOUDOUGOU						
- Koudougou	-	-	-	-	1000T	1000T
Sous-total	-	-	-	-	1000T	1000T
DEDOUGOU	(1) 1500T	-	(4) 2200T	(1) 200T	5000T	8900T
Sous-total	1500T	-	2200T	200T	5000T	8900T
KOUPELA						
- Koupéla	(1) 1500T	-	-	(2) 400T	-	1900T
- Tenkodogo	-	-	-	-	2000T	2000T
- Zabré (1/Zorgo)	-	-	-	(2) 400T	1000T	1400T
Sous-total	1500T	-	-	800T	3000T	5300T
GAOUA						
- Gaoua	-	-	-	-	2500T	2500T
- Diébougou	(1) 1500T	-	-	-	2000T	3500T
Sous-total	1500T	-	-	-	4500T	6000T
FADA						
- Fada	(2) 3000T	-	-	-	3000T	6000T
- Sougo/Koalla	-	-	-	200T	-	200T
Sous-total	3000T	-	-	200T	3000T	6200T
DORI						
- Dori	(1/2) 750T	(4) 2000T	-	-	2000	275.
- Gorom-Gorom	-	(3) 1500T	-	-	1000	1500T
- Arbinda	-	(3) 1500T	-	(2) 400T	-	1900T
- Gorgadji	-	-	-	(1) 200T	-	200T
- Sebba	-	(3) 1500T	-	(2) 400T	-	1900T
- Djibo	-	(4) 2000T	-	-	2 500	2000T
Sous-total	750T	8500T	-	1000T	-	10250T
OUAHIGOUYA						
- Ouahigouya	(1) 1500T	-	(2) 1100T	(1) 200T	3 500	2800T
- Banka-Thiou	-	-	-	(2) 400T	-	400T
- Titao	-	(3) 1500T	-	-	-	1500T
Sous-total	1500T	1500T	1100T	600T	-	4700T
KAYA						
- Kaya	(1) 1500T	-	-	-	3000	1500T
Sous-total	1500T	-	-	-	-	1500T
TOTAL GENERAL	12(1/2)-4 25250T	(20) 10000T	(20) 11000T	(22)-1 4200T	30000T	80450T

SOURCE: Données de la direction commerciale de l'OFNACER

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Outside of the major distribution sites, OFNACER sells through the provincial and departmental administrative authorities. Local officials may request a delivery of grain by OFNACER in a village or secondary center and the grain is distributed under their authority.

D. OFNACER's Efficiency in Price Stabilization

With the exception of the past two years, OFNACER's activities in the 1980s have been much more important for local sales than for local purchases. Its direct influence on grain prices, although in general quite limited, has always been more evident on consumer prices than on producer prices. Moreover, according to data on the geographic distribution of OFNACER sales, the urban centers in the 4 main deficit regions -- Ouahigouya, Dori, Ouagadougou and Kaya -- have been by far the main beneficiaries of OFNACER grain. In 1982-83, and 1983-84, 95% of sales for the Centre region took place in Ouagadougou, 40% of the Centre-nord region sales took place in Kaya and around 45% of sales in the Yatenga region took place in Ouahigouya. OFNACER grain in the Hauts-Bassins region has been sold almost entirely in the city of Bobo-Dioulasso. The Sahel region alone showed a more equitable geographical distribution of OFNACER grain. (CRED 1987)

In brief, at the time CRED conducted its study on grain marketing (1983 to 1985), OFNACER subsidies were of primary benefit to urban consumers. Only a small proportion of OFNACER sales were made in areas outside of the main population centers. Access to OFNACER grain by rural consumers was negligible outside of the Sahel. It is doubtful that this situation has changed during then, although no sales statistics by region are available after 1984-1985.

According to the CRED study, local producer sales were estimated in 1984 at about 220,000 ton and total consumer purchases of grain were estimated at 440,000 ton. If we retain these figures for recent years, this suggests that OFNACER purchases accounted for an exceptional 18% of total local purchases in 1985-1986, compared to an average of 10% in more typical years. OFNACER 's role in supplying grain to consumers would be an average of 15% of total consumer sales.

In conclusion, it strongly appears that OFNACER's efficiency in stabilizing prices is very poor, operating more on the consumption than production side. Furthermore, the benefits of OFNACER activities are unequally distributed among the Burkinabe population.

E. Prospects for Change in Grain Marketing Policies

Discussions with government officials and private sector operators do not provide portents of policy reform in the near future. Germany, the FED and France seem to support reinforcement of the security stock, and OFNACER could rely on food aid to provide an important part of its stabilization stock. Although public rhetoric still seems quite strong against traders, the government is showing a more open attitude toward the private sector in general. Affordable, hence subsidized, prices of grain for consumers is a highly sensitive topic and a priority for the government and is not likely to be reconsidered in the near future. Although some village groups and cereal banks have a significant local influence on grain trade, others have suffered from the "bankruptcy" of the ORD system. The rather marginal role of cereal banks in the national grain trade, estimated at no more than 3% in 1984 (CRED), has most likely not increased significantly in recent years.

1. Constraints on OFNACER Effectiveness

Although OFNACER's technical capabilities have improved markedly over the years, it still needs to strengthen its capacity to collect and analyze agricultural production and market price data. In particular, efforts should be made to develop an in-house capacity to evaluate OFNACER's real effectiveness in price stabilization by improving data on regional sales and (monthly) price fluctuations over time.

However, as long as grain prices and marketing policy in general are based primarily on political considerations rather than on production and price data, there is little point in strengthening OFNACER's institutional capacity.

To fulfill its price stabilization role more efficiently, OFNACER would be well advised to decouple its activities at the retail level and instead to concentrate on selective intervention at the wholesale level. Stabilization stock could be sold to traders, cereal banks and village organizations in deficit regions and where market analysis suggests the existence of monopolistic or oligopolistic market deformations.

2. Constraints on Private Grain Marketing

Private traders remain the dominant force in grain marketing in Burkina Faso. In addition to the problems posed by price controls, private sector grain marketing is constrained by four factors. First, our discussions revealed a unanimous expression of discontent in regard to the unnecessarily involved and time consuming nature of administrative procedures. The satisfaction of administrative formalities requires numerous visits to a plethora of offices to seek current information, obtain forms, purchase fiscal stamps, and submit completed dossiers. Processing of applications for authorizations and other requirements is not often accomplished in a timely manner and the resulting delays may impose a weighty financial burden on the applicant.

Second, import controls prevent traders from meeting market shortfalls by bringing imported grain onto the Burkinabe market. Experience as recent as 1984 has shown that private sector imports can act to abate the rate of price increases in times of shortage. In the case in point, imported maize from Ghana and Ivory Coast quickly covered primary markets in Burkina during the height of a particularly difficult soudure, the period during the rainy season when foodstuffs are traditionally at their lowest. Maize imports acted first to limit price increases and then to decrease market prices of grain.

Third, policy instability heightens the sense of uncertainty felt by all parties -- producers, traders, consumers and public agencies -- involved in the grain trade. Radical changes in farm gate prices send mixed signals to producers, while fluctuating market prices increase anxiety and foster public outcries from a consuming public habituated to State intervention. Changing conditionalities of participation in national and international grain markets threatens trader incomes and discourages investments. Although anti-trader rhetoric has softened recently, the climate in which grain traders are working does not encourage the maintenance of private stocks of grain which could be released in response to changing price conditions.

Finally, insufficient access to credit for traders limits entry to those with substantial capital reserves and impedes expansion into less accessible areas. Traders tend to resell grain purchases quickly rather than to maintain grain in storage. Limited access to credit combined with the climate of insecurity created by policy instability and official censure, may explain in part the apparently imperfect price adjustment over time (from one season to another).

F. Opportunities for Aid Funding

1. Assistance Options Based on Three Policy Reform Scenarios

In conclusion, we can suggest three scenarios in the way grain marketing policy could evolve:

Scenario One: No change of policy: OFNACER remains in charge of security and stabilization stocks. Exports and imports of grain are strictly controlled and traders are indirectly incorporated into the national effort. Floor and ceiling prices are set for the production/marketing campaign at levels which underestimate associated costs (handling, transport and administration) and thereby discourage private sector participation.

In this scenario, there are few opportunities for productive investment of USAID financing. Existing food aid programs could be maintained even though this may, in combination with similar help from other donors, perpetuate current grain marketing policies. USAID could also consider strengthening the security stock capacity in deficit regions by contributing to the financing of warehouses in priority areas.

Scenario Two: OFNACER would continue to maintain both a security and a stabilization stock. However, producer and consumer prices would not be fixed. OFNACER would play the role of a major competitor in wholesale grain marketing by intervening in cases of apparent oligopoly and shortages of grain. Activity would be concentrated in marginal supply and demand zones and during the rainy season in inaccessible areas. Grain would be sold at a price that fully covered OFNACER's costs and which would not discourage private traders from shipping grain to deficit areas. Stabilization stocks would be located in marginal and deficit regions of the country and in areas where competition between traders is not always sufficient. Emergency food aid would be made available through PVOs and NGOs in deficit zones and where people cannot afford market prices for grain.

A precondition for the effective operation of OFNACER under this scenario is the establishment of a technically competent information system for the collection of nationwide quantity and price data for basic agricultural commodities. It will also be necessary to elaborate a realistic cost structure for the calculation of operational costs attendant to the performance of OFNACER's price stabilization function.

This provides an opportunity for continued USAID support in strengthening OFNACER's informational and analytic capabilities. OFNACER should also be encouraged to improve its knowledge of and connections to external grain markets, in neighboring countries and internationally. CILSS is currently providing some assistance in the area of interregional trade. Again it must be emphasized that in order for the country to benefit from improvements in OFNACER's institutional capabilities, policy makers must be willing to listen seriously to OFNACER's technical analyses and recommendations.

U.S. and other donor food aid could still be channelled through OFNACER, thereby assuring the means to address emergency food needs while further allowing OFNACER to limit local purchases.

Scenario Three: OFNACER would be in charge only of the security stock; this stock would be no larger than necessary. The bulk of the security stock would be purchased through a competitive tender and bidding process. OFNACER would no longer play a role in price stabilization. However, a modest impact on market prices could be made with the grain released as part of the annual renewal of 1/3 of security stocks.

Under this scenario, the establishment of a technically proficient information system for quantities and prices would be a priority funding area. OFNACER would also need to develop the ability to monitor local production and demand conditions throughout the country in order to detect as early as possible the location and severity of shortfalls in essential foodstuffs.

Restriction of the role of the state in grain marketing and the elimination of price controls would have strong incentive effects on private sector growth. This would open opportunities for USAID assistance to improve the private trade of grain and other agricultural products. One area of priority investment is transportation infrastructure. The following roads are of particular importance to improve grain trading: Bobo-Dioulasso - Dedougou - Ouahigouya; Ouahigouya - Yako; Ouagadougou - Dori.

Another area of importance to improved market performance is the provision and widespread dissemination of domestic and international market information, including data on production estimates, amounts traded and price levels, and international demand and price information.

2. Technical and Financial Assistance to Cereal Banks through PVOs

Under any of the three scenarios, the market system could be somewhat improved by offering basic commercial training to Groupement Villageois (GV) members. PVOs have extensive experience in this domain in Burkina Faso. A PVO in Dori, for example, assisted GV members in renting a truck for the initial trips to a grain surplus region. Assistance was also provided to collect price information and to calculate a sale price which would cover their costs. In areas where locally managed cereal banks provide effective competition with traders, the need for OFNACER price stabilization services would be reduced.

The most successful experiences with cereal banks operated by local GVs are located in areas of chronic grain shortfalls, most notably in Yatenga and the Sahel region. Cereal banks and Groupements Villageois in general require several years of experience to reach a sound level of financial management. A good proportion of the cereal banks in these two regions are almost self-managed and beginning to run very well on their own.

A hidden danger for these relatively successful fledgling organizations is the risk of undertaking too many activities too soon. The financial problems presently confronting the "6S" cereal banks in Yatenga, previously considered as a model program, may be due to this tendency.

In the medium and long term, assistance to PVOs to finance and support the management of cereal banks, especially in chronic deficit areas of the country, could produce durable improvements (although still in a marginal way) in marketing efficiency while building a foundation of marketing and management knowledge at the village level. Strengthening the capacity of producers and consumers to defend their own interests is an important step in reducing the need for OFNACER's interventions in grain pricing and distribution.

The UGVO (Union des groupements villageois de l'OUDALAN) in the far north of the country and FDC/Save the Children in and around Dori and more recently in Sapone in central Burkina have done particularly well in the area of providing technical assistance to village organizations for the establishment of cereal banks. These GVs have rolling funds, organize their marketing so as to buy grain at low prices in the south, at Ouagadougou or at OFNACER, and calculate their markup according to their overall costs in order to reconstitute the rolling fund and even make some profit. Similar programs could be of value in the area of Sebba in the Sahel. The FDR/PAM cereal banks were also doing well in Kaya, Kongoussi, Po, Koudougou and Yatenga.

Experience suggests that the many cereal banks which failed were generally ones in recently formed Groupements Villageois which were "given" grain and buildings with no real commercial technical assistance and monitoring and which played a distribution role instead of a marketing role.

3. Steps to Encourage Policy Changes in Grain Marketing

For both the second and the third scenarios, the central objective of consumer price stabilization -- guaranteeing over the years a stable purchasing power to the non-grain-producing population -- would not be assured. In the first scenario price stabilization is attained through state intervention in the market channel. In the second and third scenarios, prices are allowed to reflect real market conditions. The guiding assumption here is that market liberalization will spur economic growth and price stability will result from free market conditions.

It is unlikely that the government will be easily convinced to relinquish present policies aimed at assuring this objective for the country. The only other way to accomplish this end is to increase the income sources of the population in grain deficit regions and also in urban areas. A special cost of living differential based on grain price levels could be provided for public employees, for example. This would be more complicated for people in deficit regions, however. It would be crucial to increase the economic value of alternative production activities, such as livestock and vegetable production and marketing.

III. OTHER AGRICULTURAL PRODUCTS TRADE AND PROCESSING

A. Price Determination and Regulations on Trade and Agricultural Processing

The conclusion of the recent study made by CAO clearly attributes the inefficiency of pricing policy to the lack of sufficient technical competence in key areas (accounting, marketing, financial analysis, statistics ...) in the regulatory agencies.

The commission in charge of setting prices for agricultural products is the "commission nationale pour la fixation des prix des produits agricoles" (CNFPPA). This commission is presided by a representative of the Ministry of Agriculture and is comprised of representatives from the Ministries of Plan, Social Action and Commerce, delegates from the Revolutionary Defense Committee (CDR), a representative of the President of Burkina Faso representative of farmers. The CNFPPA convenes once a year prior to the main period of agricultural harvesting.

According to Cao, producer prices usually do not correspond to current market conditions due to the absence of up-to-date production and price data (Cao, 1988). The absence of reliable and timely data is compounded by the lack of sufficient technical competence to evaluate the production costs associated with the new year's yields. Producer and consumer prices are influenced by prices in neighboring countries. This is especially true in the case of cotton but holds as well for other agricultural products. Again, regional African and international price and quantity data are not always available in the form most useful for policy determination.

Some form of price control is exercised on all imported commodities and locally produced goods. Price control assumes one of two forms: either a fixed price is established for the commodity, which is the case for most mass consumption agricultural products and many imported goods; or a margin is set over the established cost of production, transformation, and distribution. This may take the form of an absolute margin (homologation) or a fixed margin ceiling (taux de marge). Set margins are generally applied to agro-industrial products.

Prices and margins are set country-wide, which is not a realistic practice in light of the difference in transportation costs in different regions. Fertilizers, pesticides and agricultural machinery are subject to the fixed margin percentage (taux de marge).

1. Administrative Constraints

Decision makers are not in the habit of making decisions based on hard facts and technically sound analyses of reliable data (Cao 1988). Numbers are available in droves in Burkina; usable data, however, are much more difficult to come by. Particularly lacking is the type of data presented in a manner that would facilitate analysis and comprehension. Available data are often dispersed and uncoordinated and hence rarely used by decision makers. Agencies involved in price setting could, for example, take advantage of the price surveys done in the Bureau of Statistics of the Ministry of Plan. It must also be noted that there is a lack of training in statistics and in the analysis of statistical data.

Many small businessmen experience great difficulty in furnishing the information and completing the dossier required for the price homologation process. Always a time consuming procedure, the situation is often worsened when an applicant submits a file that is incomplete or improperly completed and a long delay occurs while agents attempt to contact the applicant.

The Office of Price Control (Direction des Prix) is supposed to conduct price surveys, inside and outside the country, and to organize training sessions for small businessmen. This is not done and the reasons advanced are the lack of resources and the lack of time and qualified personnel (in the Office of Commerce where dossiers are deposited.

2. Import and Export Controls and Local Processing

There is also an administrative constraint for traders and small businessmen in order to obtain an import or export licence. Imports whose total value exceeds 250,000 CFAF require an authorization. There are three types of authorizations: prior, special and exceptional. According to the type of products, a prior authorization alone may be required. For other basic consumption products, a special authorization is required in addition to the prior authorization. The main purpose of the special authorization is to avoid price fluctuations of basic commodities such as food oil, soap, salt and rice. An exceptional authorization is required for commodities of particular national importance, such as arms and computers. However, some basic commodities and agricultural products have been classified among those requiring exceptional authorizations in recent years.

Import authorizations are restricted both in numbers granted and in terms of quantity allowed, based on assessments of the market situation, the status of stocks of locally produced equivalent products and the level of imports by the Caisse de Perequation.

The occasional transfer of a product from the prior authorization category to the special authorization category is generally aimed at allowing local producers of such products to sale their excess stocks. It is a way to protect local production from competition from imported products. This is the case, for example, with moped and canned tomato imports. Imports are either momentarily forbidden or importers are required to purchase a certain amount or quota of the locally produced commodity before import authorization is granted. This is the case for food oil and sugar, both of which are produced locally. If domestic sugar production falls below local demand, the Caisse Generale de Perequation will import the needed amount which will then be sold by the sugar parastatal, SOSUCO, through private retailers in the same manner as locally produced sugar.

All exports of grain are strictly forbidden. Fruit imports are now allowed (they were banned for a period during the last administration) although they have been placed under the regime of special authorization.

All imports of the main consumption products are controlled by the Caisse de Perequation des Prix des Produits de Grande Consommation. The main purpose of the Caisse de Perequation is to insure the desired supply (and avoid excess supply) of basic consumption products and to stabilize the price of those products. Imports of rice, wheat, food oil and sugar as well as petroleum products are strictly reserved to the Caisse de Perequation. Rice imports are an exclusive monopoly of this agency. However, FASO YAAR, the national distribution parastatal, was granted a temporary monopoly last year. Rice imports are very profitable and this temporary shift of the beneficiary of the rice monopoly was aimed at solving the financial problems of FASO YAAR.

B. Role of Public Institutions Concerning Trade

The Chamber of Commerce appears to be the only place where businessmen can receive training and technical assistance in areas such as customs declaration, accounting practices and dealings with the administration. The Chamber of Commerce has the mandate to represent private operators before the government and public services. According to several private operators, the Chamber has been efficient in doing so and has proved to be very useful to them. The Chamber also provides limited assistance in finding markets and studying investment opportunities.

ONAC, the Office National du Commerce Exterieur) is sometimes cited as being helpful in providing information to private operators. The main activity of ONAC, however, seems to be the organization of international fairs where local Burkinabe products can be displayed and new markets explored.

The Chamber of Commerce has the important advantage of being perceived as a more or less autonomous traders "association" while ONAC is viewed as a wholly public service tied to the government. However on several market surveys, ONAC and the Chamber of Commerce have worked together.

There are in fact many services and ministries which are supposed to deal with trade and processing industries in Burkina Faso, such as the Ministry of Commerce, the Ministry of Economic Promotion, the Chamber of Commerce, OPEB (now dissolved but which the government is trying to replace), and ONAC. The respective official responsibilities of these various public services are not easy to define, even for the people concerned in those public services. None of them, except for the Chamber of Commerce, and on a more limited basis, ONAC, is in any way efficient in promoting trade growth.

C. Organization of Trade: the GIE

Merchants were instructed in November 1986 to create economic interest groups (GIE), one for each of 11 sectors defined along the lines of area of economic activity by the government. Import authorizations were restricted exclusively to members of GIE. All imports in a particular sector were to be organized through the intermediary of the GIE. The official justification for the creation of the GIE was to improve the efficiency of importing by grouping purchases and thereby benefitting from incentives provided for mass orders. The government also stated that employment generation would result from the creation of these organizations due to the need for staff. Members of the business community suspected that the state-initiated GIEs would allow the government to obtain more detailed information on private sector business and would be used to exercise tighter fiscal control.

1. Establishment of the GIE

The establishment of the GIE has been a difficult process. Responsibility for the creation of these trade organizations was given to the Chamber of Commerce. From the beginning of 1987, the entire Chamber of Commerce staff was consumed by the multitude of tasks involved in creating such a system from the ground up. The Chamber was involved in the definition and printing of statutes, the hiring of GIE staff, and the enlistment of merchants as members. For a brief period, agents of the Chamber of Commerce were posted at customs points along the frontier to collect a special fee on imports and exports attributed to GIEs.

GIE were created for only 10 sectors after all. A total of 20 GIE were created, 10 each in Bobo-Dioulasso and in Ouagadougou. Although these organizations were to be active primarily in the area of imports, it soon became evident that many of the traders were involved in both importation and exportation of commodities covered by the GIE. The GIE of grain and local agricultural products was allowed to become both an import and export business group, once the government realized that for the totality of those products, the country was a net exporter. the recuperation of import and export fees owed by members of the GIE to the GIE concerned, at the customs on the borders.

The staff paid by the GIE was to be composed of a manager (with a maitrise level of education), an accountant clerk (with a CAP or BEP level), a cashier and a secretary. Each GIE decided, in december 86, during their general assembly grouping all the members (because of these obligation to be a member to import or export, some of the GIE have as many as 70 members), The amount to be contributed by each member to constitute the capital of the GIE was determined in December 1986 during the meeting of general assembly of the GIE. Some groups have as many as 70 members since membership is required if a trader wishes to receive import authorization. Each GIE was free to establish an annual or monthly system of dues (cotisation), the total varying between 200,000 and 500,000 CFAF from one GIE to another.

GIE activities were to be self-financing through membership contributions and the receipts of a fee on external trade affixed at 0.3 % of the value of trade commodities. Initially, personnel from the Chamber of Commerce were assigned to collect the fee at the border. By late 1987, the GIE was given the responsibility to collect the fee directly from traders as part of the import (and export) authorization process.

2. Recent Evolution of GIE Activities

The new structure of trade organizations was never well accepted by private sector operators. Membership was compulsory if import and export authorizations were needed and therefore only the larger traders participated. From the beginning, the new organizations were criticized by merchants who did not wish to reveal their commercial affairs to competitors and thereby jeopardize whatever advantage they might possess by maintaining their own marketing channels. Others have criticized the GIEs for reducing competition among merchants and for creating the conditions for the emergence of state sanctioned oligopoly.

The new system was further criticized for encouraging parallel market channels since those traders that could avoid the official system escaped administrative control, avoided customs duties and were not subject to the rather onerous membership contribution or the fee on external trade. In essence, the new structures could be seen as providing additional incentives for fraudulent practices.

Since October 1987, the regulations and controls concerning the GIE activities and member contributions have been much less respected than before. Members no longer pay fees and import and export authorization may be obtained without going through the GIE intermediary. The regulations themselves have been "re-oriented" as well and membership is no longer compulsory. The GIE continue to exist but are considered as voluntary organizations.

3. Current Interest of the GIE for Traders

The primary benefits traders could see in the GIE was accounting assistance and information and assistance in international trade. This corresponds quite well to some of the important constraints identified for private sector growth in Burkina Faso: the lack of accounting skills and knowledge of market opportunities (preventing many traders from taking full advantage of their capital and rolling fund). However, many if not most of the GIE , did not have time to become effective in providing those services, and the capital invested by the traders in the form of membership contributions has often been considered wasted in personnel salaries. Moreover, trade is considered as a highly competitive business, and traders do not wish to have their business affairs become public knowledge among competitors in the GIE.

Some of the more sophisticated traders believed that the GIE could offer a real power base in negotiations with the government and in external markets. It could also offer members a more reliable source of information on local markets and price conditions and perspectives on the world market for products exposed to high fluctuations. This is clearly a reflection of the negative evaluation of other, primarily governmental, sources of market information and may explain in part why the GIE for grain and agricultural products marketing is still considered as one of the most potentially useful GIE.

D. Cotton Marketing and Processing

SOFITEX is in charge of the cotton marketing channel. It is by far the main importer of fertilizers in Burkina Faso, and imports mainly through the French owned CFDT. SOFITEX provides fertilizer to cotton growers and collects the cotton harvest through the Groupements Villageois and cooperatives. SOFITEX previously worked through the ORD system but it became clear that the ORD was not an efficient intermediary. Dealing directly with farmers is saving SOFITEX money. Although SOFITEX has a formal processing capacity of 110,000 ton, it has been able to process an average of 170,000 ton of cotton for each of the two last years (1986 and 1987), due to an intensive (24 hours a day) utilization of equipment.

SOFITEX handles about 66,000 ton of cotton fiber, part of which is sold to FASOFANI, the government owned textile industry, and the rest is exported. Between 1982 and 1985, 53% to 84% of the cotton fiber produced was exported. The sharp decline in world cotton prices (45% decrease from 1984 to 1985) over the last two years has been almost entirely compensated for by a sharp increase in production over the same period. According to a recent IMF report, the export volume of cotton is assumed to increase by 5% each year and world market prices of cotton are assumed to rise between 2.5 and 3.5% a year from 1987 to 1991. So cotton is going to stay the major agricultural export product for the next few years and is also a major source of cash in rural areas of the "zones cotonnieres", mainly in Volta Noire and Hauts-Bassins and in Bougouriba, Comoe, and Centre-Ouest regions and in the AVV zone.

1. Investment Opportunities in the Cotton Trade

Because of this important cash supply, the director of SOFITEX suggested that there is a good potential to mobilize rural savings in those rural areas. The banks involved with SOFITEX in the purchase of cotton from producers lack aggressiveness and initiative in attracting rural savings when producers receive their relatively large cotton payments. The main bank involved in the cotton campaign is the BIB but the BICIAB and the CNCA also play a part. It would be interesting to follow up on this opportunity: the important banks in Burkina are mainly parastatal financial institutions and seem to lack the incentives to get involved in such activities in the field. The CNCA (La Caisse Nationale de Credit Agricole), which has reorganized its lending activities on a new footing, has only 4 agencies located in the main cotton producing zones. The CNCA is trying to decentralize its operations and could be a sound alternative for a savings mobilization program.

According to the informants contacted, and in light of the assessment team's interview with its director, SOFITEX seems to be a pretty well run enterprise with a competent management and good prospects for economic growth. Only the two last campaigns resulted in a deficit due to the drop in world cotton prices. SOFITEX wants to extend its capacity and to modernize its equipment in Koudougou. The present primary source of external financing requires that the equipment purchased be of French origin. The management of SOFITEX, however, would prefer to buy American equipment and is seeking another source of financing.

2. Cotton Processing

FASOFANI makes cotton cloth and fabric from the cotton fiber bought from SOFITEX. Cotton seed is sold to CITEC, in which SOFITEX is a major share owner (35%) along with the CSPPA (27.4%). CITEC processes cotton seed to produce food oil (cooking oil) and soap. CITEC can process about 60,000 ton of cotton seed, and uses other oil seeds such as shea nuts and peanuts when quantities of cotton seeds available are below the 60,000 ton capacity. For example, in 1987 CITEC used 48,000 ton of cotton seeds and completed its industrial capacity with 12,000 ton of shea nuts and peanuts.

CITEC can produce 11,000 ton of oil from 60,000 ton of cotton seeds. Hulls are used as a source of energy for CITEC and cotton

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seed cake is resold to SOFITEX in order to be used as animal feed.

Out of the total oil extracted from cotton seeds in 1987, using its full capacity, CITEC produced 13,000 ton of house soap (savon de menage) and 6,000 ton of cooking oil. National consumption is 20,000 ton for soap and 9,000 ton for cooking oil. CITEC management intends to expand capacity and production in order to cover completely local demand and to export soap in neighboring markets.

One of the main bottlenecks to product marketing comes from the fact that CITEC has to sell the soap on credit to traders and then wait as long as six months until the soap has been sold, to recuperate the credit. Once again, the difficulty of access to credit for small operators seems to be an important constraint to the development of more productive activities.

CITEC is a parastatal, but has a competitor in the cooking oil and soap business. SOFIB, a private enterprise launched by a very successful traditional trader, is one of the rare examples of industrial investment by a traditional trader whose wealth was made in another sector. SOFIB started to produce karite butter and cotton oil in 1985, and had a modest total production of about 2,300 ton in 1986, 1,632 ton of karite butter and 666 ton of cotton oil (DEP, Ministere du Commerce). Mr. Barro Djanguiniba, the founder-owner of SOFIB, is a leading example of the important resource value of commercial and managerial skills found among members of the private sector in Burkina Faso.

E. Marketing and Processing of Shea Nuts, Sesame, Peanuts and Cashews

1. Regulations and Institutions Involved - The CSPPA

The Caisse de Stabilization des Prix des Produits Agricoles (CSPPA) maintains strict control over exports of these primary products. Depending on international market conditions, regulations on exports and official prices change from year to year. The Caisse has the mandate to insure the export of these products at a price close to the international market price and to stabilize producer prices. During the past year, traders could buy locally and export these products with few restrictions. In the case of shea nuts, however, traders had to sell 40% of their collected shea nuts to the CSPPA before receiving permission to export the rest of it. For the 1987-88 marketing year, the CSPPA will receive 3,500 CFAF per ton of shea nuts exported by and only licensed traders will be allowed to deal with those products.

2. The Economic Costs of Market Intervention

a. Technical Failure

Due to an inadequate understanding of international market conditions compounded by a serious lack of technical competence, the export campaigns for the main product, shea nuts, have been disastrous failures for the last 2 years. Exports plummeted to only 11,000 ton for the 1986-86 period and again to 5,000 ton in 1986-87. Shea nut exports in previous years averaged 22,000 to 40,000 ton.

The shea nut is not a cultivated crop as such but is gathered from trees throughout the countryside. It is a cyclical product with a repeating three year pattern of one good production year followed by a mediocre and finally a bad production year. The 1985-86 production/marketing year was excellent and traders had the credit lines (credits documentaires) required for exportation. The Caisse de Stabilization decided that traders would not be allowed to export before November 15 and would not be allowed to sell at a price lower than 220,000 CFAF per ton. The harvest having been good everywhere and the long term perspectives being mediocre at best for future production, international buyers quickly filled their orders and the karite world market collapsed. Burkinabe traders were left without buyers and could not export their stocks. They eventually were obliged to sell to the Caisse de Stabilization which placed the crop in storage.

The existence of these stocks seriously dampened karite exports from Burkina Faso the following year since the main buyers (among them Unilever) did not want to take the risk of being sold old stock. The remaining stock from the 1985-86 karite crop, valued at 3 million CFAF) was burnt in early 1988.

b. Political Interference

Decisions reached under the CNR (Conseil National de la Revolution) during the national conference of CDRs in 1987 provide prime examples of the costs of political interference. One of the directives issuing from the conference was that Burkina Faso would export 60,000 ton of karite rather than the 40,000 ton that had heretofore characterized a good export year. It was later announced that the Caisse de Stabilization would accept karite only in its processed form, as karite butter. Traditional processing of karite is done by women and is an exacting and time consuming process. No containers were provided and the quantity of butter soon exceeded the capacity of the usual containers. Merchants were reported to have purchased karite butter in everything from recycled tin cans to sacks made of local cloth. The Caisse later required a specific type of container but by then the system had already collapsed. The purchase price for the karite butter was set at a level well below the value of labor needed for processing. Women soon refused to process the karite and traders were prohibited from exporting the unprocessed nut.

The same level of "dreamlike" directives were issued for sesame. National sesame exports hardly attain 8,000 ton in a normal year. The dominant local variety is "bigarre" sesame and has a mottled yellow color. At the CDR conference, it was decided that Burkina exports of sesame should be of the order of 34,000 ton. Furthermore, the sesame should be of the white variety preferred on the international market. Needless to say, the directive was not met.

3. Prospects for Primary Products Export and Processing

Although international market prices and demand have declined over the past two years, the international market price for shea nuts is still very interested compared to the producer price. Moreover, shea nuts hold considerable potential for local processing, as karite butter (600 CFAF on the international market) and in soap. There has been some industrial initiative in that direction from SOFIB and other small scale processing businesses.

The market for sesame is an interesting one too, but the major handicap Burkina Faso faces on that market is the quality of local seeds. The local variety is "bigarre" sesame instead of being the uniformly white sesame appreciated on the international market. The Caisse de Stabilization is trying to diffuse the white variety of sesame and has set a different purchase price for this variety (local sesame: 50 CFAF per kg; white sesame: 55 CFAF per kg). Prices on international markets are the following: 140 CFAF per kg for sesame bigarre and 150 CFAF per kg for white sesame FOB price in Lome and Abidjan.

Another opportunity which could lead to increased agricultural production and exports is arabic gum. This product is well received on the international market (around 800 to 850 CFAF per kg Nigeria CAF price) and Burkina Faso has some potential for entering the market with this product (especially in the Sahel). The main constraints are technical and practical. Little expertise exists in the country in regard to marketing and for extension and training for production. The Caisse de Stabilization tried one year to market this product but lacked the technical competence to control effectively for quality and the product was not well received among international buyers.

F. Marketing and Processing of Fruits and Vegetables

The marketing and processing of fruits and vegetables has stimulated strong interest among both public and private operators. The primary constraints on marketing and processing are the following:

* Lack of credit. As long as you cannot show a marketing contract, lending institutions are unwilling to extend credit. The dim prospects for obtaining credit further discourages investment in market surveys and research which are necessary but costly measures leading to economic expansion.

* Quality control. Difficulty in developing a supply market in Burkina for high quality produce suitable for the external market. For example, PROMAGRI, a private high value vegetable production and export company has had to work for two years with three cooperatives before those cooperatives could supply the quality needed. It is particularly important for luxury counter-season products such as mangos, asparagus, and green beans destined for the highly competitive European market.

* Lack of structured external markets. This is particularly a problem in regional markets, especially in Niamey and Abidjan. Exporters suffer significant losses of highly perishable produce due to the lack of appropriate facilities at the point of reception.

* Transport constraints. This is especially critical for shipments to European markets. Air freight capacity is very limited and often undependable. Timeliness is a crucial variable in the transport of fresh produce and delays in arrival and departure have resulted in the loss of an important quantity of produce in past years. Some private operators are planning to build temporary cold storage and treatment facilities to address the problem. There is some prospects for an openings in the air freight situation, as Burkina Faso with ASECNA attempts to free itself from Air Afrique and UTA control over Burkina skies.

Private operators are very dynamic in this sector and prompt to take advantage of opportunities. They are also ready to take some risks with new products but the lack of credit, the difficulty to convince bankers to finance new projects when they have no sure contracts to show for it, and the air transport constraints seriously impede economic expansion in this sector.

G. Marketing of Leather and Artisanal Products

Hides and skins and artisanal products such as bronzes, baskets, and leather products are still a very marginal source of export income. However, these products offer a good opportunity for export income growth. The main handicaps for these products on external markets are the (variations in) quality of local processing and the lack of organization of the marketing channel. ONAC promotes these products through international fairs and the Chamber of Commerce receives from time to time important orders from foreign buyers. Unfortunately, the Chamber of Commerce is generally obliged to turn down these offers because of the lack of local capacity to fill orders in a timely and dependable manner.

Research on stable and long term external markets for these products is not done in any systematic way. Italy and Spain are the primary importers of unprocessed hides and skins. Substantial increases in export value could be obtained by processing hides and transforming them into "wet blue" tanned leather with a substantial value added.

A private company could be successful in organizing the marketing and export of high quality finished products, but it will take prior investments in training local artisans and producers in improved processing methods and quality control to meet the standards of the external market.
A medium to long term investment of this nature is not likely to attract local private capital and, given the risk involved, national lending institutions are unlikely to offer credit in this sector. ONAC should become further involved in such a process to develop the marketing of these products.

IV. Credit for Agricultural Marketing and Processing

A. Sources of Credit for Agricultural Marketing and Agri-Business

The main commercial banks in Burkina Faso are the BICIAB and the BIB. They provide seasonal credit and letters of credit to traders and businessmen involved in agribusiness.
The BND (Banque Nationale de Developpement) was originally mandated to fund development investments in Burkina Faso.
This bank was very close to bankruptcy two to three years ago and does not now get involved in any other operation than participating in credit consortiums for major industries such as SOFITEX. The BND is currently under probation.

The French Caisse Centrale de Cooperation Economique (CCCE) is a shareholder in all of the major financial institutions in Burkina Faso, namely the BICIAB, the BIB, the BND and the CNCA. The CCCE is also directly providing credit lines for agro-industrial businesses such as SOFITEX, SOSUCO, CITEC, GMB (flour milling), MABUCIG (local cigarettes production) and FASOFANI. SAVANA, the fruit and vegetable processing company that produces tomato paste, jams, and fruit juices, has not yet benefited from these credit lines. The CCCE judges this firm as being relatively inefficient due to an excessive capacity for the current market. SAVANA products are of good quality and this firm would be doing rather well if it was not for their thoroughly uninspired and ineffective marketing system. The success of their products may also suffer from nonstandardized packaging (mainly in comparison with other drinks) and from a poor promotion of their products.

CCCE funding of small processing businesses and fruit and vegetable cooperatives is operated through various PVOs such as the Canadian PVOs for gardening cooperatives (UCEB and URCPB). The CCCE is also heavily involved with the European Development Fund (FED) in credit support for the local rice sector.

The CNCA is probably the most appropriate credit institution for agricultural marketing and processing businesses. It has the most experience in the agricultural and agro-industrial sector and it is the most independent institution from political influence. The CNCA was created in 1980 with state participation but has been able to maintain a relatively autonomous position. Initially, CNCA credit activities were aimed at supporting integrated rural development programs in close coordination with ORDs (Organismes Regionaux de Developpement). The primary emphasis in lending was for the purchase of animal traction equipment.

From the beginning, the CNCA experienced important difficulties in credit recovery. ORD agents were in charge of credit extension and recovery as part of their general agricultural extension activities. Loans were not always well researched or explained and credit recovery was not a priority concern of all agents. Credit programs suffered from the rapidly declining performance of the ORDs, particularly in non-cotton growing zones. The CNCA was obliged to limit and eventually end credit activities with the ORD system. The CNCA was given five years to restructure and to build their autonomy.

B. Prospects for an Enhanced CNCA Role

The CNCA ended credit activities in the Centre-nord, the Sahel, then in Yatenga and Comoe, and reduced considerably its activities in the Center and in the Est regions. In this new and much more promising context of autonomy, the CNCA opened four CNCA decentralized agencies (Ouagadougou, Bobo-Dioulasso, Dedougou and Tenkodogo) in 1986 with the financial assistance of the CCCE and the World Bank. The guiding principle for the CNCA is to give responsibility for credit extension and recovery only to its own agents and work directly with borrowers. In each of these agencies, the staff includes an accounting agent, a credit agent, a commercial agent plus a secretary, a guard and a driver.

The next step in CNCA decentralization strategy is taking place now: a total of six local offices are to be opened in the regions where CNCA has a functioning regional agency. CNCA's expansion approach is deliberately, in light of past experience, a rather conservative one and a very pragmatic one. They intend to retain their independence from the state and do not have as a primary goal to cover the entire territory with their credit activities. They will expand only as far as they can do so with their own resources. Operational costs of new offices and branches must be met by income from CNCA loan activities.

The CNCA will consider opening new offices at the request of outside agencies and donors if and only if the necessary financing to assure operating expenses for a period of five years is provided. Some international donors have expressed interest in having the CNCA assume responsibility for the credit components of their development programs. These propositions could lead to CNCA expansion in other regions, such as Yatenga, Centre-Nord and Sahel (Djibo only) and maybe in Centre-Ouest (Koudougou).

The CNCA director, who appears to be a quite capable manager, intends to make CNCA activities self-sustainable and, in his view, a conservative credit policy with thorough credit application review and guarantee requirements is an absolute necessity. The CNCA requires cooperatives, village groups and individuals who request a loan to open a bank account in the local branch. This policy may be the first step in the establishment of an effective rural savings mobilization program.

The CNCA finances the marketing channel for agricultural equipment as part of their continuing commitment to animal traction. The CNCA collects equipment requests and orders the equipment directly from the three local suppliers: CNEA, APICOMA (both 100% public enterprises), and SOVICA (20% state participation). These enterprises have to deliver the equipment directly to producers between April 1 and May 15. The suppliers receive the 8% fee that was previously given to the ORDs as compensation for delivering the equipment. These three enterprises have also received several short term loans and investment credits from the CNCA.

CNCA activities in the agro-industrial sector concern only the four or five largest concerns. SOSUCO, SAVANA and GMB are the main beneficiaries of these credit operations and CITEC is in contact with the CNCA. The CNCA is also considering opening a credit line for small tomato processing businesses run by groups of women (to take over a PVO's project ending soon). And the CNCA is currently considering a credit request from Projet Mouhoun (now SICOPAG, a fruit and vegetable packaging and marketing business). So, clearly, the CNCA has a growing interest in providing credit to the agricultural marketing and processing sector. But the constraints on such credit operations are still important.

C. Constraints on Credit Availability for Agricultural Marketing and Processing

Once again, the lack of training in accounting practices and in loan application preparation is a constraint for many private operators. The banks recognize that they are very demanding of traders and businessmen in terms of administrative requirements. The extent of the help they can provide them in this process is limited by the time and skill constraints of a bank's staff. The CNCA does not provide these services to the larger traders and businessmen, assuming that these borrowers are able to do it by themselves. Private consultants and specialized firms offer these services in Ouagadougou, but most businessmen consider such services to be much too expensive.

The guarantee requirement is an inevitable hurdle in obtaining credit. Many small businessmen, even those with a good credit history and an obviously promising rate of return, are rejected by financial institutions for the lack of sufficient guarantee. The importance of securing loans with a solid guarantee is naturally seen by the banks as even more crucial in the context of a highly regulated and controlled price and marketing system.

Finally, the level of competence of bank personnel does not always allow them to analyze correctly the information provided by the applicant. Inadequate technical skills act to reinforce conservative decisions and to discourage initiatives to spur economic activity in promising areas.

V. MAIN CONSTRAINTS AND POTENTIAL FOR ECONOMIC GROWTH OF AGRICULTURAL TRADE AND PROCESSING

A. Constraints

The major constraints to economic growth in this sector may be summarized as follows:

* High level of politically based decision-making in almost every area of economic importance. Lack of efficient dialogue and understanding between political leaders and technicians. Subordination of technical recommendations to political priorities.

* Distrust and oppositional attitude of government officials and private sector operators, especially traders

* Administrative duplication and jurisdictional overlap between ministries resulting in inefficiency, excessive complexity and lost time.

* Constraints on export performance due to administrative procedures, price controls and regulations.

* Shortage of credit due to conservative banking practices in a risky economic environment

* Lack of market surveys and market data and lack of technical research on new product development

* Limited transport infrastructure, especially air freight

* Lack of appropriate technical skills and lack of adequate equipment and training in many public and government services

* Lack of technical assistance for better processing and packaging of agricultural products

* Lack of initiatives to organize the development and marketing of promising products such as leather and artisanal goods

B. Potential

There is considerable potential to improve agricultural marketing and trade.

* Opportunities in agricultural marketing (karite, white sesame, gum arabic, fruits and vegetables, artisanal products, leather goods) and in the processing of agricultural products (fruits and vegetables, karite butter, soap, new products from local grain). Cotton will likely maintain its leading role among exports.

* An important natural asset is found in the skills and initiative of individuals in the private sector and also in the public services. There is an impressive reserve of experienced operators who had important responsibilities at one point in the government and who have turned toward the private sector. Many private operators are being attracted back to Burkina Faso due to the relative relaxation and opening of the political situation.

* A reasonable hope of a necessarily slow and gradual but effective relative liberalization of the Burkinabe economy. A new and more promising dialogue is developing between the government and private sector operators.

VI. OPPORTUNITIES FOR USAID ASSISTANCE

There is a clear need to encourage financial institutions to improve access to credit for private operators. A system which could reduce the risk in extending loans would probably encourage banks to undertake more credit operations in agricultural marketing and in agro-industry.

The CNCA is proceeding on sound business principles and intends to maintain its independence both from the CRPAs which have recently replaced the ORDs and from the government. The CNCA therefore appears to be the best financial institution for agricultural, agricultural trade and agro-industrial projects.

Small businessmen, especially those in the informal sector, would benefit greatly from technical assistance in the preparation of credit applications, import and export authorizations and other administrative documents. The Chamber of Commerce seems to be institution most capable of playing such a role at this time. The

Chamber presently provides some training and technical assistance to private operators.

USAID should consider financing an expansion of the Chamber of Commerce's capabilities to provide essential support services. Training in basic management and accounting practices is of particular importance. Some financing could also be profitably invested in improving the quality of and widespread dissemination of domestic and international market data and commercial information. ONAC may be the appropriate vehicle for this task.

Cooperatives, Groupements Villageois and local organizations could play a key role in the development of new products and improved quality of agricultural and other products destined for export. PVOs can provide valuable training and technical assistance to these organizations.

Continued efforts should be taken to encourage the dialogue among government officials, public services and private sector operators. Funding for seminars, conferences and informal meetings would be well invested.

Appropriate training for businessmen and public sector employees in basic business practices would be of value. Technical assistance and computer equipment are needed in the Ministry of Commerce to develop a market information system of use to government and private businessmen alike. The Office of Price Control and the Office of Statistics would be likely starting places.

HUMAN RESOURCE DEVELOPMENT AS A COROLLARY TO ECONOMIC GROWTH

By Robert E. Hall

Productivity in Burkina Faso is inextricably linked to the value of the primary factor of production, labor. The economy relies largely on agricultural production. The agricultural system is characterized by small scale subsistence farming units that depend primarily on human labor and human skills to assure a minimum level of productivity. Industrial and manufacturing activities are quite modest and employ mostly unskilled and moderately skilled workers. The bulk of the urban population is involved in informal sector activities. Improving health status and educational levels is a necessary condition of accelerated economic growth.

I. Health Sector Status and Constraints

Burkina ranks low on almost all indicators of socio-economic wellbeing. Literacy levels are low with males being relatively more literate as a group than females (11 and 4% respectively). Though the government has made significant improvements in access to functional literacy programs and in primary school enrollment (20.4%) the majority of the population continues to struggle with the burden of illiteracy. Similarly, though noteworthy improvements have been made in access to curative and preventive health services, number and distribution of health personnel and number and quality of health facilities, the majority of the population remains outside the modern health system. Preliminary findings from a study currently being conducted in the Boulgou area indicate that only 22% of the population use the government health facilities and that the bulk of expenditures for health care are made to traditional practitioners and for medicines purchased in local markets.

A. Health Situation

The health status of the population of 7.9 inhabitants as viewed from health statistics is sobering. Life expectancy is low, averaging 33 years in rural areas and 45 years in urban areas. Although infant and child mortality rates have declined since independence, they remain unacceptably high, even relative to other LDCs such as Mali, Ethiopia, and Bangladesh. Infant mortality is estimated at 180 per 1,000 live births and nearly one third of all children die before their fifth birthday. Gastro-intestinal illnesses, infectious and parasitic diseases are the primary health problems. Measles remains the principle cause of child mortality, accounting for about one half of all deaths in the 1-4 year age group. Maternal mortality rates are quite high, 9 per 1000 pregnancies, as is newborn mortality which is approximately 70 per 1000 newborns or one half of total infant mortality.

Malnutrition remains a serious obstacle to labor productivity in the general population and to mental and physical growth of children. There is substantial regional and seasonal variation in malnutrition. Diverse studies indicate that 30% of preschool age children suffer from chronic malnutrition. The northern and eastern regions of the country appear to be particularly affected. There is some statistical evidence to suggest one half of preschoolers in these regions attain only 80% of the average weight of their age group.

Government resources, both financial and human, are insufficient to meet the challenge of addressing the health needs of the population. 1988 budgetary allocation for the Ministry of Health amounted to slightly less than 760 CFAF ($2.70) per inhabitant. This is slightly less than the cost of three large bottles of the national beer per capita. Of the total budgetary outlay, 88% was for personnel, leaving precious little for equipment and medicines.

B. Structure of the Health System

The Ministry of Health was recently merged with the former Ministry of Family Welfare and is now named the Ministry of Health and Social Action. It will be referred to throughout this report by the shorter form, the Ministry of Health (MOH). The ministry is presently being reorganized to accommodate the various activities and programs that are being added. Nevertheless, it will still be of some use to review the general structure of the MOH. The ministry is organized into roughly nine central divisions and a nine tier service delivery structure. Both central and external divisions report directly to the secretary-general. The Division of Public Health, which formerly served as the central division responsible for the service delivery system across the country, was abolished during the last administration. At the present time, there is no division charged with the integration of the various health and education activities into a comprehensive primary health care program.

The health care system is structured in a pyramidal form with primary health posts each staffed by a village health worker and birth attendant at the most local level. The village-level primary health posts are supervised by the centers for health and social promotion (CSPS) in rural towns. The CSPS is the key level of the health care system. It is here that the population first receives curative care as well as maternal and child health care. Cases that exceed the competence of the CSPS are referred upward in the health care system. The CSPS staff is to supervise the village health workers and reinforce preventive health care practices and health education.

The next level is the medical center which is to be staffed by a medical doctor and provided with broader service capabilities. The CM staff is responsible for overseeing and supporting the activities of CSPS personnel. Some CMs are equipped with surgical wards. Health activities in each of the 30 provinces in Burkina are under the direction of a Provincial Health Division. Each provincial divisional director reports directly to the Secretary-General of the MOH. The system is completed by seven regional hospitals and the two national hospitals, one each in the two major cities of Burkina.

C. Major Constraints

Although the system is structurally sound it faces serious operational deficiencies. Many health facilities are not functional or are seriously in need of renovation and equipment. Though the distribution of health personnel has improved in favor of outlying regions, staffing remains below target levels, both in number and qualifications, in many facilities.

Supervision remains a major problem at all levels. This problem is perhaps most acute at the level of the village primary health post whose rudimentarily trained workers require continued training, supervision and encouragement. Finally, inadequate medical and pharmaceutical supplies hinder service delivery capacity throughout the health system.

The MOH has made steady progress over the last ten years in strengthening services and developing new programs in priority areas. As programs and health sector activities have multiplied, organizational demands have also increased. Programmatic diversification reflects the progress made in the health sector but also raises problems of coordination and integration. The most impressive gains have been made in areas related to primary health care. However, on a programmatic level these various activities have yet to be successfully integrated into a comprehensive primary health care program.

The high priority accorded to primary health care should be institutionalized in the MOH organizational structure through the establishment of an office of primary health care with responsibility for programmatic integration and oversight. The new organizational structure that had yet to be revealed at the time of this mission may address this problem.

II. GOB Health Policy

Health care policy has remained relatively stable in Burkina since 1978 when the government committed itself to follow the primary health care strategy defined at Alma-Ata. Since then, the relative emphasis placed on the overall program and on specific components varied under different administrations but the orientation toward primary health care has remained the stated policy.

A. Present Policy Orientation and Accomplishments

Current government policy as presented in the Five Year Health Plan (1986-1990) and in public statements may be summarized as follows:

* Primary health care for everyone by the year 2000.
* Expanded coverage and improved staffing of health facilities.
* Improved accessibility and affordability of medicines.
* Emphasis on preventive health care, health and nutrition education, maternal and child health, family planning, expansion and consolidation of vaccination and immunization programs, personal and environmental hygiene, including secure village water supplies.
* Development of a planning capacity within the MOH.

Considerable progress has been made in attaining these objectives during the last decade and especially during the past five years. Former President Thomas Sankara took a strong personal interest in health issues and through his determination and strong policy commitment a number of impressive accomplishments were made, particularly in the areas of vaccination and immunization and access to health services. Significant improvements have been made in infrastructure, number and quality of personnel and distribution of personnel. (See Tables)

A country-wide childhood disease vaccination campaign was launched in late 1984 that drew international attention (Vaccination Commando). In addition, nearly 7500 village health posts were created and 1500 village health workers selected and provided with a brief training as part of a massive village level primary health care program (One Village = One Primary Health Post).

B. Cost Recovery Measures

There have been other noteworthy policy developments in the past five years. In 1984, the MOH announced the establishment of a fee system for higher level health facilities and commitment to the development of a comprehensive system of cost recovery throughout the health system. National and regional hospitals began charging fixed fees for specific services. Urban and rural dispensaries were not included in this initial cost recovery program.

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Prior to the advent to leadership of the National Revolutionary Council in 1983, such a policy initiative was impossible. Indeed, the issue of cost recovery was advanced by the author with high ministry officials on several occasions over the years and firmly rejected each time. The same basic position was taken by successive officials: the people were too poor to pay for health care. When it was demonstrated that rural and urban people were already paying for services because of the lack of supplies, the widespread use of prescriptions and the illicit but far from unknown practice in dispensaries of requiring a small fee to help purchase basic materials that the ministry was incapable of supplying, officials persisted in their opposition to user fees. It required the personal intervention of President Thomas Sankara to place cost recovery on the policy agenda.

The study and experiments currently being conducted in the Boulgou region will provide some of the information needed for the establishment of a nation-wide cost recovery program. It would be advisable to conduct a similar study in a region with significantly different socio-economic and health status characteristics. The approach taken by the MOH to cost recovery should be highly commended. The application of a fee for service system will be linked to objective improvements in the quality of health care services provided.

C. Drug and Medical Supplies

There has also been some headway made in the area of pharmaceutical and medical supplies purchasing and distribution. A basic list of medicines has been established with the assistance of WHO and a clear policy of preference for generic equivalents has been announced. The bankrupt parastatal charged with pharmaceutical supply of the official health infrastructure (ONAP) was abolished and a joint venture involving both private and public sector capital took its place. The new parastatal is owned 51% by the State and 49% by private investors. The official justification for the joint venture was to provide lower cost products due to bulk purchasing. There is reason to suspect that recapitalization of the bankrupt government purchasing system influenced the decision to include private investors since the eleven leading private pharmacies were basically forced to contribute 17 million CFAF each to the venture.

Though the creation of SONAPHARM as a parapublic rather than wholly private enterprise is unfortunate, it can be read as an indication of the government's determination to resolve the thorny problem of drug supply in health facilities. Most health care services and commodities will be compensated for through user fees and charges and direct purchase by the consumer. Impressive gains have been made in the area of drug distribution as well. As part of the CNR's decentralization drive, provincial pharmacies were created in underserved areas and the establishment of private pharmacies and depots was encouraged.

From 1985 to 1986 alone, the number of drug retail outlets increased from 239 to 294. The creation of the Primary Health Post system provides another level of drug supply to the population, albeit of a limited supply of pharmaceutical products. At the present time, the challenge is how to assure resupply of the basic medicine stock.

III. USAID Contributions to Health Sector Programs and Goals

USAID has played an important role in assisting the government of Burkina in a number of priority areas. Although total sectoral funding was quite low, significant impact has been made in enhancing MOH capabilities and in influencing policy dialogue and direction. Part of the credit must be given to national leaders and their willingness to make primary health care, family planning and financially viable services national priorities. The positive relationship cultivated by Mission Health and Population Office personnel with MOH officials also explains the relative effectiveness of the Mission program.

A. Enhanced Health Sector Planning Capacity

Due primarily to USAID financing and technical assistance provided through the Strengthening Health Planning Capacity Project, the MOH has been able to build up a Division of Study and Planning (DEP) that has become the model of such units in other ministries. The Ministry of Health DEP produced the most technically competent Five Year Plan of any sector and is now involved in the institutionalization of a system that will allow for the development of annual health plans. Major improvements have been made in the quality and reliability of health statistics produced by the MOH due in part to the creation of a model health information system. The DEP has also developed the capability of conducting operations research and is currently providing technical assistance to a major field study of cost recovery mechanisms and health service organization.

B. Family Planning Program and Training

USAID has also been a primary force in the development of a family planning program in Burkina. Family planning was given high priority by former President Thomas Sankara and significant gains have been made in this area. As recently as 1985 there were no family planning service sites while today there are approximately 50 sites. The Family Planning Support Project has had an undeniable policy impact and has contributed substantially to MOH institutional capacity. Among the policy outcomes linked to USAID activities was the decision to abolish mandatory blood tests required prior to the distribution of some contraceptives, the elimination of a ban on the advertising of condoms, and a decision to reduce the price of condoms from 25 to 10 CFAF. A project amendment approved in mid 1987 financed the addition of a sexually transmitted disease (STD) diagnostic and treatment capability to the MOH.

A major institutional accomplishment was the development of in-country training capacity for the training of health and social service agents in family planning methods and practices. The USAID project has assured the extension of family planning services to sites in 14 provinces and within the city of Ouagadougou. USAID's family planning support system has been selected as the model to be applied by the World Bank in an additional five provinces. The family planning program emphasizes child spacing and child survival and is viewed by the MOH as an important part of the maternal and child health care program.

IV. Future USAID Initiatives

USAID investments in the health and population sector have been highly profitable from any viewpoint. Project funding has been cost-efficient considering the level of accomplishments attained. A relative small amount of money has been leveraged into a considerable degree of influence on the policies of the MOH. USAID's experience in the areas of health sector planning and family planning in Burkina have been excellent examples of the conversion of project activities into policy outcomes. Future efforts should focus on consolidating gains already made and in promoting policies and programs that will lead to improved efficiency and effectiveness in service delivery, administrative streamlining and program integration and coordination.

A. Health Planning and Policy

The mid-project evaluation of the Health Sector Planning Support Project found that if progress continued, no further external assistance would be necessary. This does seem to be the case, at least as far as major project funding is concerned. A very impressive level of planning capacity and capability has been created in the MOH; it is now of primary importance that these resources be applied to key health problems and that the current influential position of the DEP is maintained. This will involve follow-up activities in two areas:

1. Operations Research

The current study in cost recovery and service organization should be closely monitored and efforts taken to assure that the research results are translated into clear policy and program outputs.

It is also necessary to assure the generalizability of research findings and policy outputs. It may be found that similar studies should be conducted in other regions as part of the national effort to develop a comprehensive cost recovery program. Other priority areas for operations research are (a) the development of a health resources management system and (b) the development of a comprehensive system of supervision throughout the health system structure.

2. Reinforce the Coordination Role of the DEP

Assure financing of health sector donor conferences (other donors should be encouraged to share these costs), planning sessions and workshops for MOH central services and for provincial health services. These conferences and workshops are worthwhile in their own right, but they also offer considerable heuristic value. The donor conferences have provided an important forum for the airing of problems and issues that have hindered development activities in this sector and the GOB has been responsive to donor complaints. This experience could be beneficially applied to other sectors.

Similarly, the coordination sessions with the various central services of the MOH and with the provincial health services provide a good example of the potential for administrative streamlining and program integration while also supporting decentralized planning.

B. Family Planning and Population Policy

Continued USAID assistance is recommended to consolidate the commendable level of progress made in the family planning area. The present project is to end on June 30, 1990. Planning should soon begin on the next phase of activities which should emphasize service delivery and the integration of family planning activities into the Maternal and Child Health program. At present, family planning is a vertical program which in the long run risks to diminish its effectiveness. Family planning will be most effective if it is presented as part of an integrated package of primary health care practices, including nutrition, hygiene, maternal and child health, STD education, preventive health care, etc. Substantial attention needs to be paid to the contraceptive supply and distribution system. Such a program should involve packaging, advertising, distribution and resale through a variety of private and public distributors.

The GOB, with USAID and other donor assistance, has made a good start in the area of population planning. There remains much to do and continued USAID funding is advisable. Technical assistance may be needed for the elaboration of the sectoral population plans called for in the Population Planning Conference held last December in Tenkodogo or in the consolidation of these sectoral drafts into a national population plan of action for Burkina.

USAID has provided steady encouragement and well targeted technical assistance in this area, through activities such as RAPID I and II, support for the field work, tabulation and analysis of the 1985 National Population Census, and the OPTIONS project for population policy formulation.

C. Areas to Investigate

There appear to be three major openings in the health sector that are particularly appropriate for USAID assistance.

1. Guinea Worm Elimination

First, in the area of agricultural production, a program to prevent and treat guinea worm is highly desirable. Guinea worm disease is a parasitic disease acquired solely by drinking contaminated water. The disease is endemic in Burkina with cases being reported from 27 of the 30 provinces. A consultant working on this problem in Burkina estimated the national annual incidence to be between 75-115,000 cases which represents 2-3% of the country's adult population. The repercussions on agricultural productivity and the medical expenses incurred in treatment of the disease are estimated to attain 1 billion CFAF per year (Franks, 1987). Transmission is largely seasonal, taking place primarily in the rainy season in arid zones when shallow pools of stagnant water form. Incidence, then, is highest during the period of peak labor demand and adversely affects agricultural output and threatens the nutritional security of populations in high endemicity zones.

Though guinea worm disease is rarely life threatening, it can be crippling and often leads to disability due to infection of the ulceration created as the female worm emerges from underneath the skin. Prevention may be accomplished by protecting water supplies and using inexpensive filters to purify drinking water. The elimination of guinea worm disease has been a GOB priority since 1984 and was included in the 1986-1990 Five Year Plan, albeit as a program dependent on international funding.

A national elimination program has been proposed, based on health education and personal prophylaxis provided by the provision and use of simple, inexpensive water filtration techniques. The existing plan should be reviewed and consideration given to USAID financing for the implementation of a national guinea worm elimination program.

2. AIDS Education and Prevention

Second, USAID should continue its support for the development of a national AIDS education and prevention program. USAID has provided some initial financing for a sero-prevalence study

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conducted by the Center for Disease Control involving approximately 1000 individuals in Ouagadougou considered likely to engage in high risk practices. Assistance has also been provided for the purchase of STD equipment, the purchase of 500,000 condoms to be distributed through a community-based system, the financing of an AIDS song, and participation by Burkinabe health technicians in regional conferences on AIDS research, education and prevention. Some funding has also been provided to assist the GOB in securing the blood supply in regional hospitals. Additional financing for this priority activity will be needed.

Future funding should concentrate on assisting the MOH to implement the WHO medium term plan, the design of which should commence in late 1988. AIDS analysis, education and prevention activities must be institutionalized and education and prevention activities eventually integrated into the primary health care system.

3. Oral Rehydration Therapy

Finally, a major effort in the extension of Oral Rehydration Therapy (ORT) is to be encouraged. At this time, no other donor has committed to meeting this need. ORT has been found to be a valuable treatment for diarrhea, an illness which alone accounts for approximately 30 deaths per 1000 children aged 1-4. It will be necessary to plan information, education and communication activities in this area and to integrate ORT into the primary health care system.

Participation of USAID in an ORT project is particularly appealing in that it addresses a number of USAID priorities and USAID Mission policy objectives in the health sector. ORT can be a major force for improving child survivability and the overall health of infants and children in rural and urban areas. It is a cost effective way of treating one of the more prevalent illnesses afflicting rural populations. Furthermore, ORT can and should be integrated into a comprehensive primary health care program with other health activities, such as family planning, maternal and child health, environmental and personal hygiene, secure water supplies and other preventive health care measures.

Table 1. Evolution of Health Infrastructure
1978 to 1986

Facility	1978	1979	1980	1981	1982	1983	1984	1985	1986
Nat'l Hospital	2	2	2	2	2	2	2	2	2
Reg'l Hospital	3	5	5	5	5	5	5	6	7
Medical Center	41	41	41	41	42	58	59	51	54
CSPS/DM	156	189	222	243	257	253	281	317	366
Dispensary Only	167	167	167	167	234	135	126	166	154
Maternity Only	31	37	104	128	130	155	29	26	20
Village Health Post	--	--	--	--	964	1074	1184	7857	5704

Source: Ministry of Health, Rapports statistiques annuels.

Table 2. Evolution of Health Personnel
1978 to 1986

Personnel	1978	1979	1980	1981	1982	1983	1984	1985	1986
Physicians	101	107	110	127	138	149	180	189	265
Dentists	5	8	9	14	16	17	13	20	14
Pharmacists	15	17	23	46	61	78	74	87	85
Health Asst	74	110	120	146	168	170	174	193	195
R.N.*	338	353	352	392	410	554	631	624	690
Spec L.N.**	146	149	157	200	179	212	164	218	199
L.N.***	736	760	780	810	854	766	866	942	974
Midwives	165	146	172	208	221	250	235	288	291
Lab. Techs	---	3	4	4	4	6	8	16	24
Health Agent•	--	148	154	150	153	148	193	206	244

Source: Ministry of Health, Rapports statistiques annuels.

* Infirmiers d'Etat ** Infirmiers Brevetes Spécialise
*** Infirmiers Brevetes • Agent Intinerant de Sante

PRIVATE SECTOR DEVELOPMENT INITIATIVES

by Robert E. Hall

The private sector in Burkina Faso is the primary source of employment, accounting for over 90% of the work force, and contributes 73% of the country's value added. The roughly 600,000 family farms account for 40% of gross domestic product. Thousands of small-scale enterprises account for the bulk of non-agricultural private sector production and employment. The relatively few modern medium- and large-scale private sector enterprises are involved in manufacturing, trade and transport and construction. Public enterprises are predominantly involved in agribusiness, especially cotton marketing, textiles and sugar production. The State also operates public utilities and has assumed a majority interest in the local commercial banks (Haggblade, 1984: 4).

Burkina's private sector is relatively well known for a Sahelian country due largely to the attention focused on it over the last several years by the USAID Mission. A number of very useful and often detailed reports were produced by a private sector assessment team in 1983 just prior to the advent to power of the Conseil National de la Revolution (CNR) under the leadership of President Thomas Sankara. A synthesis report prepared by Steve Haggblade was completed in late 1984 and included many of the more dramatic policy initiatives and reforms sponsored by the Sankara government.

This report is based on interviews and research conducted during a three week period in April 1988, six months after the Front Populaire under the leadership of Blaise Compaore assumed power. No attempt is made here to recapitulate the findings of earlier missions or to present the full range of conditions confronting private sector development. Instead, an assessment of the current situation is presented which emphasizes the major political and institutional issues and problems which impede the growth of private sector activities and hinder economic growth in Burkina Faso.

I. Political and Institutional Constraints to Private Sector Development

The 1980s have been characterized by political instability and uncertainty. State power has changed hands four times in the last eight years and a total of five times in the last two decades. Overall, the institutional framework had remained relatively stable until recent years. The coming to power of the CNR heralded a period of rapid policy change, heightened public expectations and enthusiasm and challenges to the established order. Some of the accomplishments of this period include improved public sector performance, a successful anti-corruption program, improvements in primary health care, a heightened consciousness of the contributions of women and youth and widespread experience at the local level with projects that depended on popular participation.

There were also significant failures and costs. Many of the public investments made during this period were of questionable economic value and have contributed substantially to an already heavy public debt burden. Individuals and businesses were frequently obliged to "contribute" substantial sums and services to public projects. Workers, public employees and urban and rural populations were often pulled away from work to attend meetings, participate in sports activities and otherwise participate in the life of the revolution.

A. Uncertainty of State Intentions

When the CNR assumed power in 1983 the business community adopted a wait-and-see attitude. Some business people were encouraged by the nationalistic stance that the new regime was assuming while others were skeptical of the ambitious plans and claims of the youthful and inexperienced government. The clearly leftist ideological position of the leaders of the revolution created some apprehension but little actual alarm as long as it was directed at external targets such as imperialism, colonialism and the possible threat of foreign mercenaries. It was not long, however, before the ideological critique was turned inward and "internal enemies of the Revolution" were denounced. The business community fared badly in the press and in public pronouncements. Expatriate business people were placed in a particularly uncomfortable situation since they could most easily be accused of neo-imperialism or other ideological transgressions if they showed any reticence to accept government requests or failed to act promptly in response to policy changes.

A massive amount of legislation, much of it in the form of presidential decrees, was enacted during the little more than four years of the CNR. Few of the major policy measures were accompanied by explanatory or implementing texts. The 1985 Land Reform, for example, is still poorly understood and remains without a definitive text for its application. The pace and unpredictability of policy changes created great uncertainty and restiveness among private sector operators. Capital investment declined and inventories in stores were visibly depleted.

The situation has changed slightly since the October 1987 change in leadership. Business leaders and small merchants alike admit to some optimism in regard to the new government's stated support for the private sector. The dominant sentiment is one of relief that the period of turbulence and unrest has ended. However, optimism is guarded at best and economic operators are waiting for a clear indication of the new government's political stability and economic program.

B. Oppositional and Exploitative Stance toward Private Sector

Relations with the state had not always been strong in earlier periods, but since 1983 the political leadership adopted an openly oppositional position in regard to private enterprise. Entrepreneurs, and particularly traders, were vilified as public enemies, exploiters of the people and merciless profiteers. In public gatherings throughout the country people were led in chants denouncing imperialism, neocolonialism, and crooked and greedy merchants, among other evils.

Scapegoating of the private sector for unanticipated consequences of natural and state actions was common. Rising grain prices in local markets and grain shortages were blamed on unscrupulous merchants who were accused of hoarding stocks to drive up prices. At the same time, traders were prohibited from importing grain to ease the effects of production shortfalls.

Beyond the ideologically based antagonism between the revolutionary state and the private sector lies another more deeply seated and pervasive impediment to constructive relations. There is a widely held presumption of superiority on the part of public sector employees to private sector operators. As one businessman with extensive government service aptly stated, civil servants believe that "le fonctionnaire est plus noble que le commercant." Virtually all the classic sociological dualisms emerge in conversations with senior government officials regarding private sector operators. Merchants are "traditional", "illiterate", "conservative", "risk aversive", "incompetent" (in modern technologies) and "selfish". Public sector technicians and senior administrators, on the other hand, are credited with just the opposite traits. They are modern, educated, progressive, forward-looking and have the technical skills needed to direct the economy.

In reality, of course, neither characterization is accurate and the misperception leads to a far less than optimal result. The state assumes responsibilities that it is not capable of fulfilling and economic operators are denied the flexibility and opportunities that would lead to improved economic performance.

C. Increased Economic Exactions

Among the flurry of initiatives taken under the CNR were a number of measures that directly or indirectly increased the financial costs of doing business in Burkina. Revisions to the tax code resulted in a rate increase for the business profits tax (BIC) and reductions in the tax exonerations and benefits accorded to residential and commercial construction. The suspension of rental payments for a one year period in 1985 also imposed a significant economic burden on business people and private individuals that depended on rental income for economic security.

The attitude of the national leadership at that time seemed to be that the private sector was not willing to uphold their just part of the national development effort so the state was justified in dipping into private coffers for public purposes. A series of policies and public measures did just that -- with little if any attention or concern for the cumulative impact of these exactions. A typical means of mobilizing private funds was by "encouraging" companies and individuals to contribute to high priority projects. In many cases, the appropriate contribution was determined by the government. Private investment in public projects such as public housing (Cite de 4 Aout, Cite d'An 2, etc.), the Union of Revolutionary Banks (UREBA), the Tombao rail project and the Valley of Sourou was substantial in money, materials and equipment.

A particularly unpopular program among merchants is the Caisse Autonome d'Investissement (CAI). Merchants are obligated to contribute a percentage of gross receipts to be held for future investments. The government was made aware of the obvious equity problem in basing the contribution on gross receipts rather than another indicator such as net profit but persisted due to the belief that businesses would evade their "fair" contribution by underreporting profits. After contributing for two years, participants can apply for a loan against which there contribution will be deducted if the project meets a set of national priorities established by the government. According to sources in the business community, many loan applications were being rejected and participants feared that their accounts were being converted to long term loans to the state at a 4% rate of interest.

Another tactic employed to use private resources for public purposes is the forced participation of private companies and individuals in state-initiated enterprises. One example of such a practice is the national pharmaceutical company, SONAPHARM. The 11 most prominent pharmacies were obliged to contribute 17 million CFAF each to the new parastatal, 51% of which is owned by the state. SONAPHARM is not a monopoly but orders a list of basic medicines that are sold at a 16% markup. The enlistment of private capital in a state dominated pharmaceutical company appears to have been necessitated by the insolvency of the state medical supply company, ONAP, and the resulting shortage of essential medicines in government health facilities.

A less common but potentially more debilitating tactic is the forced participation of the state in otherwise private ventures. It is not clear to what extent this has occurred, but some business leaders advanced this fear as a reason for withdrawing from new ventures in certain economic domains.

It is important to note here that the state contends that its interventions were necessitated by the financial insolvency of some enterprises and by pressing national interests and priorities. The assumption of a controlling interest (at least one-third according to statute) of the share value of commercial banks is justified on the latter grounds. In any case, the result has been to perturbate private markets and disrupt economic management.

Another counterproductive measure initiated by the government is the forced participation of representatives of employees and the CDRs in management decisions. It seems that the boards of directors of enterprises with any degree of state participation are to be composed of 50% employees and CDR representatives and 50% representatives of shareholders. Private shareholders consider this to be a serious blow to managerial autonomy and a threat to economic efficiency. One senior government official stated that the popular representatives were just their to observe.

D. The Banking System

The banking system as it now stands is a serious handicap to economic growth in Burkina Faso. Financial institutions suffer from technical and managerial weaknesses and operating restrictions that prevent them from playing a positive development role. Large cash reserves are withheld from investment in the national economy while Burkinabe entrepreneurs are forced to seek financial services from foreign banks in France, Belgium and elsewhere. Although the time available for our investigations did not permit a comprehensive review of the situation, the following constraints were identified.

Perhaps the most damaging and definitely the most often cited problem is the severely limited access to credit for entrepreneurs in all sectors of the economy. This is particularly ironic given the surliquidity situation in which the banks find themselves at the present time. Therefore, the problem is not availability of loan funds, as is more often the case in developing countries, but restrictions to access to credit.

The primary hurdle to obtaining credit is the requirement of a loan guarantee. The guarantee most often takes the form of real estate and often exceeds the loan value by a factor of two or three, according to business sources. Well-established operators wishing to expand their physical plant or increase inventories must also meet the guarantee requirement regardless of the level of risk of the proposed activity. One successful Burkinabe businessman sought and obtained a loan from a Belgian bank to expand his bakery and pastry operations after encountering difficulties with financial institutions in Burkina. This businessman is continuing to build his business and is depending on foreign loans to do so.

Going outside of the country is not an option for everyone, nor should it be necessary. It requires contacts, negotiating and project presentation skills that many entrepreneurs lack. Travel and lodging overseas is costly and the entrepreneur must absent himself from his business while he is negotiating the loan. The fact that despite the inconvenience and substantial costs involved, Burkinabe entrepreneurs are still willing to turn to overseas sources of credit is a sad commentary on the performance of domestic financial institutions.

Commercial banks in Burkina have limited loan application preparation and evaluation skills. Agricultural and agro-industrial projects in particular face difficulty in receiving approval due to the technical problems encountered by bank staff in evaluating the risk of proposed activities in these areas. Small businesses and inexperienced operators often experience difficulty in fulfilling the requirements for loan applications and in presenting their proposals in an effective and financially defensible manner. In general, the banks lack a client service orientation and do relatively little to facilitate the credit application process or to encourage businesses to apply for loans.

The banks, too, are limited in their ability to offer credit and other services due to restrictions imposed by their foreign partners and by regional financial institutions. Restrictions on the level of interest rates allowed prevents banks from accepting applications that involve substantial risk but which would be acceptable if a higher rate of interest were imposed.

Finally, managerial weakness in commercial banks and in the BND in particular has been cited as a major constraint to improved performance in this sector. A study of the extent of this problem and measures to address it is desirable. Political interference in the management of financial institutions has also been cited as a hindrance to their effective operation (Berg, 1985 and IBRD, 1987).

E. Price Control Policy and Practices

The issue of price control and a description of the operation of the system is presented in greater detail in other annexes. Price controls are a thorny issue and the government will require considerable assurance that their removal will not result in rampant inflation and popular discontent before reform in this area will be seriously considered. Attention should be focused initially on reducing the list of commodities subjected to controls and to demonstrating the savings in administrative costs and improved business performance. With experience in market prices for a majority of commodities the government may be willing to accept the dismantling of the price control system as a realistic objective.

The high priority attached to price stabilization by the current and previous administrations will continue to compromise efforts to improve grain marketing. Official concern over price levels of basic foodstuffs is not misplaced, however. History has clearly demonstrated, in Burkina and in many other countries around the world, that political stability is often contingent on public perception of improvement or deterioration in a household's ability to maintain an "acceptable" standard of living. In Burkina, the cost of the daily "to" is the penultimate determinant of one's standard of living. It is the dish of preference of people at all levels of society -- from the wealthiest industrialist to the highest government official, from the farmer in a small and distant village to the unemployed urban youth. Given the history of regime change since 1980, rising grain prices raise serious concern at high levels.

Perhaps the single greatest disadvantage of marketing boards and similar price control agencies is their susceptibility to political intervention. This was a major problem during the CNR period and resulted in economic hardships for producers and consumers alike. The cases of karite and sesame detailed in the marketing annex are prime examples of the high cost of political intervention. Technical determinants of price levels are too often subordinated to short-sighted political directives and even to personal influence. The result of a politically dominated price setting system is producer and consumer distrust and uncertainty. The consequences of ill conceived marketing and price decisions are often calamitous.

Economic operators are subjected to considerable delay and cost due to price control procedures. The homologation procedure is too time-consuming and dependant on cost data that many if not most business people do not possess. An investment in streamlining the administrative procedures and requirements of the price control system would have a high payoff for private sector operators and should result in a lessening of the distortions caused by the present inefficient system.

F. The Credit Knot

1. Agriculture and Agro-Industry

The only institution that is specifically oriented toward credit programs for agricultural borrowers is the Caisse Autonome de Credit Agricole (CNCA). The CNCA was heavily involved in agricultural credit programs implemented through the regional development organization (ORD) system and concentrated on providing loans for animal traction projects. CNCA staff operated exclusively at the headquarters in the capital and the entire loan procedure, from evaluation of the credit application to loan recovery, was handled by ORD staff and extension agents.

The experience of operating through an intermediary was clearly unsuccessful. The ORD based programs were plagued by low recovery rates and performance deteriorated as the problems of the ORD system mounted. By 1984, the CNCA was withdrawing from its arrangement with the ORDs which were abolished in 1987.

The point to be emphasized from this is that there is no major provider of agricultural credit with a comprehensive physical presence throughout the country -- or even in the major production zones. The cotton parastatal, SOFITEX, does provide credit to cotton growers in its zones of intervention. The CNCA has undergone a major reorganization and is very cautiously expanding its activities. With the drop in loans for animal traction, the CNCA has made some ventures in agro-industrial financing, but only of the larger parastatal enterprises. The reorganization, though positive in itself, is very limited in terms of territory covered and capacity to extend credit to small borrowers. The four regional offices are working with a minimal staff and cannot be expected to assume the weight of comprehensive agricultural credit programs. Only 24 of the 84 agents of the CNCA work outside of the headquarters in Ouagadougou. The planned opening of six branch agencies in the operating regions will improve the local density of coverage but does not address the problem of limited national coverage.

The rate of expansion of CNCA activities is being consciously limited to the financing capabilities of self-generated funds. This generally laudable notion may not be desirable in this case. Credit is an essential component of any technical package that aims at increasing agricultural productivity. Improved credit availability for all regions must be a key government objective with priority attached to those regions with surplus production potential and an adapted technical package that is at the point of dissemination.

No financial institution is specifically mandated to give priority to agro-industry. The BND was created initially as a development bank but fell into serious financial difficulties and now operates at a very restricted level. The commercial banks, the BICIAB and BIB, are very hesitant to extend credit to any enterprise without a heavy guarantee and is doubly cautious in the agricultural area due to the combination of high risk and lack of experience. The CNCA would be the obvious choice for agro-industrial borrowing but it too, imposes severe constraints on loans.

2. The Informal Sector

With the exception of lending activities by PVOs, there are no credit programs specifically tailored for informal sector operators. Given the sheer size of this sector, in terms both of active population and economic importance, the unavailability of credit seriously hampers the potential for economic growth in

Burkina Faso. The productivity of loans to informal sector entrepreneurs has been demonstrated by the activities of the PVO, Partnership for Productivity, in the Eastern region of the country. Though this organization has encountered difficulties in recent times, its operational problems do not detract from the accomplishments realized in early years.

The other major initiative in the area of informal sector credit programs was the World Bank financed Artisan, Small- and Medium-Scale Enterprise Project. Initiated in 1978, the project sought to provide improved access to credit through the establishment of a special credit line for small- and medium-scale enterprises at the BND and a credit program for artisans through the Centre National de Perfectionnement des Artisans Ruraux (CNPAR). The line of credit at the BND was cancelled in 1982 without any loans having been made. The credit-in-kind program for CNPAR graduates was relatively more successful, at least in according credit, though loan recovery has been poor. Political interference and managerial weaknesses in the institutions involved have been identified as the primary causes of the failure of this project.

G. Information Shortfalls

The almost total absence of reliable, up-to-date and utilizable information on domestic and international economic activities is a serious impediment to private sector actors and public sector policy makers alike. The various offices involved with the production of economic and commercial data in the Ministries of Commerce and of Economic Promotion appear to perform their tasks with little coordination and without a clear understanding of the usages to which such data can be put. There is no coherent information management system in place and reports are of modest quality and few in number. Reports tend to be spotty, with substantial data gaps and inexplicable figures. On occasion, a fairly substantial document is produced, appealingly bound and provided to interested parties (who tend to be associated with external missions). However, these products tend to be number rich and information poor. A notable exception must be made for studies prepared by the Institut National de la Statistique et de la Demographie.

The most serious criticism of the majority of economic and commercial reports is that they are not usable by the audiences most in need of such data. Business people require current data on internal and external markets for the commodities that they are interested in importing or exporting, information on sources of supply and regarding regulations and policies affecting commercial activity. Policy makers must have economic data that are meaningfully presented in light of pressing policy concerns and readily communicated to others. At the present time, no one agency centralizes such information and in many cases the information is simply not available. What little is available is rarely presented in a way that facilitates use by private sector or public sector actors.

Some senior technicians and officials are aware of the problem and have requested equipment and personnel to address these needs. Training, however, is the most pressing need and must take place on two levels. First, statisticians and technicians must be trained in the collection, analysis and presentation of economic and commercial data. Second, senior administration officials and technicians must develop a better understanding of the fundamentals of commerce, of economic activity and the operation of market economies. An improved understanding in these areas will enable them better to serve the ultimate users of the information they produce. Study tours, in-country workshops and advanced training are recommended. The establishment of a consultative committee composed of business leaders, representatives of the Chamber of Commerce and ONAC and members of the University of Ouagadougou faculty should also be considered.

Once the services responsible for the production of economic and commercial data have improved their capability to provide useful information, efforts must be taken to assure its availability and to assist users in its exploitation. The established channel for economic and commercial data is through the Chamber of Commerce and the Office Nationale de Commerce Exterieur (ONAC). At the present time, neither agency is particularly well equipped to assist individuals. However, the Chamber of Commerce's Division of Training and Enterprise Support is interested in adding to the seminars it offers to the business community. With improved financing, the Chamber of Commerce could provide a very useful service in this area.

H. Limited Access to Affordable Technical Assistance

A major constraint for private sector operators is the lack of appropriate and affordable technical assistance. This is the case for common problems such as the preparation of credit applications, filing for taxes, and obtaining trade authorizations. Access to specialized technical assistance is also an issue for enterprises interested in diversifying product lines, expanding industrial or commercial capacity, undertaking new economic activities or entering new markets.

There is clearly inadequate utilization of modern management tools and practices such as market studies, consumer preference studies, production management and methods of quality control. Since the closing of the Office de Promotion des Entreprises Voltaiques (OPEV) in May 1986, there is no formal government support for technical assistance to the private sector. Private firms and individuals offer some technical services but are considered to be too costly by many potential customers, especially in light of the difficulty of obtaining credit. A loan application backed with a professional market study and technically refined financial documentation could still be rejected for lack of adequate loan guarantee. The enterprise would still be responsible for paying for the technical services regardless of the outcome of the loan request.

II. Internal Constraints to Private Sector Development

A. Modern Enterprises

Although there are exceptions, most of the modern enterprises in Burkina suffer from some or all of the following problems (Samaan 1983). The most obvious and far-reaching problem is the lack of trained managers and technical cadre. Management practices tend to be highly individualistic and decision-making is centralized. Although modern enterprises by definition have accounting systems, they generally have little or no capacity for financial management and inadequate attention is given to cost accounting, profitability and cash flow analysis. Personnel policies are weak, with little built in incentives for improved worker performance and inadequate attention given to worker training.

Weak business management skills seriously handicap commercial success. Modern enterprises tend to make little use of important business tools and practices such as market studies, quality control, product diversification and consumer studies.

B. Informal Sector Constraints

A leading obstacle to improved commercial performance and economic growth in the informal sector is the lack of adequate accounting and business management practices.Though a merchant may have considerable business acumen or an artisan commendable talent in his craft, at some point his or her affairs will suffer for want of simple business practices.

Many merchants are unaware of the actual level of profitability of their business; they know if they have money or not but rarely how much was made or lost over a period of time or on specific commodities or activities. One very successful businessman with investments in several different areas of activity did not maintain detailed accounts of his affairs and was assessed according to the forfeit system (regime forfaitaire) by the tax service. He has since hired a financial director and other trained managers and was found to have a level of gross receipts approaching one billion CFAF.

It should be noted that the present system of tax assessment discourages conversion from the forfeit system where liability is estimated by tax agents to the accounts based system (regime reel) where liability is based on financial data provided by the taxpaying unit.

The lack of accounts and of basic business management practices is harmful for informal sector operators in at least two other cases. Without detailed financial data, operators have difficulty in influencing price levels determined through the "homologation" procedure or through the fixing of margin ceilings based on estimated costs incurred. Poorly informed merchants could actually underestimate their costs resulting in decreased profitability. Finally, access to credit may be limited when operators cannot provide credible financial information needed for loan applications.

III. Private Sector Initiatives

The potential for economic growth through private sector development is significant and should be fully exploited by the Government of Burkina with the support of the international community. The private sector has shown considerable resilience during the past eight years of political instability and economic turbulence. The country is emerging from a period characterized by great optimism and some meaningful accomplishments but which was also marked by uncoordinated and often spontaneous policy pronouncements that too often proved to have onerous consequences for the economy, the population in general and the business community in particular.

The present government has acknowledged the major errors of the past and is engaged in a comprehensive review of state policy and priorities. A significant role for the private sector in the economic development of the country has been called for in public pronouncements. Senior administration officials and leaders of the business community alike recognize this as a period of substantial promise, an opening to the business community and a move toward more pragmatic policy decisions.

The constraints to private sector growth are multiple and complex and many of them are not easily amenable to modification. For this reason no one solution may be proffered. Private sector development demands an integrated approach which combines initiatives to encourage policy dialogue in key areas with concrete actions to strengthen public sector and private sector institutions. Clearly targeted training programs and technical assistance are needed to enhance governmental and private sector capabilities. Measures to improve credit availability are essential. Finally, it will be necessary for business leaders and government officials to develop a better understanding of the actual and potential contribution of the private sector and to cultivate a positive private sector image.

It is of great importance that efforts be undertaken to nurture and sustain a policy dialogue in key areas, specifically on trade liberalization, reduction in the list of commodities submitted to price control and banking sector reform. The GOB is presently willing to discuss specific areas of reform that were untouchable during the CNR period. USAID has made a noteworthy contribution to the development of this dialogue by sponsoring policy symposia and by maintaining communication with key government officials during times of tension between the US and Burkina. This opening should be pursued in cooperation with other major donors and multilateral financial institutions. Study tours by government officials to countries such as Ghana and Senegal which have undergone positive reforms in trade or price policies and in the nature of state intervention in the economy should be encouraged.

Private sector support institutions need to be strengthened so as to provide essential organizational and technical services. The Chamber of Commerce is the primary institution serving the business community in Burkina today. Though formally attached to the Ministry of Commerce, the Chamber has been able to maintain an impressive degree of financial and political autonomy and is showing increasing vigor in the range and value of services offered to the private sector. It is highly desirable that USAID continue to support the activities of the Chamber of Commerce.

Consideration should be given to providing support to upgrade staff skill levels and to finance seminars offered by the Division of Training and Enterprise Support. Seminars offered by the Chamber have been received with interest by both the business community and the GOB. The USAID financed Private Sector Symposium held in 1985 and the forthcoming price control symposium are effective mechanisms for sensitizing officials to the importance of private sector contributions and problems and also provide a forum for the discussion of key policy issues.

The Chamber is currently planning a series of workshops in business management oriented toward the relatively better organized, more modern enterprises. The Chamber of Commerce has requested financial assistance from the USAID Mission for staff training, financing of seminars and other operating expenses and construction of training facilities.Though it is not recommended that this request be granted in its present form, assistance for staff training and specific private sector support services should be considered.

The Chamber has manifested some interest in assisting with the creation of enterprises. Experience with the now defunct OPEV has demonstrated the difficulty of such undertakings. This orientation should not be encouraged as it would require either a substantial increase in personnel and funding to provide the needed technical capacity or would channel existing personnel and resources away from priority areas in support of existing businesses.

Private firms that provide technical services to businesses should be incorporated into efforts to strengthen the private sector. Further study of means to make these services more attractive and affordable is advised.

A. Enhance Public Sector Capabilities

Support for private sector institutions should be balanced by support for public sector agencies. Efforts to strengthen GOB capacity to collect and analyze economic and commercial data can have positive results for general economic activity by improving GOB planning capabilities and providing a source of reliable, timely and usable information for private sector operators.

USAID's successful experience with the Strengthening Health Planning project in the Ministry of Health could be profitably applied as the model for a similar effort in the Ministry of Commerce. The creation of an economic and commercial information system should be a high priority. Technical assistance to the Ministry oriented toward streamlining administrative procedures related to commercial activities would increase public sector productivity while facilitating trade.

Conversations with ministry technicians and officials reveal not so much a lack of technical skill, although officials themselves acknowledge the need for better training, as a poor understanding of the nature of business itself, of the operation of market economies and the needs of private sector entrepreneurs. High government officials experience considerable difficulty in conceptualizing alternatives to the present interventionist role of the State. Due to the frequent turnover in top administrative leadership concomitant to regime change, many of those with key policy positions have had limited experience with systems of thought and practices different from those in which they were trained.

The _dirigiste_ orientation is still quite strong among public employees. This essentially colonial mindset has been reinforced by the presumed technical superiority of the university educated bureaucrats. For many administrators and policy makers the role of the State is to _control_ all aspects of economic activity, rather than to _facilitate_ economic activities that may lead to economic growth. The tone taken by the administration toward the general public and the private sector is often paternalistic and oppostional. The more sophisticated and subtle methods of influencing economic activity are unknown or poorly understood and distrusted.

There is no quick solution to this problem. Once again, the importance of maintaining open channels of communication on key policy issues is clear. Visits by senior government officials to countries that have successfully implemented progressive economic policies is one way of addressing this need. Training for technical personnel and senior administrators should combine long term programs with short-term in-country courses and study tours.

B. Private Sector Training Programs

Two types of training programs can be envisioned, one serving primarily informal sector operators and oriented toward providing low and medium skill levels and another more specialized program that would target modern enterprises and provide medium and high skill levels.

It is recommended that USAID explore the creation of a center for training in basic accounting and business management. The beneficiary population would be primarily artisans and small- and medium-scale enterprises in the informal sector. The objective is to provide training in basic accounting and business practices to employees and family members of small entrepreneurs so as to improve the economic efficiency of their enterprises and stimulate increased employment in rapidly growing urban areas. The growing number of secondary school graduates and school-leavers provides a valuable pool of talent. The modernization of informal sector businesses will increase the absorptive capacity of the economy and lead to the productive integration of people who might otherwise add to the sense of social restiveness common in urban centers.

Assisting informal sector businesses to develop basic accounting capabilities will have the indirect benefit of facilitating the conversion of business taxpaying units from the forfeit to accounts based system of assessment (regime forfaitaire to regime reel). This may have positive outcomes in the area of tax recovery while contributing to horizontal equity as well.

The proposed training center could be operated through the Chamber of Commerce as a separate income-generating activity or could be established as a wholly private institution. Financial assistance could be provided for start-up costs and program development but training should be on a fee-for-service basis.

Specialized technical assistance and training for modern enterprises could have positive payoffs in economic productivity. Serious difficulties exist in most of these businesses in the areas of financial management, cost accounting, quality control and personnel management. In addition to existing USIS programs, a short term training program where technicians and mid-level managers observe and work with their counterparts in enterprises known for the effectiveness of their operations would be of high value. Participation of the International Executive Service in a few of the country's major enterprises would also be beneficial.

C. Banking Sector Reform and the Credit Crisis

Access to credit is perhaps the single greatest obstacle to economic expansion in Burkina Faso. It is a major problem in every productive sector, from industry to agriculture to trade. Lack of credit has been cited as a key obstacle to the expansion of existing productive capacity, the distribution of locally produced industrial products, the reinforcement of marketing channels, the commercialization of agricultural products and the adoption of improved agricultural technologies. The credit crisis dominated our discussions with entrepreneurs. Business people are frustrated by the prevailing situation in the banking sector in Burkina and some of the more progressive operators are turning to and obtaining credit from foreign banks.

The World Bank is funding a study of the financial sector. Improved performance of financial institutions will be of most immediate benefit to the organized industrial and commercial subsectors. Policy reform and institutional strengthening will take time, however, and even then will be unlikely to result in substantial increases in the availability of financing for agriculture, agro-industry and informal sector enterprises since these subsectors tend to have higher risks and less well organized accounting and management systems. Specialized financial institutions and a loan guarantee program should be given serious consideration. The obvious quid pro quo for a loan guarantee program or other forms of financial assistance is policy reform, perhaps commencing with trade liberalization and limitation of the application of price controls.

Improving access to credit for agriculture and agro-industry will require special efforts. The present commercial banks are not well-suited for the evaluation of loan applications in these areas and lack the necessary territorial presence and staff capacity to become a major actor. The only institution that is specialized in agricultural and agro-industrial lending is the CNCA. This institution is also limited in geographical coverage and in personnel resources, yet it appears to offer the most promise at this time.

Reinforcement of the capabilities of the CNCA can be justified on several counts. Agricultural credit is a key element of any technical package aimed at promoting agricultural productivity. The CNCA has substantial experience in agricultural lending and is presently expanding its activities in four regions of the country.

As an independent lending institution, CNCA activities will be distinct from the agricultural extension activities to be undertaken by the recently reorganized regional agro-pastoral development centers. The failure to separate extension from credit activities has been cited as one of the factors contributing to the economic and programmatic failure of the ORD system. Finally, the CNCA requires borrowers to establish a savings account as a condition for obtaining credit. This policy serves to convince the borrower of the seriousness of the credit agreement while reinforcing the practice of personal savings.

D. <u>Projecting a Positive Private Sector Image</u>

A key factor in the reticence of the State to rely on the private sector to spark the economic growth of Burkina is the all too widely held image of this sector as the bastion of illiterate traders with more luck than technical competence. This conception of the private sector as traditional, conservative and inept belies the actual dynamism and drive of many of its leading elements and is used to justify the interventionist strategy of the government.

Private sector conferences and workshops provide business leaders with an opportunity to develop a sense of solidarity and common purpose. This is a necessary first step in changing the popular image. Similarly, informal meetings between representatives of the government and business leaders contribute to a better understanding of each others concerns and priorities. The UNDP is planning to organize a series of business encounters in the coming years. USAID should assist in such activities as needed while continuing to sponsor forums for government and business communication.

LOCAL ORGANIZATIONAL PRECONDITIONS FOR ECONOMIC GROWTH IN RURAL BURKINA FASO

by John van Dusen Lewis

Introduction

This review attempts to track the probable movement of such surplus wealth as is produced in the rural sector of the Burkina economy. In so doing, I hope (a) to provide a description of how this economy works at the level of individual household decision-making units and (b) to identify how this wealth might be tapped for more effective investment in the productivity of that sector. Not until this rural economy begins to make effective, growth oriented use of its own capital is it going to make justifiable use of anybody else's (e.g. ours). Therefore, the first question to be asked is what can we do with the resources at our disposal to encourage growth oriented trends in the flow and investment of surplus wealth in this rural economy?

This is necessarily a deductive exercise, based upon a logical progression from typological characterizations of different categories of rural households and communities, through their rational economic strategies, to a hypothetical estimation of their aggregate impact on the economy as a whole. Nevertheless, we are fortunate to have a rich legacy of rural research, much of it USAID funded over the last decade and a half, from which these logical constructs have been derived and against which they can be checked. These sources are cited in the following text when they have had a specific impact on the architecture of the model.

My objective in constructing these interlocking hypotheses is to identify probable constraints on the investment of these rural surpluses back into an enhancement of the productivity of labor in the rural sector. As the bulk of Burkina's wealth is produced in that sector, I have not attempted to extend these hypotheses to cover patterns of urban investment or the productivity of the wage-labor sector.

Food Security Strategies

Cereals (particularly millet and sorghum) still predominate in Burkina agriculture, contributing 72% to the gross output of the sector. Therefore, it is with cereals production strategies that I must begin this logical exercise.

Volume III of "The Dynamics of Grain Marketing in Burkina Faso" (CRED 1987) confirms most previous, village-level research (e.g. SAFGRAD, ICRISAT) in showing how farmers' decision to commercialize their cereals production depends more upon the size of their surplus than upon the price available at the time of sale. This price inelasticity of supply reveals a fundamental feature of Burkina's rural economy: the bulk of its land and labor are not being factored into market-oriented production. The subsistence security of the household and the community (whether defined as the lineage, clan, affines, ward or village) provide the primary focus of these factor allocations.

This subsistence orientation is a well known feature of Sahelian agriculture. It tends to be reinforced rather than challenged by the increasing incidence of drought and famine. In spite of its importance to the average farmer, such cereals production remains at a very low level of productivity. Surplus production does not get turned into investment capital capable of increasing this productivity for, at least, two reasons:

(1) There are few, if any, known (adapted) technologies for increasing this productivity at the peasant farm level. However, the ARTS project, following upon preceding ICRISAT and FSU/SAFGRAD work, may be poised to overcome - in two parts at the country - this constraint;

(2) At the current technological level, household survival can more consistently assured through the pooling of land and labor allocations between households. Obvious differences in capital endowments among members of the pooling group can undermine the contractual basis of this, currently adaptive, co-operation.

The most thorough presentations of the full socioeconomic and cultural ecological rationality of this subsistence farming adaptation are to be found in Kohler (1971) for the West and Swanson (1976) for the East. Its co-operative labor exchanges help individual households to overcome weeding and harvesting labor bottlenecks that would otherwise adversely affect their cereals output (Saul 1982). The community based land holding system allows use rights to be efficiently recalibrated to fit changing demographic differences between the different production units. Finally, over the long term, these networks of land and labor allocation are open, albeit discretely, for food redistribution when necessary. Without such networks, each household is on its own for each recurrent famine. The increasing incidence of drought has served to reinforce the rationale of this co-operative system.

So then, where are rural surpluses going?

<u>Investment Hedges</u>

In the interests of maintaining this land and labor pooling collectivity, much of this surplus either is redistributed, usually outside of the community, as bride wealth or simply is spent on the ceremonial life that gives some cultural substance to these collectivities. Where it is known that there is too much liquidity around in such co-operative, cereals farming communities bridewealth demands and to increase. This inflation of the prices requested by the bride's lineage is a logical response of such a co-operation based farming system to the possibility that dramatic wealth differences between members will invalidate the contractual basis of their co-operation. For this reason, perhaps, as much of this surplus as possible gets invested, in a much more self-serving way in livestock. Thanks to the ecological and management advantages of the entrustment option (Delgado 1978) much of this livestock wealth is rarely seen around the village collectivity and, therefore, such a form of private accumulation does not sabotage the cereals farming advantages of its land and labor pooling principles. Therefore, farming cooperation within such a collectivity is greatly facilitated by the presence of, trustworthy, pastoral Fula who transhume throughout the area on a regular basis.

A successful turnover of one's livestock investments often leads to an expansion into (informal) shares of a commercial trading operation - on condition, of course, that these transactions take place far away from the farming collectivity of origin. By then, however, this farmer is likely to have already considered shifting his, or more easily his children's, ethnic affiliation to that of the more leisurely life of a pastoral or trading group.

Temporary Migration

Another way of handling an investable surplus without introducing too many disparities between the households co-operating in a subsistence farming collectivity is to export surplus labor before it becomes surplus produce. Thus, temporary migration has long since served as an appropriate mode of gaining a stake in another resource allocation system outside of the subsistence farming village. Continued opportunities for temporary employment abroad, therefore, also keep surplus from disrupting the contractual basis for land and labor pooling at the level of the subsistence farming community. It has long since been recognized that the political economy of wage labor enterprises in the coastal countries would be very different if there were not such labor producing, labor exporting, and retiree supporting subsistence economies to the north in the Sahel - particularly, to judge by the number of migrant laborers that it provides, Burkina Faso.

Investment back into Agriculture

Increasingly, but still too rarely, the subsistence farmer with access to some surplus may chose to put it back into farming itself. For this to happen, at least one of the following conditions must be met:

(1) A similar capitalization of agricultural production is possible for and desired by enough other members of the farming community;

(2) This farmer can move into another farming zone where s/he can be viewed as a "stranger" without responsibilities to or claims upon the land and labor pooling collectivity in place; and

(3) A technical package worthy of such investment, relative to the profitability of the alternatives, needs to be available and known.

This last condition is most easily met where a reliably profitable cash crop can be grown and marketed. For this reason, over half of Burkina's farm equipment and fertilizer sales continue to be in the cotton producing zones towards the southwest.

Even in the southwest, however, "stranger" status as a newly arrived migrant can facilitate this transition to a more capital intensive agriculture. However, once the profitability of the new farming system is demonstrated by such outsiders, then the subsistence farming collectivity can opt for the same (Ouedraogo 1987). This latter is a crucial transition as it allows the majority of longtime settlers to invest more agricultural inputs without losing access to the community land and labor pools. In some cases (Koury) the original settlers have been able to innovate with irrigated rice while the new comers are trying out the cotton package.

On the Central Plateau, adoption of the animal (primarily donkey) traction package (still by no more than 10% of the farming households) has only led to sustainable productivity (of labor only) increases for larger families (McIntire 1983). With their built-in, wider labor pool such families are better able to fill in on the complementary cropping tasks which become necessary when the new equipment prepares, and sometimes weeds, a larger surface area. Sherman (1984) finds that it is these equipment innovators who tend to market more of their cereals surplus. This greater market orientation is consistent with the social distance which plough purchase will have created between these families and the subsistence-oriented, labor pooling majority.

Permanent Migration

It is likely that changes in the Mossi (Central Plateau) farming system,triggered by the labor productivity increases allowed for (in larger households) by animal traction, would have had more of a transforming impact on the rural economy of that zone if an easy migration option had not also been available to those households anxious to change. In the context of the cereals production adaptation of the Central Plateau such a household may have wanted to persist in further capitalizing their agricultural production for any one of the following reasons:

(1) The livestock entrustment option, as an attractive mode of investing surplus wealth, may have been cut off by a lack of access to reliable Fula;

(2) A semi-stranger status in the local community may have left them with less access to the land allocating and labor pooling advantages of the local inter-household co-operation system; and

(3) Therefore, operating as more of an isolated farming unit, the opportunity cost of keeping surplus labor back on the farm and capitalizing on its productivity (e.g. through animal traction) may have been lower.

However, even with a semi-stranger status, it might well be easier to make all of these changes by moving, particularly if more reliable rainfall and more fertile soil were to be found by so doing. It should be clear why a non-stranger household, for which the opportunity cost of capitalizing out of the community co-operation system would be so much higher, might be even more inclined to migrate south if a desire to further capitalize its agriculture enterprise manifested itself.

It would appear as if the transformation of the southern farming system to include important amounts of cotton production owes a large part of its impetus from these Mossi migrants from the north. The, sparsely settled, indigenous populations in the south themselves would have been tied into a reciprocity based, community wide cereals production system, similar to that found on the Central Plateau. Thus, it would have been more difficult for them to buck this subsistence- oriented system and opt for the cotton production package than for the "stranger" migrants from the north. These migrants would have had the further incentive of that desire to capitalize their family's farm enterprise which had stimulated them to migrate in the first place. With enough of them settled in and around these southern communities and growing cotton, the original inhabitants seem to have experienced a diminishing opportunity cost to innovating in the same direction (towards the cotton package) themselves.

There is no thorough study of the relationship of this permanent migration from the north and the switch to cotton farming in the south. While it seems clear that the migrants were the first to innovate, it is by no means clear whether it was the richer or the more destitute migrants who changed their farming habits more quickly. Even though the former may have migrated in order to be able to invest their surpluses more freely into agricultural production, they also may have sought to have the best of both worlds: simultaneously seeking to reproduce the best elements of the labor pooling cereals production system.

<u>Regional Variations</u>

The foregoing model of the labor pooling, land reallocating cereals production system fits the Central/Mossi Plateau better than any other part of the country. It is nevertheless a national model for the following reasons:

(1) Most of the country's farmers live and most of its cereals are produced on this Plateau;

(2) To protect the labor pooling, land reallocating adaptation to optimal (under current technological conditions) cereals production, surpluses are invested - wherever possible - off of the Plateau;

(3) Therefore, the livestock economy to the north of the Plateau and the cash cropping orientation of farmers (usually recent migrants) to the south form part of a socioeconomic and ecologically based division of labor which affects most of the country.

The increasing incidence of drought seems to be intensifying this division of economic roles between these three ecological latitudes of Burkina Faso.

To the north, cereals exploitations are being abandoned, in favor of a livestock oriented land use pattern, at an accelerating rate. As these cereals farmers move south, much of their livestock investments are likely to have been left behind with trusted Fula. In the depths of the dry season, they would link up with their animals, albeit briefly, as these Fula would transhume them south through or to the new settlement site of their cereals farming owners. Overstocking to the north and, in the nadir of the dry season, along the transhumance routes to the south is a direct outcome of the difficulty that Burkina's cereals farming majority has in investing either in their own agricultural production or anywhere else besides livestock.

Mixed farming continues to be the recommended alternative to this entrustment/transhumance pattern - at least as far as advisors from more temperate climates are concerned. The farmers, however, continue to get better returns (Breman et Al. 1986) from (honestly) transhumed animals and most of them continue to produce more cereals within a labor pooling and land redistributing structure unperturbed by marked, visible wealth (livestock) differences between participating members.

To the south real agricultural progress can be discerned. Clearly greater rainfall and virgin land only recently cleared of the river blindness menace underlie this progress. At the same time, however, the impact of the entrepreneurial energy of recent migrants from the Central Plateau cannot be underestimated. If that energy could find expression at home in the cereals production systems dominating that Plateau, then there might be less of it available to exploit these resource windfalls to the south. By the same token, if this outlet to the south were not available to these migrants from the Central Plateau, then the cereals producing adaptation holding sway up there would long since have been forced to change - perhaps for the better, but most likely, initially at any rate, for the worse.

Thus the status quo of the majority of Burkina's farmers, pooling their labor and redistributing their land (in the interests of a maximum margin of cereals production security) on the Central Plateau, is propped up by the kinds of agricultural specialization developing to the north and to the south. As we shall see below, there may be considerable growth potential to be found in both of these specialization trends.

<u>Local Variations</u>

A certain amount of research attention has been paid to the impulse towards socioeconomic stratification at a local level (Saul 1982, Ouedraogo 1987). We have seen how this impulse gets checked by the co-operative labor requirements of successful cereals production with a predominantly manual technology. Thus, most outlets for the impulse to accumulate wealth are found outside of the local cereals producing community: livestock to the north and trading, temporary or permanent migration to the south. But among the strangers thrown together in the migrant communities to the south, an attempt is made once again to effectuate some sort of permanent ranking system.

So far local stratification systems remain based on largely temporary differences in resource endowments: a larger family, more livestock, more farm equipment, and/or greater access to credit for other farm inputs (fertilizer etc.). The current land tenure situation does not allow these advantages to be translated into the more durable advantage of owning more land in perpetuity. While the emphasis on user rights in the land tenure decree of August 1984 has caused current users to remain on parcels without following them (at which point another user might be able to implant his/her use rights indefinitely), it does not allow for the development of the kind of market in private landholding which underlies the rural stratification systems of Niger (C. Raynault) and Northern Nigeria (P.Hill). Saul (1982) predicts that it is only a matter of time, no matter what state policy is, before economic differences translate themselves into a commodization of land holdings. Such a development would have great significance for the development of a rural banking system.

Meanwhile, as Ouedraogo (1982) quantifies for the Southwest, large differences in opportunity structure between variously endowed (with labor, equipment, credit, livestock, inputs etc.)

farm families remain precarious from one season to the next. To the degree that some stability in these resource endowments can be maintained, further investment in agricultural production can be expected. But first, as we shall see, a more secure refuge for investable surpluses needs to be found.

Income, Expenditure, and Consumption

I have not meant to give the impression that the predominant problem of the rural Burkina household is how to securely invest its surplus. For most of them the key issue is how to get one in the first place. Nevertheless, in looking for a basis for economic growth in the rural sector it is this investable surplus, however small, that we need to trace. Indications are, however, that it is not as small as we are usually inclined to suppose. For any number of institutional and state policy reasons it is in the interests of most rural citizens to keep such surpluses as invisible as possible.

What clues about the existence and movements of such surpluses can we garner from income and expenditure trends among this population? Unfortunately, research to date (FSU/SAFGRAD 1985, CRED 1987, IFPRI forthcoming) only allows us to track some cereals consumption patterns. Increasing cereals purchases in the Center and the North, featuring a growing proportion of imported rice among them, may be due to the impact of drought. At the same time, it reflects an increasing monetization of the rural economy which itself can facilitate cropping system specializations between economic regions as well as a freer flow of agricultural surpluses towards a wider range of investment alternatives.

However, monetized or not, as long as these investible surpluses remain underground, as it were, then flow towards activities with the greatest comparative advantage will be constrained.

Local Institutional Opportunities for Growth

To summarize the lessons to be postulated from the model of Burkina's rural economy outlined above, I have derived from it the following set of interlocking prerequisites for rural growth:

(1) Towards the North, offtake from the livestock investments saturating that zone can be improved through two simple interventions:

(a) Reduce risk by improving, through privatization, the veterinary services available to the herd managers in the zone;

(b) Increase offtake of low growth (older, sterile) animals by providing a secure, and equally inflation proof, investment alternative for the proceeds from their sale.

(2) Throughout the country improve the mobilization of this rural surplus for productive investment by developing a reliable, energetic (i.e. private), and unpoliticized rural banking system with adequate legal protection for depositors.

(3) Allow this banking system to develop a credit line for agribusiness entrepreneurs and for private agricultural input suppliers for whom national trade policies give sufficient scope for the development of profitable operations.

(4) Encourage all local-level co-operative units, formal and informal, to develop credit and marketing relationships with these new private sector presences in the rural areas.

By way of meeting these prerequisites to rural growth, USAID should encourage the following local institutional development trends now underway:

(1) Tontine credit rings are stimulating members to seek out formal savings opportunities (carnet d'epargne) where an attractive interest rate can be found. The existence of tontines in the first place reflects a demand for reliable, formal savings institutions that is not being met.

(2) Groupments villageois have evolved as the extension animation units, the credit recipients, the contract input buyers, and the cereals banks of choice in rural Burkina. Their state-fostered role as output sellers, however, may exacerbate, rather than loosen, overall state interference in rural marketing channels. Nevertheless, Volume I of the Univ. of Michigan study (CRED 1987) is not willing to dismiss the potential advantages that might be had from groupements organizing cereals banks, at least to act as wholesale grain purchasers in the food-deficit north. Up there many PVOs (SCF, UGVO, 6S etc.) are also encouraging them to form other kinds of consumption co-operatives (boutiques) and to purchase grain mills for their groupments feminins. UGVO has even formed two livestock marketing co-operatives along the same lines. A recent World Bank review, on the other hand, discourages all of this co-operative marketing behavior. On the input side, however, there is general agreement that these groupment are beginning to play a crucial role. Not only in bringing peer pressure to bear on members to repay loans, taken out in the name of the groupement, but also in rendering more socially acceptable the adoption of on-farm technical innovations,

these groupments have become essential to the process of increasing agricultural productivity.

(3) Terroirs villageois, under an imminent CCCE, World Bank et. al. project initiative, will soon be held contractually responsible, by the State, for the condition and the improvement of the community's land resources. These larger groupments, as it were, many of which began as irrigation associations in the pilot villages, may develop a mechanism through which a member individual's or groupment's holdings within a recognized terroir might be used as some kind of land collateral. The legality of such an option would allow for a more intense circulation of farmer credit through the rural economy. As better natural resource management techniques are implemented by these land management associations, the value of their constituent holdings will improve. A reformed banking (and land law) institutional environment might be able to recognize such land use stability and improvement by allowing qualifying parcels to serve as loan collateral.

(4) CDR cadre des jeunes may have no formal role to play in handling any of the factors of production. Nevertheless, they can continue to assure a healthy level of popular participation in all local activities.

The interplay of these newer local institutions with existing units of production and distribution merits more empirical study.

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