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Burkina Faso

Out of the Poverty Trap?

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This country economic report on Burkina Faso is part of a series of annual studies, which are undertaken by the departments of economics of three Swedish universities in collaboration with the regional departments of Sida, under an agreement with the Division for Policy and Socio-Economic Analysis. The purpose of these studies is to improve Sida's economic analysis and knowledge of the programme countries for Swedish development cooperation in order to enhance the effectiveness of programme as well as project support.

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BURKINA FASO – OUT OF THE POVERTY TRAP?*

1. Introduction

Burkina Faso is one of the poorest countries in the world, ranked 159th of 162 countries in the UNDP human development index for 1999. In the same year income per capita was estimated at US$ 240, which is about half of the average income per capita for Sub-Saharan Africa. Poverty is widespread and, in 1998, no less than 45 percent of the population lived under the poverty line. The country is poor in natural resources and suffers from severe climatic, ecological and structural constraints that put severe limits on its growth and development prospects. Another feature that has a negative impact on the economic potential of the country is its landlocked nature and poor quality of infrastructure network. Burkina Faso belongs to the heavily indebted poor countries that are eligible for the HIPC initiatives. The country qualified for the first HIPC initiative (HIPC1) during the fall of 1998 and benefited from debt relief at completion point in July 2000. It was among the first countries to produce a full poverty reduction strategy paper and to qualify for further debt relief (HIPC2) in July 2000.

The purpose of this study is threefold. It is first to examine the design of reform policy in Burkina Faso and to evaluate its impact on macroeconomic performance. The study focuses on the past decade, when the great majority of the measures included in the reform programme were introduced. It is then to highlight the various dimensions of poverty in the country, its depth and distribution over space as well as the factors that contribute to keeping a large share of the population in the poverty trap. Since one of the main determinants of poverty outcomes is the employment situation, the paper also highlights both rural and urban employment. It is finally to put reform policy into

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a broader perspective by assessing its achievements in the area of human capital accumulation (education and health) and by highlighting the various constraints that prevent Burkina Faso from embarking on a higher and sustained growth path. The latter is a critical requirement if the country is to be taken out of the poverty trap.

The structure of the paper is the following. The second section introduces the main features of the reform programme in Burkina Faso with some political economy considerations. The next section studies the economic outcome of reforms with particular emphasis on their impact on growth (both aggregate and per capita), trade integration and fiscal balance. The fourth section concentrates on the demographic situation, the structure and forms of employment (both formal and informal), earnings and unemployment, the patterns and dynamics of poverty, and the accumulation of human capital. The fifth section puts reform policy into a broader growth perspective and examines the critical role of human capital accumulation, the informal sector and agriculture. The final section summarises the main conclusions of the paper.

2. From Self-Designed to Internationally-Inspired Structural Adjustment

Burkina Faso has gone through different economic policy regimes since independence from France in 1960. Historically, the country's macroeconomic stance has been of a "stop-and-go" character, with repeated expansive periods of fiscal policy being followed by restrictive periods with better control over budgetary expenditures.[1] A main factor behind the periods of expansion and the ensuing loss of control over public finance was the development of a patronage system, which principally benefited the urban elite, civil servants and public sector employees, and the military personnel. Widespread state intervention in the economy during the first two decades after independence contributed much to the extension and consolidation of this patronage system. State intervention took the form of numerous regulations, high tariffs on import and price controls, but also of a direct involvement in production and distribution activities, through partial nationalisation and the creation of public and semi-public enterprises. Eventually the periods of expansion resulted in an

[1] The best introduction to the history of economic policy in Burkina Faso is Zagré (1994).

unsustainable accumulation of fiscal deficits, a loss of political legitimacy, particularly in rural areas, political unrest and the overthrow of the existing political regime. Such political changes initiated periods of gradual restoration of fiscal control and discipline, mainly by reducing the waste of public funds and the economic privileges of civil servants and public enterprise employees. The political changes that started during the second half of the 1980s and were consolidated throughout all of the 1990s, as well as the accompanying economic reforms, should be seen in this perspective.

But the economic reforms during this period contained, in addition to measures aimed at fiscal discipline and fiscal recovery, two dimensions that were absent in previous fiscal recovery attempts, namely a larger role for the multilateral donor community and a broad consultation with representatives of the population and civil society.[2] Both dimensions definitely improved the consistency of the measures included and the overall credibility of the adjustment programme, hence limiting the risks of reversibility. Until the late 1980s, the "stop-and-go" process and the measures aimed at fiscal discipline were purely domestic in their design without involvement from the international donor community. But in the late 1980s, contacts between the Burkinabè government and the Bretton Woods institutions were intensified and Burkina Faso signed its first structural adjustment programme with the IMF in March 1991. Burkina Faso had conducted its "own" structural adjustment programme for some five years before entering the agreement with the IMF. This made it easier for the government to present the agreement with the IMF as the outcome of genuine co-operation rather than as a by-product of an emergency situation and imposed from abroad by the Bretton Woods institutions. The eligibility of the country for HIPC initiatives has further amplified the international monitoring of economic policy in Burkina Faso.

A second striking and original dimension of economic policy in the late 1980s was the organisation by the government of a broad consultation with representatives of the population (political parties, unions, traditional chiefs, etc.) on the meaning and content of structural adjustment programmes. A main purpose of this initiative was to

[2] On these aspects, see Azam and Morrisson (1999), pp. 73-74, Zagré (1994), pp. 187-191, and Chambas *et al.* (1999), pp. 21-25.

obtain some form of support from the majority of the population for the economic strategy of the government. The consultations started in the late 1980s and culminated in a large meeting in May 1990, where all types of organisations gathered together and adopted a resolution supporting the government in its policy towards the multilateral donor community. No doubt this broad consultation contributed to a smooth adoption and implementation of the measures included in the adjustment agreement signed with the IMF. The democratisation of the political system in the early 1990s and the decentralisation process have further contributed to the domestic empowerment of reform policy and presumably to the political feasibility of structural adjustment in the country.[3]

The Retreat of the State

Structural adjustment agreements between the IMF and developing countries are generally the response to emergency situations as indicated by severe macroeconomic imbalances and monetary turmoil. Burkina Faso differs in this respect because the macroeconomic situation there prior to the signing of the agreement with the IMF was far from dramatic. By and large, fiscal deficit was under control and the disciplinary effect of membership in the CFA-zone on monetary policy permitted the country to maintain inflation under 2 percent. This explains why the adjustment programme (designed jointly with the multilateral community, in particular the IMF) for Burkina Faso put greater emphasis on growth promoting measures than on stabilisation measures. A main objective of the adjustment package was to improve the structure of incentives and the allocation of productive resources so as to put the country on a more rapid growth path.

[3] Two presidential elections (1991 and 1998) and two legislative elections (1992 and 1997) were held in Burkina Faso after the re-introduction of multiparty democracy in 1991. Blaise Compaoré, the current President, and the ruling party, called the CDP (*Congrès pour la démocratie et le progrès*) since 1996, won an overwhelming majority in all these elections. The next legislative elections are to be held in 2002.

Table 1: Comprehensiveness and Timing of the Reform Programme in Burkina Faso

Policy area	Date of introduction	Implementation
Systemic Reforms		
Goods markets		
Agricultural sector	1990-91	Removal of the control exercised by the CDR (*Comités de Défense de la Révolution*) on private cereal traders
	1992	Liberalisation of internal trade
	1997-98	Strengthening of the role of producers' associations in the management and in the capital of the cotton ginning and marketing company SOFITEX. Since 1999 cotton producers have owned 30 percent of the capital of SOFITEX. The two other shareholders are the French company CFDT (renamed Dagris in 2001) and the state, 34 and 36 percent respectively. Opening up of new cotton regions to private operators.
Price controls	1992-93	removed except for petroleum products.
Factor markets		
Private investment	1992	liberalised procedures for creation of new private enterprises. The new investment code grants tax exemption for new (domestic or foreign) investments for a period of five to eight years, and total and permanent tax exemption for enterprises exporting 80 percent or more of their production
Labour market	1992	labour law revised with greater flexibility, less constraining hiring and dismissal legislation, and removal of the monopoly of the official employment agency ONPE (*Office National de la Promotion de l'Emploi*) in hiring and labour market training
Public enterprises		
Privatisation	1991-2000	26 public enterprises privatised (and 12 liquidated) in manufacturing, agricultural production and processing and services
Banking and financial sector		
Financial liberalisation	1991-	restructuring and partial privatisation of the state-owned banks
	1991-	banking supervision in the WAEMU: introduction of prudential guidelines for banks
Governance and legal institutions		
	1991-	democratisation and institutional reforms
	1998-	ongoing decentralisation (Decentralisation Law passed in 1998)
	1999-	civil service reform (merit-based promotion system)
	1998-	updating of commercial laws, judicial reforms and recruitment of magistrates; harmonisation of business laws in WAEMU
Trade and Exchange Rate Policy		
Trade liberalisation		
Quantitative import restrictions	1991-94	eliminated

Quantitative export restrictions	1991-94	eliminated
Import tariffs	1993-	simplification and reduction. Statistical tax of 1 percent applied to all imports (4 percent before 2000).
Export taxes	1993	abolished
Regional liberalisation, UEMOA	1994-2000	tariffs on WAEMU-trade removed and introduction of a common external tariff plus a statistical tax; completed in 2000
Exchange rate policy		
CFA devaluation	1994	50 % in January 1994
Stabilisation Policy		
Fiscal policy		
Public expenditures	1994-95	decreased real wages for civil servants
	mid-1990s-	reorientation of public expenditure in favour of primary education and health sector
	1996-97	new nomenclature to improve expenditure monitoring
Tax reform	1993	introduction of VAT
	1995-	strengthening of tax administration, reduction of exemptions
	1996	increase of the rate of VAT from 15 to 18 percent
	1996-2000	reduction in the rate of corporate profit tax from 45 to 40 percent in 1996 and to 35 percent in 2000

The kinds of growth-promoting measures encompassed in the adjustment programme aim at encouraging private investments and production. As illustrated in Table 1 the most important measures are the liberalisation of internal trade, the removal of price controls, the privatisation of a relatively large number of state-owned enterprises, the deregulation of many industrial and service (in particular distribution) activities and the promotion of private (and foreign) investments. Most of the measures were introduced during the first half of the 1990s.

Because of the dominant role of agriculture in the economy of Burkina Faso, some 38 percent of GDP and almost 90 percent of the labour force, policy measures concerned with this sector are of critical importance for the outcome of reform policy, in particular for its impact on real incomes and the wellbeing of the population. Rural reforms in developing countries are predominantly of two kinds, land tenure and marketisation reforms. Reform policy in Burkina Faso has focused on marketisation, with the liberalisation of internal trade and the removal of public distribution networks and price controls.[4] The objectives of these deregulation measures are to encourage the

[4] For a presentation of the system in place before 1991 and its effects, see Bassolé (2000), pp. 11-16.

emergence of a price system that more accurately reflects opportunity costs, and to favour the development of private and competitive distribution networks. It is also to favour a smooth and rapid trade integration of the various local markets, so as to permit surplus areas to satisfy the needs of deficit areas and prices to equalise (except for transport and transaction costs) throughout the regions and the country.

Another measure that illustrates the retreat from state involvement in the economy is the privatisation of state-owned enterprises. Privatisation in Burkina Faso plays a non-negligible role in the adjustment programme because of the role of state-owned and semi-public enterprises and banks in the economic system and the patronage system put in place in the country after independence. The privatisation process in Burkina Faso started in 1991 when 22 out of 76 state-owned enterprises were put on sale (or liquidated).[5] Most of the enterprises in question belonged to industry (leather, sugar, brewery, cement, etc.) and the service sector (insurance, tourism, etc.). A second wave of privatisation started in 1994 with 19 companies put on sale or liquidated. Most of these enterprises were producing consumption goods. Then four other companies concerned with air transportation, hotel and telecommunications were put on sale between 1996 and 2000. In July 2001, parliament authorised the privatisation of additional 13 enterprises that included some utilities (water and power companies). In sum, of the 45 enterprises put on sale between 1991 and 2001, 24 were privatised, 12 liquidated and the remaining 9 are in the process of privatisation (or liquidation). In half of the privatised enterprises the State has retained a minority share of less than 25 percent of the capital. The government aims, however, at selling these remaining shares in the near future. The privatisation process started quickly with 11 enterprises being privatised in 1992-1993 (and an additional 7 in 1994-96), but it has slowed down markedly since. This can be explained by the difficult nature of the process of sale of certain state-owned enterprises (evaluation of assets, elaboration of a regulatory framework, etc.) but also by the fierce opposition of

[5] For a presentation of the privatisation process in Burkina Faso, see Zagré (1994), pp. 202-204, IMF (1998), pp. 12-13, IMF (2000a), pp. 9-11, Commission de Privatisation (2000), and www.privatisation-bf.com.

unions and opposition parties to privatisation.[6] The turnover of all the privatised enterprises accounts for a small share of domestic production and the total proceeds of privatisation between 1991 and end-December 1999 amounted to only 11.2 billion CFA francs, that is a little less than 5 percent of total budgetary revenue in 1999.

The banking system has undergone significant restructuring and, like state-owned enterprises, experienced a retreat of state intervention. The financial situation of the banking sector in the early 1990s was poor with a ratio of non-performing loans of one third in 1990.[7] The reform programme regarding the banking system consisted in the creation of a loan recovery agency in charge of non-performing loans (some 59 billions CFA francs), the reduction of the State's share in the capital of the recapitalized banks to a maximum of 25 percent, the merging and eventual privatisation of three other banks, and the liquidation of one bank.[8] The scope for foreign competition in the banking sector has increased through the purchase by foreign investors of the share of the State in privatised banks, but also through the entry of two new banks (Ecobank-B and Bank of Africa) in 1997 and 1998. The restructuring of the banking sector has contributed to improving the financial situation in Burkina Faso. This is illustrated in a comparative study of financial development in Sub-Saharan Africa, which shows that overall financial development in Burkina Faso went from minimally developed in 1987 to somewhat developed in 1997.[9] Burkina Faso's financial development indicator went from around the average for Sub-Saharan countries in 1987 to clearly above the average in 1997. It was in the areas of competition between banks, financial liberalisation, monetary policy instruments, institutional environment and financial openness that the country achieved the most progress (in order of importance). But little progress was achieved in the availability of financial products to the public. Additional measures concerned with the development

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[6] On the opposition to the privatisation process, see e.g. Diabré (1998), pp. 70-73. On the opposition to the last programme of privatisation, see e.g. *Le Pays No. 2429*, Privatisation – Que cache le gouvernment, Jeudi 19 juillet 2001. The main trade unions organised a one day strike in August 2001 to protest against the new privatisation package.

[7] Zagré (1994), p. 204.

[8] On banking reform, see Zagré (1994), pp. 204-206, IMF (1998), pp. 26-27, and Diabré (1998), pp. 73-77.

[9] Gelbard and Leire (1999), Table 1, p. 12.

of the financial sector have been taken at the regional level since 1997 and should further improve the prospects for financial development in Burkina Faso.

The deregulation of markets and the privatisation (or liquidation) of the majority of the state-owned enterprises and banks have been accompanied by various measures that aim at favouring private investments and production. Labour market legislation has been revised to facilitate hiring and firing procedures and labour reallocation across sectors. Information on vacancies and job seekers are no longer centralised by the placement agency ONPE (*Office National de la Promotion de l'Emploi*), whose role has been curtailed and adapted to the needs of a deregulated labour market. All these measures have been accompanied by improvements of the legal framework and legal institutions that aim at making markets work more smoothly and efficiently. Other dimensions of governance, the quality of bureaucracy, the rule of law and the control of corruption have improved as well, albeit moderately.[10]

The WAEMU Straitjacket

The international donor community influences to the highest degree the design as well as the implementation of economic policy in Burkina Faso. This influence has grown over time with a threshold passed in 1991 with the signing of a first adjustment programme with the IMF. Thereafter the country benefited from two IMF Enhanced Structural Adjustment Facilities (ESAF) between 1993 and 1999 amounting to some 93 million SDRs. Further, in October 1999, the Burkinabè government entered into a Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF. The new programme, which includes a facility of 39 million SDR is to expire in September 2002. The country has also benefited from financial assistance from the World Bank, mainly in the form of adjustment credits in sectors like agriculture, transport, social services and urban environment. The greater involvement of the multilateral community has run parallel with the deepening of the integration process in the West African Economic and Monetary Union (WAEMU) and increased regional monitoring of the member countries' trade and fiscal policies during the second half of the 1990s.

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[10] A comparative study of five dimensions of governance (control of corruption, rule of law, regulatory framework, government effectiveness, political stability and lack of violence, and voice and

A main component of structural adjustment concerns the liberalisation of foreign trade with a significant reduction of import duties, the removal of most quantitative restrictions, and the suppression of taxes on livestock export. Most liberalisation measures were introduced during the first half of the 1990s. The deepening of regional integration among WAEMU-members, in the aftermath of the devaluation of the CFA franc in January 1994 has given a new impulse for trade liberalisation. WAEMU countries decided to create a customs union with the gradual removal of tariffs on intra-regional trade and the setting-up of a common external tariff on imports from non-member countries. The dismantling of internal tariffs was initiated in the mid-1990s and completed in January 2000. The setting-up of the common external tariff started in 1998 and was fully operational in January 2000. It consists of four rates, 0, 5, 10 and 20 percent. A statistical tax of 1 percent is still levied on all imports (4 percent before January 2000). In order to give the WAEMU countries the time to reform their tax systems and replace taxes on international trade by alternative sources of tax revenue, a compensatory scheme has been established.[11] This scheme compensates member countries for their revenue shortfall during a transition period of six years starting in 2000 and ending in 2005. Compensation is total during the first three years but decreases progressively in the following three years to 80, 60 and 30 percent of the tariff shortfalls. The compensatory scheme is financed through the duties imposed on imports from non-member countries. Niger, Mali and Burkina Faso are the main beneficiaries of this compensatory system.[12]

The purpose of WAEMU is, in addition to trade integration, to harmonise fiscal policies and economic performance in member countries in order to underpin the common CFA currency. In turn the common currency, combined with free trade, is expected to further accelerate the specialisation of member countries according to their comparative advantages and to boost intra-regional trade. Economic integration is also

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accountability) shows Burkina Faso to be an average performer compared to other countries (see Kaufman *et al.* (1999) and www.worldbank.org/wbi/governance/datasets.htm).

[11] For more detail, see UEMOA (1999) Acte Additionnel No. 06/99 instituant un dispositif de compensations financières au sein de l'UEMOA, La Conférence des Chefs d'État et de Gouvernement de l'Union Économique et Monétaire Ouest Africaine, Ouagadougou.

[12] Between 1999 and June 2001, Burkina Faso received some 7.8 billion CFA francs from the compensation scheme. Among the WAEMU countries, only Niger received more under the same period, some 11.7 billion CFA francs.

likely to encourage the so-called dynamic effects of integration, like increased competition and innovation, better exploitation of economies of scale, and eventually more rapid growth. A system of mutual fiscal surveillance with convergence criteria has been set up to steer the harmonisation of fiscal policies among the member countries. These convergence criteria support the fiscal stabilisation efforts of the Burkinabè government with the help of the multilateral donor community and therefore should contribute to improving the fiscal stance and fiscal independence in Burkina Faso.

Table 2: The WAEMU's Convergence Criteria

1996-1999

- ratio of the public wage bill to tax revenue: 50 % or less (40 % after January 1998)
- ratio of domestically financed public investment to tax revenue: 15 % or more
- ratio of primary budget deficit (excluding interest expenditures) to tax revenue: 15 % or more
- unchanged or decreasing domestic and external arrears

2000-

Primary criteria

- ratio of the basic fiscal balance to nominal GDP (key criterion): 0 % or more
- average annual inflation rate: 3 % or less
- ratio of outstanding domestic and foreign debt to nominal GDP: 70 % or less
- unchanged or decreasing domestic and external arrears

Secondary criteria

- ratio of the public wage bill to tax revenue: 35 % or less
- ratio of domestically financed public investment to tax revenue: 20 % or more
- ratio of the current external deficit excluding grants to nominal GDP: 5 % or less
- ratio of tax to GDP: 17 % or more

The chronology and the main features of the convergence criteria are presented in Table 2. The system in place between 1996 and 1999 contained four criteria concerned with budget balance, domestically financed expenditure (for both wages and investment) and non-accumulation of payment arrears. The system was considered insufficient to secure the stability of the monetary union and a new multilateral surveillance system (the Convergence, Stability, Growth and Solidarity Pact) was adopted in late 1999 and first introduced in 2000. The same kind of public finance (and economic) philosophy lies behind the new system with emphasis put on economic independence and with severe limits put on fiscal imbalances. The new system is more constraining than the former and the criteria are grouped into two categories according to their importance (see Table 2). Further, a key fiscal balance criterion, total revenue minus total expenditure excluding grants and foreign financed investment, is introduced. The main reason for introducing this more complex system is to improve the monitoring of fiscal stabilisation efforts in member countries and to more easily achieve the primary criteria, which are regarded as indispensable to the long-term stability of the monetary union.

3. Mixed Macroeconomic Outcome

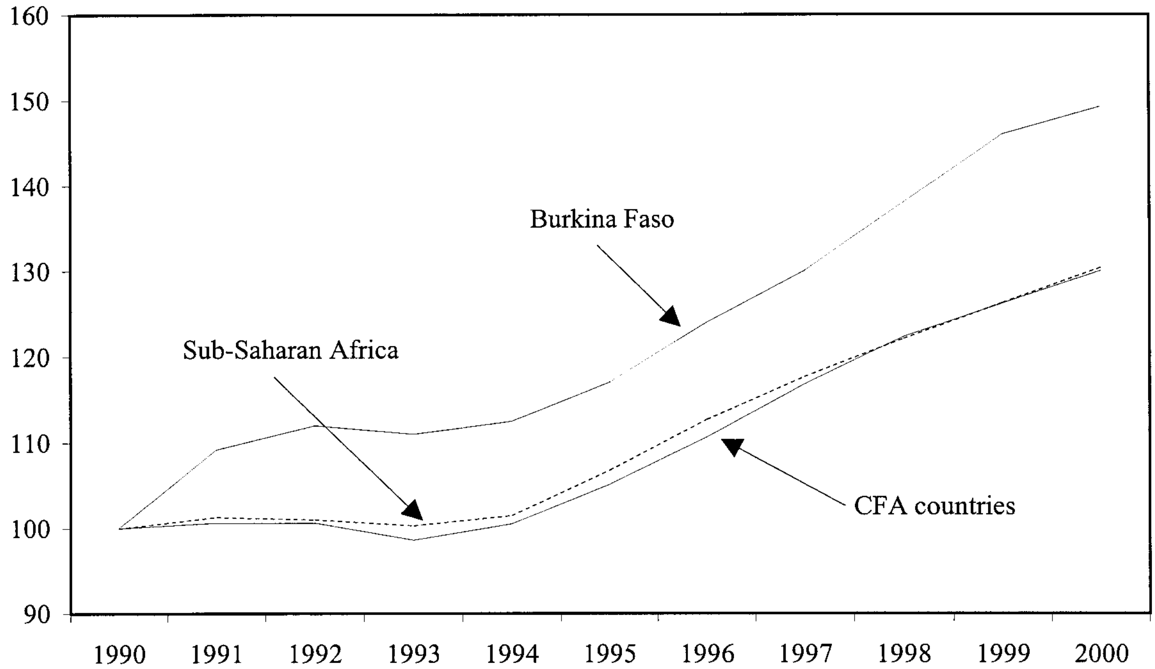
The main objective of structural adjustment in Burkina Faso is to promote economic growth. This was maybe even more so when the adjustment programme was first designed in the early 1990s, as suggested by the emphasis put then on more systemic reforms. Accelerating the rate of economic growth during a longer, sustained time period is necessary to significantly increase real incomes. For example, an average GDP growth of 6-6.5 percent is required to raise per capita income from today's 250 US$ to 350 US$ in a decade (estimates of the population growth rate in Burkina Faso vary from 2.4 to 3.0 percent per year). Higher economic growth (and evenly distributed growth) is also required to markedly reduce poverty. Two other objectives of structural adjustment are to integrate the Burkinabè economy into the international economy, in particular the West-African economy, and to improve the fiscal situation. Note that progress in achieving these two objectives should also contribute to the realisation of higher growth rates.

Moderate Growth Performance

Real GDP growth in Burkina Faso and Sub-Saharan countries during the 1990s is portrayed in Figure 1. Burkina Faso performed better than neighbouring countries with an average yearly growth rate of 4.1 percent (3.5 percent if the year 1991 with its exceptional growth, 9.2 percent, is excluded) compared with 2.7 percent for Sub-Saharan and CFA countries. The relatively decent growth performance of Burkina

Faso was, however, moderate in absolute terms. The growth history of Burkina Faso during the 1990s can be divided into three sub-periods.

Figure 1: Real GDP Growth, 1990-2000 (1990 = 100)



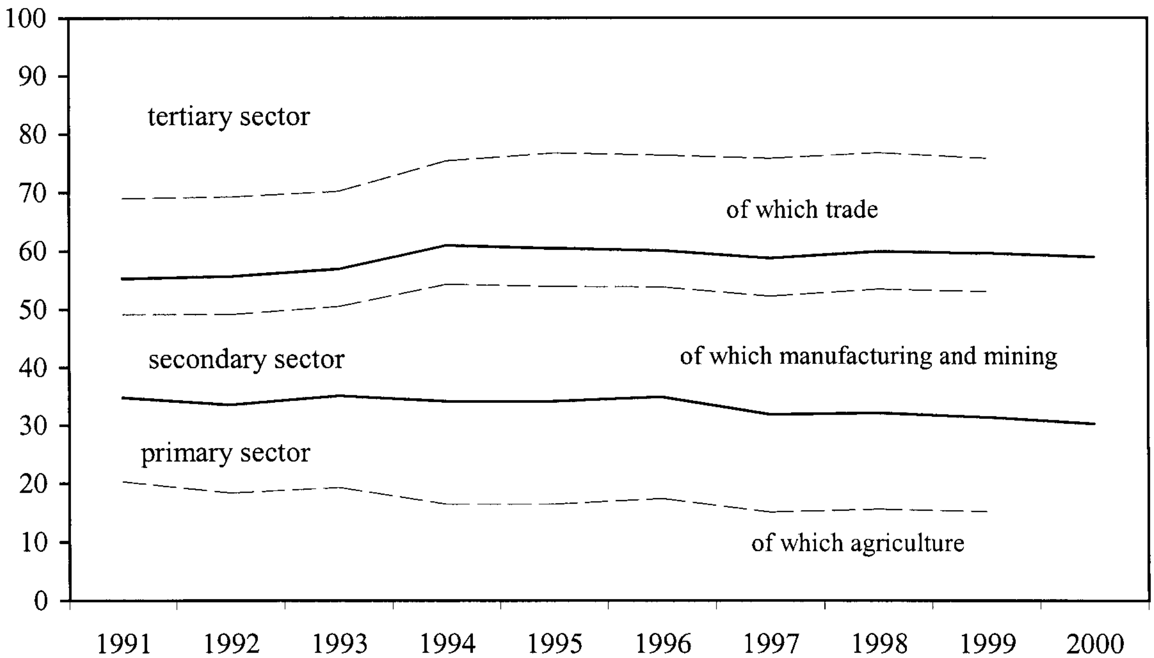
Notes: CFA countries: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Congo, Equatorial Guinea, Gabon, Mali, Niger, Senegal, and Togo. Guinea Bissau joined the CFA zone in 1997. Growth figures for Sub-Saharan Africa exclude South Africa and Nigeria.
Source of data: World Bank (2001) and IMF and WAEMU estimates for 2000.

The first years showed rapid GDP growth that can be associated with the systemic measures introduced in the agricultural sector. Part of the extra growth can be ascribed to economic activities that were no longer hidden and became statistically "visible" after the liberalisation of internal trade and the removal of administrative controls. The second sub-period started in 1992 and stretched until mid-1994. This sub-period exhibited poor growth that, to some extent, can be ascribed to the overvaluation of the CFA franc. Not surprisingly, therefore, the huge devaluation of the CFA franc by 50 percent in 1994 raised the rate of economic growth in Burkina Faso substantially during the second half of the 1990s. At the end of this third sub-period, however, the growth rate slowed down somewhat as a result of adverse climatic conditions. This slow-down may be short-lived, however. According to the

WAEMU Commission, GDP growth in Burkina Faso should attain 6.3 percent in 2001.[13]

The decomposition of GDP into its sector components can shed further light on the factors behind the changes in GDP over time. Figure 2 shows limited but non-negligible structural changes. The share of the secondary sector in GDP increased at the expense of both the primary and tertiary sector. The increased share of the secondary sector could be ascribed to the rapid growth that took place in the sub-sector manufacturing and mining (see Figure 2). Within manufacturing it was export products, like cotton fibre, and import-competing products, like foodstuff, beverages and bicycles, that showed above-average rates of growth. The devaluation of the CFA franc in January 1994 (by 50 %) explains this increased production of tradable goods and the transfer of production resources between the non-tradable and tradable sector.

Figure 2: Distribution of GDP by Economic Sector (in %), 1999-2000.



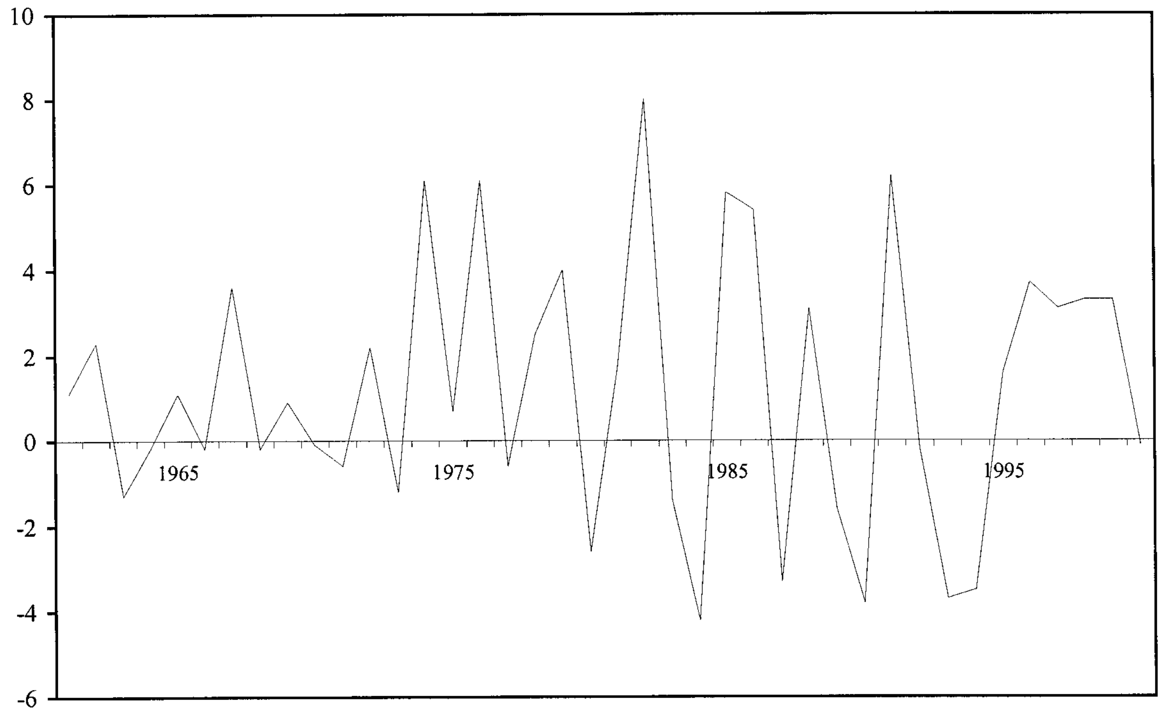
Source of data: Institut National de la Statistique et de la Démographie.

Another striking feature of Figure 2 concerns the decreased share of agriculture whose share of GDP contracted from 20 percent to 15 percent between the beginning

[13] UEMOA (2001).

and the end of the 1990s. This result might at first sight seem surprising in view of the tremendous increase of seed cotton production, which almost doubled in the aftermath of the devaluation of the CFA franc. But the reason for the relative decline of the primary sector in Figure 2 is not that it was a shrinking primary sector but rather a higher growth rate in the secondary than in the primary sector, especially agriculture. Besides, part of the increase in cotton production, namely cotton fibre, is registered in the secondary, manufacturing sector. A last striking feature of Figure 2 concerns the increased share of trade activities in the tertiary sector.

Figure 3: Real GDP Per Capita Growth Rates, 1961-2000.



Sources of data: Azam and Morrisson (1999), p. 81 and Institut National de la Statistique et de la Démographie.

The extent to which aggregate GDP growth gives rise to increased real incomes and improved wellbeing depends upon the rate of population growth. To better assess the impact of growth performance on real incomes, Figure 3 portrays the temporal profile of per capita GDP in Burkina Faso over the past four decades.[14] A first striking feature of Figure 3 is the large year-to-year fluctuations in per capita GDP over the whole period. Varying climatic conditions and irregular rainfalls explain part of these large fluctuations. This explanation is supported by the fact that similar temporal profiles can be noticed in other Sahelian countries.[15] A second feature of Figure 3 concerns the increased amplitude of the fluctuations over time, in particular when considering the periods before and after the mid-1970s. A reason behind this finding may be the increased dependence of the Burkinabè economy on cotton production and the cyclical instability and volatility of prices on the world cotton market. A third finding of Figure 3 concerns the sustained growth of per capita GDP following the devaluation of the CFA franc in 1994 and higher cotton prices. This period came to an end in 2000 when adverse climatic conditions resulted in a stagnation of per capita GDP.

Limited Progress in Trade Integration

Integrating the Burkinabè economy into the international economy is one of the main objectives of structural adjustment. It is to achieve this objective that the government has removed quantitative restrictions on foreign trade, simplified and lowered import tariffs and suppressed the export tax on certain primary products. International integration has also been encouraged through measures aimed at attracting direct foreign investment.[16] Most of the measures were initiated during the first half of the 1990s. But during the second half of the 1990s the opening up of the Burkinabè economy received a new impulse through the process of regional integration and the total removal of tariffs on intra-regional trade (except for what is called a statistical tax). The huge devaluation of the CFA franc in January 1994 should

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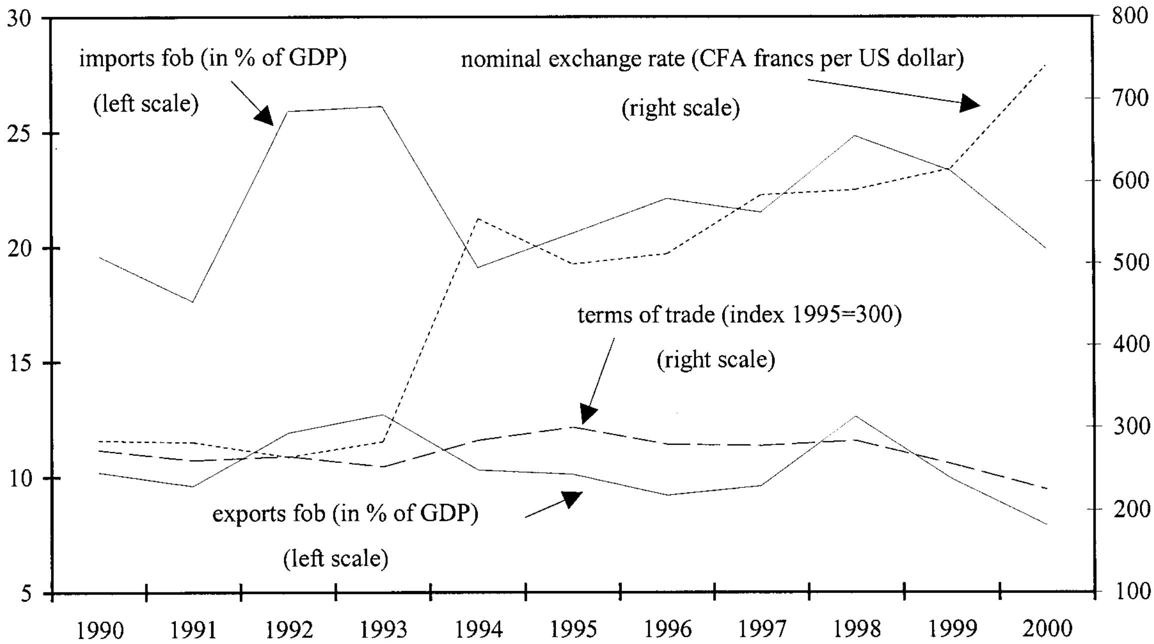
[14] The figures in Figure 3 should be considered with some care. They are based on estimates of population growth that may fail to adequately reflect population growth in rural areas and the considerable unregistered migration (not least seasonal) between Burkina Faso and coastal African countries, in particular the Côte d'Ivoire (some 40.000-50.000 persons each year).

[15] See e.g. Azam and Morrission (1999), pp. 74-75.

[16] Inflows of foreign direct investment (FDI) increased from 3 to 13 million dollars on yearly average between 1988-1993 and 1994-1999, or from 0.5 to some 2.5 percent of gross fixed capital formation (United Nations (2000), pp. 284 and 308). The stock of FDI jumped from 39 million dollars in 1990 to 123 million in 1999 (ibid. p. 295). As a percentage of GDP the stock of FDI increased from 1.4 to 4.6 percent between 1990 and 1998 (ibid., p. 321).

have further encouraged intra-regional trade, which competes with imports from non-member countries.

Figure 4: Exchange Rate, Merchandise Trade and Terms of Trade, 1990-2000.



Source of data: World Bank (2001) and Institut National de la Statistique et de la Démographie.

Burkina Faso's trade situation is portrayed in Figure 4. Only merchandise trade is considered here. Figure 4 points first to a structural and persistent trade balance deficit in Burkina Faso with exports covering about half of imports only. The devaluation of the CFA franc increased import prices (in domestic currency) and this had a once and for all effect on imports, which diminished markedly in 1994. But imports as a share of GDP then increased until 1998 despite a further depreciation of the CFA franc in terms of the US dollar (see Figure 4). On the export side it is difficult to identify any devaluation effect on aggregate merchandise export, in the short as well as longer term. Export has even declined when related to GDP except for the period 1996-1998. A reason behind this finding may be the decline in the country's terms of trade after 1995 (Figure 4). From Figure 4 it is also difficult to perceive any sizeable trade creation effects of international and regional integration.

The lack of response, or at best limited response, of aggregate merchandise trade to exchange rate changes can be due to the geographical and product structure of

Burkina Faso's trade. It can also be the case that the liberalisation of regional trade and the devaluation of the CFA franc have altered the structure of trade in favour of WAEMU countries and at the expense of non-member countries, leaving the total volume of trade by and large unchanged. In order to highlight these issues, trade is decomposed by destination and origin group of countries (in Table 3) and eventually by main products (in Table 4).[17]

Table 3: Geographical Distribution of Burkina Faso's Trade, 1991-1998.

	1991	1992	1993	1994	1995	1996	1997	1998
Exports (in % of total exports)								
WAEMU	16	30	44	25	25	19	15	16
Other Africa	4	3	6	8	8	7	5	3
Industrial countries	58	45	39	46	46	42	58	75
Asia	23	22	12	21	21	30	21	6
Other	0	0	0	0	0	2	1	0
Imports (in % of total imports)								
WAEMU	22	24	21	24	18	22	22	22
Other Africa	8	5	9	6	12	8	6	4
Industrial countries	56	58	49	56	54	55	57	57
Asia	14	12	15	14	15	15	15	17
Other	0	0	5	0	0	0	1	1

Note: Shares may not add up to 100 because of rounding.

Source of data: IMF, Direction of Trade Statistics.

Most of Burkina Faso's trade flows are with industrial countries (in particular the European Union), which account for more than half of total imports and exports. Trade flows with other WAEMU-countries represent about one fifth of total trade. This is appreciable having in mind the extensive informal (unrecorded) trade among neighbouring WAEMU countries. This is also significantly more than in other African countries where intra-regional trade generally accounts for a mere 10 percent of total trade.[18] An implication of this is that Burkina Faso is more dependent upon the

[17] It is generally admitted that trade between African countries is underestimated in trade statistics. Informal, unregistered trade is thought to be considerable between neighbouring West-African countries (in particular between Sahelian countries and coastal states), while trade with non-African countries is considered adequately recorded. This should be kept in mind when interpreting Burkina Faso's trade statistics.

[18] See e.g. Longo and Sekkat (2001), pp. 10-11. Corresponding figures for Mercosur, East Asian economies, European Union and NAFTA were 25, 22, 60 and 51 percent in 1998 (ibid., p. 12).

regional economic situation than other African countries are. Trade with non-WAEMU African countries represents only a minor and, in the late 1990s, decreasing share of total trade. The gradual removal of tariff barriers on intra-WAEMU trade seems not to have had any significant effects on the geographical structure of imports until 1998. The share of WAEMU-countries in total imports had changed only slightly before this year. The removal of tariffs on intra-regional trade was only completed in 2000, and, since some years are generally required for tariff cuts to be reflected in increased import volumes, updated trade statistics are necessary for assessing more definitively the record of WAEMU regionalism. At first sight a similar lack or limited effect of regional integration on the structure of exports can be noticed: the share of WAEMU countries increased substantially during the mid-1990s, accounting for more than a fourth of total exports from Burkina Faso, but decreased thereafter. A likely reason for this relative decrease is increased exports of cotton to industrial countries and Asia. This increase has been encouraged by the huge devaluation of the CFA franc. Another reason might be the worsening of the economic situation in the main regional trading partner, the Côte d'Ivoire.

In order to shed further light on the impact of exchange rate movements and regional integration on Burkina Faso's foreign trade, Table 4 decomposes foreign trade by product groups. Exports from Burkina Faso are very concentrated with two products, cotton and livestock, accounting for some 70 percent of total exports. Note also that export concentration has increased over time, mainly as a result of the decline of gold and manganese production, making the Burkinabè economy more vulnerable to exogenous shocks. Table 4 shows that the changes in livestock export over time to some extent mirrors the changes in exports to WAEMU countries. One country, the Côte d'Ivoire, accounts for most of livestock export from Burkina Faso. Imports are more diversified than exports (see Table 4). The share of food products in total imports has decreased steadily over time with the exception of the year 1998. A reason behind this decline is the increased production of domestic foodstuffs competing with imports in the aftermath of the devaluation of the CFA franc. The same reason explains part of the rapid relative increase in import of capital equipment and raw materials, which are used as inputs in the manufacturing sector. A lack of import-substitute products in Burkina Faso contributed to this development.

Table 4: Composition of Burkina Faso's Trade, 1991-1999.

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Exports (in % of total exports)									
Cotton and cotton products	39	40	30	30	43	42	56	64	53
Livestock	11	14	11	32	30	28	20	14	19
Gold and Manganese	15	14	12	12	10	8	7	5	6
Other	36	33	47	26	16	22	17	17	22
Imports (in % of total imports)									
Foodstuffs	21	17	17	18	14	15	14	22	12
Petroleum products	16	10	18	13	11	13	14	11	17
Capital equipment	23	25	21	23	31	30	30	31	37
Raw materials	6	5	4	6	9	8	8	11	10
Other	34	42	39	41	35	34	34	25	24

Notes: Shares may not add up to 100 because of rounding. Other imports include adjustment for unrecorded imports.
Source of data: IMF, Direction of Trade Statistics.

The deepening of WAEMU integration during the second half of the 1990s seems to have had limited trade creation effects. Several reasons can be advanced to explain this result. Remaining administrative barriers and practices are one. Another may be the poor infrastructure and communication networks. The negative impact of this factor on intra-African trade is illustrated in a recent study.[19] A third reason may be the traders' and import firms' pricing policies that do not pass on tariff cuts into import prices. In the case of Burkina Faso a fourth reason is the political instability in the Côte d'Ivoire, which is its main African trading partner. Finally, the poor trade outcome for Burkina Faso raises the question of the costs and benefits of integration with economic integration benefiting least those countries with the lowest share of industrial output.[20]

[19] Longo and Sekkat (2001).
[20] The unequal distribution of the costs and benefits of integration is often considered an obstacle to integration among countries at very different levels of development (so-called unequal partners). It is to cope with this problem that integration agreements usually include compensation schemes that "compensate" losers and assure their continued participation in the process of integration. On these aspects, see e.g. Foroutan (1993), pp. 251-260.

Growth-Dependent Fiscal Consolidation

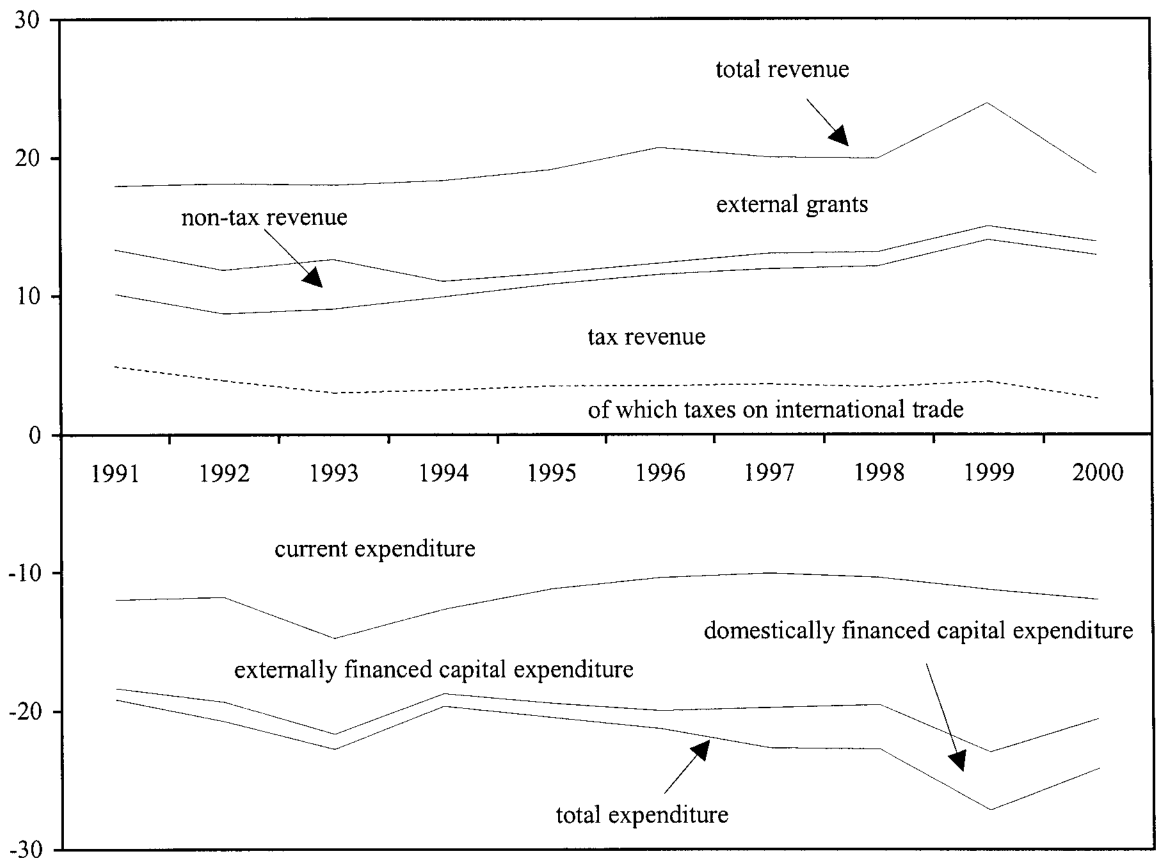
Fiscal consolidation was less of a priority in the early 1990s because of the domestically designed structural adjustment conducted in Burkina Faso in the late 1980s. Furthermore, the strong disciplinary effect on monetary policy exerted by membership in the CFA zone contributed to keeping inflation under control. During the decade preceding the devaluation of the CFA franc in 1994, average inflation in Burkina Faso was only 1.6 percent, which should be compared with 2.1 percent on average for the countries of the CFA zone.[21] The design of fiscal policy, however, was far from optimal from a longer-term growth perspective and fiscal policy in Burkina Faso suffered from several biases that risked putting the whole reform process in danger. A first bias was the excessive share of public expenditure devoted to wages and salaries in combination with few civil servants when compared to developing countries with equivalent income per capita. This was a consequence of the sort of patronage system put into force in Burkina Faso during the two decades following independence. A second bias was the low level of expenditure on education and health, expenditure most likely to secure longer-term growth through human capital accumulation. A third related bias specific to the education sector was the excessive share of public expenditures on higher education at the expense of primary education. A fourth bias concerned the regional and sector distribution of public expenditures that mostly favoured urban areas and households. A main task of reform policy has been to tackle these biases and redesign fiscal policy so as to make it more suitable for the overall objective of reform policy: sustained longer-term and more balanced and equitable growth.

Figure 5 illustrates budgetary developments in Burkina Faso since the start of the internationally sponsored reform policy. On the revenue side the reform of the tax system succeeded in broadening the tax base and increased tax revenue from 9-10 percent to 13-14 percent of GDP. Non-tax revenue accounts now for only 1 percent of GDP compared with more than three percent in the early 1990s. The liberalisation of foreign trade brought down revenue from taxes on international trade (import tariffs and export tax) from some 5 percent of GDP in 1991 to less than three percent in 2000.

[21] Azam and Morrisson (1999), p. 76.

The sharp decline in tariff revenue in 2000 can be ascribed to the lowering of the statistical tax on imports from 4 to 1 percent. Until now the process of regional liberalisation has had limited effects on tariff revenue because of the transfers from WAEMU within the framework of the compensation scheme. WAEMU compensation for tariff revenue shortfalls is 100 percent until 2002 and decreases gradually thereafter to be ended in 2006. Imports from other WAEMU countries account for about one fifth of total imports (Table 3) and the revenue shortfall is expected to amount to some 1 percent of GDP (or 5-7 percent of total revenue).

Figure 5: Government Revenue and Expenditure, 1991-2000 (in % of GDP)



Source of data: Burkinabè authorities and IMF estimates for 2000. The figure for 2000 includes the impact of the debt relief under the HIPC initiative and its use.

On the expenditure side, reform policy succeeded in bringing down current expenditures (mostly wages and salaries) from some 15 percent of GDP in 1993 to some 10 percent in 1998. But current expenditures increased slowly thereafter and amounted to 12 percent of GDP in 2000. For the whole period the result should be considered successful since, at decreased or unchanged current expenditures as a percentage of GDP, the number of civil servants increased by some 50 percent between the early and the late 1990s (from 34,200 in 1991 to 50,200 in 1999). A large proportion of this increase can be ascribed to the recruitment of teachers and health agents. Current expenditure devoted to health and primary education increased from 27.7 percent to 32.6 percent of total budgetary expenditure between 1996 and 1999.[22] Another striking feature of Figure 5 concerns the significant increase in public investments both externally and domestically financed. The increase in foreign-financed investments reflects the increased support of the donor community. To some extent, the increase in investments on own resources can be ascribed to WAEMU monitoring and to Burkina Faso's efforts to comply with one of the convergence criteria: a ratio of domestically financed public investments to tax revenue of at least 20 percent.

Table 5: Burkina Faso's Compliance with the WAEMU Convergence Criteria

	Ratio	1996	1997	1998	1999	2000	2001*	2002*	2003*
Primary criteria									
Basic fiscal balance / GDP	□ 0	0.6	-0.5	-0.5	-0.4	-1.4	*-1.6*	*0*	*1.3*
Average annual inflation	□ 3	6.1	2.3	5.0	-1.1	-0.3	*3.0*	*3.3*	*3.0*
Total debt / GDP	□ 70	61	60	59	70	69	*61.2*	*59.3*	*58.5*
Domestic and external arrears	□ 0	0	0	0	0	0	*0*	*0*	*0*
Secondary criteria									
Public wage bill / tax revenue	□ 35	43.4	40.7	39.2	41.7	43.7	*38.9*	*34.0*	*30.3*
Domestically financed public investment / tax revenue	□ 20	11.3	23.9	25.9	20.8	23.4	*26.3*	*27.3*	*27.8*
Current account deficit excluding grants / GDP	□ 5	-14.7	-13.9	-14.5	-15.7	-17.9	*-13.7*	*-12.8*	*-11.6*
Tax revenue / GDP	□ 17	11.5	12.0	12.1	12.8	12.8	*13.3*	*15.0*	*16.1*

* Burkina Faso's convergence programme 2001-2003

Note: Convergence criteria were partly different before 2000 (see Table 2).
Source: UEMOA.

The fiscal deficit has remained under control during most of the period examined. Table 5 shows that the basic fiscal balance, that is total revenue minus total

[22] IMF (2000a), p. 17. Public expenditure on health and primary education increased from 2 percent of

expenditure excluding grants and foreign financed investment, has remained close to zero with the exception of 2000.[23] Inflation increased in parallel with the devaluation of the CFA franc in the mid-1990s and peaked at some 25 percent in 1994. Thereafter it decreased and was negative both in 1999 and 2000 (see Table 5). The compliance of Burkina Faso with the WAEMU convergence criteria is rather good. The country satisfied four out of eight criteria in 2000: those concerned with inflation, total debt, arrears and public investment on own resources. The government's ambition is to comply with two more criteria, those concerned with the basic fiscal deficit and the public wage bill, within a three year period (see Table 5). A good deal of uncertainty remains, however, with respect to the fiscal deficit because of the lower than expected growth rate and also because of difficulties met with in further increasing tax revenue. The setting-up of the common external tariff and the decrease (and eventually end) of compensatory transfers from WAEMU from 2003 and onwards adds additional question marks to the possible realisation of the basic fiscal balance criterion. It is also likely to complicate the achievement of the fiscal revenue to GDP criterion.

4. Employment, Human Capital, and Poverty Alleviation

As described above the structural adjustment programmes in Burkina Faso during the 1990s aimed at creating conditions favourable to improved economic growth and performance. But the ultimate intention behind the programmes has always been to improve the employment opportunities, the earnings capacity and the living conditions of the population. These ultimate goals, as well as that more specifically of poverty reduction, have gradually and explicitly been moved to the centre stage. This is clearly reflected for example in the Poverty Reduction Strategy Paper (PRSP)[24] that

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GDP in 1991-92 to 3.6 percent of GDP in 1999-2000.

[23] In an econometric study of fiscal adjustment in the WAEMU, Doré and Nachega (2000) show that the long-run causality between revenue and expenditure in Burkina Faso is unidirectional and runs from government revenue to expenditure, that is increased revenue translates into higher expenditure. An implication of this finding is that fiscal adjustment in Burkina Faso requires the control of public spending holding budgetary revenue constant. The findings of the study should, however, be considered with care. It is based on the period 1976-1998, which saw significant economic policy changes that might have altered the nature of the relation between the revenue and expenditure sides of the budget in Burkina Faso.

[24] Ministry of Economy and Finance (2000).

constitutes the basis for the government's current policies as well as for current agreements with the Bretton Woods institutions. The aim of this section is to characterise and evaluate the developments that have taken place in three main, strategic "social" (goal) areas, namely those of employment, poverty and income distribution, and accumulation of human capital.

The analysis of developments in these areas faces two obstacles. One is data availability. Here, main use will be made of the two so-called Priority Surveys undertaken by INSD (*Institut National de la Statistique et de la Démographie*) in 1994 and 1998 respectively, which are (roughly) comparable and thus allow us to follow developments during the critical period after the 1994 devaluation, a period that was also a main phase of the structural adjustment programmes. Whenever possible these data will be complemented by data from other sources and covering other years. A second obstacle is analytical in nature. Ideally we would like to be able to distinguish the "effects" of the structural adjustment programmes on developments during our period of interest (the 1990s). For this a "before-and-after" comparison is not adequate. Instead, it requires the specification of "counter-factuals" (i.e. of what developments would have looked like without these programmes – taking into account both their direct and indirect effects) for comparison.[25] Clearly, this cannot be done and thus we can only try to reason in an imprecise way about possible "effects" of the programmes and policies.

Another feature of the Burkinabè case is relevant in this context. As described above, the macroeconomic imbalances in Burkina Faso were of a less dramatic character, than in many other developing countries, when the first structural adjustment programme was introduced in 1991, and the public budget cuts etc. have consequently also been less dramatic and all-encompassing.[26] The main problems facing the country are instead of structural (and thus more long-run) nature. The structural problems (and their interaction) are of such a character and so severe that they tend to land Burkina Faso in a poverty trap from which it will be very hard for the country to escape. This being the case, our analysis and discussion below will also

[25] See also Sahn et al. (1997), pp. 10-11 and 251.

[26] See also Raffinot (1999) who argues that the external debt of Burkina Faso, prior to the HIPC initiatives, was sustainable.

cover such structural features and problems, starting with that of rapid population growth.

Rapid Population Growth but Some Signs of Demographic Transition

Burkina Faso has one of the highest rates of population growth in the world, 2.4 percent per year as calculated from the 1996 Population Census.[27] In absolute numbers this means, for example, that from 9.2 million in 1991 the population increased to 10.3 million in 1996. The rapid growth results from Burkina Faso having entered the first phase of the demographic transition process, namely that of declining mortality rates, whereas the next stage, that of declining fertility rates, seems only barely to have started.[28] While the mortality rate decreased from 24 per thousand in 1976 to 15.2 per thousand in 1996 (and life expectancy at birth rose from 42.2 years in 1976 to 53.8 years in 1996), the total fertility rate remained roughly unchanged at 6.7 children per woman in 1976 as compared to 6.8 in 1996.[29]

Rapid population growth and high fertility have several problematic consequences for economic development. It makes it harder to generate the savings needed to increase both the ratio of physical capital and the ratio of human capital per person (and thus labour productivity and economic well-being), since significant capital stock increases are needed just to keep the earlier capital/labour ratios unchanged. Further, in Burkina Faso population growth poses a serious threat to the brittle ecological balance by putting pressure on scarce land, water, fuel (wood) resources. This, in turn, tends to give rise to decreased marginal productivity in agriculture and thus to increased rural poverty and migration movements, including that towards the cities (and urban poverty). In this perspective, the variation and changes observed in fertility rates in Burkina Faso become of special interest.

Two large, representative surveys of demographic and health conditions were undertaken in Burkina Faso during the 1990s, the first in 1993 (EDSBF-I) and the second in 1998-1999 (EDSBF-II). This means that it is possible to trace the pattern and evolution of fertility during this decade in detail. Table 6 shows that there is a

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[27] INSD (2000b), p. 3. Often higher figures, e.g. 2.6 and 2.8 percent, are given in official documents.

[28] See also Kobiane (2000).

marked difference between the total fertility rate for urban and for rural women; it amounts to 3.2 children/live births. Otherwise there is but little variation between regions, even if the fertility rate is somewhat lower for the (somewhat) richer western region. Thus the overwhelming part of the country (and of the population) still exhibits very high fertility and can be said to remain in a pre-transition phase when it comes to fertility. There is, however, a marked difference according to level of education, both between women with no schooling and primary schooling, and between women with primary schooling and secondary schooling and higher. But since only 12 per cent of women 15-49 years old had any primary schooling and only 3 per cent secondary and higher schooling in 1998-1999, the overall fertility rate for Burkina Faso ends up reflecting that of (rural) women without schooling. The dominance of the high fertility group also means that the overall fertility rate remained almost unchanged between 1993 and 1998-1999, decreasing only from 6.9 to 6.8 children per woman.

Are there any indications of changes in fertility? Again, these are concentrated to urban women and educated women. For these groups of women (but not for rural women and women without schooling) the total number of (actual) live births recorded for women 40-49 years old at the time of the survey (see column 2 in Table 6) are significantly higher than the (calculated) total fertility rate for the respective group (column 1 in Table 6), an indication that current fertility rates for younger cohorts are lower than they were for the older cohorts that have now almost completed their fertility. The lower fertility for urban women and women with secondary education and higher is generated via three types of differences in their fertility patterns: a) a higher age at first birth, b) somewhat longer intervals between births, and c) lower fertility at higher ages (probably reflecting more use of contraceptive measures).

Another indicator of potential future fertility change could be marked differences between the number of children desired and the number of children currently born. Table 6 also reports the results (separately for women and men) based on questions posed in EDSBF-II about the total number of children desired if the person interviewed was completely free to choose.[30] First, it can be noted that the number of

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[29] INSD (2000b), p. 3. The total fertility rate even seems to have been somewhat higher during the 1980s and early 1990s; it is estimated to have been 7.2 in 1985 and 7.3 in 1991.

[30] See INSD (2000b), p. 93-96.

children desired is consistently higher for men than for women in all socio-economic groups.[31] The number for men is also consistently somewhat higher than current fertility, as indicated by the total fertility rate for the respective group of women. For women, on the other hand, the ideal number of children tends to agree with or be lower than that given by the current total fertility rate. A lower desired number of children (by about one child) is in particular the case for rural women and women without schooling. On the other hand, at 5.7 the average number of children desired by women is high and is also exactly the same number that was reported from the survey in 1993.

Table 6: Some Measures of Actual and Desired Fertility According to Socio-economic Characteristics, Burkina Faso, 1998-1999.

Socio-economic characteristic	Total fertility rate (number of children per woman) [a]	Average number of children born alive to women 40-49 years old [b]	Ideal number of children [c] Women	Ideal number of children[c] Men
Residential area				
Urban	4.1	6.3	4.2	4.4
Rural	7.3	7.6	6.1	7.8
Region				
City of Ouagadougou	4.1	6.5	4.0	4.0
North	7.0	7.6	5.9	7.4
East	7.3	7.4	6.3	7.3
West	6.7	7.4	5.2	7.2
Centre/South	7.1	7.6	6.0	7.8
Educational level				
No schooling	7.1	7.5	6.0	7.9
Primary schooling	5.4	6.6	4.8	5.8
Secondary and higher	2.9	4.5	3.5	3.9
Total	6.8	7.4	5.7	7.0

a) Total fertility rate, women 15-49 years old. This is an estimate of the total number of live births per woman if, at each age, the woman experienced current fertility rates for that age group.
b) *Source:* INSD (2000b), p. 32.
c) *Source:* INSD (2000b), p. 95.

[31] Here it should be noted that 55 per cent of the women (15-49 years old) and 32 per cent of the men (15-59 years old) currently living in a union in Burkina Faso in 1998-1999 were living in a polygamous union. INSD (2000b), p. 72-73. For men in a monogamous union the ideal number of children was 6.8 as compared to 10.6 for men in a polygamous union.

The overall conclusion from our analysis is that no rapid change is to be expected in the high level of fertility in Burkina Faso. Thus high rates of population growth will remain a structural problem and an obstacle to improved economic welfare during coming years. Improved access to family planning might bring actual fertility in line with that desired by women themselves, thus decreasing the number of children per woman by about one child. Another impetus in this direction might come from further decreases in child mortality (at present almost one child out of four dies before the age of five) which are likely to bring down the desired number of children. Another critical factor for future fertility developments will be the (planned) expansion of primary education to reach a higher proportion of young girls. But here, too, it is likely to be a slow process and a long time before significant effects on fertility materialise.

Employment and Income

In the discussion about the social effects of structural adjustment programmes there often seems to be "a missing link" in that a direct step is taken from the measures included in the programme to poverty (and other distributional) outcomes. The missing link is that of the transmission mechanisms by way of which the measures affect such outcomes. A central place here must be granted to the labour market or, more generally, to employment (since so much of employment in a country like Burkina Faso takes the form of subsistence agriculture and other types of self-employment).[32] How labour is allocated and remunerated and how this is affected by the reforms constitute one of the main channels through which distributional outcomes will, in their turn, be affected. Likewise, the changes that take place in the allocation and productivity of labour will be essential for economic growth and future growth potential. This being the case, this section will be devoted to an analysis of the character of employment in Burkina Faso and to the changes that can be discerned during the 1990s.

Three main sectors of employment can be distinguished in developing countries.[33] The first is the rural sector, dominated by self-employed farmers and unpaid family workers. The second is the informal (urban) sector, consisting of self-

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[32] See Agénor (1996), Agénor (1999) and Bigsten & Horton (1999).

employed individuals and small, privately owned enterprises. This sector relies on work provided by the owners and their families, but also on paid labour without formal employment contracts. The third is the formal (urban) sector, which can be divided into a private and a public sector.

The 1998 Priority Survey gives the following picture of the employment situation in Burkina Faso.[34] Of the population in active ages (here defined as 10 years and older) 86.3 per cent of the men and 80.5 per cent of the women belonged to the labour force in 1998. The rural labour force participation rate was 90.3 per cent for men and 86.9 per cent for women whereas the urban labour force participation rate was significantly lower, 69.9 per cent for men and 49.8 per cent for women. Clearly, in rural areas almost everybody is already at work at an early age and throughout their life cycle. The rate of (open) unemployment was rather low, 2.3 per cent for men and 2.6 per cent for women. But this picture is misleading in the sense that (open) unemployment is concentrated to urban areas where the unemployment rate was 12.7 per cent for men and 15.3 per cent for women.[35]

Table 7: Distribution of the Employed between Different Types of Employment (%)

Type of Employment	Men	Women	All	Centre	East
Self-employed [a]	39.0	8.7	23.6	26.1	23.6
Public employee	3.0	0.7	1.8	4.3	1.0
Private employee	3.4	0.7	2.0	7.4	0.4
Employer[b]	0.7	0	0.7	0.3	0
Family worker	52.6	89.2	71.3	59.9	74.7
Apprentice/Intern	0.9	0.3	0.3	1.5	0.1
Volunteer worker	0.1	0.1	0.1	0.1	0.2
n.a.	0.3	0.4	0.4	0.3	0.1
Total	100	100	100	100	100

a) Self-employed in his/her own enterprise with or without family workers.
b) Self-employed in his/her own enterprise with at least one employee.
Source: INSD (2001), p. 256 and 260.

The level of human capital in the labour force is extremely low. Of employed men, 84 per cent had no schooling and 10 per cent only primary schooling, whereas

[33] See Agénor (1996), p. 263-264.
[34] See INSD (2001).
[35] The character of this urban unemployment will be further discussed below.

the corresponding figures for employed women were 93 per cent and 4 per cent, respectively. Of those employed in rural areas (about 2.4 million men and 2.7 million women) 97 per cent worked in the primary sector, 1 per cent in the secondary sector and 2 per cent in the tertiary sector.[36] In urban areas this distribution was quite different; of the urban employed (about 410,000 men and 260,000 women) 38 per cent worked in the primary sector, 10 per cent in the secondary sector and 52 per cent in the tertiary sector. For Burkina Faso as a whole the secondary sector (industry) accounted for only 2 per cent of the employed and the tertiary sector (services) for 8 per cent; agriculture thus dominates completely in terms of employment.

Table 7 highlights the predominant role of different kinds of informal employment in the Burkinabè economy. Only 6.4 per cent of employed men and 1.4 per cent of employed women are employees (and some of them without a formal employment contract). The dominant forms of employment are instead self-employment and family workers. In urban areas formal employment plays a more important role, as illustrated by the shares of public (4.3 per cent) and private (7.4 per cent) employees in the Centre region (see Table 7).[37] But even in urban regions, self-employment and family workers dominate the employment picture completely.

The Rural Sector

As shown above rural employment is completely dominated by agriculture. Most work takes place on small family farms where the household members work together and share the fruits of their labour. Households are rather large; in 1998 30 per cent of rural households had ten or more household members. Most often the household produces both for subsistence and for the market. In 1998 the total annual income of rural households consisted of 53 per cent monetary income and 47 per cent non-monetary income (the value of goods and services produced for own use). But the extent of production for the market varies between households and is influenced among other things by geographic location. Often rural households also allocate some

[36] The individuals have been classified after their main activity (in terms of time and/or earnings); they might also have secondary activities of another type.

[37] The data in Table 2 are not available according to an urban-rural breakdown. Instead, we have chosen to let the Centre region, dominated by the capital of Ouagadougou, illustrate the "urban" employment structure and to let the East region illustrate the "rural" employment structure.

labour to non-farm activities, e.g. to self-employment in the local non-farm sector (handicrafts, commerce) and to wage labour outside their own household. This provides some cash income but also functions as income and risk diversification. The latter function is also fulfilled by (temporary) migration (national or international) of households members, reflected in the existence of some remittance income for the household.

Table 8 shows the contribution of different activities to the total (monetary and non-monetary) income of rural households in Burkina Faso. It reveals that about one-third of the total income of rural households is derived from non-farm activities (mainly of an informal kind) and transfers. Here, again, there is regional variation. For example, in the Sahelian region livestock accounts for 29 per cent and agriculture for only 31 per cent of total household income. Likewise, wage income has a more important role in certain regions, accounting e.g. for 15 per cent of total household income in the North region and for 18 per cent in the Centre-East region.

Table 8: The Structure of Total Income, Rural and Urban Households, 1998 (in %)

Type of income	Rural	Urban
Agriculture and livestock	64.4	4.1
whereof: agriculture	49.1	3.1
livestock	15.0	0.9
Wages and non-agricultural income	29.8	88.1
whereof: wages	5.8	36.4
non-agricultural incomes	23.9	51.7
Transfer income (gifts, postal order, transfer of money)	5.7	7.1
Other income	0.2	0.6
Total	100	100

Source: INSD (2001), p. 163.

Of particular interest are the sources from which rural households generate their *cash* income. Overall, their monetary income in 1998 was composed in the following way: 29 per cent came from agriculture (from cash crops and food crops), 23 per cent from livestock, 11 per cent from wages (mostly public and semi-public employment), 25 per cent from non-farm activities and 11 per cent from different kinds of transfers (where remittances from Côte d'Ivoire were particularly important). Cotton is the main cash crop; in 1998 it accounted for 56 per cent of the monetary income from agricultural production, followed by oil-seeds (10 per cent), millet/sorghum (9 per cent), maize (8 per cent) and rice (3 per cent). Fruits and vegetables generated another 7-8 per cent of agricultural cash income. Again, there is of course great regional variation, with specialisation according to soil, weather and location conditions.

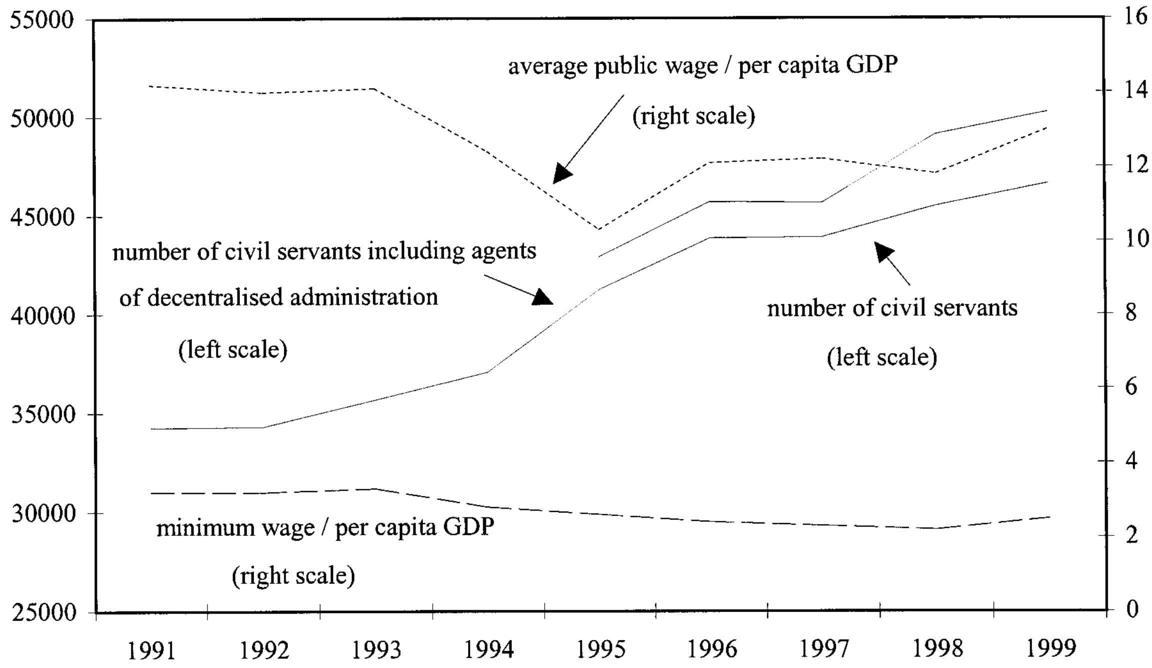
The Formal Sector

The formal sector consists of the public sector and the private enterprises hiring people on the basis of formal contracts. The degree of compliance with labour market legislation is relatively high in the formal sector and employers and workers are subject to various regulations, such as legal minimum wages, hiring and firing restrictions, unemployment benefit system, health insurance, etc. In Burkina Faso, the formal sector occupies a minor share of the labour force, 2.2 percent in the mid-1990s (see Table 9). Another feature of formal employment in Burkina Faso is the dominant role played by the public sector, which absorbs roughly half of total formal employment. A third feature is the large implantation of trade unions, particularly in the public sector, and their potentially active role in the wage bargaining process and other labour related issues.

Formal employment in the private sector is concentrated to manufacturing production and the service sector. Private formal employment increased somewhat in absolute terms during the 1990s as a result of the expansion of manufacturing production. The privatisation of state-owned enterprises also contributed to the expansion of formal private employment. The enterprises that were privatised during the course of the 1990s employ some 5000 individuals. This is far from negligible since it represents some 5 percent of total formal employment and some 10 percent of total formal employment in the private sector. The privatisation of additional 13 enterprises, including the water and power companies, announced in July 2001, will further increase private formal employment.

But this is unlikely to decisively change the distribution of formal employment in favour of the private sector because of the rapid expansion of employment in the public sector in the meantime. This expansion is illustrated in Figure 6, which shows that public employment increased by some 50 percent between the early 1990s and the late 1990s. However, the increase is much less pronounced, 36 percent, if agents of decentralised administrative entities are not included in the calculation (see Figure 6).

Figure 6: Number and Relative Wages of Civil Servants, 1991-1999.



Sources of data: IMF (1998) and (2000). Minimun wages: INSD (2000a), p. 178.

Public salaries are relatively high in Burkina Faso, both in a country-comparative perspective and when compared to wages in the private sector.[38] The latter is illustrated in Figure 6, which shows that the average civil service wage was more than 14 times as high as per capita GDP in the early 1990s. The 1994 devaluation and the incomplete compensation of public salaries for the devaluation price effects, in combination with better aggregate growth performance, contributed to bringing down the ratio of the average civil service wage to per capita GDP to some 12-13 in the second half of the 1990s. However, public wages seem rather rigid in real terms and

[38] In the 1980s and early 1990s, the ratio of the average public wage to per capita GDP was much higher in Burkina Faso than in other African countries (see Azam and Morrisson (1999), pp. 23-25). In 1987, for example, this ratio was more than 15 for Burkina Faso while it was around 12 for Mali, Chad and Côte d'Ivoire and around 8 for Niger, Senegal, Togo and Benin.

the ratio of public wages to per capita GDP increased again in the late 1990s, in the aftermath of increased public employment and poorer growth performance.

Changes in public sector wages over time do not appear to be affected by changes in the minimum wage (see Figure 6). A reason might be that the level of the minimum wage in Burkina Faso is set rather low, 2-3 times as high as per capita GDP, and therefore has no noticeable effect on wage formation in the public sector. It does not seem to affect wages in the informal sector either.[39] The nominal minimum wage was only changed twice during the 1990s, in March 1994 to partly compensate for the CFA devaluation, and in January 1999. Figure 6 shows that the ratio of the minimum wage to per capita GDP has decreased over time, reflecting larger increases of labour earnings in both the informal and formal sectors than the increases in the minimum wage.

The relatively high public salaries in Burkina Faso have put severe limits on fiscal policy and fiscal stability because of the large share of current expenditures in total expenditures that they give rise to. But high public wages also matter for the private formal sector because relatively high public wages and other dimensions of government pay policy, not least because of the large role of public employment in total formal employment, have a decisive impact on the level and evolution of wages there.[40]

The Informal Sector

As in other developing countries, the informal sector in Burkina Faso accounts for an important and growing share of employment. The informal sector comprises three types of activities: 1) employment in family enterprises, 2) employment in micro-enterprises, and 3) employment in secondary activities (besides the individual's main one). These activities are informal in the sense that they (often) are not registered, do not keep books and report their earnings etc. But they are not illegal, in a

[39] According to Charmes (2001) wages in the informal sector are higher than the minimum wage. In the late 1980s, for example, average wage in the informal sector was 1.1 times as high as the official minimum wage and owners of enterprises in the informal sector earned as much as 3.3 times the minimum wage (Ibid., p. 253).

[40] For an empirical illustration of the influence of government pay policies on formal sector wages in CFA countries, see Rama (1998).

"black market" sense, but rather nowadays tolerated and even encouraged and supported and regarded as important sources of employment, earnings and poverty alleviation.

The growth of informal sector activities must be regarded in the light of developments in other sectors of the economy. As discussed above, formal sector employment, including public sector employment, has not increased very much during the years of structural adjustment. The public sector job guarantee for university graduates has been abolished so that recent graduates in many cases have had to find other types of employment. Real incomes of urban households have been eroded by job dismissals, wage adjustments and price increases (in connection with the devaluation of the CFA franc), creating a need for supplementary income and income diversification. In rural areas rapid population growth has led to migration towards urban areas, most often into informal activities of various kinds. Taken together these factors have all contributed to increasing the size and role of informal employment, particularly urban informal employment.

An attempt to estimate the size and evolution of the informal sector in Burkina Faso between the mid-1980s and mid-1990s was made by Charmes (1996).[41] Table 9 presents some of his results. It shows that informal employment grew faster than formal employment and agricultural employment and that in the mid-1990s it was four times as large as formal employment. Informal employment was dominated by family enterprises, which was also the most rapidly growing component. Sector-wise commerce dominated, but informal industrial employment was also important and increased rapidly during the period.

In addition to the informal employment estimated in Table 9, the informal sector also comprises the activities of (and the goods and services produced by) those undertaking an informal secondary activity in addition to their main one. Charmes (1996a) also provides estimates of the incidence of such secondary activities. In 1985 about 8 per cent of the urban employed and 26 per cent of the rural employed also engaged in a secondary activity. By 1994-95 these figures had risen to 18 per cent and

[41] In making the estimates Charmes has tried to apply the international statistical recommendations about the informal sector agreed upon in 1993. See Charmes (2001), p. 244.

32 per cent respectively. The urban incidence of secondary activities thus more than doubled over the ten-year period, but in absolute numbers the rural population still far outnumbered the urban population. Secondary activities mostly took place in industry and commerce; these sectors accounted for about 440,000 and 373,000 respectively of a total of about 860,000 persons estimated to have undertaken a secondary activity in 1994-95.[42]

Table 9: The Structure of Informal Employment (as Main Activity) in Burkina Faso, 1985 and 1994-1995.

	1985		1994-95		Growth 1985-95 (%)
Sector composition [a]					
Industry	52,524	(22.1)	119,007	(29.6)	127
Construction	10,682	(4.5)	13,830	(3.4)	30
Commerce	111,429	(46.9)	177,448	(44.2)	59
Services	62,823	(26.5)	91,381	(22.8)	46
Types [a]					
Family enterprises	193,588	(81.5)	348,936	(86.9)	80
Micro-enterprises	43,870	(18.5)	52,370	(13.1)	20
Total informal	237,458	(100)	401,666	(100)	69
Formal sector	71,161		101,807		43
Agriculture	3 707,492		4 129,730		11

Note: [a] Percentage distribution in parentheses.

Source: Charmes (1996a), p. 16.

The informal sector in Burkina Faso thus exhibits many of the characteristics noticed in other developing countries during the 1980s and 1990s: Rapid growth, but more so in urban areas, dominance of family enterprises, concentration to commerce but also common in industry and services. Unfortunately, no similar estimates have been made for later years.[43] One indication that the increase in informal sector activities has continued is, however, that the Priority Survey of 1998 reports an

[42] Charmes (1996a), p. 18.

[43] A survey of the informal sector in Burkina Faso is currently undertaken by Afristat and should be completed in early 2002.

incidence of secondary activities of 38 per cent as compared to the 30 per cent reported in the 1994-95 Priority Survey.[44]

Unemployment

The employment problems in developing countries are often not reflected in high (open) unemployment rates, as traditionally measured.[45] This is the case also for Burkina Faso, where the rate of open unemployment was 2.6 per cent in 1994 and 2.5 per cent in 1998.[46] In rural areas, open unemployment is almost non-existent (in 1998 it was 0.5 per cent) but in urban areas it is significantly higher, 12.7 per cent for men and 19.1 per cent for women in 1998. Open, urban unemployment in many cases has a quasi-voluntary, "wait"-unemployment character and is something of a "luxury good" for those who can afford it, e.g. by being supported by other household members.[47] Those who cannot have to take part in informal activities instead, and consequently will not be counted as unemployed.

This character of open unemployment is reflected in the composition of the unemployed. The unemployed are thus often young (in 1998 the urban unemployment rates were 35 per cent for the 10-14 year olds, 31 per cent for the 15-19 year olds and 24 per cent for the 20-24 year olds) and the overwhelming majority of them are in search of their first job. Unemployment rates are higher for those with primary (18 per cent) and lower-level secondary education (23 per cent) than for those without education (12 per cent). The highest unemployment rates are also found for individuals belonging to households where the household head is either a public or private sector employee (often they are his/her son or daughter). But still, this "wait"-unemployment is a sign that the employment opportunities even for those relatively few Burkinabè youngsters who have an education are severely limited, which might be problematic also from an educational incentive point of view.

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[44] INSD (2001), p. 269 and Charmes (1996a), p. 17.

[45] That is where an individual is classified as unemployed only if he/she has not worked at all during the period of reference for the survey, and is actively searching for a job.

[46] These figures as well as the data that follows are from INSD (2001), p. 278-281.

[47] See the discussion in Agénor (1996), p. 270-273 and in Charmes (1996b), p. 499-504. Charmes shows, using data for some other African countries, that (open) unemployment actually decreases when economic conditions deteriorate, i.e. when it becomes harder for the households to "afford" it.

Patterns and Dynamics of Poverty

As mentioned above the two Priority Surveys undertaken in 1994 and 1998 are the main sources of data for the patterns and evolution of poverty in Burkina Faso. They cover a representative sample of the population and are designed to be (roughly) comparable so that they can be used to track the dynamics of poverty between 1994 and 1998.[48] There exist two other large, quantitative studies of poverty in Burkina Faso in the mid-1990s, one from a joint project CEDRES/Laval and one undertaken by a research team led by Kimseyinga Savadogo.[49] These studies, however, only covered rural areas. In addition to the quantitative studies there are also a number of qualitative poverty studies, one being that of Hagberg (2000), undertaken on behalf of Sida. For our description and analysis of poverty here we will use the two Priority Surveys.

The poverty measures calculated from the Priority Surveys are based on the estimated total expenditures (including the value of own-produced consumption) of the households[50] and on estimations of an *absolute* poverty line for Burkina Faso for 1994 (amounting to CFAF 41,099 per adult per year) and 1998 (amounting to CFAF 72,690 per adult per year). This allows us to calculate the three types of poverty measures presented in Table 10, each of which illuminates different dimensions of the country's poverty situation.

The headcount index (also called the poverty rate) measures the percentage of the population that falls below the poverty line. Table 10 shows that the proportion of poor inhabitants increased slightly, from 44.5 percent in 1994 to 45.3 percent in 1998. But it also reveals that the rural poverty rate remained unchanged (at 51.0 percent) whereas

[48] The data for the 1994 Priority Survey was collected in October 1994 through January 1995, i.e. *after* the main harvest period, whereas the data for the 1998 Priority Survey was collected in May 1998 through August 1998, i.e. *before* the main harvest period. Since food consumption levels vary over the year and are at their lowest during the pre-harvest months, the difference in the months for data collection might have affected the households' answers and thus the comparability of the two surveys somewhat. If there is any such bias, it is likely to mean that expenditure levels are somewhat underestimated and poverty somewhat overestimated for 1998 (relative to what they would have been had the data collection been undertaken late in the year, as it was in 1994). Another problem with comparing specific years is the very large fluctuations in economic growth from year to year, as illustrated by Figure 3. However, Figure 1 and Figure 3 show that the period 1994-1998 was one of high and consistent growth.

[49] The two projects are described in Somda and Sawagodo (2001), which also compares the poverty measures derived from these two studies with those from the 1994 Priority Survey.

there was a marked increase in the urban poverty rate, from 10.4 percent in 1994 to 16.5 percent in 1998. But even so the rural poverty rate remained much higher than the urban one.[51]

Table 10: Urban, Rural and National Poverty Indices (in %)

	1994	1998	Change
Headcount index			
Urban	10.4	16.5	+ 6.1
Rural	51.0	51.0	-
Total	44.5	45.3	+ 0.8
Poverty gap index			
Urban	2.5	4.0	+ 1.5
Rural	16.1	15.7	- 0.4
Total	13.9	13.7	- 0.2
Relative contribution			
Urban	3.8	6.1	+ 2.3
Rural	96.2	93.9	- 2.3
Total	100	100	-

Source: Ministry of Economy and Finance (2000), p. 7.

The poverty gap index can be said to measure the *depth* of poverty since it indicates how far (as a percentage of the poverty line) below the poverty line the poor (on average) are. For the population as a whole the poverty gap did not increase between 1994 and 1998 and for the rural population the depth of poverty decreased somewhat. But again there was deterioration in urban areas; the (average) urban poor saw their poverty deepen and their (expenditure) distance to minimum basic needs increase.

[50] The total nominal household expenditures are adjusted for differences in regional price levels and for the composition, i.e. the number and ages, of the household members. See Ministère de l'Economie et des Finances and INSD (2000), p. 11.

[51] The poverty rate is very sensitive to how the absolute poverty line is established. This is illustrated by Sanou and Ouedraogo (1998), which is a deepened study of urban poverty in Burkina Faso. The study is based on data from the 1994 Priority Survey but the "food consumption basket" used to establish the urban poverty line has been changed so as to better reflect the actual food consumption habits of the urban population (which differ from rural food habits mainly by being composed of more rice and less millet and sorghum). This (plus some other adjustments) results in a much higher absolute urban poverty line and consequently a higher urban poverty rate for 1994, 25.3 percent as compared to the 10.4 percent in Table 10.

The third poverty measure in Table 10 measures the relative contribution of different population groups to the total number of poor. Of 100 poor in 1994 about 96 lived in rural areas and only 4 in urban areas. By 1998 the rural share had decreased so that out of 100 poor only 94 lived in rural areas and 6 in urban areas. The concentration of the population to rural areas and the much higher poverty rate in rural than in urban areas mean that, in terms of numbers, the poverty problem in Burkina Faso largely remains one of rural poverty.

Table 11: Regional Poverty Indices (in %)

	Headcount index		Poverty gap index		Relative contribution	
Regions	1994	1998	1994	1998	1994	1998
West	40.1	40.8	11.9	12.0	16.4	16.1
South	45.1	37.3	14.0	12.0	9.0	6.8
Centre-South	51.4	55.5	14.6	19.7	27.8	28.3
Centre-North	61.2	61.2	20.9	18.2	31.6	30.6
North	50.1	42.3	18.7	11.3	6.1	5.9
South-East	54.4	47.8	18.7	12.2	5.3	6.8
Ouaga-Bobo	7.8	11.2	1.5	2.7	1.8	2.7
Other cities	18.1	24.7	4.9	6.3	2.0	2.8

Source: Fofack *et al.* (2001), p. 9.

In order to further illuminate what happened to poverty during the 1990s, Table 11 presents the same three measures of poverty, but now disaggregated by region. It shows that in both 1994 and 1998 there was significant dispersion in the headcount index for rural regions. Thus in 1994 the poverty rate varied from 40 (West) to 61 (Centre-North) percent, and in 1998 from 37 (South) to 61 (Centre-North) percent. There were also marked differences between the urban poverty rates for the two main cities (Ouaga-Bobo) and for the other, smaller cities. The poverty rate for the latter was more than twice that of the two main cities both in 1994 and 1998. The changes in the regional poverty rates between 1994 and 1998 were not uniform. For some rural regions (South, North, South-East) the poverty rate clearly declined, whereas for others it was unchanged (West, Centre-North) or even increased (Centre-South).[52]

For most rural regions the depth of poverty decreased between 1994 and 1998, the exception again being the Centre-South. For the two urban regions, on the other hand, not only the poverty rates but also the poverty gaps increased. Table 11 further shows that three regions (West, Centre-South and Centre-North) together accounted for about 75 percent of the total number of poor in both 1994 and 1998.

The conclusion so far is that the fact that the period 1994-1998 was one of relatively rapid economic growth (see Figures 1 and 3) did not result in a decrease in the total poverty rate, which even increased somewhat. Evidently there were other forces at work, offsetting the potential positive impulse from high economic growth. One possible explanation is that much of the increased economic resources generated by growth were channelled into increased investments and thus did not contribute to increasing consumption levels and reducing poverty during the period.[53] Another factor is the rapid population growth, which means that much of the increase in economic resources goes towards providing for a larger population. Just keeping the poverty rate unchanged in a situation with rapid population growth is thus quite a demanding task.[54]

What role did the structural adjustment programmes play in the observed poverty dynamics? As discussed above it is methodologically hard to isolate the "effects" of the programmes. But our earlier macroeconomic analysis has indicated that the reforms (including the devaluation) contributed to higher economic growth and thus to improving the poverty outcome relative to what it would have been without the reforms. But it is also clear that the growth was not balanced in the sense of being equally distributed over regions and population groups, and that the reforms (including

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[52] Fofack *et al.* (2001) show that there were statistically significant changes in the "poverty map" (i.e. in the ranking of different geographical regions according to their poverty rate) between 1994 and 1998.

[53] See the decomposition analysis in Fofack *et al.* (2001), p. 29-30. Their conclusion is that "...Burkina Faso has invested most of its GDI gains during the 1994-98 period, which may be good for long-run growth – assuming that these investments are productive and efficient – but not good for poverty reduction in the short to medium-term."

[54] It should be noted that, due to the rapid population growth, the absolute number of poor in Burkina Faso increased by some 370,000 persons between 1994 and 1998, even though the poverty rate remained almost unchanged. See Fofack *et al.* (2001), p. 8.

the devaluation) played some role in this.[55] The devaluation changed relative prices, largely in favour of export crops and the rural population, and some of the other reforms had differential effects on different groups. Thus the pattern of the rural-urban and regional poverty dynamics during these years probably to a large extent reflects the character of the reforms. But to this must be added the effects of population mobility, where not only the reforms but also rural-urban migration towards both large cities and small towns contributed to increasing urban poverty.[56]

Table 12: Poverty Trend by Socio-economic Groups (in %)

	Headcount index		Poverty gap index		Relative contribution	
Socio-economic groups	1994	1998	1994	1998	1994	1998
Public sector employees	2.2	5.9	0.4	1.6	0.2	0.5
Private sector employees	6.7	11.1	2.2	2.5	0.4	0.7
Craftsmen, businessmen	9.8	12.7	2.8	2.7	1.4	1.6
Other active workers	19.5	29.3	6.4	7.0	0.3	0.4
Cash crop farmers	50.1	42.4	13.8	12.5	11.8	15.7
Food crop farmers	51.5	53.4	16.3	16.5	78.9	77.1
Inactive	41.5	38.7	14.5	12.1	7.1	4.0
Total	44.5	45.3	13.9	13.9	-	-

Source: Fofack *et al.* (2001), p. 13.

A look at the poverty dynamics by socio-economic group (see Table 12) provides further evidence of the forces at work. First, it can be seen that the poverty rate varies very much by socio-economic group, and that it is the farmers who have the highest poverty rates, the highest poverty gaps and together account for about 90 percent of the total number of poor. Employees, both in the public and the private sector, have the lowest poverty rates, the lowest poverty gaps and together account for only about 1 percent of the poor. Secondly, some interesting changes between 1994 and 1998 can be discerned.[57] Most groups experienced an increase in their poverty rate between 1994 and 1998, the big exception being cash crop farmers for whom the poverty rate

[55] Fofack *et al.* (2001) show that income (as measured by household per capita expenditure) inequality increased during the period, which worked to undermine the poverty reducing effects of growth.
[56] See Fofack *et al.* (2001), p. 9 and 11-12.
[57] The changes between 1994 and 1998 for different socio-economic groups were, however, not such that they changed the ranking of socioeconomic groups according to their poverty rate in a statistically significant way. See Fofack *et al.* (2001).

decreased markedly from 50.1 to 42.4 percent. In addition (and again in contrast to most other groups) the depth of poverty also decreased for those cash crop farmers who were poor. Here there seems to be a clear effect of the devaluation and other reforms that increased the pay-off to cash crops. In spite of this the relative contribution of cash crop farmers to the total number of poor increased; from about 12 in 100 in 1994 to about 16 in 100 in 1998. This reveals, again, the importance of mobility for poverty dynamics. Clearly the economic incentives were such during this period that more households decided to move into cash crop farming. This mobility into cash crop farming probably also explains why the poverty rate increased among (the remaining) food crop farmers and why, in spite of this, their relative contribution to the total number of poor decreased somewhat. But even so, food crop farmers still accounted for more than three out of four poor persons in Burkina Faso.

Table 12 also reveals the clear deterioration in the living conditions of those socio-economic groups who had the lowest poverty rates in 1994, probably reflecting the effects on real incomes of the devaluation (which increased prices of imported consumption goods for the urban population), but also public sector reforms and the influx of people from rural areas into urban informal work.

There are also important poverty and distributional issues related to gender and family structure. The poverty rate is for example substantially higher for polygamous households than for monogamous ones. In 1994 the poverty rate for monogamous households was 38 percent, for polygamous households with two wives 50 percent, and for polygamous households with three wives or more 57 percent.[58] One reason for the higher poverty rates for polygamous households is that their average size (and thus the number of dependants to support) is significantly larger than monogamous households.[59] The poverty line and poverty rate approach is, however, not well suited to analysing the issue of the distribution of economic resources between women and men since it assumes, by its very construction, that household expenditures are divided

[58] Ouattara *et al.* (1997), p. 16. The corresponding rates from the 1998 Priority Survey are (as far as we know) not available.
[59] About household size and dependancy ratios in different types of families in Burkina Faso see also Lachaud (1997), p. 31-35.

equally[60] between the household members, independently of their sex. Thus it cannot illuminate the issue of intra-household allocation of time, assets and expenditures, which is central to gendered distributional outcomes.[61] Instead, other kinds of data must be used, one being data on the accumulation and distribution of human capital by gender.

Accumulation of Human Capital

The human capital situation in Burkina Faso, when the first structural adjustment programme was signed in 1991, was extremely poor in terms of both educational capital and health capital. Thus it is no surprise that the improvement of basic education and health, particularly for the rural population and for the poor, has been on the reform agenda throughout the 1990s and remains a priority in the Poverty Reduction Strategy for the 2000s. Increased resources have been devoted to these sectors[62] and substantial investments have been made in new schools and health centres and in the hiring of teachers and health personnel. The results so far have, however, been rather meagre.

Investments in Education

Table 13 provides indicators of the situation and the results achieved in the educational area during the 1994-1998 period as revealed by the Priority Surveys. As can be seen, the overall literacy rate was very low, 18.9 percent in 1994, and showed no improvement. Neither did the substantial urban-rural gap in literacy decrease. There was, however, a slight improvement in both urban and rural women's literacy rates, which also meant that the gender gap in literacy decreased somewhat. But still only about 7 percent of rural women (as compared to about 16 percent of rural men) were literate in the late 1990s. How about the educational investments made in the younger generations, as measured by the (gross) enrolment rates? Here some increases took place, particularly in primary education. The increase in gross enrolment in primary

[60] After adjustment by an equivalence scale for the age structure (adults/children) of the household.
[61] However it is well known from other sources that women in Burkina Faso by tradition have less decision-making power, and less control over assets, than men have. See IMF (2000b), p. 8 and Ministry of Economics and Finance (2000), p. 20-21.
[62] As already noted above public expenditure on health and primary education increased from 2 percent of GDP in 1991-1992 to 3.6 percent of GDP in 1999-2000.

education concerned all groups, girls as well as boys and rural as well as urban children.[63] But the relative changes were such that the urban-rural gap in enrolment rates actually increased quite substantially, both for boys and girls. For the gender gap the picture is more mixed. The urban gender gap in enrolment rates decreased from 9.6 to 7.1 percentage points between 1994 and 1998, whereas the rural gender gap increased from 12.5 to 13.2 percentage points. Enrolment in secondary education went up for both boys and girls but the gender gap in enrolment rates remained unchanged at 5.2 percentage points. Table 13 further reveals that the overall enrolment rate in higher education decreased somewhat during those years, probably reflecting the policy shift towards making basic education the priority. But it should be noted that the male enrolment rate in higher education actually increased and that the gender gap in higher education became larger.

Table 13: Education Indicators (in %)

	1994			1998		
	Urban	Rural	Total	Urban	Rural	Total
Literacy rate	51.6	11.8	18.9	50.6	10.8	18.4
Men	61.7	18.8	27.1	59.9	15.6	24.8
Women	40.9	5.7	11.4	42.0	6.8	12.9
Gross enrolment-primary	74.2	28.4	35.2	102.3	30.8	40.9
Boys	79.0	34.3	40.5	105.8	37.1	46.7
Girls	69.4	21.8	29.3	98.7	23.9	34.7
Gross-enrolment-secondary	36.7	4.9	11.2	48.8	4.5	13.0
Boys	44.8	6.6	13.7	56.4	5.8	15.4
Girls	28.8	3.1	8.5	41.2	3.1	10.2
Gross enrolment-higher	6.1	0	1.4	4.9	0	1.3
Male	8.6	0	2.1	7.9	0.1	2.3
Female	3.4	0	0.7	1.9	0	0.4

Source: Ministry of Economy and Finance (2000), p. 14.

[63] The completion rate in primary education is low, 60 percent, and in rural areas it amounts to just 49 percent (41 percent for girls). Repetition rates are also high; they average 15 percent in grades 1-5, and more than 40 percent in the sixth (final) grade (indicating an excess demand for the first cycle of secondary education). The high repetition rates mean that the net enrolment rates (which relate the number of enrolled children of the "correct" age to the size of the same age cohort) are significantly lower than the gross enrolment ones. See IMF (2000b), p. 20.

What are the factors, besides location (urban-rural) and gender, which affect school enrolment and non-continuation? Perhaps most important, there is a clear influence of household income (as measured by total household expenditure). For example, in 1998 the urban gross enrolment rate in primary education was 72 percent for the first income quintile and then rose to 85, 103, 105 and 116 percent for the consequent quintiles.[64] For urban females the corresponding quintile figures were 55, 91, 84, 90 and 114 percent. For rural males the enrolment rates by quintile were at 32, 30, 36, 41 and 63 percent while those for rural females were at 16, 17, 22, 30 and 49 percent. Besides the role of income, these figures also reveal that there is a gender gap in (almost) all income groups, a gap that is particularly pronounced in rural areas. The role of household income and the existence of a gender gap irrespective of household income are even more pronounced when it comes to secondary school enrolment. Thus in 1998 the urban enrolments rates in secondary education by household income quintile were 14, 23, 25, 36 and 81 percent for males and 5, 17, 16, 34 and 55 percent for females. This means that the gender gap in school enrolment cannot be ascribed to income restrictions only.[65] Another indication that it is not only household income that matters is that the primary school enrolment rates for children from the poorest quintile in urban areas are higher than the rates for children from the richest quintile in rural areas. But still, high costs of continuing in school are, besides insufficient school performance, the most frequent reason given for dropping out from primary school.

The relation between household income and education goes in both directions. Thus households reporting higher levels of parental education are more likely to have higher incomes and low poverty incidence. For example, of all the poor in 1998 about 94 percent had no education and 3 percent had not completed primary school. At the highest level of education almost everyone was non-poor.[66] This means that there is a severe risk of intergenerational transmission of poverty, with the children of poor parents getting less educational investments than other children and hence, in their

[64] These figures as well as the information that follows are from Ministère de l'Économie et des Finances and INSD (2000).
[65] Relevant in this context is also that income equations estimated from the 1994 Priority Survey show high private rates of return to education for both males and females. For salaried workers the private rates of return are actually higher for women than for men. See Lachaud (1997), p. 80-84.
[66] Fofack *et al.* (2001), pp. 15 and 25.

turn, having low incomes and a higher risk of being poor as adults and so on in a vicious circle.

Investments in Health

Health indicators such as life expectancy at birth, infant, child and maternal mortality place Burkina Faso among the most disadvantaged in Sub-Saharan Africa. The evolution of health indicators over time also gives cause for concern; between 1993 and 1999 certain indicators showed no noteworthy improvement while others (e.g. child mortality) deteriorated.[67] Health indicators also show significant disparities in the state of health between the richest quintile of the population and the four poorer quintiles. This is of course partly the result of the differences in general standards of living (food, housing, sanitation etc.) by income group. But it also reflects differences in the access to and utilisation of health services, i.e. differences in health investments. Public policy in the health sector has aimed at increasing the accessibility and quality of health centres and health services, particularly for the rural population and the poor.[68] But, as we shall see, in 1998 there still remained large differences in health service utilisation between urban and rural areas and between different income groups.

The morbidity rate[69] differs between rural and urban areas, but not in the direction one would expect. In 1998 the urban morbidity rate was 10.1 percent for men and 11.5 percent for women, whereas the rate for rural men was only 6.2 percent and that for rural women only 6.4 percent.[70] Rather than genuine differences in health between the rural and urban population these figures reflect differences between the populations in their perception of "being sick". Clearly it takes more to classify oneself as being sick when one lives in rural areas.[71]

Among those who defined themselves as being sick the consultation rate (i.e. the percentage that had undertaken any curative medical consultation, modern or

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[67] The information about health indicators is from Ministry of Economics and Finance (2000), p. 14-16.
[68] For descriptions of the measures undertaken and the policies planned for the health sector, see Ministry of Finance (2000) and IMF (2000b).
[69] In the 1998 Priority Survey the morbidity rate is defined as the percentage of the population in question that declared themselves sick during the course of the 15 days preceding the interview.
[70] Ministère de l'Économie et des Finances and INSD (2000), p. 43.

traditional) varied.[72] The rate was 50 (45)[73] percent for urban men and 46 (46) percent for urban women which can be compared to rates of 39 (38) percent for rural men and 34 (36) percent for rural women (in spite of the rural "sick" probably being sicker than the urban "sick"). The consultation rate also varied by income; it went from 29 (27) percent for those from the poorest quintile to 53 (53) percent for those from the richest. The (curative) consultation rates had remained roughly unchanged since 1994.

What were the reasons given for not undertaking medical consultation among those who had been sick? The two main reasons were that the illness was not serious (29 percent) and that he/she had practised self-medication (33 percent). Third came that he/she did not have money and the high costs (together 24 percent). The percentage of the non-consulting sick giving these economic reasons went from 38 percent for those from the poorest quintile to only 14 percent for those from the richest quintile. Economic reasons were also more common among non-consulting sick women (36 percent; over 50 percent for women from the two poorest quintiles) than among the non-consulting sick men (23 percent). It should also be noted that only 4 percent gave geographical distance as the reason for not consulting.

In an environment such as that of Burkina Faso preventive care (vaccinations, pre-natal care, tests and check-ups) is also of utmost importance. Thus, also those who had not been sick were asked about any consultations that they had had during the preceding fifteen days. Here clear differences by location, sex and income were revealed. The urban male preventive consultation rate was 5.0 percent as compared to a rural male rate of 2.4 percent. For urban women the rate was 6.9 percent as compared to 4.1 percent for rural women. As household income increased there was a clear increase of the preventive consultation rate. In rural areas it went from 1.2 percent for those from the poorest quintile to 5.5 percent for those from the richest quintile. In urban areas the corresponding increase was from 2.0 to 6.8 percent.

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[71] The morbidity rate also tends to increase with income, another sign that the perception of "being sick" is affected by the individual's circumstances.

[72] The data on consultation rates are all from Ministère de l'Économie et des Finances and INSD (2000).

[73] The figures in parentheses here and in the following are the corresponding consultation rates from the 1994 Priority Survey.

Monitoring Performance

Even if increased resources during the 1990s were allocated to basic education and health and this has resulted in increases in quantitative indicators such as number of schools, health centres, teachers and health personnel, etc. there has been some doubt about the ultimate results in terms of actual improvements in the delivery and quality of services and in educational and health outcomes.[74] This (and other reasons) led to the initiation, in 1997, of a pilot project concerning Burkina Faso (called the Conditionality Reform Test Exercise) intending, among other things, to identify and develop better performance indicators.[75] The project has involved a wide range of lenders and donors and has been co-ordinated by the European Community within the framework of the Special Program for Africa (SPA). The idea behind the project was that all donors and lenders (in cooperation with the country in question) should reach consensus on a series of performance indicators for key sectors of government activities (including the education and health sectors). These indicators would then be used as the basis for decisions regarding disbursement of financial assistance – preferably in the form of budget support. A summary report of the project was presented in November 2000.[76] The findings and proposals about improved outcome indicators will (if implemented) make for better future possibilities of monitoring and improving performance in the social sectors.

Another study that illustrates the important insights into outcomes in the social sectors (and the factors that affect them) that can be gained from in-depth statistical analysis of good and rich data sets is by Michaelowa (2000). Using a data set that contains standardised and comparable data for Burkina Faso, Cameroon, Côte d'Ivoire, Madagascar and Senegal on the quality of educational outcomes in primary education (as measured by standardised tests in Mathematics and French in the five countries) as well as information about the individual pupils and their families, characteristics of their school and class, and characteristics of their respective national school systems, she arrives at a number of interesting and policy-relevant findings

[74] See e.g. Ministère de l'Économie et des Finances and GTZ (1998), p. 101-102 and also various reports over the years from IMF.
[75] For a short description of the project see Ministry of Economy and Finance (2000), p. 58.
[76] See SPA Task Team (2000).

about the determinants of efficiency and equity outcomes in primary education. Clearly the findings from this type of study can also be used as an important input into how to design more efficient policies and improve outcomes in human capital areas.

5. Raising and Balancing Growth: The Challenges Ahead

From our discussion and analysis of developments in the Burkinabè economy during the 1990s two conclusions emerge. First, the key to improved living conditions and reduced poverty is necessarily to be found in higher, sustained and more balanced economic growth in the future. Second, the obstacles to such growth are mainly of structural nature and interact in ways that tend to land the country in a poverty trap. To escape from this "structural" trap will require long-term, concerted and sustained efforts. In this perspective the structural adjustment programmes were but a first step on a long road ahead. The reorientation of public expenditures in favour of primary education and health, the broadening of the tax base, the liberalisation of foreign trade, the removal of obstacles to internal trade, improved governance, etc. all these measures did indeed contribute to improving economic performance in Burkina Faso. But three problems of more structural character remain that put severe limits on the rate and the nature of economic growth in the country. These three critical issues are concerned with human capital accumulation, the informal sector and agriculture performance. It is worth pointing out that these issues are strongly inter-related and that development policy should address all of them simultaneously in order to be successful and take the country out of the poverty trap. The support of the donor community is essential for tackling these issues even if the ultimate success depends upon a genuine, strong and long-term commitment of the Burkinabè policy makers. From a political economy perspective, the success of the policy also depends upon the support of the civil society, or at least of a large part of it.

Human Capital Accumulation and Growth

Human capital accumulation occupies a paramount role in the long-term strategy of the Burkinabè government to improve economic wellbeing and eradicate poverty. The donor community, not least in connection with the HIPC initiatives, has encouraged this priority with particular emphasis on primary education and health. Whether and to what extent human capital accumulation brings about higher growth is, however, a rather complex and intricate issue. Educational attainment, skills and other knowledge make up the human capital stock. The size and composition of this human capital stock respond to the structure of economic incentives and it is allocated to different activities that are characterised by varying private rates of return (wages and additional earnings). Some activities are growth promoting (to various degrees) whereas others are neutral or even detrimental to growth. Examples of the latter are the various rent-seeking activities that arise out of public regulations and impediments to free trade and are associated with distortions and inefficiencies in resource allocation. It is the distribution of the stock of human capital between these different sorts of activities that determines the impact of human capital accumulation, in particular education, on economic growth.[77] Prior to the start of reform policy, the incentive structure in Burkina Faso worked strongly against growth-enhancing activities as illustrated by much higher private rates of return in the public sector than in the rest of the economy, both its formal and informal parts. Not surprisingly therefore the public sector absorbed the lion's share of qualified labour in the country, contributing to weaken the impact of human capital accumulation on longer-term growth.

The deregulation of economic activities, the restrictions put on public current expenditures, the opening up of the economy to international competition and the introduction of other market-oriented reforms are likely to encourage private production and to change the structure of incentives (relative private rates of return) in favour of growth-enhancing activities. In the medium and longer term this is likely to bring about a reallocation of the human capital stock across activities. But the remaining strong incentives in favour of public sector jobs (as illustrated by the high ratio of average public wage to per capita GDP in Figure 6) and the relatively slow growth of private non-rural activities, not least in the formal sector, indicate that this reallocation is proceeding slowly and on a limited scale. Admittedly more needs to be done to bring about a reallocation of the human capital stock that is conducive to

[77] For a more comprehensive examination of the relation between human capital and growth, see e.g. Pissarides (2000).

sustained high growth over time. New human capital formation and the redeployment of education expenditures in favour of primary education can also alter the distribution of the human capital stock across activities.[78] Such a redeployment of education expenditure is for example likely to better the balance of growth across space. But there remains the issue of the real quality of the investments that are taking place in primary education and their real efficiency in favouring human capital formation and growth.

What Role for the Informal Sector?

In Burkina Faso the relatively high growth rates witnessed over the past decade can to a large extent be ascribed to the expansion of the informal sector. The informal sector represents a dominant share of the economy. Slow growth of formal activities, high population growth, strict labour market regulations and important rural-urban migrations are the kinds of factors that are usually put forward to explain the growth of informal activities. In the mid-1990s informal employment was responsible for some 80 percent of total non-agricultural employment in Burkina Faso (Table 9). Informal activities are dominated by commerce that accounted for 44 percent of informal employment in the mid-1990s. But industry experienced the most rapid growth between the mid-1980s and the mid-1990s and accounted in the mid-1990s for 30 per cent of informal employment, which is more than total employment in the whole formal sector (public and private).[79] Another pervasive feature of the informal sector is the overriding and growing role of family enterprises, which are responsible for 87 percent of total informal employment.

The considerable role of the informal sector in the Burkinabè economy makes it critical for the aggregate growth prospects. It is also critical for human capital accumulation because it is on the labour market of the informal sector that a large share of the human capital stock is put to use and remunerated. This means that a

[78] Between the mid-1980s and the mid-1990s, the share of public education expenditure devoted to primary education increased from 38 to 57 percent while that of higher education shrank from 31 to 18 percent.

[79] This finding contradicts earlier beliefs that deregulation and other market-oriented reforms should give formal activities a new impetus and give them the opportunity to regain market shares from the informal sector. For an analysis of the reasons behind this and similar findings in African countries, see Aryeetey (1995).

policy that aims at boosting aggregate longer-term growth cannot bypass a solid understanding of the informal sector in order to determine its dynamic contribution to growth, employment and private investment. Such an understanding is also necessary in order to be able to judge the sustainability of higher and more balanced growth rates. Unfortunately knowledge of the informal sector in Burkina Faso is poor. No survey of micro-enterprises in the informal sector is available. There are therefore no answers to crucial issues such as: 1) the factors that affect the growth of small enterprises since their start-up; 2) the barriers to small firms' entry and expansion; 3) the obstacles to the transformation of informal into formal micro-enterprises; 4) the influence of the sector of activity on entry and exit probabilities; 5) the role of human capital in the survival of micro-enterprises; 6) the existence or absence of medium-sized enterprises (the so-called "missing middle") in the informal sector; 7) the role of the labour market legislation and other "macro" factors in the start-up and expansion of micro-enterprises; 8) the degree and nature of the interaction between informal and formal activities; 9) the distribution and character of informal activities and enterprises across space and their contribution to poverty alleviation; 10) the impact of the growth of informal activities on tax revenue. These are the kinds of issues that one needs to illuminate in order to understand the dynamic role of informal activities in the growth process, and how economic policy can integrate such activities into the overall growth strategy in Burkina Faso.[80]

Poor Agricultural Performance

A third critical issue when it comes to growth concerns the agricultural sector. Rural reforms in developing and socialist countries are generally of two sorts: 1) marketisation reforms, which in most cases involve the removal of official administrative systems of allocating farm inputs and outputs (public or semi-public marketing boards), and the liberalisation of internal and, sometimes, foreign trade; and 2) land tenure reforms, which involve changes in ownership structure, land privatisation, better defined and enforceable property rights and, when land formally remains national property, the strengthening of use and decision-making rights.

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[80] There exists a vast literature on the role and characteristics of the informal sector and micro-

Reform policy in Burkina Faso has liberalised internal trade. This has contributed to an increased integration of the regional and local markets with larger internal trade flows and lower price dispersion across space.[81] Lower transaction costs and increased internal integration have also contributed to the rapid growth of informal activities in commerce and micro-finance.

But reform policy has so far not addressed agricultural tenancy in a satisfactory way. In Burkina Faso, as in the other Sahelian countries, the history of land rights is rather conflicting, reflecting the shortage of fertile land. The property rights system in Burkina Faso is a hybrid of traditional local land tenure and national ownership. Local land tenure regimes are considered more suitable to combine crop-farmers' and pastoralists' land use and to secure both groups' livelihood.[82] Local land tenure regimes are also considered to exhibit a greater flexibility and to better respond to ecological constraints (spatially and temporally irregular rainfall). The land tenure system was reformed in 1984 and all land became national property. The land reform had, however, very limited effects because of its ambiguous and conflicting interpretation of land rights and also because of the lack of institutions in charge of its enforcement. In 1991, the land legislation was once again revised; the traditional local land tenure systems recovered their role in the resolution of land disputes with, as a consequence, bargained and frequently insecure land rights.[83]

The productivity of the agricultural sector in Burkina Faso is very low by international standards with the exception of some export crops, like cotton.[84] This very low productivity is the main determinant of the low rural incomes and the pervasive poverty in rural areas. Intensified land use is necessary to increase productivity and real incomes. It is also necessary in order to secure the transition from subsistence to market agriculture and to favour the emergence and development of non-farm activities in rural areas. Several measures can contribute to improving productivity: improved access to inputs and fertilisers, increased mechanisation,

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enterprises in Africa. For a recent survey, see Marniesse (2000).

[81] For an exhaustive illustration and analysis concerned with the cereal market, see Bassolé (2000).

[82] See e.g. Breusers (2001).

[83] See Lund (2001a), pp. 198-200 and Gray and Kevane (2001), p. 575.

[84] For an analysis of the structure and performance of the agricultural sector between the early 1980s and the mid-1990s, see Gamsore (2001).

increased human capital that makes it easier for farmers to adopt new crops and more modern production methods, and better access to output markets. But increased private investments in agriculture, both human and physical, require better protection of the returns to farming and of the investments made, something that can hardly be secured without moving from traditional patterns of land tenure to better-defined and enforceable private forms of property rights.[85] And the latter can hardly be achieved without the establishment of institutions for contract enforcement. There is a kind of cumulative process in developing countries between increases in agricultural productivity and the restructuring and deepening of property rights in land.[86] Reform policy in Burkina Faso so far has put emphasis on human capital accumulation (through increased expenditures on primary education and health) and better access to output markets as ways to improve agricultural productivity.[87] These are steps in the right direction but they need to be complemented by the strengthening of land property rights if the objective is to get a dynamic process going in the agricultural sector that will contribute to sustained higher and more balanced growth in Burkina Faso.[88]

6. Summary

Burkina Faso has gone through long episodes of political instability during the three decades following independence. Frequent changes of political regimes and time and again military involvement in political life have plagued the country over this long period. To a large extent this political instability could be ascribed to the existence and workings of a patronage system in favour of urban, middle-class groups. High relative

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[85] A first step in this direction is the expansion of individual use and decision-making rights at the expense of collective rights in Burkina Faso. See Gamsore (2001), pp. 152 and 174.

[86] See e.g. Bardhan and Udry (1999), pp. 60-62. For a more qualified discussion with special reference to West Africa, see Lund (2001b).

[87] A recent illustration of this strategy is the planned creation of SOPROFA, a company in charge of the marketing and processing of cereals, vegetables, rice and other agricultural products. The capital of SOPROFA will be shared between the Swiss company AIGLON (75 percent) and the Burkinabè State (the remaining 25 percent). On the logic behind the creation of SOPROFA, see the interview with the Minister of Agriculture in *L'Observateur*, 20-22 July 2001 (No. 5446, pp. 17-20).

[88] A recent study of Gray and Kevane (2001), concerned with three villages in the cotton-growing region of South Western Burkina Faso, shows that agricultural intensification and more secure land rights actually occur simultaneously and tend to reinforce each other. The study also shows that the adoption of intensification practices is positively related to farm household wealth and that poorer

wages for the minority employed in the civil service and the semi-public sector, and limited resources devoted to social sectors and rural areas were two main characteristics of this patronage system. Both characteristics were challenged by reform policy, which started on a limited scale in the late 1980s and was intensified during the 1990s with the technical and financial support of the international donor community.

Reform policy has been successful in breaking down the worst sides of the patronage system, by introducing some structural reforms and reorienting public expenditures in favour of rural areas. An illustration of the latter is the large increase in public expenditures devoted to primary education and the health sector. This reorientation was initiated in the early 1990s but has received a new and considerable impulse from the HIPC initiative. The reorientation has run parallel with an improvement of economic performance as illustrated by the relatively good growth performance (particularly when compared to other sub-Saharan countries). Macroeconomic balances have improved as well and part of this achievement can be ascribed to regional integration and the WAEMU monitoring of fiscal policies. This improvement is, however, fragile as suggested by the sudden worsening of the fiscal situation in 2000 (as a result mostly of external factors like the political and economic instability in Côte d'Ivoire and deteriorated terms of trade). On the other hand, and until now, the deepening of the regional integration process has had but limited trade creation effects, and the positive impact on growth of enhanced trade specialisation has fallen short of expectations.

Poverty is still pervasive and overall only minor changes could be noticed in its evolution over the 1990s. In urban areas poverty actually increased. A reason is that improved economic conditions, particularly higher economic growth, have not been sufficient to outweigh the impact of rapid population growth on the scope and depth of poverty. This suggests that in the absence of reform policy the poverty outcome would have been worse. It also suggests that only higher, more sustained and better-balanced growth can significantly reduce poverty in Burkina Faso. But, in order to design

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farm households for that reason tend to be less secure in their tenure rights. Easier access to credit for the poor could therefore also contribute to a better protection of their land rights.

measures that will permit the achievement of higher growth rates over time, a better understanding of the role of human capital accumulation, the informal sector and agriculture in economic development is required. The long-term success of reform policy, in raising real incomes and in taking the country out of the poverty trap, relies heavily on improved insights and measures in these areas.

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