

Burkina Faso

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key figures

| | |
|---|--------|
| • Land area, thousands of km ² | 274 |
| • Population, thousands (2006) | 13 634 |
| • GDP per capita, \$ PPP valuation (2006) | 1 314 |
| • Life expectancy (2006) | 48.9 |
| • Illiteracy rate (2006) | 78.2 |

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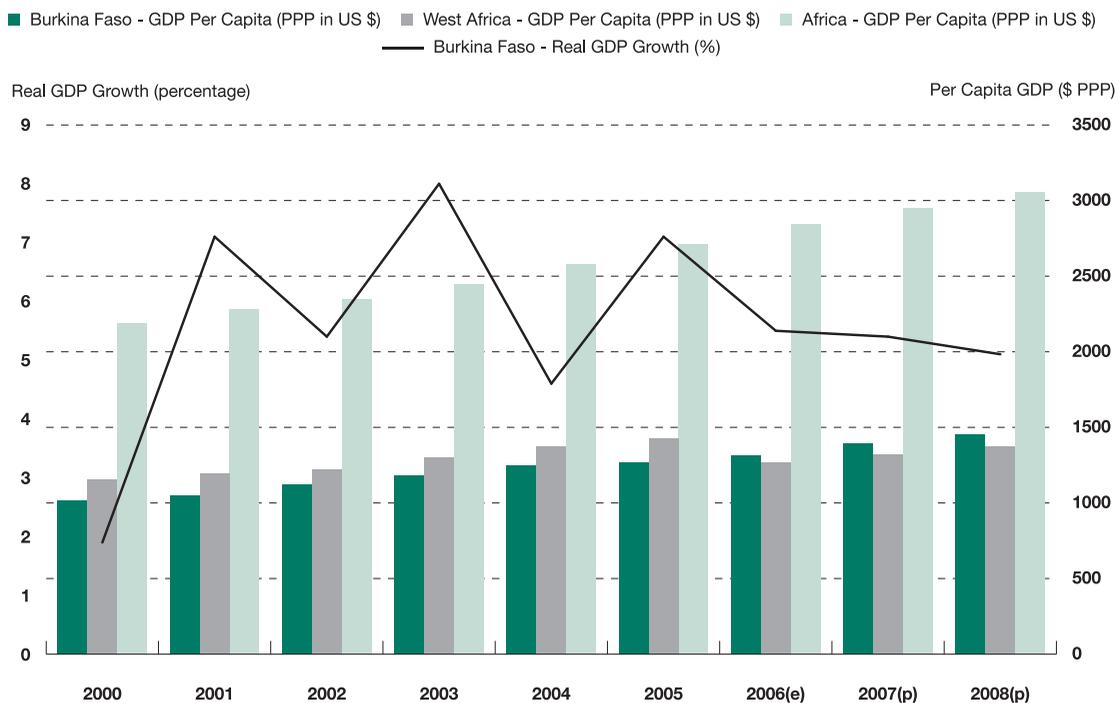
WITH A PER CAPITA INCOME OF \$400 in 2005 (World Bank data), Burkina Faso is one of the poorest countries in the world. More than 45 per cent of the population lives on less than a dollar a day. Nonetheless, development perspectives appear good based on recent economic performances. Over the 1996-2005 period, Gross Domestic Product (GDP) grew on average by 4.6 per cent a year. It was estimated to have grown by 5.5 per cent in 2006 – after having reached 7 per cent in 2005 – and is forecast at 5.4 per cent for 2007.

The economy is very vulnerable and highly exposed to internal and external shocks. The country's economic performance is deeply dependent on that of agriculture, itself at the mercy of climatic hazards. Poor rainfall, a

locust invasion or even floods are enough to jeopardise the entire harvest and to plunge the country into recession. The solid economic performance of the last five years is primarily the result of good climatic conditions, which have made possible cereal surpluses of several hundred thousand tonnes. This trend appears to be continuing, with cereal production expected to rise in the 2006/07 campaign by 6 per cent over the previous harvest, and by 18 per cent over the five-year average. Thus, a net cereal surplus of more than 1 million tonnes will be produced for the 2006/07 agricultural campaign.

Cotton remains the dominant economic sector but there have been promising developments in mining linked largely to the liberalisation policy.

Figure 1 - Real GDP Growth and Per Capita GDP
(\$ PPP at current prices)



Source: IMF and national sources data; estimates (e) and provisions (p) based on authors' calculations.

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GDP should continue to grow at a sustained pace notwithstanding predictable climatic shocks. The combination of a more than 13 per cent rise in the price of cotton in 2006/07, the first gold exports from new commercial mines and the implementation of new reforms should all help sustain growth. Measures are being taken in line with the following strategic policies: improving the legal environment of business, continuing state withdrawal, strengthening business capabilities, developing institutions to support the private sector, financing the private sector, developing infrastructure, and developing the mining sector.

Recent Economic Developments

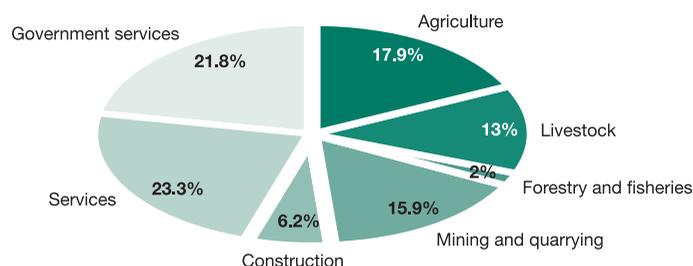
Real GDP grew by 5.5 per cent in 2006, thanks to the favourable agricultural season. A growth rate of 5.4 per cent is forecast for 2007. This solid performance is primarily attributable to increased growth of cotton production and the first exports from new gold mines. The rate of increase in exports has in general exceeded that of imports in recent years. However, owing to a deterioration of the terms of trade, the current account deficit increased from 10.4 per cent of GDP in 2005 to an estimated 12.4 per cent in 2006. In the medium term it is expected that the current account deficit will drop to 11.4 per cent in 2008.

The primary sector is the chief source of income and employment for the majority of the population (80 per cent). In 2006, it accounted for 37.2 per cent of GDP. The performance of the Burkinabè economy is

overwhelmingly reliant on harvests. Four primary shocks marked the 2006/07 agricultural campaign: *i)* the late arrival of the rains; *ii)* floods and locust attacks in some provinces; *iii)* a reduction in crop surfaces planted with cereals; and *iv)* falling profitability of crops and the bursting of dykes of irrigation works. In spite of this, the agricultural sector posted volume growth of 6 per cent in 2006.

Gross cereal production for the 2006/07 harvest reached 3 858 713 tonnes, including 3 669 048 tonnes of cereals (sorghum, millet and maize) and 189 176 tonnes of rice. These results, chiefly due to good rainfall and the continuation of village irrigation programmes, translate into a rise of about 6 per cent over the previous year, and of 18 per cent over the five-year average. The production of other food crops (yams and sweet potatoes) fell by 1 per cent over the 2005/06 campaign and rose by 13 per cent over the five-year average. As a result, the available stocks at the end of October 2006 were estimated at 233 553 tonnes. These represent growth of around 23 per cent over the last harvest. The expected cereal harvest should permit annual consumption needs to be met at the level of 284.9 kilogrammes per inhabitant. But despite an expected sizeable cereal surplus of more than 1 million tonnes, areas with food security risks remain. These areas were hit by the shocks experienced during the 2006/07 campaign. Six regions (Sahel, Central-North, North, Boucle du Mouhoun, Hauts Bassins and the South-West) were affected by floods. The regions of Sahel and Central-East suffered from pest invasions and in August-September, periods and pockets of drought

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on Ministry of Economy and Finance data.

<http://dx.doi.org/10.1787/808303161368>

Table 1 - Demand Composition (percentage of GDP)

| | 1998 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--------------------------------|---------------------------------------|--------------|----------------------------|------------|------------|
| | Percentage of GDP (current prices) | | Percentage changes, volume | | |
| Gross capital formation | 24.2 | 20.6 | 6.1 | 6.8 | 6.4 |
| Public | 11.3 | 11.1 | 5.0 | 6.7 | 9.4 |
| Private | 12.9 | 9.5 | 7.3 | 7.0 | 3.0 |
| Consumption | 91.1 | 94.1 | 5.3 | 4.5 | 5.4 |
| Public | 22.3 | 21.5 | 8.2 | 3.7 | 3.7 |
| Private | 68.9 | 72.5 | 4.5 | 4.7 | 5.8 |
| External sector | -15.3 | -14.6 | | | |
| Exports | 12.8 | 9.7 | 9.7 | 12.1 | 8.4 |
| Imports | -28.1 | -24.3 | 8.4 | 5.5 | 6.8 |

Source: Source: National Institute of Statistics and Demography data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/112662154136>

were observed in the provinces of Oudalan, Soum and Séno.

Cash crops (cotton, groundnuts, sesame and soya) rose by 2.26 per cent over the previous campaign though they fell by 1.01 per cent over the five-year average. The cotton harvest reached a record level, with 730 000 tonnes in 2006. But the price paid to producers fell, from 210 CFA francs per kilogramme in 2004/05 to 175 CFA francs per kilogramme in 2005/06. A further decrease is expected in 2006/07. These fluctuations played a major part in the collapse of producer profits, leading some to abandon cotton farming, and to an increase in rural poverty. Nevertheless, the government's creation of a stabilisation fund to protect farmers from fluctuations in world prices, and the expansion of the investments of Sofitex, the fibre and textile company, raising its capital from 4.4 billion CFA francs to 38 billion CFA francs, will enable cotton production to continue to grow.

Gold is Burkina Faso's principal mineral resource and the 1996 liberalisation of the sector attracted several foreign investors. Production of 9.4 tonnes is expected for 2008, against 7.4 tonnes in 2006 and an estimated 8.7 tonnes in 2007. Several projects are under way. The sector is experiencing difficulties, however, as safety concerns in small mines will eventually lead to their closure, entailing heavy economic and social repercussions as these mines employ some 200 000

people and are the source of income for many households.

The secondary sector's GDP share (including mining) should stabilise at around 20 per cent in 2006/07. The total contribution of the secondary sector to growth should rise from 1.2 per cent of GDP in 2005 to 10.9 per cent in 2007. This performance is explained by the dynamism of manufacturing industries.

The tertiary sector grew by 5.2 per cent in 2005. This rate could increase to 5.4 per cent in 2006 and 7.8 per cent in 2007. The growth is attributable to commercial and non-commercial services the GDP share of which should pass from 42.8 per cent in 2005 to 43.6 per cent in 2007. With the transport, trade and telecommunications sectors expected to flourish, the contribution of the tertiary sector to economic growth will be 2.1 per cent of GDP in 2006 and 3.1 per cent in 2007.

Macroeconomic Policy

Fiscal Policy

Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU). Within it, countries retain a discretionary margin solely over budgetary policy with convergence rules that must be

respected. One of the convergence criteria sets out a minimum contribution from taxes of 17 per cent of GDP. In 2003 however, Burkina Faso did not comply with this criterion. Indeed, fiscal revenue only barely exceeded 11 per cent of GDP, although a rising trend has been observed since 2006. This weak fiscal pressure prevented Burkina Faso from meeting the first convergence criterion, which calls for a neutral or positive basic fiscal balance in relation to GDP.

The budget deficit (including grants) fluctuates. It rose from 2.9 per cent in 1998 to 4.4 per cent in 2002. It is expected that the budget deficit will fall from 4.9 per cent of GDP in 2005 to 3.3 per cent in 2006. This relative improvement was due to larger foreign assistance in the form of grants. Over the period the ratio of grants to GDP was fairly unstable, although since 2002 a significant fall has been observed.

From the perspective of the International Monetary Fund fiscal policies in 2006 struck a fair balance between the implementation of priority social spending and debt sustainability: they draw on resources released by the Multilateral Debt Relief Initiative (MDRI), concessionary loans and budgetary support from donors. According to the IMF, the primary balance went from a deficit of 4.9 per cent of GDP in 2005 to a deficit of 2.8 per cent in 2006, reflecting the cancellation of the debt.

Without the MDRI, the deficit would have increased to 5.2 per cent of GDP. Nonetheless, the IMF stressed that the improvement of the debt indicators should not encourage the government to begin borrowing. It recommended instead that the government capitalise on the savings realised through the MDRI by adopting a prudent fiscal policy, improving the mobilisation of resources, redoubling efforts to contain the risks attendant on international grants and borrowing only on concessionary terms. These are all prerequisites for meeting the Millennium Development Goals and for reducing poverty.

For 2006, fiscal reform focused on VAT reimbursement procedures, improving customs administration and adopting a new investment code. The government maintained the tax on oil products but it increased its subsidies to the national electricity provider (Sonabel) by 18 billion CFA francs (0.6 per cent of GDP) in 2006 in order to prevent a rise in the price of electricity of around 30 per cent. These subsidies will be removed between now and 2009 (with an exception being made for low income households) once the country is connected to the electricity grid of Côte d'Ivoire.

In spite of the macroeconomic results, the IMF remarked on the slowdown in the privatisation programme.

Table 2 - **Public Finances** (percentage of GDP)

| | 1998 | 2003 | 2004 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total revenue and grants | 18.3 | 17.5 | 17.1 | 16.8 | 19.8 | 16.9 | 17.2 |
| Tax revenue | 11.1 | 10.9 | 11.8 | 11.1 | 11.2 | 11.2 | 11.3 |
| Other revenue | 0.9 | 1.2 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Grants | 6.3 | 5.4 | 4.3 | 4.8 | 7.8 | 4.9 | 5.0 |
| Total expenditure and net lending | 21.2 | 20.4 | 21.4 | 21.7 | 23.1 | 22.6 | 23.1 |
| Current expenditure | 9.5 | 10.4 | 10.5 | 11.2 | 11.8 | 11.6 | 11.5 |
| <i>Excluding interest</i> | 8.8 | 9.7 | 9.8 | 10.6 | 11.3 | 11.1 | 11.0 |
| Wages and salaries | 4.4 | 4.5 | 4.4 | 4.8 | 4.8 | 4.8 | 4.7 |
| Interest | 0.8 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 |
| Capital expenditure | 11.7 | 9.0 | 11.1 | 10.9 | 11.1 | 11.1 | 11.7 |
| Primary balance | -2.1 | -2.2 | -3.6 | -4.3 | -2.8 | -5.3 | -5.5 |
| Overall balance | -2.9 | -2.9 | -4.3 | -4.9 | -3.3 | -5.7 | -6.0 |

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/506787344782>

To implement its policy, the finance and budget ministry is focusing on sustainable growth and the fight against poverty through: *i*) economic liberalisation; *ii*) good economic governance; *iii*) ongoing stabilisation of public finances and of the banking sector; *iv*) strengthened mobilisation of domestic and external resources; and *v*) regional integration. The execution of poverty-reduction policies contained in the Poverty Reduction Strategy Framework (PRSF) should increase both the supply of essential goods and services and facilitate access to them, as well as strengthening the capacity of groups to acquire basic goods and services.

The finance and budget ministry intends to keep up its reform efforts in order to boost growth while keeping inflation below the 3 per cent ceiling fixed by the WAEMU convergence programme. In terms of fiscal policy, the goal is to limit the overall deficit to 3.5 per cent of GDP through increased control of spending and improved fiscal revenues. Attention will also be given to improving the quality of public investment in order to increase its effectiveness. The government also wishes to strengthen reforms undertaken in recent years regarding budget formulation, monitoring budgetary execution, control and audits.

In terms of revenue, the authorities are planning to focus on developing a computerised revenue tracking system following the example of the computerised expenditure tracking system, in order to widen the fiscal base and strengthen the efficiency of fiscal and customs administration. They seek to improve the collection of both direct and indirect taxes as well as revenue from services. The spending programme will be based on the identification of operational measures likely to reduce the delays noted in executing spending financed by the HIPC (Heavily Indebted Poor Countries) initiative. It also aims at better management of public consumption of water, electricity and telephones, as well as the wage bill.

The drawing up of a procedures manual should enable more effective execution of HIPC-funded priority programmes. Utilisation authorisations for these funds will henceforth be submitted, with details of all activities,

for the approval of the National Assembly, during the Finance Act.

Monetary Policy

Burkina Faso's monetary policy is determined by the BCEAO (Central Bank of West African States) whose priority is to control and contain inflation. Its monetary policy nonetheless remains influenced by the European Central Bank as the WAEMU currency (the CFA franc) is pegged to the euro. It is thus obvious that Burkina Faso's BCEAO-led monetary policy is strongly influenced by the policy conducted in the euro zone. The consumer price index (CPI) was more or less contained up until 2004. In 2005 it rose however to reach the record level of 6.4 per cent, a figure unseen since 1998. This increase is explained by the rise in the price of oil and gas, which had a severe impact on household living standards. Inflation dropped noticeably in 2006 to 2.4 per cent. This drop is partly explained by the stabilisation of the price of oil on world markets. According to projections, this decline should be sustained in 2007 with an inflation rate of around 2.7 per cent of GDP.

External Position

The country's current account deficit should remain sizeable in 2006 and for the coming two years. The country has a structural trade deficit. Nevertheless, the deficit has been fairly well contained in recent years. Indeed, the trade deficit on GDP fell from 11.1 per cent in 1998 to 9.7 per cent in 2006. This improvement should continue, and the deficit should stabilise in the neighbourhood of 8.6 per cent in 2007 and 2008. These positive results are attributable to an increase in cotton and gold exports. Imports should, however, increase under the strong influence of the rise in the price of oil products, a trend towards deteriorating terms of trade, and the vibrancy of the Burkinabè economy.

The services deficit relative to GDP exceeded 5 per cent in 2006 having been limited to 4.5 per cent since 1998. This indicates a fairly strong dependence on external aid. An examination of the ratio of current

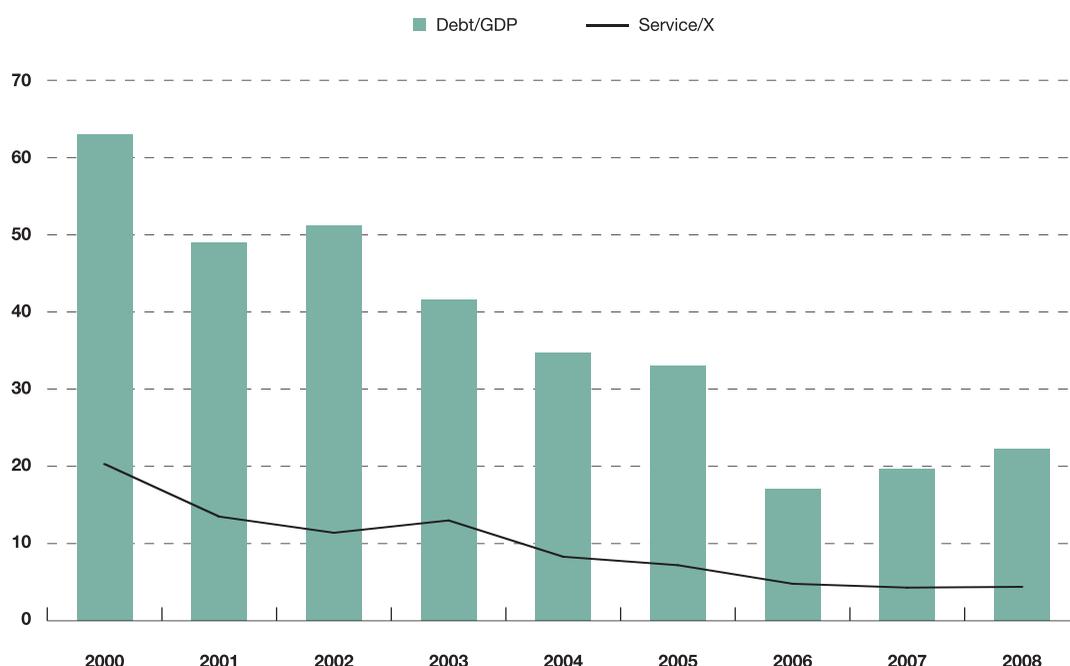
Table 3 - Current Account (percentage of GDP)

| | 1998 | 2003 | 2004 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Trade balance | -11.1 | -8.4 | -7.6 | -9.4 | -9.7 | -8.6 | -8.6 |
| Exports of goods (f.o.b.) | 11.5 | 7.6 | 9.4 | 8.3 | 8.6 | 9.0 | 9.3 |
| Imports of goods (f.o.b.) | 22.6 | 16.0 | 17.0 | 17.6 | 18.3 | 17.6 | 17.9 |
| Services | -4.4 | -4.4 | -4.5 | -4.1 | -5.4 | -5.4 | -5.6 |
| Factor income | -0.4 | -0.6 | -0.6 | -0.7 | -0.7 | -0.3 | -0.3 |
| Current transfers | 6.7 | 4.9 | 3.7 | 3.7 | 3.4 | 2.9 | 2.9 |
| Current account balance | -9.2 | -8.5 | -8.9 | -10.4 | -12.4 | -11.4 | -11.6 |

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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Figure 3 - Stock of Total External Debt (percentage of GDP) and Debt Service (percentage of exports of goods and services)



Source: IMF.

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transfers in GDP shows a drop over the period, dropping from 6.7 per cent in 1998 to 3.4 per cent in 2006. This decline should continue in 2007 and 2008 with the ratio contracting to 2.9 per cent. These results can be explained by unfavourable circumstances at the regional level, particularly the crisis in Côte d'Ivoire, which contributed to a major reduction in the volume of transfers to Burkina Faso.

In 2005, public debt stabilised at 34.8 per cent of GDP because of debt relief granted under the HIPC

initiative. Revenues will continue to benefit from various debt relief programmes under the HIPC initiative and the Multilateral Debt Relief Initiative (MDRI). In January 2006, Burkina Faso was granted relief totalling \$89 million. Following this, in March and April 2006, the World Bank and the African Development Bank cancelled \$861 million and \$340 million of public debt, respectively. The government committed itself to allocating the amounts saved by debt cancellation to the reduction of poverty and to spending in priority social sectors.

Structural Issues

Recent Developments

The various structural reforms undertaken and the increase in investment in some sectors seek to maintain sustained growth. Furthermore, the poor ranking of the country in the World Bank's Doing Business index – 163rd in 2006 – prompted several reforms with the goal of improving the business environment and, in particular, encouraging private sector development.

In the cotton sector, the government introduced a programme to insulate farmers from the market volatility of the past few years. This programme consists of special reserve funds to protect producers from price fluctuations. For the 2007/08 agricultural season, the price paid to farmers will depend on past prices and anticipated international prices. If there are fluctuations, stabilisation funds will be used for adjustments. This equalisation system will make it possible to safeguard producer revenues and to reduce rural poverty in the coming years. The price-fixing mechanism has not yet been set, however, and the IMF has advised the government only to use this equalisation system in exceptional circumstances. The European Union and the Agence Française de Développement (AFD) have expressed interest in the programme.

In November 2006, the chief shareholders of SOFITEX textile and fibre company, which include the state (35 per cent) and the French group DAGRIS (34 per cent), agreed to increase the company's capital, which should rise from 4.4 billion CFA francs to 38 billion CFA francs. This recapitalisation is a sign of better times for the cotton sector.

The liberalisation of the mining sector in 1999 succeeded in attracting several foreign companies. Orezone Resources (the owner of the Essakan mine) has set up the largest project in the gold-mining sector. Some 1.9 million ounces of measured and indicated gold deposits and another 1.5 million ounces of inferred deposits have been identified in the northeastern Dori region. The total cost of the project is estimated at

\$321 million including an annual drilling capacity of 311 000 ounces of gold for eight years.

Goldrush announced the implementation of a mining permit acquired in August 2006 for Falagoutou. Finally, in November 2006, five large mining projects intensified their activities: *i*) Riverstone Resources completed its operations on the Tao project and work will continue throughout 2007; *ii*) Goldcrest Resources began exploitation of the mines at Kampti and Gaoua in the southwest of the country, where mines could hold millions of ounces; the company is also planning to operate the mines of Malba and Souhouera; it has also purchased the Danyoro mine, assumed to contain significant quantities of gold; *iii*) Etruscan Resources is sinking a mine at Youga, near the border with Ghana, where extractions should reach 86 000 ounces of gold annually during six and a half years; the company is planning to invest \$44 million in the second half of 2007; *iv*) The Canadian company High River Gold increased its financing for the Bissa project, put at \$12 million, which it expects to yield 1.3 million ounces, with an initial annual production of 100,000 ounces rising to 140 000 ounces; *v*) Goldbelt completed its feasibility study for the Belahouro project, 220 kilometres northeast of Ouagadougou; this project includes the sites of Inata, Souma and Fete Kole. The Inata mine could produce 100 000 ounces of gold annually during the first five years, and up to 140 000 ounces once development works have been completed.

For 2007, gold exports from commercial mines will grow significantly. They are estimated at 8.7 tonnes in 2007 and 9.4 tonnes in 2008.

In September 2006, the Minister of Transport announced plans to construct a new airport at Donsin, 35 kilometres northeast of the capital Ouagadougou. The project will cost 235 billion CFA francs, and the first phase of the project beginning in 2007 will cost 115 billion CFA francs. The new airport will make it possible to process more than 1.5 million passengers a year, compared to 250 000 passengers in the current airport.

The banking sector in Burkina Faso is comprised of commercial banks and microfinance institutions.

On 31 December 2005, 11 banks were operating, in addition to five financial institutions (unchanged from 2004). In 2006, three new institutions authorised at the end of 2005 (Banque Régionale de Solidarité Burkina, Banque de l'Habitat du Burkina Faso – BHBF – and Banque Atlantique Burkina) were due to expand their operations.

Microfinance institutions have expanded rapidly over the past few years and microfinance plays an important role in Burkina Faso. According to the BCEAO, on 31 December 2005 almost 600 000 people used the services of the main networks. Deposits, which had risen 22 per cent over the end of 2004, were assessed at 34 billion CFA francs, and credits (up 19 per cent) at 31.5 billion CFA francs. Since starting operations at the beginning of the 1990s, the sector has moved towards increased professionalism. The average portfolio loss rate of the decentralised financial systems in Burkina Faso has improved over the last five years, reaching 5 per cent in 2005, down from 12.5 per cent in 1999. In 2006, the Banque Régionale de Solidarité Burkina expanded, having been created at the end of 2005 with the aim of financing individual projects and of micro-enterprises.

The government aims to reinforce supervision of the financial sector in co-operation with the monetary authorities, and an overall strategic plan to improve the organisation of the microfinance sector is also expected. Elsewhere in the field of finance, savings taxes will be re-examined both to adapt to the regional context and to promote their mobilisation to finance SMEs.

Since 2004, the privatisation process has been remarkably slow because of administrative delays, trade union opposition, and, above all, the weak capacity of the government to implement reforms.

Access to Drinking Water and Sanitation

Burkina Faso has scant renewable water supplies: only 906 m³ per inhabitant per year in the 2003-07 period.

In March 2003, the government adopted an action plan for drinking water and sanitation. This laid out

a new approach to water and established a distinction between urban centres, semi-urban zones and rural areas. The water and sanitation sectors are faced with several operational and infrastructural constraints. The government's first priority is to pursue the Millennium Development Goal (MDG) to reduce the number of people without access to clean water. Several strategic actions have been put in place. These include: *i*) developing sanitation policies, especially in rural and semi-urban areas; *ii*) developing decentralised governance capacities; and finally, *iii*) ensuring proper co-ordination in the two sectors.

The relationship between the water sector and the poverty reduction strategy remains weak. Funds are limited and the sanitation system is not included in the programme. Still, in May 2005, a roadmap for the MDG in the sectors of drinking water and sanitation was adopted for 2007-09. With the aim of making the national strategy more effective, the following measures were decided upon: *i*) improving co-ordination in the sector; *ii*) increasing transparency and financial flows; and *iii*) aligning national budget objectives with those of the sector.

In Burkina Faso, the water management department, the DGRE (Direction de Gestion des Ressources en Eaux) and the national water and sanitation office, the ONEA (Office National de l'Eau et de l'Assainissement) share responsibility for infrastructure and water and sanitation projects. In urban zones, the ONEA is putting in place a set of strategies for managing water, while in rural areas, the Charte Générale des Collectivités Territoriales (CGCT) is investing local communities with responsibility for managing water and sanitation until 2009. Given the low level of decentralisation in Burkina Faso and the lack of technical and legislative mechanisms for transferring responsibilities, the execution of this policy remains unclear. The project is still being developed and has set out some ambitious targets both for urban and rural zones. Only the two largest cities (Ouagadougou and Bobo-Dioulasso) have adopted sanitation plans.

The ONEA has more than 60 000 subscribers. In February 2003, it began increasing its rates. Households

pay 188 CFA francs per m³ of water, instead of 180 CFA francs, for consumption between 0 and 6m³. These prices are progressive depending on the level of consumption.

During the last decade, performance in terms of access to clean water and sanitation has been highly contrasted in urban and rural areas of Burkina Faso. Coverage rates are inadequate despite the efforts devoted to the subject over the past several years. In urban areas, the proportion of the population with access to running water rose from 66.3 per cent in 1993/94 to 88.5 per cent in 2003. In rural areas, however, the rate fell from 4.8 per cent to 4 per cent over the same period. Similarly, the proportion of the rural population with access to well water fell sharply: it was estimated at 78.4 per cent in 2003, compared to 90 per cent in 1993 and 92 per cent in 1999.

In 2003, 67.3 per cent of urban households were located 15 minutes or less from their most frequently used water source, while in rural areas this proportion dropped to 49 per cent. The significant increase recorded between 1992/3 and 2003 (from 43 per cent to 49 per cent) should, however, be noted. The increase in the population using surface water (groundwater and rivers) as a source of domestic water supply should also be noted, having risen from 4.8 per cent to 17.4 per cent between 1993 and 2003.

Improvements in sanitation have also taken place. In urban areas, the proportion of households with access to a flush toilet rose from 4.7 per cent to 9.9 per cent between 1992/3 and 2003. An overwhelming proportion of the urban population (83.3 per cent) continues, however, to use latrines. In rural areas, flush toilets are practically non-existent: 0.4 per cent in 2003. The use of latrines is stable (14 per cent), and a large part of the population thus has no access to toilets of any description. This situation increases the spread of infectious disease in the population, exacerbating poverty. It also increases mortality and morbidity rates.

In 2005, 8.03 million (62.5 per cent) inhabitants of Burkina Faso had access to drinking water and only 1.4 million (11 per cent) to sanitation. With the various

investments committed to the sector by the ONEA, the MDG of reducing by half the proportion of the population without access to clean water could be reached for urban residents: 5.83 million people should thus have access to drinking water, and 7.88 million to sanitation. In contrast, the situation in rural areas is alarming. The laudable developments in terms of access to toilets in the urban milieu were not reproduced in the countryside. If corrective measures are not put in place quickly, the gap will be maintained or even widen further.

The estimated cost of meeting the MDG sanitation goal is \$116.25 million per year for the nine coming years, with \$88 million a year for the water sector and \$28.25 million a year for sanitation.

The proportion of the budget devoted to the sector is very low. Total public investment is estimated at \$17.76 million per year: \$13.3 million for water and \$3.96 million a year for sanitation.

In urban areas, the ONEA has invested around \$30 million a year over the past nine years, but 70 per cent of this investment is allocated to the Ziga project, a project to dam 200 million m³ of water managed by the ONEA and primarily designed to improve the inhabitants of Ouagadougou's access to a reliable and plentiful supply of clean water. Additional funds remain necessary for the water and sanitation sectors, as well as for urgent improvements to the sanitation system and management of waste water.

The drinking water and sanitation sectors additionally require a management-assessment programme. This was recommended by the MDG roadmap. In February 2006, with the technical and financial support of foreign partners (International Development Agency, AFD, European Union, Swiss and Danish co-operation, and Arab financial institutions), the African Development Bank financed a complete assessment of sanitation and clean water resources in semi-urban and rural areas. This assessment should permit the implementation of a national water and sanitation programme valid until 2015. Overall the great challenge confronting the government in these

sectors is to improve its capacity to implement the various national strategies.

Political Context and Human Development Resources

Blaise Compaoré, president of Burkina Faso, has been in power since 1987. In 2005, he was re-elected in the first round with 80.3 per cent of the vote. In February 2006, the prime minister, Paramanga Ernest Yonli, who has been in office since 2000, was reappointed. Despite the social stability that exists in Burkina Faso, a disturbing social, political and military crisis rocked the country at the end of 2006. The altercation pitted soldiers against police and ended with the death of five people and the destruction of many public resources (equipment and buildings). These incidents led to the cancelling of the WAEMU and ECOWAS (Economic Community of West African States) summits scheduled for 22 and 23 December 2006 in Ouagadougou. In January 2007, the ECOWAS summit appointed Compaoré president of the organisation.

The country has made progress in the fight against poverty. The incidence of poverty fell from 46.5 per cent in 2003 to 43.7 per cent in 2005 and it is hoped that it will contract to 43.3 per cent in 2007 thanks to economic growth. Similarly, the incidence of rural poverty should drop from 50.4 per cent in 2003 to 48.1 per cent in 2007 and the incidence of urban poverty should fall from 21.5 per cent in 2003 to 16.6 per cent in 2007. With the aim of attaining poverty reduction goals, a strategy has been in place since 2000. Public bodies have been elaborating several initiatives to promote development in order to: *i)* reduce poverty and vulnerability, as well as disparities in the population; *ii)* put in place macroeconomic policies to promote better and sustainable growth; *iii)* accelerate the decentralisation process and modernisation of the public administration; and *iv)* engage the country in a process of regional integration and globalisation.

In November 2002, the government adopted a policy aimed at improving the business environment. An action plan was subsequently introduced in 2004,

and two important measures were taken: the dialogue between the government and the private sector was strengthened and mechanisms for private sector development were reinforced. The government and private sector actors discussed their problems during a conference in June 2004 and put forward potential solutions. A series of projects and programmes are under way: *i)* an arbitration structure; *ii)* a business formalities centre; *iii)* a support project to encourage competition and business development; *iv)* a programme to strengthen the capacities of businesses in Burkina Faso; *v)* infrastructure projects: a road freight and passenger terminal at Bobo; expanding the terminal at Ouagadougou, renewing the refrigerated abattoirs at Ouagadougou and Bobo; *vi)* simplifying investment formalities by creating a one-stop bureau and introducing an attractive framework for conducting business; and *vii)* lightening taxes and complying with regional reforms relating to business law, the organisation of financial and insurance markets and to a harmonised accounting system.

Burkina Faso has the highest illiteracy rate in the world: 87.2 per cent of the population in 2003, more than double the average for sub-Saharan Africa. While measures have been taken to improve basic education indices, the results remain poor. Between 1996 and 2003, the net schooling rate went from 32.6 per cent to 39.9 per cent. However, great disparities persist between boys and girls (44.6 per cent and 35 per cent respectively in 2003) on the one hand, and between urban and rural areas, on the other. Progress has been constant since 1996, but the gap between boys and girls, on one hand, and between the rural and urban milieux, on the other, remain very large.

A set of measures, including the school initiative, Bright, under the Millennium Challenge Account (MCA) and the Ten-year Basic Education Development Plan (TBEDP) seek to correct both inequalities between cities and the country and between boys and girls. The Bright school initiative costs around 6 billion CFA francs and is financed by the MCA through the United States Agency for International Aid (USAID). It is implemented by the Bright consortium of national and international non governmental organisations.

The TBEDP is used as a reference framework for the interventions of all actors in the basic education system for the 2000-09 period. Its broad aims are fourfold: *i*) increase supply of basic education and reduce disparities between types, geographic regions and the socioeconomic situation of pupils; *ii*) improve the quality, relevance and effectiveness of basic education and develop the consistency and integration between various levels and education methods; *iii*) promote literacy as well as new types of alternative education; *iv*) develop capacities to guide, manage and evaluate the central and decentralised structures leading the sector, as well as capabilities to co-ordinate foreign assistance. The overall cost of the plan is estimated at 235 billion CFA francs.

According to the UNDP *Human Development Report 2006*, the net rates of primary schooling rose from 29 per cent in 1991 to 40 per cent in 2004. The net rate of secondary schooling was stable at 10 per cent in 2004. As a result, international donors introduced a strategic plan for the education sector with the aim of bringing schooling rates up to 70 per cent for primary schooling and 25 per cent for secondary schooling by 2010. Between 1998/99 and 2002/03, the proportion of budget expenditure allotted to education rose from 10 per cent to 14 per cent. In July 2005, a \$12.9 million Millennium Challenge Account fund was invested to encourage female education.

A retrospective evaluation of the nutritional situation in Burkina Faso was carried out from 11 to 22 September 2006 under a joint government-UN mission to assess and plan UN interventions in the fight against malnutrition. Mortality figures are alarming with very high infant and juvenile mortality, respectively at 81 per 1 000 and 184 per 1 000 in 2003 (Demographic and Health Survey, DHS 2003). In fact, almost 50 000 children under the age of 12 months and more than 110 000 children under the age of five die each year, meaning almost 50 per cent of infant mortality occurs under the age of 12 months. Mortality thus remains very high despite having fallen since 1998.

It is estimated that 50 per cent of deaths in children under the age of five are due to malnutrition.

Malnutrition, including micro-nutritional deficiency, is severe, beyond the critical threshold of the World Health Organization (WHO). Thus, 19 per cent of children, or more than 450 000, under the age of five suffer from acute malnutrition (emaciation), while 39 per cent or nearly 925 000 children, have chronic malnutrition (growth retardation), and 38 per cent are underweight for their age, representing more than 905 000 children. Finally, 21 per cent of women of reproductive age are malnourished, and 15 per cent of newborns are underweight at birth.

A further study of nutrition in the country revealed that deficiencies in vitamin A, iron and iodine pose a great problem for public health. Anaemia affects 91 per cent of children aged between 6 and 59 months, 68 per cent of pregnant women and 54 per cent of women of reproductive age. Despite a national policy of salt iodisation being in place since 1996, as well as obligatory sale of iodised salt, only 48 per cent of households have access to salt that is sufficiently iodised. Vitamin A deficiency is endemic in some areas, 13 per cent of pregnant women suffer from night blindness, and use of supplements remains low (DHS, 2003).

Malnutrition appears very early in the youngest children, particularly those aged between six and 23 months. Most worrying is that the situation has deteriorated over the last 10 years, despite an improvement in some health indicators and lower mortality. This is due to inadequate diet (in terms of quantity and/or quality), and recurrence of illnesses. These factors are themselves affected by other underlying factors such as food insecurity in households, problems accessing health services, lack of hygiene and sanitation, lack of treatment for mothers and children, and deeper causes such as poor education of mothers, household poverty or the status of women.

Illnesses such as malaria and schistosomiasis remain endemic. Furthermore, each year during the Harmattan wind season, from January to April, meningitis is pervasive and kills between 1 000 and 1 500 people. Weaknesses and poor organisation in the health system make it difficult to organise effective immunisation or vaccination campaigns.

The problem of avian flu from now on presents a fairly acute challenge. In April 2006, the health authorities announced that an outbreak of avian flu had been detected at Gampela, a town about 15 kilometres from the capital, Ouagadougou. Measures were taken to inform and protect local people. Imports of poultry and poultry products from affected countries were banned. An inter-ministerial ruling was promulgated involving a number of ministries so that

the fight against avian flu would become national in scale. Finally, measures were introduced to raise awareness among various groups, particularly among poultry farmers. In October 2006, a quick test on laying hens came out positive in Sector 30 of Ouagadougou and led to the implementation of phytosanitary policing measures (slaughter, disinfection, medical monitoring of personnel and promises of compensation procedures).