Policy Framework for Investment in Agriculture in Burkina Faso

OECD

Policy Framework for Investment in Agriculture in Burkina Faso

OECD
BETTER POLICIES FOR BETTER LIVES

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2013), *OECD (2013), Policy Framework for Investment in Agriculture in Burkina Faso*, OECD Publishing.
http://dx.doi.org/10.1787/9789264202382-en

ISBN 978-92-64-20237-5 (print)
ISBN 978-92-64-20238-2 (PDF)

IThe statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Photo credits: Cover © iStockphoto.com/Thinkstock.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

Foreword

This review of agricultural investment policy, conducted with OECD support, is intended to support the government of Burkina Faso in drawing up and implementing priority reforms to boost investment in agriculture.

The review is based on the Policy Framework for Investment in Agriculture, developed by the NEPAD-OECD Africa Investment Initiative, the OECD Sahel and West Africa Club and the United Nations Office of the Special Advisor on Africa.

The Policy Framework for Investment in Agriculture is a flexible instrument that governments can use to evaluate and improve their policies for investment in agriculture. It assists governments in using specific measures to create an enabling environment to attract more and better-quality investment in agriculture, in support of national development objectives.

The Policy Framework for Investment in Agriculture raises important questions for governments' consideration and action in ten policy areas:

- investment policy
- investment promotion and facilitation
- human resource development
- trade policy
- environmental policy
- corporate governance and responsible business conduct
- infrastructure development
- financial sector development
- public governance
- and tax policy.

This review focuses on the policy obstacles to private investment in agriculture. It does not cover public investment policies and fiscal policy for agriculture. In view of the range and variety of proposed measures, the review required close coordination with ministries at both the design and implementation phases.

This publication is the result of collective efforts and is based on information and self-assessments provided by the government of Burkina Faso and interviews with representatives from the private sector, national and international non-governmental organisations, and technical and financial partners. The OECD Secretariat conducted parallel research and summarised the findings. After validating the findings and recommendations with partners in Burkina Faso, the Secretariat supplemented the analysis of the various aspects at two sets of thematic seminars, in March and September 2011. This work was co-ordinated at government level in Burkina Faso by an interministerial committee under the guidance of the Ministry of Agriculture and Water Resources.

This review was prepared by Saïd Kechida of the Investment Division and Samuel Kaboré, under the supervision of Karim Dahou, Executive Manager of the NEPAD-OECD Africa Investment Initiative, and Laurent Bossard and Léonidas Hitimana, respectively Director and Programme Officer of the Sahel and West Africa Club Secretariat. Important contributions were made by Mike Pfister, Dambudzo Muzenda, Kerri Elgar, Jean Sibiri Zoundi, Hélène François, Souleymane Ouedraogo, Moussa Kaboré and Richard Guissou. A number of secretariats of OECD bodies contributed to chapters in the review, including the Committee for Agriculture, Trade Committee, Committee on Fiscal Affairs, Committee on Financial Markets and Public Governance Committee.

The Advisory Group on Investment and Development of the OECD Investment Committee met with Burkina Faso government representatives, guided development of the Policy Framework for Investment in Agriculture and subsequently reviewed it.

Table of contents

Tables

Figures

Preface

by
His Excellency Laurent Sedego,
Minister of Agriculture and Water Resources, Burkina Faso

After 50 years of agricultural policy, Burkina Faso's agriculture sector continues to face a number of challenges amid an ever faster evolving national and international environment. Rural development is still hampered by: unequal access to land, agricultural inputs and equipment; poor infrastructure and financing; inadequate agricultural extension; and natural resource degradation. These constraints limit private investment in the sector and hence its contribution to development.

In recent years, Burkina Faso has undertaken initiatives to increase productive investment in the agricultural sector and has developed a Rural Development Strategy (SDR). However, further efforts are required to create an enabling climate for investment in rural areas and to improve coordination. These efforts must be integrated into a policy framework for promoting investment in agriculture that also contributes to Burkina Faso's development objectives. This prompted the Ministry of Agriculture, with OECD support (NEPAD-OECD Africa Investment Initiative and Sahel and West Africa Club), to conduct the current review of agricultural investment policy in Burkina Faso.

Since the review was launched in May 2010, a steering committee has been established, bringing together the focal points of 17 institutions under the aegis of ministries involved in rural development. The committee has worked closely with civil society, the private sector and parastatal enterprises, as well as Burkina Faso's development partners. Relying on new data and expertise, and focusing on the various ongoing initiatives and programmes, this review:

- makes a situation assessment of investment policies in the agricultural sector and of their limitations and impact on national, regional and international investment

- proposes measures and reforms in the various areas analysed in order to attract investment to the agro-food sector, taking into account the potential environmental and social impact.

These reform proposals will be used to support government efforts to boost investment in agriculture. They will help to implement the guidelines of the National Rural Sector Programme adopted in 2010, and the Strategy for Accelerated Growth and Sustainable Development (SCADD) adopted in December 2010.

Burkina Faso aspires to play a pioneering role and serve as a role model for its West African peers in promoting responsible agricultural investment. While this review shows that undeniable progress has been made, it also highlights limitations requiring reform.

Preface

by
Rintaro Tamaki,
Deputy Secretary-General, OECD

Despite being home to more than 60% of the world's unused agricultural land, the African continent has suffered decades of under-investment in agriculture, resulting in stagnant productivity and lack of growth in the sector. On average, African countries allocate a mere 4% of their total budget to agriculture, compared with up to 14% in Asia. In addition, flows of foreign direct investment and official development assistance to the sector have been limited for many years.

Nevertheless, Africa has begun to attract major foreign investment in the agricultural sector in recent years. This trend has been driven mainly by the growing food needs of emerging markets, as well as land and water shortages and increasing demand for biofuels.

OECD member countries and their partners developed the Policy Framework for Investment, which has become the cornerstone of the OECD's investment and development efforts. The NEPAD-OECD Africa Investment Initiative has adapted this framework to agriculture, in collaboration with African governments, the United Nations Office of the Special Advisor on Africa and the OECD Sahel and West Africa Club. Recognising that sustainable growth in agriculture relies on a wide set of policies that go beyond strict agricultural policies *per se*, the Policy Framework for Investment in Agriculture provides governments with a roadmap in several policy areas for improving the climate for investment in agriculture.

This review is the first time this roadmap has been used. It describes the efforts of Burkina Faso's government to assess its policy framework for investment in agriculture. The review was carried out by an interministerial committee involving no fewer than 17 government agencies, with OECD support. It identified priority reforms in areas ranging from investment policy to financial markets, including taxation, infrastructure and human capital. I welcome the decision of the Burkina Faso government to press ahead with these reforms.

This review is the result of the excellent co-operation between Burkina Faso and the OECD. Burkina Faso has now gained valuable experience in promoting responsible agricultural investment, which it can share with its African peers and around the world.

Acronyms and abbreviations

2iE	International Institute for Water and Environmental Engineering
ABCERQ	Burkinabe Association of Quality Circles
ABN/NBA	Niger Basin Authority
ABV/BVA	Volta Basin Authority
ACP-EU	African, Caribbean and Pacific Group of States and the European Union
ADP	Assembly of People's Deputies
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AMVS	Sourou Valley Development Authority
AN	National Assembly
ANB	National Biosafety Agency
ARCE	Regulatory Authority for Electronic Communications
ARMP	Public Procurement Regulatory Authority
ARSN	Radiation Protection and Nuclear Safety Authority
ARTEL	Telecommunications Regulatory Authority
ASCE	High Authority for State Supervision
AU	African Union
BACB	Agricultural and Commercial Bank of Burkina
BBDA	Burkinabe Copyright Office

BCEAO	Central Bank of West African States
BM	World Bank
BRS	Regional Solidarity Bank
BRVM	Regional Stock Exchange
BTP	Public buildings and works sector
BUNED	National Bureau of Environmental Assessments and Hazardous Waste Management
CAADP	Comprehensive African Agricultural Development Programme
CAMCO	Ouagadougou Arbitration, Mediation and Conciliation Centre
CBC	Burkinabe Shippers' Council
CC	National Audit Office
CC/PSA	Coordinating Committee for Agricultural Sector Policies
CCIA-BF	Chamber of Commerce, Industry and Crafts of Burkina Faso
CCIB	Chamber of Commerce and Industry of Burkina Faso
CCJA	Common Court of Justice and Arbitration
CDF	Comprehensive Development Framework
CEFAC	Centre for the Facilitation of Building Permits
CEFORE	Business Registration Centre
CET	Common External Tariff
CGU	One-Stop Centre for Trade and Investment
CICAFIB	Interministerial Committee for the Coordination of Biofuel Sector Activities in Burkina Faso

CIFAME	Interdepartmental Committee to facilitate the Multisector Approach in the Energy Sector
CIL	Data Protection Authority
CILSS	Permanent Interstate Committee for Drought Control in the Sahel
CIRAD	French Agricultural Research Centre for International Development
CIRDES	International Centre for Livestock Research and Development in the Subhumid Zone
CISE	Interministerial Water Monitoring Committee
CLE	Local Water Management Committees
CNCC	National Competition and Consumer Commission
CNCDR	National Framework for Rural Stakeholder Consultation
CNE	National Ethics Committee
CNI	National Investment Commission
CNLF	National Anti-Fraud Agency
CNRST	National Centre for Scientific and Technological Research
CNS	National unit for monitoring and coordinating the implementation of WTO agreements
CONEDD	National Council for the Environment and Sustainable Development
CPI	Presidential Investment Council
CRA	Regional Chambers of Agriculture
CREPA	African Regional Centre for Safe Water and Sanitation
CSC	High Council for Communication
CSO	Civil Society Organisation

CTE	Technical Water Committee
CTP	Joint Technical Committee
CVD	Village Development Council
DAJC	Legal Affairs and Litigation Directorate
DC	Cadastre Directorate
DFC	Wildlife and Hunting Directorate
DGCN	Directorate-General for Nature Conservation
DGCOOP	Directorate-General for Co-operation
DGEF	Directorate-General for Water and Forests
DGEP	Directorate-General for Economy and Planning
DGI	Directorate-General for Taxes
DGMP	Directorate-General for Public Procurement
DGPER	Directorate-General for Promotion of the Rural Economy
DGPSP	Directorate-General for Private Sector Promotion
DOS	Strategic Orientation Document
DPSAA	Directorate of Forecasting and Agricultural and Food Statistics
EBCVM	Burkinabe Household Living Conditions Survey
ECOWAP	Agricultural Policy of the Economic Community of West African States
ECOWAS	Economic Community of West African States
ENEF	National School for Water and Forest Resources
ENESA	National School for Animal Production and Health
EPA	Annual Agricultural Survey
ESMP	Environmental and Social Management Plan
FAIJ	Support Fund for Youth Initiatives
FAO	Food and Agriculture Organization of the United Nations
FAPE	Support Fund for Employment Promotion

FASI	Support Fund for the Informal Sector
FCFA	CFA (Communauté Financière Africaine) Franc
FDI	Foreign Direct Investment
FEER	Water and Rural Infrastructure Fund
FIP	Forest Investment Programme
FIPA	Foreign Investment Promotion and Protection Agreements
FODEL	Livestock Development Fund
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GUF	One-Stop Shop for Land Transactions
HACLCC	High Authority for the Coordination of Anti-Corruption Activities
HIPC	Heavily Indebted Poor Country
ICT	Information and Communication Technologies
IDR	Rural Development Institute
IEPP	Inspectorate of Public and Parastatal Enterprises
IFC	International Finance Corporation
IGE	State Inspectorate-General
IGF	General Inspectorate of Finance
IGS	General Inspectorate of Services
IMF	International Monetary Fund
INERA	National Environment and Agricultural Research Institute
INSD	National Institute of Statistics and Demography

IPA/API	Investment Promotion Agency
IPPA	Bilateral Investment Promotion and Protection Agreements
IPPM	Integrated Production and Pest Management
IRD	French Research Institute for Development
ITS	Technical Inspectorate of Services
IWRM	Integrated Water Resources Management
JNP	National Farmers' Day
LIPDHD	Letter of Intent on Sustainable Human Development Policy
LPDRD	Policy Paper on Decentralised Rural Development
MAH	Ministry of Agriculture and Water Resources
MAHRH	Ministry of Agriculture, Water Resources and Fisheries
MASSN	Ministry of Social Action and National Solidarity
MCPEA	Ministry of Trade, Enterprise Promotion and Crafts
MEBA	Ministry of Basic Education and Literacy
MEBF	Burkina Faso Business Centre
MECV	Ministry of Environment and Livelihoods
MEF	Ministry of Economy and Finance
MFI	Microfinance Institution
MOB	Bagré construction project
MOZ	Ziga construction project
MRA	Ministry of Animal Resources
NAIP	National Agricultural Investment Programme
NEPAD	New Partnership for Africa's Development

NPFS/PNSA	National Programme for Food Security
NWFP	Non-wood forest product
OAPI	African Intellectual Property Organization
OECD	Organisation for Economic Co-operation and Development
OHADA	Organisation for the Harmonisation of Business Law in Africa
ONAC	National Foreign Trade Office
ONATEL	Burkina Faso's national telecommunications operator
ONEA	National Water and Sanitation Company
OPA	Professional Agricultural Organisation
PACDE	Competitiveness and Enterprise Development Project
PAFASP	Agricultural Diversification and Market Development Project
PAGIRE	Action Plan for Integrated Water Resources Management
PAN/LCD	National Plan of Action to Combat Desertification
PAPISE	Action Plan and Investment Programme for the Livestock Sector
PAS	Structural Adjustment Programme
PASA	Agricultural Structural Adjustment Programme
PAU	Agricultural Policy of the West African Economic and Monetary Union
PCD	ECOWAS Community Development Programme
PDA	Agricultural Development Programme

PDA/ECV	Ten-Year Environment and Livelihoods Action Plan
PDL	Local Development Programme
PER	Regional Economic Programme
PFIA	Policy Framework for Investment in Agriculture
PFN	National Forest Policy
PIP	Public Investment Programme
PISA	Agriculture Sector Investment Programme
PNCD	National Communication for Development Policy
PNDEL	National Sustainable Development Policy for Livestock
PNE	National Water Policy
PNGT	National Village Land Management Programme
PNRC	National Capacity Building Policy
PNSR	National Rural Sector Programme
PPP	Public-Private Partnership
PROSDRp	Sector Programme for Productive Rural Development
PROTECV	Three-year Environment and Livelihoods programme
PRSP/CSLP	Poverty Reduction Strategy Paper
PSDMA	Ten-year Strategic Plan for Modernising the Public Administration
PSFMR	National Rural Land Security Policy
PSO	Strategic Operating Plan for sustainable growth in agriculture

QUIBB	Questionnaire on Basic Indicators of Well-Being
RAF	Agrarian and Land Reform
RAIP	Regional Agricultural Investment Programme
REN-LAC	National Anti-Corruption Network
RGA	General Agricultural Census
RGAP	Comprehensive Reform of Public Administration
RGPH	General Population and Housing Census
SAGE	Water Development and Management Scheme
SCADD	Strategy for Accelerated Growth and Sustainable Development
SDAGE	Water Development and Management Master Plan
SDR	Rural Development Strategy
SIM	Agricultural market information system
SITARAIL	International Society of African Transport (private rail concession)
SME	Small and medium enterprise
SMI	Small and medium industry
SNAT	National Land Use Planning Scheme
SNSA	National Food Security Strategy
SNTR	National Rural Transport Strategy
SOFIGIB	Burkina Faso’s Financing and Interbank Guarantee Company
SOFITEX	Burkina Faso’s state-owned cotton company
SONABEL	Burkina Faso's state-owned electricity company
SONAGESS	National Food Security Reserve Management Corporation
SONAPOST	Burkina Faso’s national postal service
SP/CPSA	Permanent Secretariat for the Coordination of Agricultural Policies

SPR/WSC	Soil Protection and Restoration / Water and Soil Conservation
SWAC	Sahel and West Africa Club
SYSCOA	West African Accounting System
TGI	Regional Courts
UEA	Agricultural Extension Unit
UEMOA	West African Economic and Monetary Union
UGGF	Union of Forest Management Groups
UICN	International Union for Conservation of Nature
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organization
ZATA	Agricultural Technical Support Zone
ZIPA	Intensive Animal Production Area

Executive summary

Since the early 1990s, Burkina Faso has been engaged in a wide-ranging programme of reforms to strengthen the foundations of its socio-economic development. The primary sector (agriculture, livestock, forestry and fisheries) has been one of the main targets of this reform. The sector employs more than 86% of the working population and contributes at least 30% of the nation's wealth. Burkina Faso has a major untapped potential for agro-pastoral development. However, the agricultural sector still faces a number of challenges constraining the country's ability to fully grasp its agricultural development opportunities. Agricultural performance is hampered by difficult access to land, agricultural inputs and equipment, poor infrastructure and financing, inadequate agricultural extension, and natural resource degradation.

The funding of the agricultural sector, which averaged 11.43% of the national budget between 1995 and 2008, fell from 14.78% of gross domestic product (GDP) in 2000 to 11.68% in 2008. In parallel, the agricultural sector's share of the capital budget funded by the government's own resources, which stood well above 10% between 2000 and 2003, shrank by almost three points between 2004 and 2007 before rising again to 12% in 2008. The Maputo commitment, made at a summit of the New Partnership for Africa's Development (NEPAD) in 2003, to allocate at least 10% of national budgetary resources to agriculture within five years, appears to have been met. Nevertheless, funding of the agricultural sector is still largely dependent on international aid. In 2008, 80% of public agricultural investments were financed by external resources. The sector also suffers from chronic under-investment, with the majority of resources concentrated in the cotton sector. Private investment remains limited and difficult to quantify.

The sector performance is characterised by an agricultural output per worker at a virtual standstill and remains weather-dependent. Following a good performance in 2008, boosted by favourable weather conditions and a proactive policy to assist producers (distribution of agricultural inputs and equipment), the sector experienced a slowdown in 2009, with the cereal harvest declining by 10%, mainly owing to poor rainfall distribution and flooding in September 2009. This meant that there was no rebound in cotton production (449 500 tonnes in 2009 compared with 457 400 tonnes in 2008). Between 2008 and 2009, the price paid to cotton producers also fell from 165 to 160 FCFA per kilogramme (kg). Prospects look better for the 2010-2011 period, with an expected annual growth of around 7% thanks to dynamic subsistence farming and livestock sectors.

The aim of this review of the Policy Framework for Investment in Agriculture, conducted with OECD support, is to support government efforts to boost investment in agriculture. It assesses Burkina Faso's progress in designing an attractive policy framework for investment in agriculture, identifies the main challenges ahead and proposes concrete policy measures for addressing them.

Clearly define the concept of an enterprise in the agriculture, forestry and pisciculture sectors

The government has set up a legislative and regulatory framework for investment, including investment in agriculture. However, weaknesses in both the legislation and its implementation place heavy constraints on investors and other stakeholders in the agricultural sector. The new provisions of the Investment Code are difficult to implement because the concept of an enterprise in the crop, livestock, forestry and pisciculture sectors is not clearly defined and agreed upon. This review recommends that a definition of the concept of a farm enterprise be developed and incorporated into the Investment Code or an agricultural investment code, in order to facilitate the access to the benefits available under the legal and regulatory framework. The next important step would be to improve stakeholders' awareness and knowledge of these laws and regulations through targeted information ampaigns.

Initiate a thorough review of the regulatory framework and practices for land titling

The government continues to focus much of its efforts on access to land. A set of measures has been enacted on land ownership declaration and registration. The government adopted a law on rural land tenure after a long consultation process following the adoption of the Rural Land Security Policy (PSFMR) in 2007. A one-stop shop for land transactions (GUF) was set up in Ouagadougou in May 2009, and the Directorate-General for Taxes (DGI) established a tax division responsible for administering land registration in each provincial capital. Despite such progress, the lack of land titles for virtually all farmers, mostly smallholders, and the absence of a coherent policy on compensation for expropriation continue to hinder investment. This review recommends an audit of the one-stop shop for land transactions and the land registration system in order to propose key areas for improving the existing land tenure and registration system. This audit should form part of a thorough review of legal procedures and practices for titling in order to explore different ways and steps for improving land management and administration.

Adopt a coherent export promotion strategy to help promote Burkina Faso's products abroad

Burkina Faso has adopted and implemented the legislation of the West African Economic and Monetary Union (UEMOA) and Economic Community of West African States (ECOWAS) on the Common External Tariff (CET) as well as on the system for monitoring agricultural policies and trade. It participates in the integration policy through agricultural markets and common international negotiations on agricultural trade. However, several ECOWAS and UEMOA countries have fallen behind in implementing community regulations in spite of their commitments. Burkina Faso's preferential access to the markets of developed countries has not been sufficient to significantly increase its production and export capacity. This review recommends the adoption of a coherent export promotion strategy to promote Burkina Faso's image abroad, help enterprises develop networks in foreign markets and increase the country's attractiveness despite its small domestic market.

Prioritise the development of rural roads, irrigation and water management and storage techniques, and alternative energy

Infrastructure development continues to be a priority of Burkina Faso's government. The 2010 budget focuses on five priority areas, including agriculture and infrastructure. The Strategy for Accelerated Growth and Sustainable Development (SCADD) has just been drawn up and identifies public investment in infrastructure as a means of accelerating economic growth. Transport costs remain high and deficiencies in the transport network hinder the development of more sophisticated agricultural products and commercial agriculture. A road fund was created in 2007, but is used for maintaining and rehabilitating the existing network rather than for developing secondary roads, even though the latter are vital in agricultural areas. Roads are overloaded and investment needs remain immense. This review considers that more resources should be made available to improve rural roads and facilitate access to markets, which would help boost agricultural output. Investment in water management and storage and irrigation infrastructure expansion should also be part of infrastructure development strategies, in particular to grow food crops in the dry season which would increase food security. To reduce input costs, alternative energy sources (biogas, biofuels and solar power) should be promoted and play an important role in strategic thinking, while placing the emphasis on food security.

Lower barriers to entry in the banking sector, establish a credit bureau and develop mutual guarantee associations

Burkina Faso's financial system contributes 30% of the country's GDP, relying heavily on the banking sector which holds 90% of all financial assets. Although banks are generally adequately capitalised, they remain vulnerable due to their over-exposure to the cotton sector where prices remain highly volatile. The interest rate spread exceeds 9%, which indicates a lack of competitive pressure that would incentivise banks to attract savings. In 2009, the government adopted a new law on decentralised financial systems, which has led to the rapid development of microfinance institutions. However, most microfinance institutions largely depend on subsidies and are not financially viable. This review recommends lowering barriers to entry in the banking sector in order to encourage competition, reduce the interest rate spread and increase the range of financial services. Authorising the national postal service (SONAPOST) to open a retail banking branch should broaden access to finance. Establishing a credit bureau involving the central bank and interested commercial banks should enhance the transparency of credit markets and reduce information asymmetry. Finally, the guarantee system should become more responsive to the needs of operators and mutual guarantee associations could be launched.

Continue to simplify rules and procedures and introduce financial penalties for grand corruption

In recent years, the government has undertaken several reforms to improve public sector integrity and the quality of business regulation. These reforms led to real improvements in the business climate. In its *Doing Business Report 2009,* the International Finance Corporation identified Burkina Faso as one of the most active reformers. Between 2009 and 2010, the country rose from the 155th to the 147th rank. Burkina Faso also stands out within UEMOA and the Organisation for the Harmonisation of Business Law in Africa (OHADA) as the country that has undertaken the greatest number of reforms. Nevertheless, persistent burdensome regulation and excessive red tape increase the cost and completion time of economic transactions, compounded by what is perceived to be growing corruption among public officials. The existing legal framework should thus be strengthened by introducing dissuasive financial penalties for grand corruption and specific criminal penalties for corporations. Efforts should continue in the area of administrative simplification by involving all stakeholders impartially in the implementation of administrative simplification strategies, including measurement and evaluation mechanisms.

All this, compounded by a global context of recurrent food crises and large-scale agricultural land acquisition, has prompted Burkina Faso’s government to implement coherent policies for boosting investment in the rural sector. Burkina Faso has recently introduced promising initiatives in this area. The National Rural Sector Programme (PNSR), which is close to being finalised, quantifies commitments to public investment in agriculture. Similarly, rural development stakeholders have engaged in sustained consultations to arrive at a shared vision. A national stakeholders’ forum on agriculture and food security is another part of this process of building dialogue to lay the right foundations for implementing the National Rural Sector Programme successfully.

To contribute fully to Burkina Faso’s development objectives, all these considerable efforts must be co-ordinated and integrated into an enabling environment for private investment in agriculture. This review recommends improving institutional coordination and producing relevant data and knowledge to help the authorities to analyse the country’s challenges and strategic positioning, as well as to determine priority investment options.

Chapter 1

Burkina Faso: Progress and challenges

Since the early 1990s, Burkina Faso has been engaged in wide-ranging reforms to strengthen the foundations of its socio-economic development. The country's macroeconomic performance has been encouraging, with an average annual growth rate of 6% between 1995 and 2008. Unfortunately, this good performance has not led to a significant improvement of the living conditions of most of Burkina Faso's 15 million inhabitants. So far the country has been unable to take full advantage of its participation in trade globalisation and the opening to foreign direct investment. The domestic economy is still inadequately supported by the secondary and tertiary sectors and suffers from a lack of diversification, which makes it structurally fragile and leaves its economic growth vulnerable to hazards (particularly climatic) that are inherent to the agricultural sector. This chapter provides an overview of the country's economic and institutional development since the beginning of the economic liberalisation process in 1991 and suggests a number of reforms for improving investment performance of Burkina Faso.

This review examines the institutional and legislative framework for investment in agriculture in Burkina Faso. It describes the progress made so far and further measures that could help encourage private investment in the sector. The review discusses investor perceptions as well as existing or missing policies and how they may affect investment. It also examines the key issue of policy implementation.

The review analyses the agricultural investment climate in Burkina Faso using the Policy Framework for Investment in Agriculture, a tool developed by the NEPAD-OECD Africa Investment Initiative, in collaboration with the OECD Sahel and West Africa Club (SWAC) and the United Nations Office of the Special Advisor on Africa. This tool, based on the OECD Policy Framework for Investment (PFI), is intended to help governments mobilise private agricultural investment to achieve steady growth and sustainable development.

Drawing from the PFI, the Policy Framework for Investment in Agriculture provides a checklist of policy issues to be considered by any government interested in creating an environment attractive to all investors and in enhancing the development benefits of investment to society, especially the poor. It contains a set of questions on the following policy areas: investment policy; investment promotion and facilitation; trade policy; natural resource management; taxation; human resource development; infrastructure development; financial sector development; and public governance.

This review, conducted in close collaboration with the government of Burkina Faso, provides a full and thorough analysis of the investment environment in the agriculture sector and the reforms required to improve agricultural supply conditions. The OECD can help to share this analysis with other countries likely to face similar problems. At the same time, the government of Burkina Faso can use the review to build consensus and capacity within the government. The review calls for an ongoing involvement of the government and the private sector in the evaluation process in order to facilitate both the drafting and the acceptance of policy reforms to improve the agricultural investment climate.

1.1. Overview

Burkina Faso is a landlocked country of around 274 200 square kilometres (km^2), lying in the loop of the Niger River with no access to the sea. It is bordered by Mali in the orth and west, Niger in the north-east, Benin in the south-east and Togo, Ghana and Côte d'Ivoire in the south. Its location in the Sudanian zone endows Burkina Faso with a tropical climate characterised by two seasons: a dry season and a rainy season with rather light and poorly distributed rainfall, which reduces food availability and hence negatively affects the population's nutritional status. The country experiences drought cycles, especially in the north. It is drained by three rivers: the Mouhoun, Nazinon and Nakambé. The nearest point on the Atlantic coast is 500 km away. Burkina Faso's capital of Ouagadougou lies 1 200 km from the port of Abidjan (Côte d'Ivoire), 980 km from the port of Téma (Ghana) and 970 km from the port of Lomé (Togo).[1]

Box 1.1. **Burkina Faso in figures (2008)**

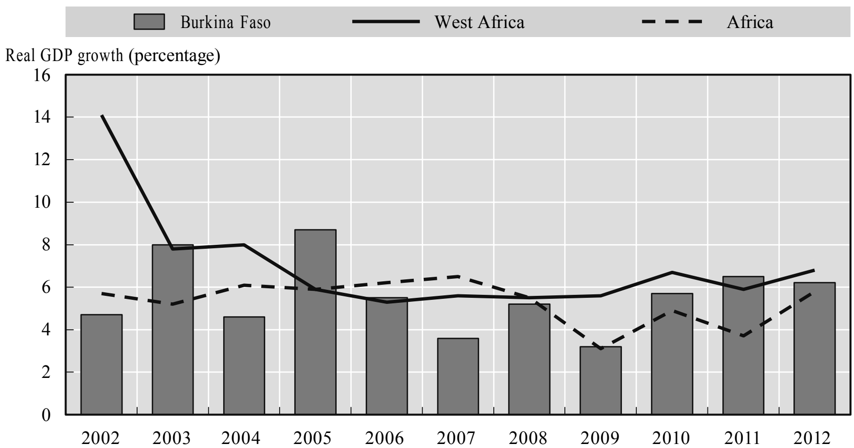
- Surface area: 274 200 square kilometres
- Population: 14.73 million (17.4% urban dwellers)
- Average population density: 53.72 inhabitants per square kilometre
- Gross domestic product (GDP) (1999): 2.916 trillion FCFA
- GDP breakdown:
- Primary sector: 30.5%
- Secondary sector: 24.0%
- Tertiary sector: 45.5%
- Per capita GDP (average *per capita* income): 198 116 FCFA (i.e. USD 319) in 2007
- Estimated overall poverty threshold (Burkinabe Household Living Conditions Survey [EBCVM]): 93 112 FCFA per adult per year

Source: Development of the agricultural sector and of household living conditions in Burkina Faso, DGPER/DPSAA, 2009.

Over the past ten years, Burkina Faso's macroeconomic performance has been encouraging, with an average annual growth rate of 6% between 1995 and 2008. The average annual per capita GDP growth rate was 3.1% between 1995 and 2008.[2] In 2009, the country was impacted by the energy, cotton, food and financial crises. Despite this difficult environment, growth remained positive at 3.2%, compared with 5.2% in 2008.[3]

In 2010, the growth rate increased to 5.7% and the economic outlook foresees even higher growth rates in 2011 and 2012 at 6.5% and 5.2% respectively.[4] This good macroeconomic performance has been achieved by adopting and implementing stabilisation programmes and structural reforms to improve the management of public finances and liberalise the economy. Development partners, for which Burkina Faso is a key partner in the subregion, supported these reforms. Economic competitiveness improved following a 50% devaluation of the CFA franc in 1994, allowing for a relative price adjustment.

Figure 1.1. Real GDP growth rate and per capita GDP (Purchasing power parity US dollars at current prices)



Note: Estimates for 2010 and projections for the following years based on the African Economic Outlook report. 2010.

Source: Data from the IMF and national authorities.

Burkina Faso remained on the fringes of international investment flows and international trade until the 1990s …

Unfortunately, this good performance has not resulted in important improvements of the living conditions of most of Burkina Faso's 15 million inhabitants. With per capita GDP of USD 319, Burkina Faso still faces the challenge of poverty, with 42.8% of its population living below the poverty line (51.5% in rural areas and 20.9% in urban areas) and a large section of its inhabitants living solely from subsistence farming.

Following the revolution in the early 1980s, Burkina Faso has gradually reintegrated the international community since 1987. This political transition was accompanied by a shift in the economic policy towards a market economy. In 1991, the country undertook a number of economic and social reforms, backed by international institutions. Since then, the government has continued to liberalise the economy and support private sector development and, in recent years, has focused on promoting international trade.

Despite sustained and continuous economic development efforts, Burkina Faso remains one of the poorest countries in the world. It has not yet benefited fully from its participation in trade globalisation and the opening to FDI. The United Nations classifies it as one of the least developed countries and the World Bank as a low-income country. It ranks 161st out of 169 countries in the Human Development Index (HDI) of the United Nations Development Programme (UNDP), and remains below the average index for Sub-Saharan Africa.

1.2. Challenges and opportunities

Poor contribution of the secondary and tertiary sectors to the domestic economy

Although Burkina Faso has few natural resources, including water, most of its revenues come from the agricultural sector. A total of 80% of its working population is employed in agriculture, and agriculture represents 32% of total GDP. In 2006, the industrial sector accounted for only 24.5% of GDP (compared with 20.5% in 1985). The sector employs a mere 3% of the working population and is still not sufficiently developed to generate a large number of formal jobs. The service sector contributed 43.8% of GDP in 2006 and employs around 13% of the working population, including in the informal economy. Public administration provides most of the employment in the service sector, with around 65 750 jobs.[55]

Therefore the domestic economy remains inadequately supported by the secondary and tertiary sectors and suffers from a lack of diversification. Agriculture is a low-productivity sector dominated largely by cotton, of which Burkina Faso is one of the leading exporters in Africa. Cotton production started in the colonial era, when it was supervised by the French administration and destined for export. This history has shaped the current "cotton system" in West and Central Africa, whose development was severely marked by exploitative trade and governed by foreign exchange and trade objectives and which served as agricultural policies in some of the countries that inherited it.

Although Burkina Faso's mining sector is gradually gaining ground as a source of revenue, cotton monoculture still accounted for more than 70% of total export revenue until 2008. Although gold has overtaken cotton as the leading export product, representing 41% of all exports in 2009 and 69% in 2010, cotton still accounts for 30% of the GDP and provides a livelihood for more than 2 million people. The development of the mining sector (including gold, copper, diamonds and uranium) and the energy sector has had little impact on poverty. While cotton production has helped mitigate the effects of poverty in recent decades, such a high concentration on one product makes the country extremely dependent on cotton exports and hence particularly vulnerable to external shocks including weather-related events, as recently evidenced.

The development of agricultural value chains and rural entrepreneurship is critical to Burkina Faso's economic development…

Starting in 2003, Burkina Faso took several initiatives to increase agricultural investment. First, it defined a Rural Development Strategy (SDR). In 2007, in response to the Paris Declaration on Aid Effectiveness of 2005, the government, with the support of its technical and financial partners, started drawing up a Sector Programme for Productive Rural Development (PROSDRp). In the same year, the National Agricultural Investment Programme (NAIP) was introduced as part of the ECOWAS agricultural policy (ECOWAP) and the Comprehensive Africa Agriculture Development Programme (CAADP). The PROSDRp and the NAIP, launched at the same time, met with major difficulties. As a result, the government decided to merge them in 2010 into a National Rural Sector Programme (PNSR) that defines general investment options in the rural sector stated in a memorandum of understanding signed by all stakeholders on 22 July 2010. A roadmap for developing the programme was then drafted and endorsed by all parties. The PNSR will contribute to the implementation of the ECOWAP, which is included in the guidelines of the CAADP programme and those of the UEMOA Agricultural Policy (PAU).

The 1990s and 2000s saw a paradigm shift in development policies, with the state stepping aside as the main economic development actor to the benefit of the private sector, the expansion of which is now considered key to reduce poverty. The government began to introduce measures in 1991 following this line, including a reform of state-owned enterprises (especially in the banking sector), trade liberalisation (particularly in agriculture), and the introduction of value added tax (VAT).

Public actors will nevertheless have to redouble their efforts to lessen the vulnerability of Burkina Faso's economy to external shocks which causes dangerous growth fluctuations. It is vital to diversify and broaden sources of growth by improving investment conditions. This calls for the sustained adoption of reforms in all public policy areas impacting on the business climate (such as investment, trade, taxation, financial markets and infrastructure), in order to build the country's productive capacity.

The government has certainly made commendable progress in implementing structural reforms, as illustrated by the country's ranking in the *Doing Business Report*, where it recorded far better performance than other West African countries.[6]

Nevertheless, private sector development is still hampered by weaknesses in areas such as contract enforcement, investor protection, taxation and access to credit. Cumbersome procedures for cross-border trade also hinder export development. To create wealth, the country needs to diversify its economy, as well as improve its export and FDI performance, which cannot happen without an institutional framework that offers greater freedom to private operators, including those in the agriculture sector.

Some policy options for meeting the challenges…

The government is encouraged to:

- **Improve the analysis underpinning investment decisions**. In project or programme documents, the analysis used as a basis for selecting investments is often cursory, largely owing to a lack of data and/or relevant skills. This leads to errors of design and allocation, which prevent investments from producing the desired results.

- **Produce relevant data and knowledge** in order to analyse the country's challenges and strategic positioning, as well as to determine priority investment options. The analyses used as a basis for investment decisions are generally confined to a compilation of statistical data on sector characteristics. They are rarely prospective or strategic and lack an *ex ante* evaluation of the net benefits of investment options.

- **Define clearly the concept of an agricultural enterprise** in the crop, livestock, forestry and pisciculture sectors. Access to the benefits provided by laws and regulations dependsent on this definition. Such a definition could be drawn up and incorporated into the Investment Code or an agricultural investment code.

- **Build the technical and financial capabilities of centres for promoting standards and quality**. Centres for the promotion of standards and quality, such as the Directorate for Standardisation and Quality Promotion (FASONORM), are still recent and lack technical and financial capabilities. Technical standards are not developed for all products and certification is provided by international institutions.

- **Improve the geographical accessibility and performance of one-stop-shops**. One-stop-shops have been relatively successful and their usefulness is well established as the demand for such decentralised shops is growing.

However, their failure to issue land ownership documents on time is a serious issue. An observatory could be set up to monitor the delivery of deeds and help clarify the reasons behind the delays , thereby leading to recommendations for improving their performance.

- **Improve the monitoring and evaluation of policy, institutional, legislative and regulatory frameworks**. This review has highlighted major shortfalls in the monitoring and evaluation of strategies, policies, institutions and laws and regulations. To what extent have the various public actions achieved the desired results and influenced investment and the conduct of actors in the agricultural sector? Neither the documents nor the actors interviewed have provided reasoned answers to this question. Monitoring and evaluation mechanisms must be systematised and implemented.

- **Organise information and awareness campaigns in the national media** to provide adequate coverage of relevant issues relating to the legislative and regulatory framework and self-help tools for funding matters. The lack of information and communication is a recurrent weakness in the framework for agricultural investment in Burkina Faso.

- **Reduce input costs**. A comparison of input costs in the UEMOA area underlines Burkina Faso's unfavourable situation.[7] Reducing input costs remains a strategic issue for improving the competitiveness of Burkina Faso's economy and its agricultural sector.

- **Improve regional positioning** to increase the country's attractiveness to investors despite the small size of the domestic market. Burkina Faso's regional integration within UEMOA and ECOWAS offers opportunities in a number of potential growth sectors in the sub-region (livestock production, market gardening). Its geographical position at the heart of the UEMOA countries is an additional argument for promoting regional trade and investment.

Notes

1 *Development of the agricultural sector and of household living conditions in Burkina Faso*, DGPER/DPSAA, 2009.

2 Directorate-General for Economy and Planning of the Ministry of Economy and Finance (DGEP/MEF), 2008.

3 *African Economic Outlook*, OECD (2010).

4 *African Economic Outlook*, OECD (2011).

5 *Investment Policy Review: Burkina Faso*, United Nations Conference on Trade and Development (UNCTAD), 2009.

6 Between 2009 and 2010, the country rose from the 155th to the 147th rank. Burkina Faso also stands out within UEMOA and the Organisation for the Harmonisation of Business Law in Africa (OHADA) as the country that has undertaken the greatest number of reforms.

7 Chambas *et al.*, 1999.

Bibliography

OECD/African Development Bank/United Nations Economic Commission for Africa (2010), *African Economic Outlook 2010*, OECD Publishing.
doi: 10.1787/aeo-2010-en

OECD/ (2011), *African Economic Outlook 2011: Africa and its Emerging Partners*, OECD Publishing.
doi: 10.1787/aeo-2011-en

Chambas, G., G.L. Combes, P. Guillaumont, S. Guillaumant and B. Laporte (2009), *Burkina Faso: les facteurs de croissance à long terme*.

Government of Burkina Faso, Direction Générale de l'Economie et de la Planification (DGEP) (2008), *Rapport sur la cooperation pour le développement*.

Government of Burkina Faso, Ministère du Commerce, de la Promotion de l'Entreprise et de l'Artisanat (MCPEA) (2009), *État des lieux de l'investissement privé au Burkina Faso: Quelles stratégies de relance ?*

IMF (2010), *International Financial Statistics Database*, Burkina Faso.

McKinsey Global Institute (2010), *Lions on the Move: the Progress and Potential of African Economies*.

UNCTAD (2009), *Investment Policy Review: Burkina Faso*, Geneva.

World Bank (2009), *Revue des dépenses publiques. Au-delà du paradoxe burkinabè: feuille de route pour une décentralisation réussie et une dépense publique plus efficace*.

World Bank (2010), *Doing Business Report 2009 – Country Profile: Burkina Faso*, Washington, DC.

Chapter 2

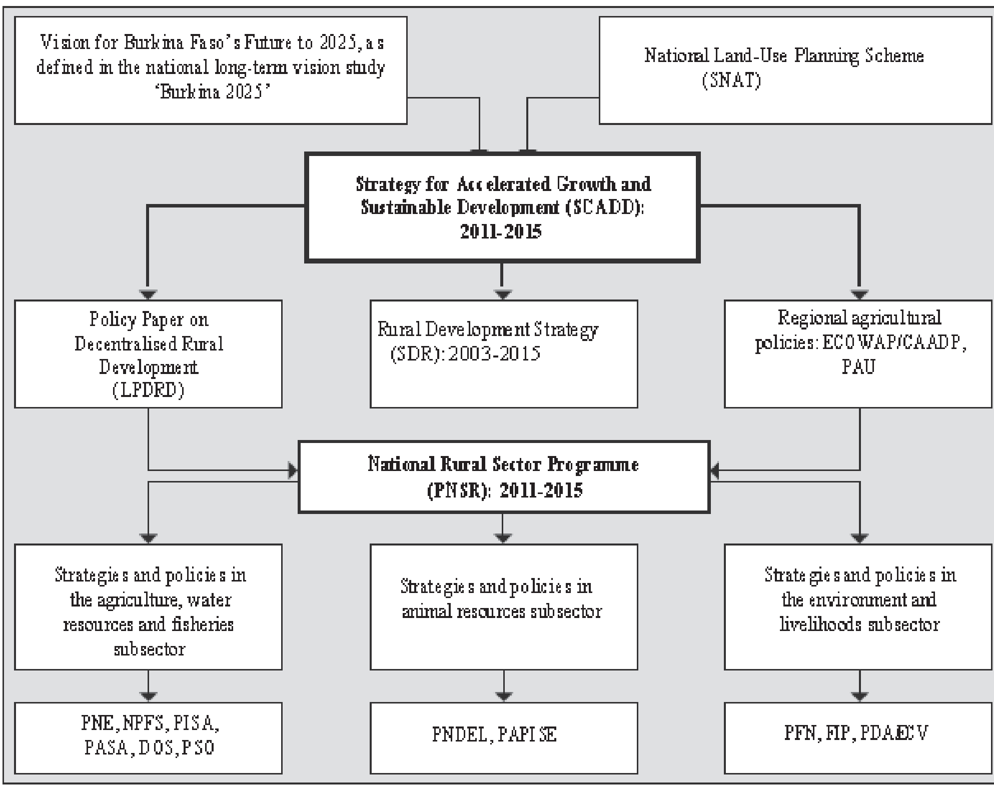
Agricultural investment policies and trends in Burkina Faso

This chapter examines the evolution of agricultural investment flows and the impact of agricultural policy changes on such flows. Public spending in the agricultural sector averaged 11.43% of the national budget over the period 1995-2008. The Maputo commitment made at the NEPAD summit to allocate at least 10% of the national budget to agriculture within five years appears to have been met. Nevertheless, the sector suffers from chronic under-investment, with the majority of available resources concentrated in the cotton sector. Private investment remains limited and difficult to quantify. This chapter highlights the impact of under-investment on the sector's performance. The productivity per agricultural worker is at a virtual standstill and remains highly dependent on weather. Following a good performance in 2008 boosted by favourable weather conditions and a proactive policy to assist producers, the sector experienced a slowdown in 2009 with the cereal harvest declining by 10%, mainly owing to poor rainfall distribution and flooding in September 2009.

2.1. Strategies and policies

The government has adopted and implemented a number of strategies and policies to promote the rural economy, and in particular the agricultural sector. They can be divided into national and sub-regional strategies. Figure 2.1 shows the linkages between these various strategies and policies.

Figure 2.1. Linkages between visions, strategies and policies targeting Burkina Faso's rural sector



The strategic guidelines underpinning sectoral development policies, including in rural areas, include: (i) the Vision for Burkina Faso's Future to 2025, as defined in the national long-term vision study "Burkina 2025" and (ii) the National Land-Use Planning Scheme (SNAT). The Poverty Reduction Strategy Paper, implemented between 2000 and 2010, provided the national policy framework to these guidelines. A Strategy for Accelerated Growth and Sustainable Development (SCADD) 2011-15 was later adopted to replace the Poverty Reduction Strategy Paper and the various sector strategies and policies, some of which had been defined prior to the SCADD.

The SCADD is based on the following four strategic priorities: (i) developing the pillars of accelerated growth; (ii) consolidating human capital and promoting social protection; (iii) strengthening good governance; and (iv) mainstreaming cross-cutting priorities into development policies and programmes. SCADD objectives are to: (i) achieve real average GDP growth of 10%; (ii) reduce extreme poverty and hunger; (iii) provide universal primary education; (iv) promote gender equality and empower women; (v) reduce mortality in children under the age of five; (vi) improve maternal health; (vii) combat HIV/AIDS, malaria and other endemic diseases; and (viii) ensure environmental sustainability. In addition, the Policy Paper on Decentralised Rural Development (LPDRD), adopted in 2002, provided a framework for drawing up the Rural Development Strategy in 2003, which takes into account African and sub-regional agricultural policies, including the CAADP, the ECOWAP and the PAU.

Box 2.1. Key strategies and policies developed for each of the three rural subsectors

A. Key strategies and policies for the agriculture, water resources and fisheries subsector

- National Water Policy (PNE)
- National Food Security Strategy (SNSA)

B. Key strategies and policies for the animal resources subsector

- National Sustainable Development Policy for Livestock (PNDEL)
- Action Plan and Investment Programme for the Livestock Sector (PAPISE)

C. Key strategies and policies for the environment and livelihoods subsector

- National Forest Policy (PFN)
- Forest Investment Program (FIP)

To ensure greater coherence between the various rural policies and strategies, the National Rural Sector Programme was launched in 2010 to cover the 2011-15 period. It is the result of a merger between the PROSDRp and the NAIP. A draft document has been prepared but not adopted yet. The aim of this programme is to group investment measures and serve as a framework for aligning existing policies and strategies in the three rural subsectors.

2.2. Investment trends

Investment in Burkina Faso has been increasing. Total private investment tripled between 1999 and 2008, from 145.5 billion to 480.6 billion FCFA, thereby doubling its share of GDP from 7.9% to 16.4%. It rose particularly quickly between 2006 and 2008. While the volume of public investment remained relatively stable, its share fell from 11.2% to 7.3% of GDP between 1999 and 2008. Table 2.1 shows the evolution of investment as measured by gross fixed capital formation (GFCF).

Table 2.1. Public and private gross fixed capital formation (GFCF) and FDI, 199-2008

In billions of CFA (Communauté Financière Africaine) Franc (FCFA)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Private GFCF	145.5	147.7	118.9	170.1	195.9	184.7	188.6	253.2	410.1	480.6
Percentage of GDP	7.9	7.9	5.9	8.1	8.7	7.8	7.4	9.5	14.8	16.4
Public GFCF	205.8	212.5	212.1	160.7	157.9	181.4	190.6	217.6	201.4	212.7
Percentage of GDP	11.2	11.4	10.6	7.7	7.0	7.7	7.5	8.1	7.3	7.3
Total GFCF	351.3	360.1	331.0	330.9	353.9	366.1	379.3	470.8	611.4	693.3
Percentage of GDP	19.1	19.3	16.5	15.8	15.6	15.4	14.9	17.6	22.0	23.7
FDI	5.3	16.3	6.0	9.3	15.8	12.3	11.0	17.0	164.3	36.5
Percentage of GDP	0.29	0.89	0.29	0.41	0.63	0.45	0.37	0.6	5.1	1.0

Source: Ministry of Economy and Finance / Directorate-General for Economy and Planning / Automated Forecasting Instrument, 2009; Presidential Investment Council, 2009.

The domestic saving rate is low compared to the investment rate and has stagnated over the last two decades, rising from 5% in 1990 to 6.5% in 2000 and down to 5.1% in 2007-2009. This makes Burkina Faso dependent on external sources for its public investment, with nearly 60% of public sector investment financed by foreign aid.[1] Credit to the private sector remains low and has averaged only 14% of GDP over the period 2004-2007, in spite of an average 15% annual increase in this period (see the section on the financial sector).

The amount of FDI remains low in Burkina Faso although it rose from 0.29% to 1% of GDP between 1999 and 2008. The spike in 2007 was caused mainly by the privatisation of 51% of the capital of the national telecommunications operator, ONATEL. In monetary terms, per capita FDI in Burkina Faso is estimated at USD 2, compared with USD 7 in Benin, USD 10 in Togo and USD 13 in Côte d'Ivoire, indicating the country's lack of attractiveness to foreign investors.[2] Weak FDI flows can be explained by both general and specific factors.[3] The main general factors are: (i) the country's remoteness and poor infrastructure, which increase energy and transport costs in particular; (ii) the poor quality of public institutions responsible for promoting private sector development; (iii) the lack of suitable financial products and support for businesses in their start-up and growth phases. The following specific factors can be identified: (i) the lack of strategic thinking that would shed light on the reasoning of foreign investors; (ii) the poor responsiveness of government departments, particularly the tax administration, to create a competitive and attractive environment for FDI; (iii) the reasoning of local economic operators that fail to consider the potential for international partnerships.

Burkina Faso attracts mainly investors aiming to supply the domestic market. Foreign export-oriented companies are involved primarily in the mining and cotton sectors. The limited size of the creditworthy domestic market (owing to the scale of poverty) partly explains the low level of foreign investment. Key policy issues include: (i) the optimisation of FDI in the mining and telecommunications sectors by using the resulting tax revenue to develop infrastructure that can enhance the competitiveness and attractiveness of several potential growth sectors;[4] (ii) short- or medium-term strategic targeting of medium-scale foreign investors, including from emerging and developing countries, that can judiciously leverage the small size of the domestic market; (iii) the creation of the necessary conditions to enable Burkina Faso, given its central position in West Africa, to offer major foreign investors the best opportunities to exploit the sub-regional market; (iv) the implementation of a strategy to support the informal sector, which currently provides more than 70% of employment and could, if incomes grew, help reduce poverty and increase the creditworthiness of the domestic market, which would make it more attractive to large foreign investors.

2.3. Agricultural investment trends

From 2000 to 2008, the volume of public investment in the agricultural sector grew from 60.8 billion to 111.5 billion FCFA, i.e. an average annual growth of 7.9%

(see Table 2.2). The table in Annex A shows the volumes and the evolution of public investment in the agricultural sector between 2000 and 2009 by agricultural sub-sector and method of financing (central government, loans and grants). It highlights that most public investment in agriculture is financed by loans and grants, mainly from external resources. Between 2000 and 2008, public investment in agriculture financed by external sources accounted for 90% of total public investment in agriculture. Public investment financed by domestic and external resources represented respectively 11% and 80% of public investment, with external resources relying chiefly on donors. An average 92% of public spending in agriculture was allocated to the Ministry of Agriculture, Water Resources and Fisheries (MAHRH).

Table 2.2. Public spending and investment in agriculture, 2000-08

In billions of FCFA

Expenditure	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total public spending	472.31	528.85	600.97	556.75	783.40	851.00	931.89	1105.9	1164.3
Public investment in the agricultural sector	60.80	53.66	67.50	59.83	84.68	81.34	96.70	89.61	111.46
Share of agriculture in public spending (%)	14.78	11.72	12.63	12.44	12.17	10.81	11.63	9.29	10.68
Share of agriculture in public investment (%)	12.18	13.48	10.39	13.91	9.37	8.52	9.47	9.09	12.05

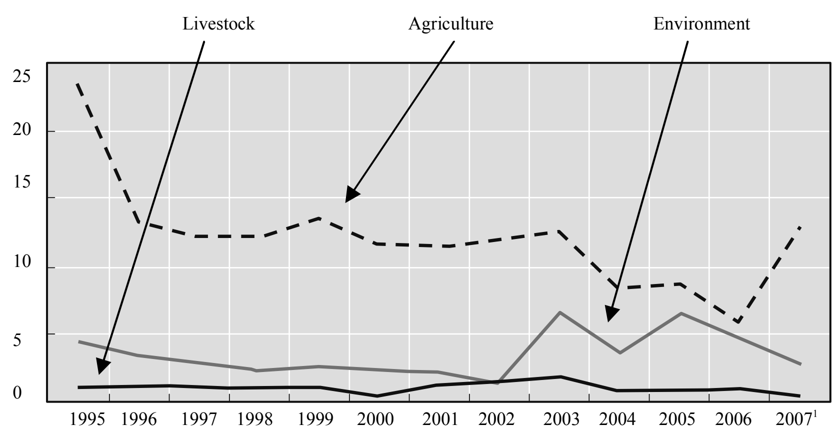
Source: Ministry of Economy and Finance, 2009.

An analysis of the efficiency of public spending in the agricultural sector shows that subsidising improved seeds has a higher impact on incomes than subsidising mineral fertilisers. The additional income resulting from using improved seeds is worth nearly 16 times the amount of the seed subsidy, as opposed to only 0.7 times for mineral fertilisers. Public spending on irrigation is a negligible share of total public spending in agriculture. Furthermore, agricultural research and the dissemination of research results received very little public spending, in spite of their importance to agricultural productivity and competitiveness.

There are also wide disparities across regions in the distribution of public spending in agriculture.[5] Such disparities are expected to be mitigated by the Permanent Secretariat for the Coordination of Agricultural Sector Policies (2009), which plans a fairly balanced regional distribution of public investment. Regions with a less favourable climate are well served in terms of public investment.

Between 1996 and 2007, no rural sub-sector received more than 15% of the agriculture spending from the Public Investment Programme (PIP), with less than 10% earmarked for the environment and less than 5% for animal resources (see Figure 2.2). A breakdown of agriculture spending by sub-sector shows that an average 49% of such spending is allocated to crop, 4% to livestock, 14% to the environment, 31% to water and irrigation and 2% to research.[6]

Figure 2.2. Allocations from the Public Investment Programme (PIP) by sector
1995-2007



1. Up to June 2007.

Source: Statistics from the Directorate-General for Economy and Planning.

Burkina Faso's public expenditure complies with its commitment under the Maputo Declaration…

Funding for the agricultural sector, which averaged 11.43% of the national budget between 1995 and 2008, fell from 14.78% of GDP in 2000 to 10.68% in

2008, with a low of 9.29% in 2007. The share of agriculture in public investment funded from the government's own resources stood well above 10% between 2000 and 2003, shrank by almost three points between 2004 and 2007 before rising again to 12.05% in 2008. The Maputo commitment, made at the NEPAD summit in 2003, to allocate at least 10% of national budgetary resources to agriculture within five years appears to have been met. The average growth in agricultural value added reached 5.2% over the period 1990-2008. The annual growth rate in agriculture of 6% set out in the Maputo Declaration is achievable provided that Burkina Faso reduces the vulnerability of agricultural production to weather conditions.

Public investment in the agricultural sector funded from the government's own resources increased steadily between 2000 and 2008 from 4.30 billion to 21.15 billion FCFA. Public funding of development projects and programmes supported by technical and financial partners is usually labelled as "counterpart funding" and defrays operating costs and sometimes part of the investment.

Technical and financial partners play a crucial role, providing 80 % of the resources invested in the sector…

Technical and financial partners contribute significantly to the financing of development projects and programmes in Burkina Faso. Their contribution was valued at approximately 624.17 billion FCFA over the period 2000-08. The main technical and financial partners include the World Bank, the European Union, the African Development Bank, Arab development funds, the Netherlands and France. In 2008, more than 200 agricultural projects were operating. The major ongoing agricultural projects include: the World Bank-funded National Village Land Management Programme (PNGT), the Agricultural Diversification and Market Development Project (PAFASP) and Project for Improved Productivity and Food Security (PAPSA); the Integrated Development Programme for the Samendeni Valley (PDIS) funded by several donors; the Local Development Support Project in Comoe, Leraba and Kenedougou Provinces (PADL-CLK) funded by the African Development Bank; the Agricultural Development Support Programme for Burkina Faso (PADAB II) funded by the Danish International Development Agency (DANIDA); and the Agricultural Development Programme (PDA) funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

Funding of the agricultural sector comes mainly from external resources. In 2008, the share of foreign-financed investment was 80% of the total. The main challenge is to improve the efficiency of investment and the transfer of responsibility for managing such projects to local staff. The types of public investment that are likely to overcome the structural constraints in agriculture rapidly and reduce risk in agriculture should be identified. The analysis underpinning investment decisions is often cursory owing to the lack of data and/or relevant skills, leading to weak project design and budget allocation, which prevents large investment volumes from producing the desired results.

Upward trend in household investment…

From 1993 to 2005, the total value of households' expenditure on durable goods rose from 9.5 billion to 41.1 billion FCFA. Over this period, the investment rate increased from 2 700 to 9 901 FCFA per hectare, i.e. by 261%. It dropped to 7 551 in 2006 and 7 776 in 2007. Most consumer durables are self-financed. The share of credit in the purchase value of durables was only 10% in 2007 (Table 2.3).

Table 2.3. Amount and methods of financing consumer durables

	Total value In billion FCFA	Credit In billion FCFA	Percentage share of credit In percent	Investment per hectare In FCFA
1993	9 .5	1.2	12.4	2 741
2005	41.1	3.8	9.1	9 907
2006	30.8	2.3	7.5	7 551
2007	33.7	3.4	10.0	7 766

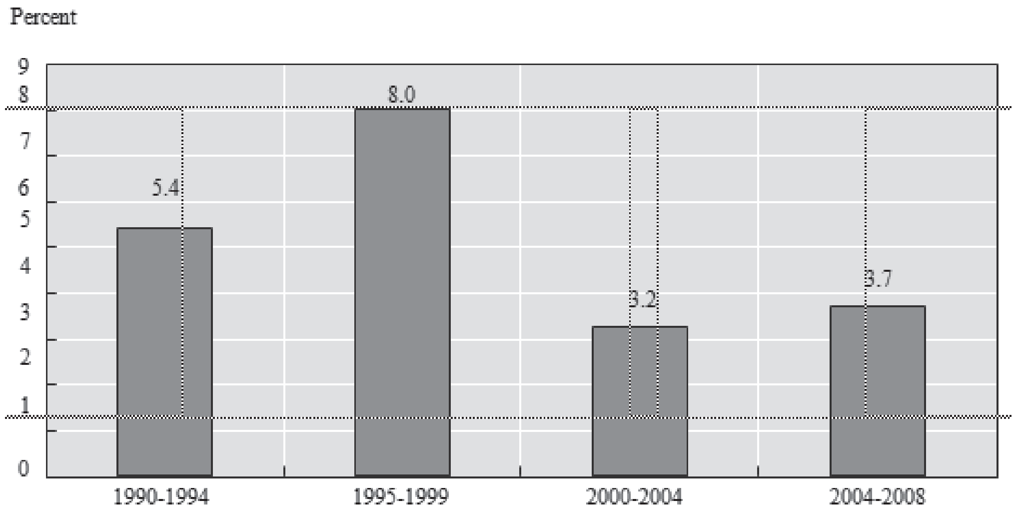
Source: Forecasting and Agricultural and Food Statistics Directorate (DPSAA), 2009.

Most agricultural inputs are financed by credit. The share of credit in the purchase of such inputs was 79.4% in 1993, 82.7% in 2005, 79.1% in 2006 and 73% in 2007. Such a high percentage can be explained by the importance of the inputs required for cotton cultivation, for which cotton companies provide seasonal loans.

2.4. Agricultural sector performance

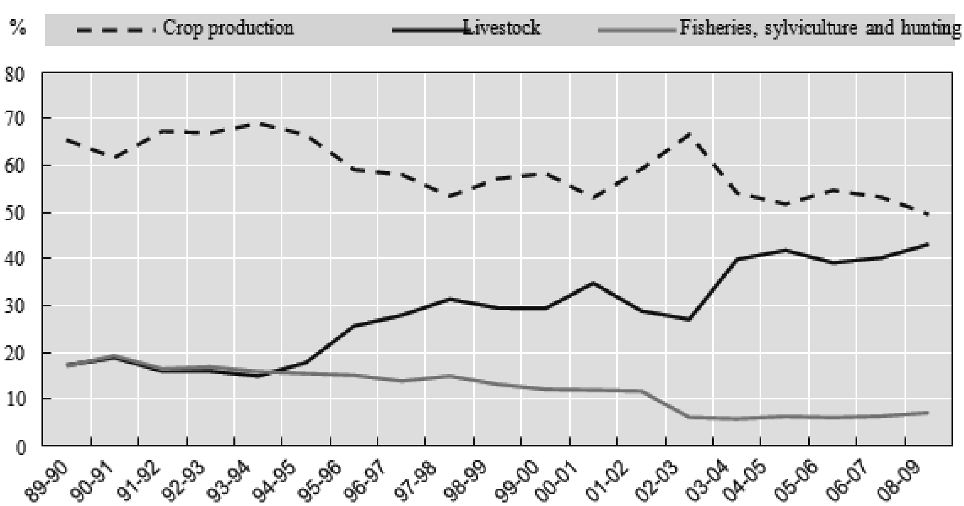
The reinforcement of policy, legislative and regulatory frameworks and investment efforts has changed the agricultural sector over the past two decades. Crop production contributes 60% of agricultural value added, livestock 28% and environment (fisheries, hunting and forestry) 12% (see Figure 2.3). Yet, growth in agricultural value added remains uneven as evidenced by sharp fluctuations (Figure 2.4).

Figure 2.3. Growth of agricultural value added



Source: Forecasting and Agricultural Food Statistics Directorate (DPSAA), 2009.

Figure 2.4. Share of each sub-sector in agricultural value added



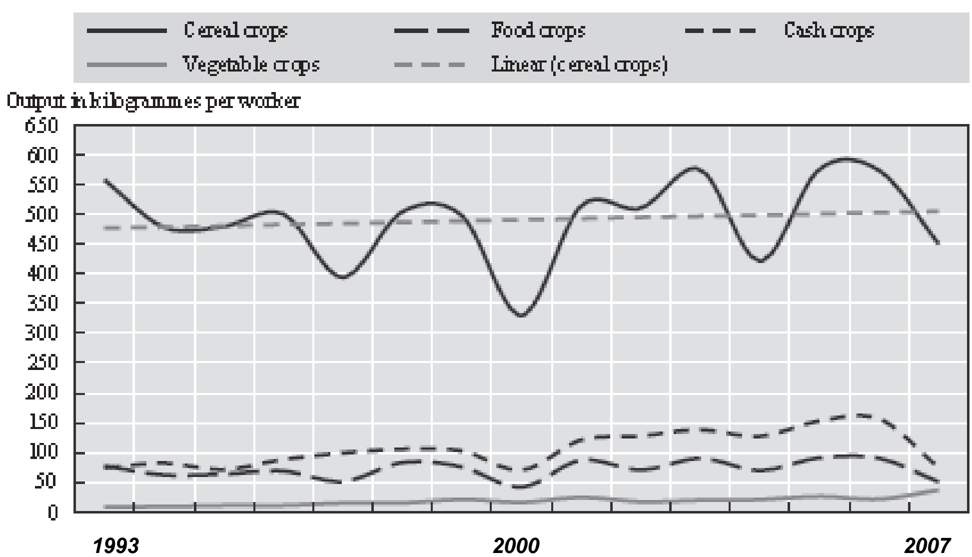
Source: Forecasting and Agricultural Food Statistics Directorate (DPSAA), 2009.

The agricultural sector suffers from a poor integration of rural producers in markets and low and fairly stagnant crop yields…

Agricultural output per worker remains at a virtual standstill and growth is heavily dependent on climatic factors and rainfall (Figure 2.5). Irrigation potential remains largely untapped. Irrigated farmland accounts for only 0.81% of the total agricultural area in use and 14.9% of all potentially irrigable land. While irrigation is vital to the development of Burkina Faso's agriculture, very little cropland is currently irrigated (DPSAA, 2009). In 2000, the cost of irrigation systems ranged from 7 million to 10 million FCFA per hectare, depending on the size and characteristics of the site and the water delivery system. This fairly high cost hampers the rapid growth of irrigation systems.

In the crop sub-sector, yields increased by an average 1.6% over the period 1990-2008 (DPSAA, 2009), while yields of cash crops grew by an average of only 1% over this period. Yields are fairly low compared with the potential yields (Table 2.4). As a result, crop production growth currently relies more on expanding cropland than on increasing productivity, which inevitably raises environmental and sustainability issues.

Figure 2.5. Agricultural output per worker
1993-2007



Source: Enquête permanente agricole (annual agricultural survey), Ministry of Agriculture and Water Resources (MAH)/Directorate-General for Promotion of the Rural Economy (DGPER).

Table 2.4. Yields of major crops, 1990-2007
In kilogrammes per hectare

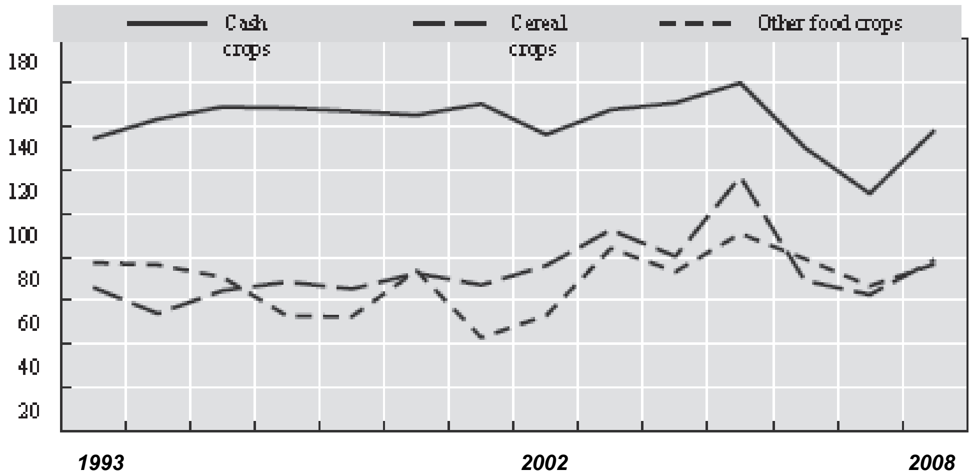
	1990	1995	2000	2003	2005	2007
Cereals	537	717	631	914	1 063	840
Sorghum	551	749	688	937	1 102	906
Millet	458	630	524	808	911	758
Maize	849	844	805	1 154	1 396	856
Rice	1 039	1 143	923	1 174	1 142	747
Fonio	587	799	593	734	135	144
Cotton	851	753	756	935	656	523
Cow pea	610	481	435	735	–	443
Groundnut	692	626	699	838	716	515
Sesame	410	338	240	595	350	236

Source: Enquête permanente agricole (annual agricultural survey), Forecasting and Agricultural Food Statistics Directorate (DPSAA)/ Directorate-General for Promotion of the Rural Economy (DGPER)/Ministry of Agriculture and Water Resources (MAH).

Access to modern inputs remains low…

Agriculture remains poorly mechanised. Although the proportion of land worked by animal-drawn or motorised plough increased from 24.8% in 1993 to 56.4% in 2007, only 39% of farm households have at least one animal-drawn or motorised plough. Modern inputs are usually not used, owing mainly to a poor access to credit, particularly for non-cotton crops. Fertilisers use is low and still oriented chiefly towards export crops, mainly cotton. From 1993 to 2007, the average application rate per hectare was 142 kg for cash crops, compared with 73 kg for cereals and 69 kg for other food crops (Figure 2.6). The use of improved seeds is low or negligible: 9-16% of the cropland and 1.2% of the land under cereal are sown with improved seeds (DPSAA, 2009). The partial withdrawal of the state as a result of adjustment policies, and the problems encountered by programmes to support professional agricultural organisations have led

Figure 2.6. Mineral fertiliser application rates by crop type
1993 - 2008



Source: Forecasting and Agricultural Food Statistics Directorate (DPSAA), 2009.

The use of organic fertiliser remains low. An effort was made to promote manure pits to use of dung and crop residues more effectively to increase yields. The application rate of organic matter on cropland is still low, which does not support an increase in crop yields and food production. However, the proportion of cropland dressed with organic fertiliser rose from an average of 25% over the period 1993-99 to 30% over the period 2002-07.

Transport costs to ports are high…

Burkina Faso is a landlocked country that depends for its import and export activities on neighbouring coastal countries such Côte d'Ivoire, Togo, Ghana and Benin. Transport costs hinder business performance and competitiveness. Freightage in the Tema/Accra-Ouagadougou corridor, valued at an average USD 3.53, is higher than in the corridors of East Africa and in southern Africa where it averages respectively USD 2.2 and USD 2.3 per km.[7]

Burkina Faso's agriculture remains vulnerable to external shocks, starting with fluctuating cotton prices, and arable land risks being depleted by 2030 due to population growth…

Agricultural output is dominated by cotton production that soared from 150 000 tonnes in 1995 to more than 600 000 tonnes in 2005. However, cotton production is erratic and subject to sharp declines. The 377 364 tonnes produced in 2007 represented a decline of 30% compared with the production of 2005. Between 2001 and 2008, cotton was the main export product, representing 55% of total exports. The heavy reliance of Burkina Faso's agriculture on cotton makes it vulnerable to price variations.

The cultivated land increases by 2.8% per year on average and reached 4.3 million hectares in 2007, i.e. 47.9% of arable land. If this trend continues, Burkina Faso's arable land will be exhausted by 2030. Given that over the past 15 years (1993-2007), the acreage of cropland per worker has remained stable at an average 0.66 hectares, the main reason for this increase in crop area is population growth. Agriculture in Burkina Faso remains inherently subsistence farming, with an output consisting mainly of food crops for on-farm consumption. Only between 6% and 11% of the main cereal crops (millet, sorghum, maize, rice and fonio) are marketed. Among cash crops, cotton has the highest marketing rate, ranging from 67% to 92% between 2003 and 2007.

Notes

1. World Bank, 2009.

2. Presidential Investment Council (CPI) (2009).

3. *Ibid.*

4. Twelve potential growth sectors have been identified and are listed later in this review.

5. World Bank, 2009.

6. Permanent Secretariat for the Coordination of Agricultural Sector Policies (SP/CPSA), 2009.

7. World Bank, 2009.

Bibliography

Government of Burkina Faso, Ministère de l'Agriculture et de l'Hydraulique (MAH) (2007), Forum National sur la Sécurisation Foncière (National Forum on Land Security).

Government of Burkina Faso, Conseil National pour l'Environnement et le Développement Durable (CONEDD) (2009), Deuxième *Rapport sur l'état de l'environnement au Burkina Faso*.

Government of Burkina Faso, Conseil Présidentiel de l'Investissement (CPI) (2009), *Entreprises privées et investissements au Burkina Faso*.

Government of Burkina Faso, Direction Générale de la Promotion de l'Économie Rurale (DGPER) (2009), *Évolution du secteur agricole et des conditions de vie des ménages au Burkina Faso*.

Government of Burkina Faso, Direction Générale de l'Economie et de la Planification (DGEP) (2009).

Government of Burkina Faso, Ministère du Commerce, de la Promotion de l'Entreprise et de l'Artisanat (MCPEA) (2009), *État des lieux de l'investissement privé au Burkina Faso: Quelles stratégies de relance ?*

Government of Burkina Faso, Secrétariat Permanent de la Coordination des Politiques Sectorielles Agricoles (SP/CPSA) (2009), *Situation de référence des performances du secteur rural au Burkina Faso*.

World Bank (2009), *Revue des dépenses publiques. Au-delà du paradoxe burkinabè: feuille de route pour une décentralisation réussie et une dépense publique plus efficace*.

World Bank (2010), *World Development Indicators*, World Bank Group, Washington, DC.

Chapter 3

Policy framework for investment in agriculture in Burkina Faso

Over the past ten years, Burkina Faso's government has made great strides in creating a policy environment conducive to domestic and foreign investment, particularly in the agricultural sector. This chapter assesses Burkina Faso's progress in developing a Policy Framework for Investment in Agriculture and describes: efforts to introduce a simple and transparent legislative and regulatory framework; reforms to improve public sector integrity and the quality of business regulation; initiatives to meet the challenge of access to land; efforts to consolidate regional integration, modernise infrastructure and the financial sector, and enhance human resource development. This chapter also identifies the key challenges faced in each of these areas and proposes concrete measures for addressing them. The chapter is structured around the elements and questions raised in the Policy Framework for Investment in Agriculture, in which each section is preceded by a question establishing the general framework for the review of the relevant policy area.

3.1. Investment policy

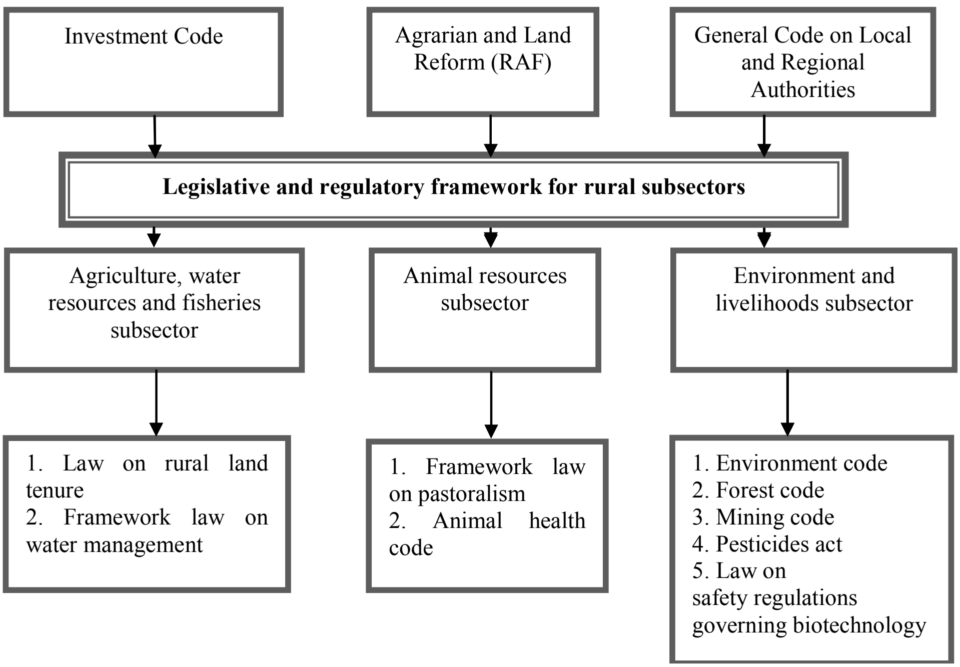
Since the development of a market economy in the 1990s, the government has followed a policy of openness to investment, seeking to attract and promote domestic and foreign investment. This has led to the adoption of more than 160 reforms to improve the business climate. As a result of these reforms, significant advances have been made in protecting the rights of investors, which earned the country a place among the world's ten best reformers according to the World Bank *Doing Business Report 2009*. The country even held the top spot for labour market deregulation. It also ranked 7th in the 2007 World Bank report on governance in Africa, ahead of all other ECOWAS countries.

However, a number of barriers to investment persist, related both to the legislation and the general business climate. Such constraints are not necessarily caused by a restrictive policy but rather a failure to update and harmonise laws and regulations, coupled with poor government capacity to formulate and implement reforms. For instance, the new provisions of the Investment Code are difficult to implement because there is no clear and agreed definition of the concept of an agricultural enterprise in the crop, livestock, forestry and pisciculture sector. The government continues to focus much of its efforts on the issue of access to land despite the adoption of a law on rural land tenure. It affirms that the country's development strategy fits within a context of accelerated regional integration within UEMOA and ECOWAS, which is challenging in view of the difficulty to harmonise laws and regulations within the sub-region.

3.1.1. Transparency and accessibility of the legislative and regulatory framework

The state has established a legislative and regulatory framework governing investment in general and agricultural investment in particular. The main regulatory instruments governing the rural sector are the: (i) the Investment Code; (ii) the Agrarian and Land Reform; and (iii) the General Code on Local and Regional Authorities. Specific laws have also been developed for each of the three rural sub-sectors (Box 2.1). These legislative measures, the references to which are given in Annex C, have been the subject of several decrees and implementing orders. The mechanisms for ensuring the transparency, clarity and accessibility of this legislative and regulatory framework involve the participation of a number of stakeholders (including the government, the private sector, the civil society, technical and financial partners and farmers' organisations) in the development, publication and dissemination of laws and related decrees and implementing orders. They also rely on information and awareness workshops and the publication of relevant measures in the official gazette and the national press.

Figure 3.1. Overview of the main laws and regulations governing Burkina Faso's rural sector development



However, weaknesses in both the legislation and its implementation place heavy constraints on investors and other stakeholders in the agricultural sector. For example, the implementation of the new provisions of the Investment Code faces several challenges due to the lack of a clear and agreed definition of an agricultural enterprise in the crop, livestock, forestry and aquaculture sector. Stakeholders, especially farmers, are unfamiliar with the content of laws owing to: illiteracy; poor dissemination of standards in national languages; lack of an electronic platform dedicated to legislation and regulations on investment in agriculture; dispersed provisions that are thus difficult to access; and challenges related to distance faced by foreign investors in the absence of an online system. Moreover, while Article 8 of the Investment Code provides for freedom of investment, a 1997 amendment requires local and foreign investors to request an authorisation from the Minister of Industry which represents a constraint inconsistent with current international standards.

Table 3.1. Tax regimes and incentives under the new Investment Code

Type of incentive	Tax regime and incentives			
	Regime A: Investment of CFA francs 100 million-500 million, with the creation of at least 20 permanent jobs	*Regime B:* Investment of CFA francs 500 million-2 billion, with the creation of at least 30 permanent jobs	*Regime C:* Investment of more than CFA francs 2 billion, with the creation of at least 40 permanent jobs	*Regime D:* Investment of more than CFA francs 1 billion, with the creation of at least 30 permanent jobs and where more than 80% of output is for export
Customs duties	See section on taxation.			
Value added tax	See section on taxation.			
Corporate profit tax	See section on taxation.			
Specific provisions	For businesses in the crop livestock, forestry and aquaculture sectors, threshold criteria for investment and job creation are reduced to 25%. The following incentives are granted to businesses investing in a community located at least 50 kilometres from the urban centres of Ouagadougou and Bobo Dioulasso: (i) a three-year extension of the incentives related to their regime; (ii) full exemption from transfer fees (8% of the value) for all property purchased as part of the investment. The same incentives are granted to businesses in the crop, livestock, forestry and aquaculture sectors. To offset the exclusion of investments worth less than CFA francs 100 million from preferential regimes, the following provisions have been made for small and medium-sized enterprises and industries (SMEs/SMIs): *Article 126:* Newly formed SMEs/SMIs are exempt from the business licensing tax for two fiscal years as from the actual start-up of their business, duly certified by the tax administration. *Article 127:* The exemption is granted subject to a request to the Director General of Taxes within the subscription period of the notice of incorporation. *Article 128:* SMEs/SMIs belonging to accredited management centres are entitled to the following tax incentives: (i) a 30% reduction in corporate profit tax; (ii) a 50% reduction in the flat-rate minimum tax; (iii) a 20% reduction in employer's tax.			

Source: Ministry of Agriculture and Water Resources (MAH).

Consideration should certainly be given to moving from a system where investment authorisation has to be requested from the Minister of Industry to one of reporting to investment promotion authorities (see the section on investment promotion and facilitation). It also seems vital to improve the knowledge of stakeholders, particularly farmers, of the content of relevant laws. This could be achieved through well-targeted information and awareness activities and by ensuring that these laws are translated and disseminated in local languages. A website dedicated to the legislation and regulations on investment in agriculture and rural development could be created or the respective websites of the MAH, the Ministry of Environment and Livelihoods (MECV) and the Ministry of Animal Resources (MRA) could display such legislation to enhance dissemination. This could be complemented by the development of a directory of laws and regulations relating to investment. This directory should be available for on-site consultation at the MAH, the MECV, the MRA, the one-stop shop for land transactions and the Business Centre (MEBF), and available online to foreign investors.

3.1.2. Land tenure rights

Land tenure is at the heart of Burkina Faso's rural development challenges and is a major social issue. Faced with increased commercial pressure on land, distortions arising from an inappropriate land tenure system where customary and modern law exist side by side pose major environmental and social risks. Against a backdrop of migration to more favourable agro-ecological and climatic zones in south-western and eastern Burkina Faso, land tenure insecurity encourages unsustainable land exploitation, which accelerates land degradation.

Box 3.1. Rural land security

According to a recent report on rural land security,[1] *"successive reviews of the Agrarian and Land Reform by the competent authorities have failed to meet expectations for rural land security"*. The Forum on Rural Land Security[2] found that "*since the adoption of the Agrarian and Land Reform in 1984, the competent authorities have tried to find ways of achieving rural land security. Twenty years after the Agrarian and Land Reform was introduced, this goal has still not been met, in spite of reviews conducted in 1991 and 1996"*. It is therefore important to foster a new policy on land tenure security and to formulate a national rural land security policy. The challenge, as pointed out at the forum, is to *"reconcile perceived legitimate practices with lawful practices in a market economy and a climate of social harmony"*.

1. Analysis of the situation of land tenure security in rural areas, final report, National Committee for Rural Land Security, MAH, 2005.

2. National forum on land tenure security held by the MAH on 29-31 May 2007.

Source: MAH.

This has led the government of Burkina Faso to enact a set of measures on the declaration and registration of land ownership at the institutional, regulatory and legislative levels. At the institutional level, a one-stop shop for land transactions was set up in Ouagadougou in May 2009 and the Directorate-General for Taxes established a tax division in each provincial capital to administer land registration. Land use rights and the issuance of land certificates and titles are defined in the Agrarian and Land Reform and in Law 035-2009/AN on rural land tenure.

However, the decentralisation of one-stop shops for land transactions remains weak, which undermines their effectiveness for the vast majority of land users. Red tape also hampers the issuance of land certificates and titles, despite efforts to address this challenge. Efforts include in particular the adoption of a National Rural Land Security Policy which aims to ensure equitable access to land for all stakeholders, effective land dispute management, investment security and social cohesion.

Generally speaking, increasing the effectiveness of measures to declare and register land ownership requires not only a wider publication of laws but also greater decentralisation of and an increased number of one-stop shops for land transactions, together with reforms to improve their functioning. Such reforms should aim to reduce the time and cost of processing files and to extend their scope to other forms of property.

3.1.3. Intellectual property rights

Recognising the importance of protecting intellectual property rights, Burkina Faso has established since the late 1990s a number of monitoring and protection institutions that form the framework governing intellectual property. It set up in particular the Burkinabe Copyright Office. In terms of regulations, it ratified the Bangui Agreement in 1999 which established the African Intellectual Property Organisation, and started to implement the agreement in 2002. Monitoring and regulatory bodies[1] face technical and financial difficulties that undermine their monitoring of contract enforcement and compliance with contract terms. Furthermore, an audit of the framework's effectiveness to incentivise innovation and investment may not have been undertaken.

A thorough review should therefore be conducted to assess the effectiveness of the measures to protect intellectual property rights and of their implementation by interviewing agricultural enterprises. This review could highlight measures for rectifying any shortcomings, such as building the technical and financial capacity of control and monitoring bodies.

3.1.4. Contract enforcement and dispute settlement

A. Contract enforcement system

To strengthen contract enforcement, the Council of Ministers adopted in April 2008 the decree 2008-173IPRES/PM/MEF laying down general rules on public procurement and public service delegation. This reform is based on four pillars: (i) continuing to build the legal framework in line with international and UEMOA standards; (ii) strengthening the institutional framework and capacity-building for institutional development; (iii) strengthening the interface between public procurement operations and private sector performance; and (iv) protecting the integrity of the public procurement system.

There are also national control bodies for contract enforcement, including the Public Procurement Regulatory Authority Directorate-General for Public Procurement. The government has also launched a daily public procurement review that publishes tenders and their interim and final outcomes, which can be subscribed to and is available on MEF's website. A procurement plan is available online and public contracts are awarded by a committee after scrutinising the tenders. These reforms have clearly contributed to clearer, more accessible and transparent procurement.

However, these mechanisms seem to suffer from a number of weaknesses, in particular poor contract enforcement and inefficient control and monitoring bodies. In addition, regulations on contract enforcement are still inadequate in some areas, including fishing and aquaculture leases.

B. Alternative dispute settlement procedures

The Investment Code provides for three arbitration procedures for settling disputes with the state, independently of administrative recourse. Such procedures are guaranteed only for authorised firms and are as follows:

- The establishment of an arbitral tribunal whose sanctions are final and binding. This procedure is open to both foreign and domestic investors
- Proceedings before the International Centre for Settlement of Investment Disputes (ICSID)
- Proceedings before the Permanent Court of Arbitration in The Hague.

Burkina Faso is also a signatory of the Convention establishing the Multilateral Investment Guarantee Agency, which allows foreign investors to hedge against four types of risk associated with the host country: (i) currency transfer restrictions; (ii) expropriation; (iii) war and public disorder; and (iv) breach of contract. It ratified ten bilateral investment promotion and protection agreements in 2003 and 2004, although some have not yet been ratified by partner countries. An agreement on trade, investment protection and technical co-operation with Switzerland has also been in force since 1969. Similarly, three agreements have been signed but not yet ratified, two agreements have been negotiated but not yet signed, and negotiations are under way with eight countries, including France, Spain and Italy.

Further mechanisms for dispute settlement include the Dispute Settlement Commission, the Ouagadougou Arbitration, Mediation and Conciliation Centre (CAMCO), and sub-regional organisations including ECOWAS and the Organisation for the Harmonisation of Business Law in Africa (OHADA) whose Common Court of Justice and Arbitration [CCJA] is based in Abidjan.

C. Compensation policy

The expropriation of occupants from land to be used for public purposes (such as to build dams or business and administrative parks) is preceded by the compensation of those displaced. Compensation is paid on the basis of *ad hoc* compensatory measures or the principles of some technical and financial partners. The Agrarian and Land Reform currently under review also contains provisions on expropriation and compensation. Provisions on expropriation are included in both bilateral and foreign investment promotion and protection agreements between Burkina Faso and other countries.

However, the glaring lack of a coherent policy of compensation for expropriation, combined with the absence of benchmarks concerning the financial compensation for expropriated goods and services, undermines the effectiveness and fairness of compensation procedures and hence their proper implementation. Further issues to be addressed are the lack of familiarity with the content of financial compensation measures and the lack of a legal basis for evaluation and compensation prior to expropriation.

It is therefore crucial to develop a coherent approach to compensation for expropriation, which should include cost estimate benchmarking of expropriated assets and a mechanism for monitoring the financing of compensation. The government should therefore consider: extending the legislative framework with regard to the purpose of expropriation; clearly defining guarantees against expropriation and compliance with legal procedures; reviewing expropriation decisions by an independent authority; and establishing a mechanism for ensuring timely, adequate, and effective compensation, with undue delay and at fair market value. It would be appropriate for provisions on expropriation to be included in a review of the national investment regime. These provisions should be consistent with best international standards and include conditions recognised by customary international law and treaties, such as the existence of a public interest, non-discrimination, the payment of compensation and legal proceedings.

D. Building local capacity for negotiating contracts and improving the understanding of laws, regulations and international agreements

Texts on decentralisation, including the General Code on Local and Regional Authorities and the Policy Paper on Decentralised Rural Development, empower local stakeholders to negotiate contracts at local level. A number of initiatives have been taken in this area, such as establishing Regional Chambers of Agriculture, organising consultation forums on land use planning, and introducing official records of customary disputes councils *(palavers)* and land tenure charters. Village Development Councils (CVDs) also help to develop and implement community development plans and take part in the various committees set up by the municipal council for managing and promoting local development.

However, the functionality of Regional Chambers of Agriculture and consultation forums on land use planning is not always guaranteed, which calls for staff retraining and better work processes, particularly in local development bodies.

E. Involvement of local communities, especially land users without land titles, in negotiating contracts

Village Development Councils and civil society organisations representing land users without land titles are given an opportunity to participate in negotiations through official records of customary disputes councils and of land transfers by the government for public purposes. In addition to these instruments, Regional Chambers of Agriculture and Village Development Councils deliberate on land tenure issues. Nevertheless, the effectiveness of the various official records is often limited because the state, and not municipalities, signs authorisations. The main problem is that virtually all farmers are land users without land titles as the land belongs to the state.

This highlights the need to legally formalise acts adopted at local level by customary authorities and to improve stakeholders' knowledge of the content of laws. Regulatory measures should also be considered for more systematic consideration of the category of "land users without titles" in contract negotiations. The government has undertaken a large number of policies and measures not only to improve the business climate but also to maximise the impact of investment in agriculture on development. This is a clear manifestation of the good intentions of the government, which has led to major advances such as sub-national measures to involve rural communities in negotiating agricultural investment contracts.

Nevertheless, this review of the PFIA has revealed a number of weaknesses. It will therefore be necessary to update laws and regulations and ensure that activities are coherent in order to boost their impact and avoid duplication of efforts. This should include harmonising the horizontal policy for investment, as defined in the Investment Code, and specific provisions for the agriculture sector. Alternatively, the government could develop and implement an agricultural investment code laying down the main provisions applicable to investors in the agriculture sector. Such a code should include investment protection and promotion measures specific to the sector and consistent with best international standards.

A national study of the coherence of public investment would also contribute significantly to this harmonisation effort. Such a study could seek to: (i) establish a matrix or criteria for analysing the ability of investment to remove or mitigate constraints and risks and to address key challenges; (ii) review investment planned by policies and programmes in various sectors; (iii) submit findings and recommendations to the Investment Promotion Agency and the Presidential Investment Council to enable them to contribute to discussions on strategies to ensure public investment coherence and promote private investment, with the goal of fostering complementarity between public and private investment.

Finally, reforms should aim to strengthen key institutions for agricultural investment, in particular aimed at producing relevant data and knowledge for analysing the country's challenges and strategic positioning and determining priority investment options.

3.2. Investment promotion and facilitation

Investment promotion and facilitation activities are commonly managed by several actors, agencies and institutions. Thus, they must be co-ordinated by a government-mandated institution to ensure that national investment and development priorities are coherent. In many cases, a national investment promotion agency is responsible for such coordination. Burkina Faso has several institutions that play an important role in this area and can serve as a liaison between the private sector and the government to strengthen national investment promotion policies. However, it does not appear to have a central authority capable of coordinating all investment promotion and facilitation activities, despite efforts in recent years.

3.2.1. Investment promotion strategy

A. Strategy to increase investment in the agricultural sector

Since the early 1990s, Burkina Faso has been engaged in a wide-ranging programme of economic reforms aimed at establishing a market economy with the private sector as the main engine of growth. This impetus led to the creation of several public and parastatal bodies, including the Directorate-General for Private Sector Promotion, and to the strengthening of other institutions to support the private sector, such as the National Foreign Trade Office, the Burkinabe Shippers' Council and the Chamber of Commerce, Industry and Crafts of Burkina Faso. The government has also prepared a number of strategies and programmes to develop the agricultural sector, including the Rural Development Strategy, which is implemented via a number of projects and programmes. It intends to coordinate the implementation of this Strategy through the National Rural Sector Programme, which is a merger of the Sector Programme for Productive Rural Development Process and the National Agricultural Investment Programme conducted in line with CAADP and ECOWAS regional guidelines. Most of the actions of the National Rural Land Security Policy and the Action Plan and Investment Programme for the Livestock Sector (PAPISE) 2000-15 have been aligned with the National Rural Sector Programme. The Poverty Reduction Strategy Paper, recently transposed into SCADD 2011-15, provides major investment measures for the agricultural sector. Subsidies for agricultural inputs and equipment are one of these measures.

B. Burkina Faso's vision and positioning in global agricultural value chains

The national long-term vision study "Burkina 2025" defines a vision for the country's future and represents a benchmark for positioning the country in the sub-regional and global economy. The Rural Development Strategy remains the framework for government agricultural policy. It defines seven strategic priorities, including strengthening linkages between production areas and local, national, regional and global markets. This strategic priority is implemented via a number of projects and programmes for developing agricultural value chains.[2]

Box 3.2. The Rural Development Strategy

The Rural Development Strategy aims to create a less impoverished rural society enjoying sustainable food security thanks to: growth in crop, livestock, fisheries, forestry and wildlife output through improved productivity; higher incomes through greater integration into the market economy and diversification of economic activities in rural areas; modernisation of peasant family farming; diversification and regional specialisation of production; and sustainable management of natural resources and ecosystems.

Source: MAH.

However, these documents do not specifically cover Burkina Faso's positioning in global agricultural value chains and little is known about the impact of policies and measures as no thorough evaluation has been conducted. The widely diverse approaches and modes of intervention by actors in the field also undermine coherence and coordination. This is exacerbated by insufficient harmonisation of the different definitions of value chains developed by various projects and programmes.

It would therefore be useful to refine the overall vision for the sector and ensure that it is based on consensus among all stakeholders. The government might usefully demonstrate its commitment by transposing this vision into specific instruments, for example by adapting the articles of the Investment Code to the needs of the agricultural sector, or even developing a code for investment in agriculture. It is also important to pursue existing consultations in order to harmonise value-chain approaches and ensure better coordination of programmes and activities in the field.

3.2.2. Investment promotion agency

In Burkina Faso, a multitude of stakeholders is responsible for investment promotion. Every ministry has a body or directorate in charge of investment promotion, such as the Directorate-General for Promotion of the Rural Economy in the MAH, or the Directorate-General for Private Sector Promotion in the Ministry of Trade. A Presidential Investment Council is also in place and the process of establishing an investment promotion agency has commenced. Several investment support funds, such as the Support Fund for Women's Income-Generating Activities, the Informal Sector Support Fund, the Job Development Support Fund and the Support Fund for Youth Initiatives, have also been established and come under various bodies.

This overview reveals that, as yet, there is no central institution for coordinating investment promotion and facilitation activities, owing to the delay in establishing the investment promotion agency. This has created a vacuum hindering the mobilisation of investment across sectors. This poses a risk of inconsistency and lack of synergy between public and private investment projects and leads to the latter ones not being listed, meaning that they cannot complement public investment.

Promoting private agricultural investment is therefore a major challenge. A first response to this challenge would be to develop an institutional guide based on a thorough review of government bodies involved in the agricultural sector, in particular those responsible for organising and coordinating the various activities for promoting agricultural investment. Such a review should precede the establishment and implementation of an investment promotion agency, as well as a review of the responsibilities of investment support institutions such as the National Investment Commission and the Presidential Investment Council. A second response to the challenge would be to ensure optimum coordination of these bodies' activities. Such coordination will not succeed without first enhancing the technical and financial capacity of these support institutions.

3.2.3. Investment incentives

The main government schemes for investment in agriculture and rural development[3] contain several incentives to foster investment in agriculture. For instance, the tax code provides a range of incentives, such as grants for agricultural inputs and equipment, exemption from taxes and duties on certain equipment and raw materials, and a tax allowance or complete waiver of income tax for some new farm enterprises. The legal and regulatory framework also fosters responsible business conduct by farm enterprises by encouraging sound resource management (such as the Law 058-2009/AN of 15 December 2009 establishing a special tax on water) and respect of the environment (such as the Pesticides Act and the Environment Act which applies the "polluter pays" principle).

However, the real impact of such initiatives on the conduct of farmers is unknown, as is their effect on stimulating investment. While tax incentives are useful to the sector, most are general in nature and do not always have a direct link with the goal of promoting more responsible business conduct by key players in agriculture. In addition, the time limit of these incentives is not entirely clear.

To ensure a real impact on the conduct of targeted stakeholders, the government should consider the possibility of a more sensible and accessible compilation of the various incentives, more transparent procedures for granting tax, financial and regulatory incentives, as well as a cost-benefit analysis of such incentives to ensure that they are integrated, compared and modified in the event of a cost/benefit imbalance. A comprehensive assessment of existing incentives and their impact would therefore be a useful first step.

3.2.4. Dialogue with investors

The notification and prior consultation of key stakeholders is an integral part of best practice to ensure public sector transparency and good governance. Since 2001, the government and the business community have engaged in dialogue at annual meetings. The aim of the meetings is to bring about a gradual improvement in the investment climate to support sustainable private sector growth and enable its representatives to make an effective contribution to economic development. The Joint Technical Committee monitors the assessments and recommendations of these annual meetings. The National Farmers' Day brings together the head of state, the government and the farming community and is another important means for promoting dialogue among the various stakeholders. The MAH follows up the resolutions of the National Farmers' Day.

However, the effectiveness of these bodies is limited by the fact that they are not sufficiently inclusive and their recommendations are not fully implemented. It is therefore essential to expand and systematise the consultation process by involving all stakeholders, including the private sector, non-governmental organisations, civil society and academia. Direct face-to-face consultations would encourage individuals and organisations governed by the investment regulations to play a bigger part as partners in their implementation. Consultation is the first stage in this engagement process and could provide public officials with useful or novel information and suggestions.

3.2.5. Facilitating investment in agriculture

Government action focuses on: providing stakeholders with investment regulations; developing sectoral investment programmes; undertaking consultations and offering incentives; and undertaking diagnostic studies. The Presidential Investment Council and sectoral ministerial bodies for investment promotion and support provide frameworks for discussing, advising on and guiding investment policies, whereas diagnostic studies and compendia of information are investment decision-making tools.

However, the lack of a clearly mandated body to act as a facilitator for investors is undermining the effectiveness of this activity. Advice to policy makers suffers from the same shortcoming. Even though the Presidential Investment Council is the lead agency in this area, it should be able to rely on a specialised body playing a policy advocacy role. This body would alert the government about cumbersome investment rules, as well as any overlaps, and would suggest improvements to the legal and institutional framework.

An investment promotion agency is the perfect example of such a body. It should be independent and have staff with foreign language skills and specific knowledge of business, and legal or sector issues. It should be provided with a strategy and endowed with stable financial resources, based on a clear and pre-defined work programme. An internal planning mechanism should be in place and include a calendar of events, internal rules of procedure and evaluation systems. The agency could also produce an "agricultural investor kit" to provide agricultural entrepreneurs with all the necessary information (institutional contacts, administrative procedures, data and statistics on potential growth sectors, etc.) to help launch their project.

3.2.6. Support measures for SMEs in agriculture

Promoting investment linkages between international investors and local agricultural producers should form part of a structured approach that foreign and local firms can use to support their economic performance. In Burkina Faso, most technology linkages and transfers to assist local producers have been developed in connection with bilateral and multilateral technical co-operation through a variety of projects and programmes, some of which use technologies or approaches developed at international level, as well as by research, extension and advisory support organisations.

Foreign investors play a minor role as drivers of technology and knowledge transfer. This weakness can be overcome by introducing programmes that target responsible and reputable investors, promote technology and knowledge transfer and train staff and local partners, including by building the capacity of farmers and local SMEs to enable them to absorb new technology.

This task could be included in the mandate of the investment promotion agency. As it is the first point of contact of foreign investors, the agency could play a crucial role in promoting investment linkages between foreign investors and farmers and local SMEs. Such a programme would boost local SMEs and open them access to markets, while creating a network of reliable local suppliers for foreign investors. A programme of foreign investor-SME linkages should include a defined strategy (priority sub-sectors, identified foreign and local participants); a basic operational structure (which could include a co-ordination committee and a project team); a pilot phase; and a monitoring and evaluation mechanism to measure the quality and quantity of linkages. Further measures could include enhancing the mobility of domestic investors and producers through grants for workplace training in foreign firms or vocational training abroad and, of course, building the capacity for the production and dissemination of modern technology through research, extension and advisory support organisations.

3.3. Human resource and skills development

Education and skills determine the quality of human capital in a sector or an economy and are central to an attractive business climate.[4] A wide range of co-ordinated measures is needed to establish a strong human capital base.

These range from measures to improve primary, secondary, vocational and technical education to measures concerning university education, research systems and business development services. Such measures should be co-ordinated closely with the country's overall development agenda. They should also target potential growth sectors where increased investment is likely to have a spill-over effect on the entire economy. In countries with a strong agricultural base, agriculture may be one such growth sector, provided that the quality of human resources attracts sufficient investment. Therefore Burkina Faso, whose agricultural sector contributes 40% of GDP and employs around 86% of the working population, has every reason to implement a policy of comprehensive human resource development to promote investment in agriculture.

3.3.1. Overall strategy

Burkina Faso has been promoting sustainable human development since the 1990s, especially since 1995, by setting ambitious goals for economic growth and human capital development. However, the outcomes of this decade of development have fallen short of these goals. Today, the country has more than 15 million inhabitants, nearly 80% of whom live in rural areas, and the literacy rate of less than 24% of the population is among the lowest in the world. Even though the enrolment rate in primary education, which now includes induction in farming techniques, doubled between 1995 and 2006, rising to 72% by the end of the period, it is still a long way from the Millennium Development Goal of universal primary education. Enrolment rates in secondary and higher education are also very low. According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), the secondary school enrolment rate was 12% of girls and 17% of boys in 2008, and the higher education enrolment rate was only 3%.[5] In higher education, training provision is limited and does not always match labour market requirements.

The skills of the agricultural labour force clearly influence the quantity and quality of investment, and improving them can lead to an upgrading of products and the entire sector. Based on the principle that every sector-specific education and training strategy should be part of a more general context, the government could consider developing and adopting a national charter for education and training. The charter would embody a proactive policy for human resource development. It should be aligned with national investment and development strategies, be guided by a participatory formulation and development process and, above all, be based on a coherent approach that takes account of the country's implementation capacity. Moreover, a special body should be responsible for monitoring its development, implementation and impact. Consideration could be given to establishing a special committee on education and training that would report directly to the High Council for Education. This committee could comprise sectoral working groups to ensure that education and training is tailored to the needs of sectors like agriculture.

3.3.2. Vocational training

Vocational training and continuing vocational education should be a key component of the national charter for education and training. Vocational training includes: initial vocational training, in-service training (continuing vocational education) and skills training for job seekers. It is an important tool for providing businesses with the necessary knowledge, know-how and/or skills, and for improving the employability of job seekers and workers. A large proportion of secondary and higher education students in OECD member countries follow orientation courses to learn skills for a specific occupation or business. More than half such students choose vocational training and apprenticeship programmes. An appropriate financial system and quality vocational and apprenticeship training are essential to facilitate workers' entry into the labour market.

In Burkina Faso, skill development and certification trainings are provided by 16 institutions, under the aegis of five ministries. The government has implemented a training system of young farmers in Rural Development Centres. Training schools have existed for several years, including the Multipurpose Agricultural Training Centre in Matroukou, the Rural Development Institute and the National School for Water and Forest Resources. Training and capacity-building programmes in food processing are also available, especially in the dairy processing and livestock product industry. The National Commission for Certification and Training Programmes oversees these programmes, which are implemented by non-governmental organisations or technical and financial partners.

However, teaching quality in vocational training is questionable. Two main factors undermine teaching quality, often in combination. The first relates to shortcomings in the profile of students enrolled. The second relates to the profile and training of teaching staff, which creates a gap between design (engineers) and implementation (farmers). These factors are compounded by three major problems: fairly limited provision of training programmes; low capacity of training centres; and methodology issues arising from poor integration of practical fieldwork aspects into training programmes.

To develop more effective vocational training provision, the above-mentioned national charter for education and training should be based on a diagnosis of the management and efficiency of training programmes and of technical staff supporting the rural sector. When the government is confident that the key to meeting the extension needs of Burkina Faso and its rural areas is to increase the number of trained agricultural personnel, a strategy for developing national expertise by retraining officials or agricultural personnel to adapt them to technological developments would seem to be sensible. The success of any such strategy will, of course, depend on the government's ability to: increase the enrolment capacity of training institutions; reorganise the extension system to provide producers with tailored advisory support; and restructure education and training programmes by integrating all innovative practical aspects from the field, which ties in with the research and development (R&D) strategy. Indeed, research centres and institutions play a crucial role in meeting innovation and R&D needs in the agricultural sector.

3.3.3. Promotion of research and development

Burkina Faso now has public R&D centres, such as the National Centre for Scientific and Technological Research and its various institutes, including the National Environment and Agricultural Research Institute covering the agricultural, animal and natural resource component, as well as international research centres like the French Research Institute for Development, the French Agricultural Research Centre for International Development and the International Centre for Livestock Research and Development in the Sub-humid Zone. Some research centres are also attached to universities, such as the Rural Development Institute. Some positive results have been achieved in recent years, beginning with new cotton varieties, Burkina Faso's first export crop. Nevertheless, this activity suffers from chronic public under-investment, leading to serious shortcomings in terms of financial and technical capacity and making R&D centres highly dependent on external funding. A further challenge is compliance with technical standards, which is critical when production is exported and for supplying multinational companies. Indeed, technical standards are not developed for all products and certification is provided exclusively by international institutions.

It is therefore necessary to build the capacity of R&D centres to enable them to produce and disseminate modern technology, as well as the capacity of standard and quality promotion centres to enable them to play a more decisive role in product standardisation, accreditation and certification. As the latter is key to exporting and supplying multinational companies, the government might consider encouraging international investors to train agricultural producers through partnerships. A number of experiments have already been conducted in this area, such as training in fish processing by Taiwanese partners at Bagré, visits abroad to exchange experience, or joint ventures involving domestic and international investors. Yes these experiments, while beneficial, have tended to be organised in a rather *ad hoc* fashion with no structured approach. A further problem compounding the lack of strategies, channels and structured measures for promoting the training of agricultural producers by international investors is the limited mobility of domestic producers and investors compared with their foreign counterparts.

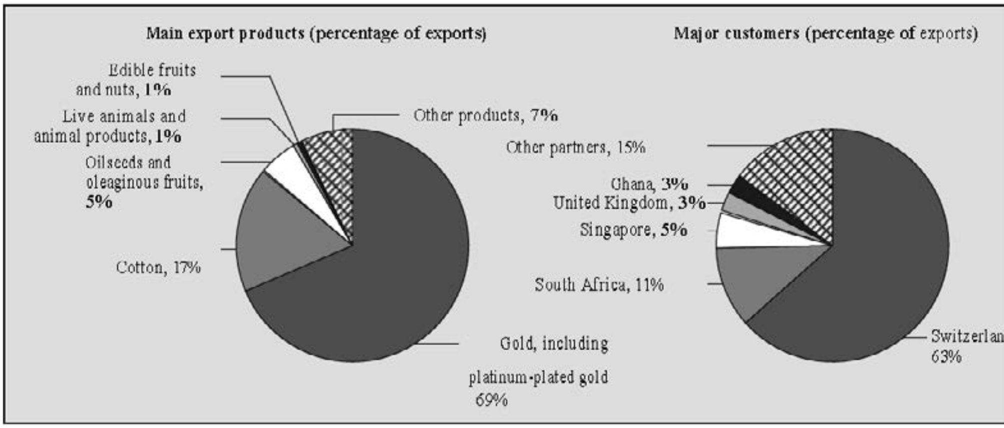
To be successful, such partnerships should be part of strategies, channels and structured measures for promoting the training of agricultural producers by international investors. Consideration should also be given to promoting the mobility of domestic investors and producers through agreements with partner countries, in addition to providing grants for workplace training in foreign firms or similar modern organisations and for vocational training abroad.

3.4. Trade policy

Trade liberalisation can boost exports and foreign exchange earnings and promote the international transfer of technology and know-how. The main stake of trade policy is to increase revenue streams and investment quality through market growth, scale economies and better integration of the country into global value chains, resulting in higher productivity and yields. Burkina Faso's main trade agreements have been developed in the context of ECOWAS and UEMOA. The country negotiates its regional economic partnership agreements, such as the agreement with the European Union, within these two regional bodies. Similarly, it applies ECOWAS rules of origin at national level. Exports of Burkinabe manufactures are still marginal (especially compared with cotton or gold exports, with the latter outstripping cotton exports by contributing 69% of total exports in 2010). Over the period 2003-07, the share of exports to other UEMOA countries was 66.5%. In 2010, Switzerland and South Africa were the main non-UEMOA destinations for Burkina Faso products, while the European Union, particularly

France, is the main source of non-UEMOA imports, followed by China, India and the United States.

Figure 3.2. Trade profile of Burkina Faso (2010)



Source: United Nations Commodity Trade Statistics Database (latest available data).

Due to the impact of trade policy on the terms and conditions of investment, it gives such policy an important role in establishing a policy framework for investment in agriculture. Trade policy includes a set of measures and initiatives that influence a country's trade with the rest of the world, such as tariff and non-tariff barriers, incentives, market prospecting, customs procedures, exchange rate policy and the country's strategic positioning based on comparative advantage. This chapter does not address the full range of Burkina Faso's trade policy issues but focuses on those with the greatest impact on domestic and foreign investment in agriculture.

3.4.1. Agricultural trade facilitation

The Ministry of Trade, Enterprise Promotion and Crafts is responsible for designing, implementing and evaluating trade policy as well as industrial and investment policy. Trade policy is intended to achieve economic growth and poverty reduction goals by creating an enabling environment for trade and investment. To achieve this goal, securing exports to other UEMOA countries has been identified as a priority by the government. The adoption and implementation of UEMOA and ECOWAS legislation on the Common External Tariff, the monitoring bulletin on agricultural policies and trade, integration through agricultural markets and common international negotiations on agricultural trade embody this priority. Apart from the tariff advantages granted under the Common External Tariff, the country continues to offer domestic and foreign investors economic incentives and customs exemptions. This policy is enshrined in instruments such as the Investment Code, the National Mining Code and the UEMOA Mining Code, which aim to encourage the exploitation of natural resources, as well as in customs exemptions for externally financed public procurement.

During the Uruguay Round, the government also set a ceiling of 100% on bound tariffs for the vast majority of agricultural commodities under the World Trade Organization.[6] However, the rates actually applied are much lower (under 20%). A national certificate of compliance is always required for importing certain products, except for those originating from UEMOA countries. Goods for commercial export are subject to the same registration requirements as imported goods, including detailed accounting documents. In 2009, the government stated that it had no subsidy programmes. In contrast, tax incentives are granted to firms engaged in export activities (see also the section on investment promotion and facilitation), in particular for firms exporting at least 80% of their total output.[7] Customs clearance procedures have been computerised since 2003 based on version 3 of the Automated System for Customs Data [ASYCUDA++].[8] In 2009, to facilitate cross-border trade, the Customs Administration also optimised the operation of its computer system by extending the network and completing major interconnections with the pre-shipment import inspection service (COTENCA) and the Malian customs system.[9]

However, several ECOWAS and UEMOA member states have fallen behind in implementing community regulations, in spite of their commitments. Burkina Faso's preferential access to developed country markets has not been enough to increase its production and export capacity significantly. Furthermore, the country has no mechanism for systematically monitoring and evaluating the impact of trade policies (both *ex ante* and *ex post*) on individual sectors and the general economy. *Ex post* evaluations are conducted only in the event of disputes or in the context of free trade agreements and are not systematic, while *ex ante* evaluations appear to be rare or non-existent. As for customs procedures, six paper copies of accounting documents are required despite computerisation efforts.[10]

Burkina Faso should be able to boost trade, including agricultural trade, starting with a true assessment of the impact of current trade measures. A special body could be entrusted with systematic monitoring and *ex ante* and *ex post* evaluation. It would entail recruiting and training government officials capable of collecting and compiling data on the country's position in the global trading system and on the impact of trade policy on each sector, including agriculture. It would also be useful to build the skills of analysts already in service and transfer them to a single evaluation unit. Such a unit for the systematic evaluation of trade policy should develop permanent evaluation indicators on trade policy as a whole, namely: the development of export supply; the evaluation of bilateral and multilateral negotiations; the system of export incentives; the coordination of activities for promoting Burkina Faso's image and its goods and services; import liberalisation; and the protection of domestic production.

3.4.2. Export promotion

A well-defined and targeted export promotion strategy can have a big impact when it includes: simplifying trade procedures; reducing transaction costs; organising promotional activities; and offering services to exporters. Such a promotion strategy would do much to structure trade policy by setting priorities, creating synergies between programmes and organisations, and encouraging dialogue and co-operation among various government bodies. In Burkina Faso, the National Foreign Trade Office is responsible for promoting trade, especially exports. Its additional duties include conducting specific studies on foreign trade and providing exporters and importers with technical support in carrying out their business transactions and market prospecting.[11] The National Export Promotion Strategy,[12] which is being finalised, plans to increase the effectiveness of the National Foreign Trade Office through institutional restructuring and by adapting its activities to the changing domestic and international environment.

The budget of this office appears insufficient in view of its important role and mandate. Consequently, its institutional capacity seems limited and an audit of the effectiveness of its export promotion activities might be useful. This is yet another obstacle to meeting the challenges facing this sparsely populated, landlocked country, notably sometimes restrictive international trade rules and major non-tariff barriers restricting exports to developed country markets. The government continues its advocacy within UEMOA and ECOWAS for a reform of international trade rules. Increasing its share of export market remains a key challenge.

Meeting this challenge requires the adoption of a coherent export promotion strategy to help promote Burkina Faso's image abroad and to support the development of a network of enterprises serving foreign markets. This strategy should be in line with the national trade policy and the strategic decision to enhance regional integration in order to improve the country's strategic positioning and to ease the constraint of a small domestic market its attractiveness to investors. Burkina Faso's regional integration and central position within UEMOA and ECOWAS offer opportunities in a number of potential growth sectors in the sub-region, including livestock and vegetable production. Its geographical position at the heart of UEMOA countries is a further argument for promoting regional trade and investment. For a successful export promotion strategy, the macroeconomic framework and investment climate should be improved and such strategy should be given real institutional support. This would include boosting the human and financial resources of the National Foreign Trade Office, developing and implementing an action plan of the export promotion strategy and improving coordination between the various bodies responsible for export promotion. This could be achieved by setting up a joint steering committee of representatives from the public and private sectors which would bring together decision-making bodies responsible for defining the project as well as working groups responsible for implementing the measures.

3.4.3. Regional trade agreements

Burkina Faso is one of the 8 UEMOA and 15 ECOWAS member states. This regional integration has enabled the government to make significant progress in regional agreements with other trading blocs. Apart from UEMOA and ECOWAS, Burkina Faso enjoys preferential access to the United States market under the terms of the African Growth and Opportunity Act and completely duty-free access to the European Union market under the "Everything but Arms" initiative. It has been a WTO member since 1995 and the government has established a national unit for monitoring and coordinating the implementation of the WTO Agreements as well as a Ministerial Follow-up Committee on the Doha Development Agenda.

Most trade policy instruments have been harmonised across UEMOA. In addition, UEMOA now has a common agricultural policy framework, although it is far from being fully implemented because of persistent (mainly technical) barriers. Currently, Burkina Faso's main agricultural exports are: cotton lint, followed by livestock products, sheanut and sesame. However, the country has considerable untapped potential for exporting cereals to other African countries. The classification of cereals as a sensitive product in the agricultural policy of UEMOA and ECOWAS is a positive step in reducing regulatory and informal barriers limiting cereal exports from Burkina Faso to its ECOWAS and UEMOA neighbours.

The government should work to achieve a more effective implementation of the full range of regional agreements by all UEMOA and ECOWAS signatories, while doing more to promote extra-regional exports. The country is open to imports and has become even more so since the introduction of the Common External Tariff, which has helped to slash customs duties from more than 30% in 2000 to around 14.6% today. A major challenge for the future is to harmonise customs duties and implement the Common External Tariff beyond UEMOA to cover the entire ECOWAS area. This is taking place in the midst of negotiations between ECOWAS and the European Union for an Economic Partnership Agreement to liberalise trade between the two areas.

3.5. Environmental policy

A country's agricultural output and its links with industry have a significant impact on the environment. Good environmental policies can stimulate investment as businesses are more likely to invest in a country where environmental legislation is clear, stable and applied consistently. At the same time, environmental policies can help to optimise the competitiveness and viability of the agricultural sector. While this is particularly true for large-scale farming operations, it also applies to small farmers who can take advantage of cleaner production techniques and higher resource efficiency. In Burkina Faso, the framework governing environmental management encompasses a number of laws and regulations, including the Law on Agrarian and Land Reform, the General Law on Territorial Authorities and the Framework Law on Pastoralism. Under this legislative and regulatory framework, it is compulsory to carry out an environmental and social impact assessment (ESIA) of any proposed business start-up.

3.5.1. Consultation on environmental management

Burkina Faso has many platforms for dialogue on environmental management and natural resources. These include the Interministerial Committee for the Coordination of Biofuel Activities in Burkina Faso and the Interdepartmental Committee to facilitate a Multi-sector Approach in the Energy Sector. There are also inter-ministerial advisory and monitoring bodies, including: the National Council for the Environment and Sustainable Development; the National Biosafety Agency; and the Radiation Protection and Nuclear Safety Authority. The government actively promotes the rational use of natural resources through: (i) water conservation and soil fertility restoration techniques; (ii) the use of organic fertiliser; (iii) the promotion of solar energy and improved stoves; (iv) the promotion of sustainable consumption and production methods; (v) the adoption of legislation on the rational use of resources; (vi) the establishment of pastoral areas; (vii) incentives for permanent animal housing and the promotion of fodder crops; and (viii) the development and implementation of projects and programmes for improving natural resource and environmental management and for climate change adaptation.

However, the impact of these initiatives remains limited because of low adoption of promoted methods by farmers and farm enterprises. Measures for managing the environment and natural resources are also deemed inadequate given the continuing degradation of these resources. In addition, financial and technical resources for implementing projects and programmes and for promoting improved production methods and monitoring compliance with laws and regulations are extremely limited. Failure to comply with laws and regulations appears to be closely linked to the lack of familiarity of key stakeholders with their content, starting with farmers and farm enterprises. Potential synergies between sectors remain largely untapped in spite of the platforms for dialogue and inter-ministerial advisory and monitoring bodies.

Progress could be achieved by streamlining the institutional framework, which might include establishing an independent agency within the Ministry of Environment and Livelihoods. This agency should be given a clear mandate covering activities such as: (i) organising and managing interactions among all stakeholders involved in environmental protection; (ii) participating in policy making and implementation on pollution prevention and environmental protection by means of targeted and sector-wide measures; (iii) centralising and disseminating environmental laws and regulations; and (iv) promoting any training, education, study and research actions relating to environmental pollution and protection.

3.5.2. Access to clean technologies

The government has implemented several initiatives to promote clean technologies, including promoting: (i) organic fertiliser and manure pits accessible to small farmers who are also agro-pastoralists; (ii) soil protection and restoration/water and soil conservation techniques, such as contour stone bunds, zai holes and semi-circular bunds; (iii) organic farming, integrated production and pest management (IPPM) and the use of organic pesticides; and (iv) bio-digesters. The government has also striven to make these technologies available to small farmers at a modest cost. With regard to implementation and support, producers are supervised at village level by agricultural extension workers in agricultural technical support zones and agricultural extension units. The MAH is also implementing initiatives such as the IPPM programme in collaboration with the FAO.

Despite efforts in this area, results have been very mixed, primarily because of insufficient resources and technical staff. Not surprisingly, this has led to a low adoption of methods and measures by farmers and farm enterprises. A low-density extension network and a lack of funding constitute further major obstacles to large-scale actions, and most projects have been backed by external technical and financial partners. Inadequate research funding is also mainly to blame for the lack of R&D organisations in this field.

It follows that the large-scale promotion of new and clean technologies requires major resource mobilisation, a higher-density extension network and retraining of officials. R&D institutions are critical to the success of such effort. While support from technical and financial partners is certainly important, at least during the start-up phase of such activities, a clear prioritisation of measures and better targeting of beneficiaries are equally essential to maximise the impact of the interventions.

3.5.3. Energy policy

A vision has been defined to boost the energy sector's contribution to Burkina Faso's socio-economic development. It encompasses a range of sectors (including education, health, safe water supply and agriculture) and aims mainly to increase people's access to modern energy services. The various large-scale energy projects planned or already under way (including improving interconnections with neighbouring countries, connecting isolated centres to the national grid, building power plants and equipping rural communities with solar photovoltaic systems) provide opportunities for synergising actions aiming to promote the development and competitiveness of the agricultural, agribusiness and related sectors. At present, the grid supplies only 2% of the energy consumed in Burkina Faso, with 84% derived from traditional sources (wood and biomass) and the remaining 14% from hydrocarbons. According to figures from the state-owned electricity company, SONABEL,[13] only 308 000 households and businesses had an electricity supply in 2008 (see Table 3.2).

In parallel, the government is developing a large hydroelectric dam policy. However, these efforts have not yet led to a sufficient expansion of supply to meet the energy needs of the country or the agricultural sector. Hydropower accounts for less than 25% of the electricity generated and thermal power for 75% (produced from distillate diesel oil, fuel oil and diesel). The country imports around 20% of its electricity needs via the interconnection with Côte d'Ivoire.[14]

Burkina Faso should therefore continue restructuring the energy sector to improve its performance, integrating it into the regional market and boosting competition, which is likely to attract private investors. In the electricity sector, this would mean unbundling the incumbent power provider (SONABEL), creating a wholesale market, setting eligibility thresholds for customers and opening up electricity production and marketing to competition. Burkina Faso should also balance its energy mix and make it more competitive by prioritising the development of renewable energy, such as second-generation biofuels that do not compete directly with human consumption and food security, while continuing to boost its coal-burning capacity. This would mean expanding its storage capacity (pumped storage) and integrating with neighbouring countries to allow increased trade during peak periods.

Table 3.2. Business activity indicators of the state-owned electricity company (SONABEL), 2005-08

	2005	2006	2007	2008
Capital (billions of FCFA)	46	46	46	46
Number of employees	1 429	1 421	1 420	1 450
Length of the low voltage network (metres)	4 891 625	5 297 093	5 634 231	5 829 037
Length of the high voltage network (metres)	1 622 774	1 817 680	1 887 414	2 014 790
Imported energy (millions of kilowatt hours [kWh])	125.3	139.3	123.9	135.7
Thermal power generation (millions of kWh)	415.8	467.7	501.3	483.5
Hydropower generation (millions of kWh)	100.5	80.7	111.4	135.9
Number of medium voltage subscribers	747	797	842	910
Number of low voltage subscribers	255 039	283 908	287 633	308 032
Average cost per kWh	117.89	121.21	129.62	141.37
Energy sold per agent (megawatt hours [MWh])	376	409	428	438
Number of thermal power plants	30	29	28	28
Number of hydropower plants	4	4	4	4
Total installed thermal power capacity (megavolt amperes)	204	223	217	220
Total installed hydropower capacity (megawatts)	32	32	32	32
Energy sold (MWh)	573 463	580 537	607 174	635 487
Turnover (billions of FCFA)	57.93	64.84	74.81	77.68
Number of electrified towns and villages	62	64	66	98

Source: Société Nationale d'Électricité du Burkina (Burkina Faso's state-owned electricity company, SONABEL), *Données et chiffres : chiffres caractéristiques*, *www.sonabel.bf/statist/chiff_caract.htm*.

Promoting renewable energies is not sufficient; their economic sustainability must also be ensured. To be economically viable, renewable energies often require subsidies. For such subsidies to be justified economically, they must be limited in time and offset their cost by developing competitive advantages in the sector concerned. Feedback from OECD countries shows that this can be achieved with a feed-in tariff decreasing gradually. The government should consider introducing feed-in tariffs for solar power and other renewable energies. This could be complemented by the establishment of an independent energy management agency whose powers would include: (i) conducting energy efficiency audits in each sector; (ii) supporting renewable energies; (iii) offering financing mechanisms for energy management projects; and (iv) developing innovative solutions such as cogeneration and trigeneration.

3.6. Corporate governance and responsible business conduct

Good corporate governance and responsible business conduct (RBC) are important levers for improving the quality of investment in agriculture. Good corporate governance helps to enhance the investment climate by creating the necessary trust for the proper functioning of a market economy. Burkina Faso has gradually come to recognise the importance of good corporate governance since the country opened up to the market economy in the 1990s. However, this recognition has yet to be reflected in a body of well-defined legal standards. Burkina Faso appears to lack a clear strategy for RBC, based on both compliance with quality standards and incentives to promote RBC by farm enterprises.

3.6.1. Responsible business conduct by investors in agriculture

Promoting dialogue between business, trade unions and civil society is crucial in creating an enabling environment for RBC.[15] In Burkina Faso, the development of participatory methods for preparing, implementing, monitoring and evaluating policies, projects and programmes would be a step towards promoting RBC by agricultural investors. Mechanisms for dialogue between the government and the private sector are already in place, including through an annual meeting and at the National Farmers' Day, as mentioned earlier. The government has also adopted and implemented a National Communication for Development Programme. However, these communication channels are not specific to the agricultural sector and their impact on RBC by investors is not measured.

As law-making is one of the most effective means for communicating societal expectations to business, the government could strengthen laws and regulations on RBC and ensure that non-complying businesses are punished by an effective judicial system. These laws and regulations could then be compiled into a code of RBC. Raising government officials' awareness of the value of a targeted promotion of RBC would help optimise the impact on the development of investors' activities in agriculture. Further specific measures could be considered, such as reinforcing the control mechanisms enshrined in the legislation related to quality and technical standards, or enhancing the capacity and performance of control institutions and organisations. The agricultural sector could also draw on relevant experience in other sectors of Burkina Faso's economy, such as the mining sector's "Publish what you pay – Burkina Faso" initiative.[16] Consideration could also be given to introducing incentives (positive sanctions) for companies that go beyond their legal obligations and comply with high social and environmental standards. Stricter law enforcement would also help punish effectively companies flouting regulations. Any effort in this area should complement those in other areas of the PFIA, such as investment promotion and facilitation, public governance and human resource development.

3.6.2. Governance of state-owned enterprises

In many cases, the corporate governance challenges faced by state-owned enterprises (SOEs) differ from those faced by private companies.[17] When the state heads an enterprise, its objectives are quite different from those of a private company manager because the government is required to consider socio-political issues that do not impinge on decision-making in the private sector. In Burkina Faso, laws defining the scope of state intervention and the liberalisation policy have come to limit state intervention to the sovereign functions of monitoring, controlling and guiding the economy and managing public services. This has led to the establishment of a number of institutions responsible for corporate governance and responsibility matters (see Box 3.3). The reform of public procurement, liberal development options and the Agrarian and Land Reform also provide a regulatory framework for private ownership and competition. Rules governing the operation of the few SOEs have also been drafted.

At this stage in the reform of SOEs, it is difficult to determine whether the state's role as a shareholder in SOEs is clearly separated from its regulatory functions. Progress does appear to have been made, with the phasing out of state monopolies in some sectors. In Burkina Faso, as in most other African countries, information dissemination by SOEs remains a work in progress, in much the same way as in the private sector. A code of good public corporate governance, which would apply to all industrial and commercial public institutions, including SOEs, may help to meet some of the outstanding challenges in public corporate governance.

Box 3.3. Main institutions responsible for corporate governance

- Ministry of Human Rights and Civic Education (MDHPC)
- Ministry of Environment and Livelihoods (MECV)
- National Audit Office (CC)
- State Inspectorate-General (IGE)
- National Anti-Fraud Agency (CNLF)
- High Authority for the Coordination of Anti-Corruption Activities (HACLCC)
- National Ethics Committee (CNE)
- National Competition and Consumer Commission (CNCC)
- Ministry Technical Inspectorate (ITS)
- General Finance Inspectorate (IGF)
- High Authority for State Supervision (ASCE)
- Inspectorate of Public and Parastatal Enterprises (IEPP)

Source: MAH.

3.7. Infrastructure development

Developing agriculture-related infrastructure is an important way to raise productivity, improve farm incomes and ensure food security. Such infrastructure includes: irrigation network used directly in the production process; rural electrification for food processing; information and communication technologies (ICTs) to support farmers' commercial operations; and transportation and storage facilities for the post-harvest phase. Burkina Faso has a number of infrastructure policies and strategies, including the Strategy for Implementing the National Information and Communication Infrastructure Development Plan,[18] the ten-year Transport Sector Development Strategy,[19] and the National Rural Transport Strategy adopted in 2003. Even though an exercise was carried out under SCADD 2011-15 to ensure consistency between policies, the coherence between the Rural Development Strategy, the National Rural Sector Programme currently under preparation and the National Rural Transport Strategy remains to be seen.

3.7.1. Coherence in cross-cutting policies

The various rural development, agriculture and infrastructure policies pursued by the government lack coherence as regards the planning and management of agriculture-related infrastructure. Furthermore, while each strategic plan contains provisions on infrastructure, the terms remain general and do not seem to be sufficiently tailored to the needs of agriculture-related infrastructure. This led the government to adopt a Rural Development Strategy 2003 to run until 2015. Its infrastructure section addresses only the public health issues of a safe water supply and sanitation. It contains an action item for strengthening production-market linkages, consisting mainly of setting up information and communication infrastructure on efficient markets. However, no action for achieving this objective has yet been taken. Although performance indicators to measure the effectiveness of production-market linkages have been developed, they do not appear to be clearly defined. For instance, one of the indicators measures growth in marketing infrastructure, such as silos, but makes no reference to any quantifiable element or obligation of means, with the exception of implementation reports (again without details concerning reporting frequency, institutional responsibilities, etc.).

Policies and strategies for infrastructure sub-sectors generally fail to consider the specific requirements of agriculture infrastructure. The Strategy for Implementing the National Information and Communication Infrastructure Development Plan, adopted by the government in 2004, is a prime example. The programme does not identify a specific strategy for ICT in rural areas and is not geared to the specific needs of agriculture.

The National Rural Transport Strategy, adopted in 2003, was introduced without taking into account the role of local and regional authorities, such as municipalities and provinces, or sources of funding for the programmes. Rural roads should also be integrated more fully into the National Rural Transport Strategy. Current policies have not done enough to address the specific needs of rural areas. For example, in the two regions producing the bulk of cotton (Hauts Bassins and Boucle du Mouhoun), the greatest need is transport infrastructure, while the more arid regions need efficient irrigation systems. Infrastructure strategies must therefore better consider specific regional needs by boosting the participation of all stakeholders in the selection of infrastructure investments. The various policies must also be made more coherent, as a growing interest in renewable energies, such as biogas and solar energy, exists side by side with continued support for hydrocarbons.

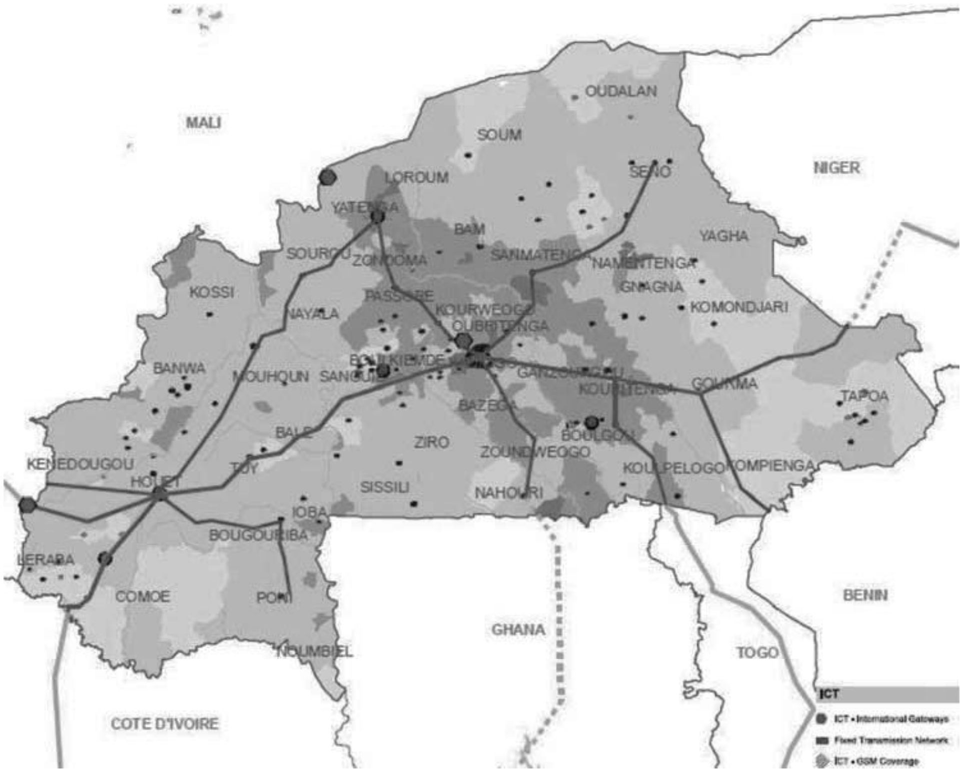
3.7.2. Financing agriculture-related infrastructure

The 2010 budget focuses on five priority sectors, including agriculture and infrastructure. The SCADD has just been drafted and the government has identified public investment in infrastructure as a means of accelerating economic growth. Most of the capital expenditure – a planned 12.5% of GDP – will be allocated to infrastructure. Burkina Faso has also signed an agreement under CAADP undertaking to allocate at least 10% of its national budget to agriculture by 2015. In fact, it has already exceeded this target, devoting around 14% of its budget to agriculture. Despite this significant effort, measures are needed for transferring part of these funds – as well as their management – to local organisations responsible for infrastructure services in rural areas.

Options for using available financial resources to develop infrastructure are limited. Agriculture-related infrastructure competes with other needs, such as health and education. This makes official development assistance (ODA) a potentially important source of financing for agriculture. Despite the establishment of five "coordination frameworks", further coordination efforts are needed.[20] A road fund was created in 2007 but is used for maintaining and rehabilitating the existing network rather than for developing secondary roads, even though they are vital in rural areas. Given the scale of rural infrastructure requirements, it would be advisable to prioritise the rural roads most likely to facilitate access to markets, thereby encouraging increased agricultural output. The most productive regions within a reasonable distance of urban areas should also be a priority as they are the most attractive areas for investment.

Burkina Faso has an agricultural market information system run by the National Food Security Reserve Management Corporation which collects, analyses and disseminates information on agricultural commodities. Eleven control centres disseminate information to all regions[21] via researchers responsible for compiling the data and sending it to the national centre by email or fax. Examples of the work performed by the agricultural market information system include a study on rice quality in 2004 and the collection, analysis and dissemination of information on agricultural commodity prices in 48 markets. An e-strategy – the Strategy for Implementing the National Information and Communication Infrastructure Development Plan – has also been drawn up, although implementation procedures do not seem to have been clearly defined. Plans have also been made to connect the country to the regional fibre optic network, which would reduce the cost of ICT services. Boosted by private participation, mainly in the form of concessions or new investments, mobile telephone coverage rose sharply between 2005 and 2008.

Figure 3.3. Global System for Mobile Communications (GSM) coverage



Source: Africa Infrastructure Country Diagnostic (AICD), 2011.

According to the Strategy for Implementing the National Information and Communication Infrastructure Development Plan, the main obstacles to speeding up ICT development are a heavy tax burden and generally high costs, which bar access to basic equipment. Access to technology is prohibitively expensive for small and medium agribusinesses. In addition, telephone and information technology relies on electricity, which is not available to most people, and the mobile network does not cover the whole country. However, Burkina Faso has the potential for coverage with limited-performance broadband (WIMAX), which could be further enhanced by fibre optic cable.

As a landlocked country, it must better integrate into the regional transport network to improve access to markets. Deficiencies in the transport network hinder the development of more sophisticated agricultural products and commercial agriculture. The existing transport network comprises five corridors leading to the ports of neighbouring countries. These links with its neighbours are vital to Burkina Faso, which uses the ports of Tema in Ghana and Abidjan in Côte d'Ivoire, as well as their storage infrastructure for agricultural exports. A railway line run by Africa's first private rail concession, SITARAIL, links Abidjan to Ouagadougou. However, SITARAIL provides inadequate freight services, in terms of traffic units per kilometre of track, which is compounded by the interruption of services as a result of the Côte d'Ivoire conflict, resulting in a loss of millions of dollars for the company.[22]

Table 3.3. Performance of the SITARAIL private rail concession, 2009

2009 total revenues (millions of (USD)	Investment needs (2008/2020) (millions of USD)		Total investment as a multiple of 2009 revenues
	Infrastructure	Rolling stock	
66	132	99	3.5

Source: Railway Concessions in Sub-Saharan Africa: Lessons Learned; Joint World Bank/AfDB Presentation.

Burkina Faso has quite a big funding gap in the transport sector (USD 35 million per year). Improving budget implementation has the potential to release USD 9 million in funding for transport. ODA from OECD countries represents a major source of funding for transport (USD 45 million), followed by the public sector (USD 35 million) and non-OECD donors. As private investment in the transport sector is lacking, it is crucial to make it more attractive to private investors. A successful example is Burkina Faso's state-owned cotton company (SOFITEX), which is also responsible for rehabilitating rural roads to transport cotton. SOFITEX works with groups of villagers to facilitate the passing of trucks carrying cotton. The company also devotes some of the proceeds of cotton sale to maintaining its rural road network.

3.7.3. Water resources management

Burkina Faso has a variety of water resources, including rainfall, surface water and groundwater reserves. Rainfall is highly variable, averaging 748 mm per year, with more rainfall in the south than in the north. Most rivers and lakes are also in the south, including the Volta, the Niger and the Comor basins which cover respectively 63%, 30% and 7% of the country's needs. As all rivers are seasonal and rainfall varies widely, investment in water storage technologies should be boosted and an efficient irrigation system set up to mitigate the effects of drought. Irrigation allows food crops to be grown in the dry season, thereby enhancing food security. At present, less than 5% of agricultural land is equipped for irrigation, representing around 15% of potentially irrigable land. The development and maintenance of irrigation networks create job opportunities for workers who usually migrate to Ghana and Côte d'Ivoire in the dry season to find work.

Various government agencies are involved in water resources management at all levels, i.e. national, watershed, regional and local. The Action Plan for Integrated Water Resources Management defines an institutional framework for water resources management. The World Bank's Private Irrigation Development Project aims to expand the use of irrigation with private sector backing. At local level, the Small-Scale Village Irrigation Project operates in small areas, with fairly manageable irrigation costs enabling producers to diversify their production.

3.7.4. Storage facilities

Burkina Faso frequently encounters problems caused by rainfall variations, which can have a devastating impact on the harvest of cereals. The government set up the National Food Security Reserve Management Corporation in 1994 to enhance its responsiveness to unforeseen food crises. This Corporation is connected to the computerised agricultural market information system, which provides information on agricultural commodity prices. The government also owns warehouses and cold storage facilities for collecting, preserving and storing cereals and agro-industrial by-products. Village cereal banks act as physical food reserves that the villagers can use in times of crop failure. The establishment of cereal banks and the construction of warehouses for groups of rice producers (with more than 100 hectares of land) by the Rain-fed Rice Project[23] can effectively encourage private storage.

Agricultural products are not stored only in Burkina Faso. For instance, Burkina Faso uses the port of Lomé which specialises in food storage and is equipped with transit warehouses. The use of port facilities should thus be linked with the development of the road network leading to them. Storage capacity should also be increased to meet real needs.

3.8. Financial sector development

Financial markets are an important driver of economic growth. They help channel resources to appropriate projects, stimulate savings and investment and minimise transaction costs. A strong financial sector can provide financial services to farm enterprises, targeting both large investors and local farmers and small rural entrepreneurs through specific credits tailored to their needs. This section aims to assess the financial system's ability to promote agricultural development and, in particular, investment in the sector.

3.8.1. Regulatory framework

The regulatory framework includes the legislation, regulation and supervision required to make financial markets function smoothly. The main regulatory constraints to broaden the supply of financial services in support of agriculture are the lack of collateral, cadastre and registration of available assets, together with limited credit information services.

Collateral requirements can hinder access to credit. Although the optimal value of collateral is difficult to determine, in practice many borrowers are excluded from the market by high collateral requirements. While the suitability of rules for collateral is difficult to estimate quantitatively, it stems from a combination of at least three factors: (i) the loan to value ratio, i.e. the value of the asset provided as collateral as a percentage of the mortgage (a rate of more than 150% is commonly considered prohibitive, although there is no absolute threshold); (ii) permissible types of collateral; (iii) the cost of obtaining the proof of ownership of the collateral. In Burkina Faso as in other Sub-Saharan African countries, collateral requirements are usually between 100% and 200% of the loan value.[24] Yet, this average masks wide differences between large enterprises and SMEs or individuals. Individuals find it much more difficult to secure loans, with collateral requirements routinely exceeding 150%.

In practice, collateral requirements are much more likely to be prohibitive where foreclosure or loan recovery procedures are ineffective. Conversely, improving them can reduce mortgage costs. Moreover, an effective cadastre or centralised credit history information can reduce the level of bank requirements still further. Ideally, all aspects of collateral lending should be governed by a single universally applicable law which should include explicit provisions on the limits and permissible types of collateral.

Real estate, which is often an individual or firm's most valuable asset, is generally the safest form of collateral. However, the use of land titles as collateral may be difficult in transition economies because of a lack of well-managed and accurate cadastral data. The most important criteria for assessing a country's land registration system are: (i) real estate coverage; (ii) accuracy; (iii) completeness of data; and (iv) access to information at reasonable cost for parties with a legitimate interest. In Burkina Faso, the Cadastre Directorate, a key directorate of the Directorate-General for Taxes, is responsible for enforcing regulations on the cadastre and managing the cadastral valuation system. The Cadastre Directorate is responsible for all cadastral operations, including implementing the cadastre, establishing and updating the cadastral plan, and managing the land information system and the acceptance of cadastral work. Since 2009, the country has a one-stop shop for land transactions launched to expedite land titling formalities.

However, a number of challenges still hinder the Cadastre Directorate from performing its assigned task. Its foremost problem is a shortage of human resources and skilled personnel such as surveying engineers and cadastral inspectors. This is compounded by technical problems, with a lack of critical equipment such as surveying equipment, computer software and, more importantly, suitable premises for archiving land records. While the one-stop shop for land transactions has certainly reduced the time required for land titling, the average cost of remains fairly high: 13.2% of the land value, compared with an average 9.9% for Sub-Saharan Africa.[25] These difficulties with the registration of formal land tenure rights go hand in hand with ubiquitous customary rules on rural land tenure that are characterised by a set of informal, temporary and revocable “delegated rights” granted only orally.

The first move to overcome these obstacles is to reconcile modern law with traditional practices. The adoption in 2009 of a rural land law to promote productive investment in the agricultural sector is certainly a significant step forward, even though the implementing orders for the new law have yet to be adopted.[26] The conversion of the Cadastre Directorate into an independent land management and registration agency integrating the expertise of the Directorate for State-owned Property and Land Affairs and the one-stop shops for land transactions – both of which come under the Directorate-General for Taxes – would simplify and streamline the land registration process. Once this agency is up and running and endowed with the required human and technical resources, it could expand the coverage of the land registration system by ensuring the systematic registration of land title at low cost and providing the relevant information to stakeholders at a reasonable cost.

While real estate assets are the most common form of collateral, more loans might be secured by weaker borrowers if movable assets were also accepted as collateral. For many enterprises, capital goods make up a large portion of their asset portfolio and overall wealth. Moreover, movable assets are often an appropriate form of collateral because they are easy to value and requisition. Nevertheless, financial institutions are reluctant to accept movable assets as collateral in the absence of effective institutional mechanisms. The solution is to establish: (i) a unified and legally recognised registry for movable property and assets; (ii) inexpensive registration services; and (iii) easy and affordable access for financial institutions. To maximise its accessibility and usefulness, the registry should ideally be fully digitised. At present no such registry for movable assets exists in Burkina Faso. Only real estate assets are registered and can be used as collateral. The government could delegate the launch and management of such a registry to a private provider, provided that it complies with stringent specifications, including the protection of consumer rights (in terms of transparency, self-investigation, accountability and the right to contest).

Moreover, credit information services are a key component in the credit chain because they serve to increase market transparency by providing objective information on the creditworthiness of individual customers or small businesses. They enable lenders to make faster and more accurate choices, thereby reducing failure rates and increasing their lending. Conversely, the lack of sound credit information usually leads to credit rationing and pushes lenders to resort to their personal connections, and hence to limit the volume, scope and coverage of their loans.[27]

An effective credit information system can be assessed on the basis of the following criteria: (i) credit information services exist and are accessible to financial institutions and the public; (ii) both positive and negative credit information is available; (iii) data on loans to legal entities and individuals above a certain threshold are collected and made available to financial institutions and the public upon request; (iv) information is complete and updated regularly; (v) more than two years of historical data are provided; and (vi) the law allows borrowers to access their data and contest it if necessary.

In Burkina Faso, domestic credit to the private sector represented 15.5% of GDP in 2008,[28] compared with typical ratios of up to 200% in OECD countries. The lack of credit information services has undoubtedly been a contributing factor. The coverage of the public credit rating agency was only 1.9% of the adult population in 2008, compared with 100% in most OECD countries. Burkina Faso received a score of 1 out of 6 in the *Doing Business 2010* report index on the scope of credit information. This index measures the scope, accessibility and quality of credit data provided by public and private registries and bureaus. While information on loans to individuals and businesses is available, it is only negative, relates to the past two years and does not include data on loans amounting to less than 1% of per capita income. In addition, the law does not guarantee borrowers the right to consult and verify the information on their loans, and hence to challenge any errors.

To remedy these shortcomings, the public credit registry of the Central Bank of Burkina Faso – which holds all credit data but only on large loans – should be improved. In particular, the government could launch a project to establish a credit bureau involving the Central Bank and interested commercial banks, with the support of specialised international organisations such as the International Finance Corporation. During the start-up phase, this bureau could set up a database to integrate Central Bank data with the information from the credit registries of partner banks. During this initial phase, it would be useful to focus on identifying the credit history of individuals and SMEs below a certain threshold. This threshold could possibly be raised thereafter.

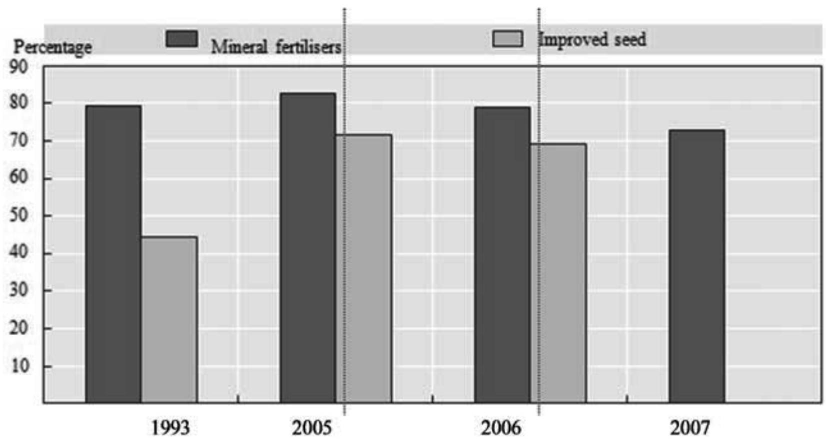
3.8.2. Banking sector

In developing countries where lenders and borrowers do not have the same opportunities to use the market as in developed economies, bank intermediation plays an even greater role in reducing liquidity risk. This is particularly true for the agricultural sector, which often depends heavily on bank financing. Banks need to be under sufficient competitive pressure to attract savings and channel them effectively to investors in agriculture. Outreach is an additional measure of the banking sector's efficiency. As access to banking services does not necessarily mean that the services are used, a distinction had to be made between two concepts: (i) access and opportunity to use financial services; and (ii) the actual use of financial services.

Burkina's Faso financial system contributes 30% of GDP and relies heavily on the banking sector, which holds 90% of all financial assets.[29] The sector currently consists of 13 banks and 5 non-bank financial institutions[30] and is highly concentrated, with the three largest banks holding nearly 60% of total financial assets.[31] Although most banks are adequately capitalised, they remain vulnerable because of their over-exposure to the cotton sector where prices are highly volatile.

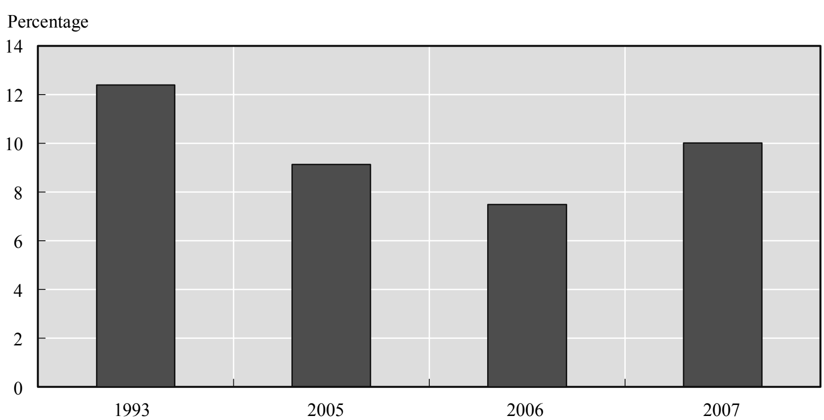
The majority of banks are the subsidiaries of French groups (BNP-Paribas and Société Générale) or regional banks, such as: the Sahel-Saharan Investment and Trade Bank (BSIC); the United Bank for Africa (UBA), which acquired the International Bank of Burkina (BIB); and Ecobank which absorbed the Agricultural and Commercial Bank of Burkina (BACB) in 2009.[32] Over the previous decade, the latter (previously known as the National Agricultural Credit Bank of Burkina) had sharply increased its lending to agriculture – a sector that is complex because of its large volume of informal activities and unpredictable because of climatic variations. According to the bank, its total assets have almost tripled, the volume of deposits more than quadrupled and the bank has become a leader in financing the cotton value chain[33] The bank reports that the new entity formed by the merger between BACB and Ecobank will have the highest total assets in the market and the most extensive branch network. This raises the question of whether the new bank's business will be steered towards more profitable – and above all, less risky – sectors at a time when bank credit is vital for the sector as a means of financing 80% of mineral fertilisers, 60% of improved seeds and 10% of equipment (see Figures 3.4 and 3.5).

Figure 3.4. Share of credit in financing inputs and seed



Source: Forecasting and Agricultural Food Statistics Directorate (DPSAA), 2009.

Figure 3.5. Share of credit in financing equipment



Source: Forecasting and Agricultural Food Statistics Directorate (DPSAA, 2009.

In terms of outreach and access to the banking sector, Burkina Faso was ranked fourth among UEMOA member countries for banking density in 2007, with an average of just over 20 bank branches per million inhabitants over the age of 15 years, behind Senegal (30.47), Mali (30.41) and Togo (26.87).[34] These figures are still far below the OECD average, where countries can have more than 300 bank branches per million inhabitants (Netherlands has 342.3 and Denmark has 376.3). This is all the more worrying considering the geographical distribution of these branches, most of which are in large urban centres (Ouagadougou[35] and Bobo Diolasso) that the banks treat as a priority for their business, while secondary towns and rural areas are poorly served, if at all. This means that a large section of the population has limited access because of their geographical location, which partly explains the World Bank's estimate that only 26% of the population has access to financial services. Other figures, including a penetration rate of bank accounts of 12.39%, underline the low use of financial services in Burkina Faso, despite the fact that the country ranks second in the UEMOA area, just behind Togo (with 15.77%).[36]

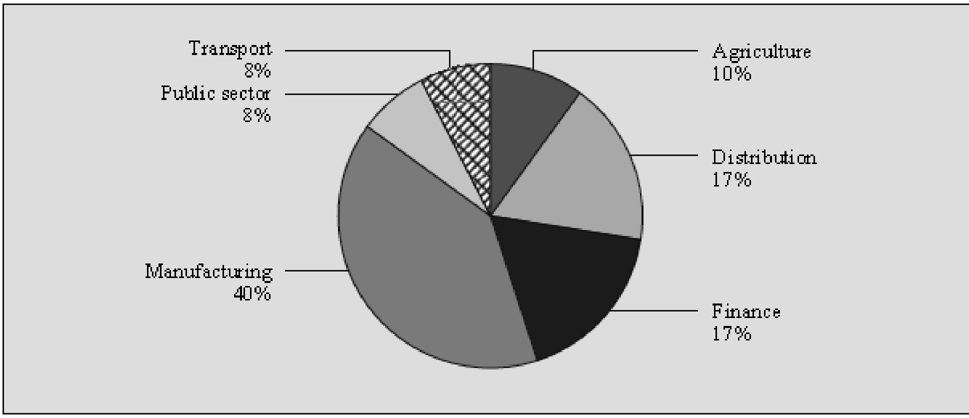
According to the International Monetary Fund, the interest rate spread in Burkina Faso is over 9%, which indicates a lack of competitive pressure that would incentivise banks to try actively to attract new clients.[37] This rate also points to a lack of efficiency in the banking system associated with excessive provisioning requirements, high intermediation margins, costly overheads and sub-optimal resource allocation. The regulatory authorities should therefore lower barriers to entry in the banking sector in order to encourage competition and new entrants, thereby reducing the interest rate spread, enhancing the range of financial services and broadening access to financing. In addition, the central bank could be given additional powers of oversight and investigate not only on the concentration in the banking sector but also on collusion that could distort the market. Regarding the issue of access to banking services, the government could allow the national postal service SONAPOST to open a retail banking arm. As SONAPOST has an extensive network of branches, including in rural areas, a postal bank could increase competition and significantly raise the penetration rate of bank accounts, following the example of several North African countries.

3.8.3. Capital markets

Transparent and liquid capital markets are essential for channelling investment and facilitating efforts by large and medium-size enterprises to raise capital. Capital markets can act as an important source of funding by facilitating individual and institutional investment. Direct interaction between investment fund providers and users has a number of advantages over bank intermediation. As middlemen are not involved, investors can decide the type of business and risk they wish to steer their funds to, while fund recipients can tailor their securities to the needs of target groups and refine their balance sheet. This improves risk management on both sides through diversification and may lower financing costs. Capital markets offer a number of obvious advantages to the agricultural sector, including: (i) mechanisms for listing and raising capital that may restructure and modernise agriculture and contribute to creating competitive value chains; (ii) trading products, such as futures and other derivatives, for capital management risk; and (iii) information tools providing commodity-specific information services that empower industry participants to manage their price risk. Key development indicators of capital markets discussed below include: (i) the size, depth and transparency of the capital market; and (ii) the sophistication of financial instruments, which determines their accessibility, depth and risk.

Burkina Faso is a member of the Regional Stock Exchange based in Abidjan, Côte d'Ivoire. In 2009, the market capitalisation of this stock exchange was nearly 10% of Burkina Faso's GDP.[38] As in most other stock exchanges in Sub-Saharan Africa, relatively few companies are listed on this stock exchange. Moreover, only 4 of a total of 40 listed companies are agricultural and all four are in Côte d'Ivoire (see Figure 3.6). Only two Burkina Faso companies are listed: the national telecommunications operator ONATEL and the Bank of Africa Burkina Faso. The securities and products traded on this stock exchange are subject to prior approval by the capital market authority, the Regional Council for Public Saving and Financial Markets. Until now, only shares and bonds may be traded and there is no derivatives market. In fact, most African countries have no derivatives market, apart from South Africa and some North African countries, including Morocco, Egypt and Tunisia, where the volume of derivatives transactions is still small but growing.

Figure 3.6. Breakdown of companies listed on the Regional Stock Exchange by sector



Source: Regional Stock Exchange (BRVM), *www.brvm.org* (2011)

Much remains to be done to boost the regional stock exchange and enable it to meet the financing needs of businesses and to improve the framework conditions for agricultural development. One interesting option would be to launch a derivatives market, as South Africa's experience has shown. The South African market offers a wide range of derivatives, including forwards and futures, as well as a range of different options.[39] The performance of South Africa's agricultural commodity futures market has been dynamic in recent years by offering maize, wheat, sunflower seeds and soybean trading products, which provides regional producers with risk management tools and price evaluation criteria. In the foreseeable future, UEMOA may be called upon to play a role in developing the regional stock exchange.

3.8.4. Alternative financial services

Extending financing opportunities to micro-entrepreneurs and SMEs, thus allowing them to produce, innovate and invest, is vital to the growth of the agriculture sector in Africa. However, African commercial banks tend to be over-liquid, risk-averse and prefer short-term over long-term lending – all features that favour urban businesses and consumers over rural entrepreneurs who need long-term financing and are vulnerable to climatic hazards. The low coverage of the banking system makes access difficult for those living in rural areas as they often have to travel long distances to reach the nearest credit institution. Microfinance development may offer a solution as it is rapidly expanding and targets individuals and small-business owners without access to bank financing. Microfinance institutions (MFIs) can take many forms and offer a wide range of services. They are divided into deposit-taking and non-deposit-taking institutions. Deposit-taking MFIs are subject to the regulations governing the banking sector. However, as they are often small, the cost of stringent regulatory standards can hamper their development drastically. Public policies should therefore limit systemic risk and regulatory distortions, while keeping the burdens on MFIs down to a reasonable level.

In 2009, the government adopted a new law on decentralised financial systems. The law aims to limit the risks entailed by the growth of the microfinance sector and to secure transactions by introducing a single authorisation system. It also provides for the participation of the Central Bank of West African States in examining applications for authorisation to operate, strengthening prudential rules and undertaking the mandatory certification of accounts for decentralised financial systems above a certain size.[40] Between 50 and 60 MFIs are now operating, offering mostly basic financial services confined to loans and fairly limited deposit and savings services. They offer short-term loans to individuals or groups and medium- and long-term loans to individuals. Short-term loans comprise 70% of their lending, with an average loan term of 6 to 12 months at an annual interest rate of 10% to 17%.[41]

Even though MFIs have grown rapidly in Burkina Faso, a number of structural problems persist. Most MFIs are largely dependent on subsidies, a sign that they are not financially viable. Their interest rates are also generally higher than on the formal market. In addition, their coverage remains limited, with a low penetration rate and a 92% gap on the demand side.[42] Moreover, as most of their lending is short-term, it is not always useful for financing investment. Finally, the range of microfinance products and services is limited.

Improving microfinance services requires a co-ordinated effort and a well-designed strategy with multiple levels of intervention. Such a strategy should promote the development of a range of sustainable and competitive MFIs offering a variety of useful financial services to micro-entrepreneurs and individuals, while encouraging greater bank involvement in the sector and stimulating the use of loan guarantees to MFIs. The design and development of new products, such as life, health and credit insurance, could be considered. This strategy should also consider ways to develop the human, financial and information resources of MFIs, while promoting the creation of a sufficiently dense network of MFIs.

With the goal of providing appropriate financing for agriculture that calls for specific financial services due to seasonal activities, the possibility for staggered reimbursement schedules, grace periods and less frequent reimbursements or leasing could be explored. While leasing is one of the most common forms of corporate finance in developed countries, such services are not always available or are very basic in many emerging markets. Leasing can play an important role in broadening access to finance for two reasons: (i) it does not require collateral because ownership remains with the lessor; and (ii) leasing contracts can be agreed without considering credit histories.

Burkina Faso's leasing industry is still in its infancy. The International Finance Corporation recently launched the Africa Leasing Facility which aims to support the development of leasing in Burkina Faso over the next three years by: improving the tax and legal environment for leasing; providing leasing information and training to SMEs, regulatory institutions and the general public; and building the capacity of operators and others involved in leasing. In addition, the quality of the regulatory environment and justice system is key to developing the leasing sector. This includes clear rules on: assigning property rights; enhancing information infrastructure; implementing foreclosures; and safeguarding asset repossession in the event of default. Leases should also be given the same regulatory and tax treatment as bank loans.

3.8.5. Guarantee schemes

Access to finance is particularly difficult with insufficient collateral. Appropriate guarantees provided by public or private institutions or mutual guarantee associations can help address this challenge. Credit guarantee schemes are designed to help companies with viable projects secure bank loans to which they would not normally have access. Burkina Faso's Financing and Interbank Guarantee Company SOFIGIB was formally established in 2006 but came into operation only in the second half of 2008. SOFIGIB has a capital of 475 million FCFA, of which more than 89% is held by banks and financial institutions (425 million FCFA), while the state holds the remaining 11% through the Economic and Social Development Fund of Burkina Faso.

SOFIGIB aims to guarantee the medium- and long-term loans of its shareholder banks and financial institutions to small and medium-sized enterprises and industries (SMEs/SMIs) lawfully established in Burkina Faso and operating in the following sectors: manufacturing; agribusiness; agriculture; fisheries; mining; tourism; public buildings and works; transport; hotel and catering; production-related services; and in specific cases, trade. SOFIGIB has defined targets for bank loans: 80% for the expansion of existing businesses and 20% for start-ups. Guarantees are granted for a minimum of 1.5 million FCFA and a maximum of 25 million FCFA, although they may not represent more than 50% of the related bank credit. A personal contribution of no less than 15% of the total project cost is required.

As SOFIGIB is such a new credit guarantee company, little information is available about its performance and its impact on credit allocation to SMEs. However, a stated goal should be to make guaranteed loans commercially viable and to boost demand through direct interaction between loan applicants and SOFIGIB as the best way of boosting complementarity and impact.

Another option for ensuring access to finance is mutual guarantee associations, which have the same overall purpose as the credit guarantee schemes described earlier. Such associations leverage shared knowledge and peer pressure among entrepreneurs in a given industry or regional cluster. Their members collectively underwrite a loan to one of its members, which can have the following advantages: (i) the risk is spread among all members; (ii) the borrower's peers may be able to assess the risk of a loan better than a bank, in view of their proximity (regional or industry); (iii) peer pressure may reinforce borrower discipline, as default has collective consequences for peers. This system appears to be particularly suited to Africa where the strong cohesion of many communities has already led to successful tontine and micro-credit schemes.

3.8.6. Financial education

A difficult access to finance results not only from supply-side constraints but also from demand-side issues. The most serious problem is the investment readiness of entrepreneurs that prevents them from properly evaluating available funding options and understanding the concerns and needs of investors and bankers which is essential to obtain credit or equity capital. Efforts to expand access to credit should thus focus on the demand-side by upgrading knowledge and skills.

Burkina Faso is one of the least literate countries in the world, with more than 70% of adults being illiterate and an enrolment rate de 44.6%.[43] Combined with the fact that 80% of the population lives in rural areas, this makes the task of improving skills not just difficult but essential. A number of programmes have been launched, including "Credit with Education" targeting mostly rural women and the programme initiated in the Banfora region by the Aga Khan Fund for Economic Development. However, such initiatives conducted mainly by foreign non-governmental organisations are no substitute for initiatives by the government and civil society. The government priority should be to introduce new approaches and coordinate various initiatives country-wide.

Special programmes targeting women and youth are likely to be the best way to increase impact and turn entrepreneurship into an instrument of economic and social progress. Such programmes should focus on high-priority issues which, depending on national circumstances, could include important aspects of financial planning, such as basic savings and the management of private debt and insurance, as well as the fundamentals of financial education, such as basic financial mathematics.[44] The national media and information campaigns should aim to provide proper coverage of relevant issues and to disseminate self-help tools that all inhabitants find easy to understand and use.

3.9. Public governance

Harnessing the potential of investment in agriculture requires a responsible attitude of the government and investors and an effective coordination of key stakeholders. While there is no single model of good public governance, regulatory quality and public sector integrity are two essential components.[45] They influence investors' confidence and decision-making and act as a catalyst to leverage the benefits of investment for development. This review addresses three public governance priorities: (i) promoting coherent public policy to foster responsible agricultural investment by all relevant government bodies; (ii) improving the quality of the regulatory framework for agricultural investment; and (iii) undertaking stakeholder consultation and participation in decision-making processes.

3.9.1. Regulatory coordination and transparency

Several structures have been put in place to enhance inter-ministerial coordination and ensure the coherence, quality and transparency of policies and regulations on investment in agriculture. The Coordinating Committee for Sectoral Agricultural Policies – whose 70 members represent the state at central, regional and local levels, the private sector, civil society, production value chains and development partners – was established at the MAH in 2001. It has a Permanent Secretariat responsible for ensuring coherence of policies and regulations on investment in agriculture when implementing the Rural Development Strategy and related action programmes. Apart from this Coordinating Committee, the Presidential Investment Council, established by regulation in 2007, discusses the country's investment strategy and makes policy recommendations for implementation. Chaired by the President, it comprises 30 members appointed for a two-year renewable term.

However, communication channels between these entities have not been clearly defined and established. A strategy to ensure coherence and build their capacity would seem to be required. This strategy should specify the procedures for coordination between the Permanent Secretariat for the Coordination of Sectoral Agricultural Policies, on the one hand, and the Presidential Investment Council and the Investment Promotion Agency, on the other. The relationship between the Permanent Secretariat and the rest of the administration should be clarified because, in spite of government efforts to simplify administrative processes, reform remains difficult to implement and farmers are unfamiliar with the respective responsibilities and interactions of each institution.

In a period of reform, ensuring coherence between the various regulatory authorities, transparency vis-à-vis investors and the accountability of public officials represent major challenges. Customs and administrative procedures, sanitary measures, environmental and national security, labour regulations and other social standards can impact on the promotion of agricultural investment. At local level, land tenure rights may be hotly disputed and call for a careful assessment of the local context, including of customary rights. This points to the need for a centralised mechanism to ensure the quality, coherence and stability of the regime governing agricultural investment. Such regime should be based on: (i) a coordination plan and a clear division of responsibilities; (ii) support for implementing the expertise of the Presidential Investment Council and the Investment Promotion Agency, especially in the area of problem identification and the formulation, promotion and adoption of solutions; (iii) an evaluation of the effectiveness of the Permanent Secretariat for the Coordination of Sectoral Agricultural Policies, with the option of either reviewing its mandate or building its operational capacity and linkages with the other mechanisms responsible for coordinating sectoral policies for investment.

3.9.2. Administrative simplification

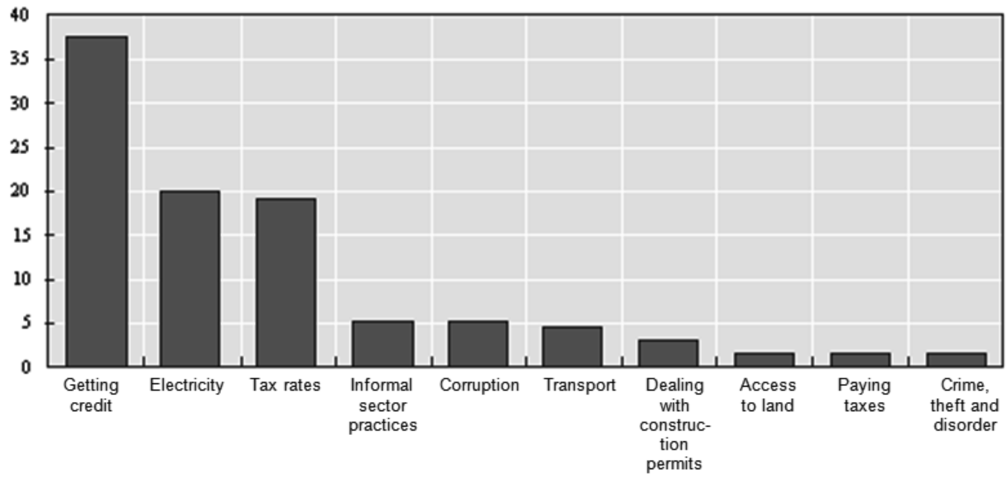
For more than a decade, administrative simplification has been a priority for many countries, including OECD countries. With complex and fast-evolving societies and economies requiring new regulations, a complex regulatory framework has come to place an excessive burden on citizens, businesses and the public sector.[46] In Burkina Faso, even though red tape continues to constrain growth of investment and production capacity, including in the agricultural sector, the country did manage to simplify its procedures between 2006 and 2008. It achieved a breakthrough in most aspects of the *Doing Business 2010* report. For instance, the number of procedures required to start a business was cut by 12 and the time required to complete them was reduced from 40 to 18 days. Further measures have been adopted to reduce the administrative burden, including the establishment of one-stop shops.[47]

However, persistent burdensome regulations and excessive red tape increase the cost and completion time of economic transactions and are compounded by growing corruption among public officials. Burkina Faso ranks 147th in the world for business facilitation.[48] According to the World Bank's Investment Climate Assessment of 2006, the most severe constraints undermining private sector development, including in agriculture, include: (i) the lack of access to credit; (ii) the lack of access to electricity; (iii) prohibitive tax rates; and (iv) harmful practices in the informal sector (see Figure 3.7). Further surveys on competitiveness and investors have highlighted a number of additional constraints, such as an inefficient government bureaucracy, technological backwardness, inadequate health services and a poorly educated workforce. 63% of the companies surveyed underlined that the interpretation and application of rules were unpredictable and 60% of the manufacturing companies considered that courts were unfair and corrupt.

While this brief review shows progress, major challenges remain. Indeed, determining and defining administrative simplification issues is challenging as they relate to broader aspects of public policy that are difficult to address simultaneously.[49] The key challenges faced by the government in achieving these goals are to: (i) garner support for administrative simplification; (ii) make an efficient and effective use of available capacity and resources; (iii) manage institutional and organisational needs; (iv) ensure consistent governance across all administration levels; (v) involve all stakeholders impartially in the implementation of administrative simplification strategies; and (vi) develop and improve measurement and evaluation mechanisms.[50] A regulatory impact analysis that examines the potential costs and benefits of new or amended regulations, including their social and environmental consequences, may provide a useful basis for assessing sectoral priorities and the effectiveness of current measures.

Figure 3.7. Constraints identified by a business survey

The ten main constraints to investment by businesses in Burkina Faso (2008) percentage of companies identifying the issue as their biggest obstacle



Source: Information on Burkina Faso in the World Bank *Doing Business Report 2010*.

Pursuing regional integration policy and promoting participatory evaluation methods may help introduce simplified measures. While the establishment of one-stop shops has certainly removed many business start-up procedures, the delegation of signature authority could further reduce the time required to process certain files. Coordination among agencies (Ministry of Economy and Finance, Burkina Faso Business Centre, Ministry of Trade, Enterprise Promotion and Crafts) should be enhanced further and one-stop shops devolved to regional and municipal level. Increasing the number of such shops may seem paradoxical and it would be useful to refrain from using such terminology to refer to the creation of an administrative centre responsible for a specific procedure, such as issuing building permits. At the same time, the government may do well by setting up a real one-stop shop to centralise a small number of administrative procedures. More generally, it should consider introducing more targeted reforms with specific programmes, such as an e-governance programme that could be used mainly for the administration of corporate profit tax, VAT and customs duties, and could help to promote a service culture.

3.9.3. Integrity and the fight against corruption

In recent years, the government has undertaken a number of reforms to improve public sector integrity and the quality of business regulation, by establishing: (i) the High Authority for the Coordination of Anti-Corruption Activities in 2002, which was replaced and strengthened by the High Authority for State Supervision in 2007; (ii) a Public Procurement Regulatory Authority in 2008; (iii) an Arbitration and Commercial Dispute Resolution Centre in 2007; and (iv) one-stop shops to remove the red tape entailed in trade and investment operations.[51] It has also ratified the United Nations Convention against Corruption, thereby expressing its willingness to comply with its provisions. According to Transparency International's corrupt perceptions index of 2008, Burkina Faso ranked 80th out of 180 countries, which was an improvement over the 105th position held in 2007. These reforms have led to a number of tangible improvements in the business climate. In its *Doing Business Report 2010*, the International Finance Corporation identified Burkina Faso as one of the most active reformers in 2008.[52] In 2010, the Heritage Foundation Index of Economic Freedom described Burkina Faso's economy as "relatively free", with an improvement in five of the ten categories of economic freedoms. The report of the National Anti-Corruption Network (REN-LAC) of 2006 showed a marked decrease in public perceptions of corruption in public procurement.

Despite these advances, confirmed by the World Bank's 2010 *Governance Matters* report, corruption persists in Burkina Faso. The report of the National Anti-Corruption Network showed that perceptions of grand and petty corruption were on the rise, especially as regards a uniform application of regulations. Public services cited most frequently on this issue include: the police/gendarmerie, customs and the judiciary and tax administration. According to the *Global Competitiveness Report 2008-09*, corruption remains the major issue for trade in Burkina Faso, followed by access to finance and tax regulations. The Heritage Foundation Index of Economic Freedom of 2009 also notes that corruption continues to pose severe constraints on the business climate.

Burkina Faso's efforts to fight corruption will only be effective as part of a broader strategy to strengthen the rule of law and reform the justice system. The current legal framework could be reinforced by introducing dissuasive financial penalties for acts of grand corruption, making bribery of foreign public officials an explicit criminal offence, extending the scope of criminal law to third parties, introducing specific criminal penalties for corporations and passing the bill on the legal protection of whistle-blowers. In addition, efforts are needed to improve transparency and encourage integrity in public procurement, customs and tax administration. Lastly, international co-operation on mutual legal assistance should be developed, in particular by extending existing bilateral agreements to include corrupt practices and by signing new bilateral or international agreements criminalising such practices.

3.9.4. Public consultation

The government has a set of mechanisms to optimise the quality of investment regulations. The annual meeting between the government and the private sector is a major discussion forum for identifying government reforms and priority actions. The Economic and Social Council of Burkina Faso, a consultative body with 90 members from civil society and government, is another consultation mechanism for optimising the quality of regulations. Coordination among these bodies is crucial to the success of Burkina Faso's efforts.

However, a key obstacle to the smooth operation of these consultation mechanisms is still stakeholders' lack of access to and familiarity with laws and regulations, especially farmers. The lack of websites and other means for disseminating and communicating information about these mechanisms makes it hard to find information, including on consultation outcomes. These consultation mechanisms must therefore be promoted to ensure that they remain open to all stakeholders and that all stakeholders, including farmers, are aware of the proposals and laws emanating from them. The government could conduct targeted information and awareness activities and disseminate the related laws.

Despite these constraints, Burkina Faso has great potential for improving its system of public governance and attracting responsible agricultural investment. The first step in harnessing this potential should be to improve the coordination among existing consultation mechanisms and establish a specific strategy for attracting responsible agricultural investment, for instance by holding agricultural investment fora.

3.10. Tax policy

Tax reform is an ongoing process. Tax policy makers and administrators constantly adapt tax systems considering economic, social and political changes. Reform is mainly driven by the need to mobilise domestic resources to finance economic and social development, which is a priority of both citizens and policy makers. However, the tax burden also affects economic decisions on investment, production, labour supply and demand, and savings. As a result, all governments face the same challenge of establishing an efficient tax system that stimulates investment, risk-taking, entrepreneurship and employment, while at the same time providing the resources required for essential public services to function properly. This challenge applies particularly to the agricultural sector which must offer not only a tax burden low enough to enable investors in agriculture to make a profit but also agricultural services that improve the quality of supply in the sector.

3.10.1. Fiscal position

Establishing the right environment for business to flourish in any sector, including agriculture, can be achieved only by imposing an acceptable tax burden. Burkina Faso adopted its first tax code in 1965 and has reformed it many times since then. Direct taxes and duties consist mainly of income taxes,[53] together with business licensing tax, employer's apprenticeship tax and taxes on the ownership of certain goods. Indirect taxes and duties include VAT, excise duties,[54] taxes on petroleum products, and one-off taxes on the informal, beverage and livestock sectors.

The VAT was introduced in 1992 and has been levied at a flat rate of 18% since 1996.[55] The overall fiscal burden of 12.4% in 2006 is still below the UEMOA norm of 17%.[56] Burkina Faso supports tax harmonisation in the UEMOA area and has committed to comply with regional disciplines. However, this regional tax harmonisation provides some flexibility: the tax on agricultural activities remains voluntary as per Article 4 of the Directive that entitles member states to levy the VAT in the agricultural sector under the conditions and modalities they determine.

Over the past decade, tax revenues have risen by an average of 9.7% per year and account for around 60% of total revenues.[57] In October 2008, the government adopted a framework document entitled "comprehensive strategy for tax policy reform", which rationalises tax incentives and exemptions and simplify and modernise the tax law, in particular by establishing a single corporate profit tax. The reform also aims to improve indirect tax management and efficiency by reforming the VAT and increasing taxes on the informal sector. In addition, the strategy to strengthen public finance provides for customs exemptions and tax incentives to stimulate private investment under specific conditions. In particular, Law 07-2010/AN of 29 January 2010, amending Law 62-95/ADP of 14 December 1995 on the Investment Code, provides for agricultural sector promotion through tax incentives and is part of the dynamic of reviving the sector enshrined in the Poverty Reduction Strategy Paper and the SCADD, which is currently being finalised. These incentives consist of grants for agricultural inputs and equipment, VAT exemptions for export and waivers of direct tax on farm income (see Table 3.4). However, no assessment of the level of tax burden needed to promote agricultural investment has been undertaken yet and no study has been conducted to measure the impact of the tax incentives granted in the sector.

In view of the complex tax system and the dual objective of imposing an acceptable tax burden while maximising tax revenues and minimising the cost of tax administration and compliance, Burkina Faso policy-makers should accurately gauge the advantages and drawbacks of the various tax policy options. In recent years, many OECD members and non-members have sought to build capacity to analyse their fiscal policy, focusing in particular on: the tax burden on business in each sector; effective marginal tax rates; tax distortions to investment; the cost of tax compliance and corrective action; and the tax wedge and barriers to employment. Their aim is to provide useful information for developing and implementing tax policy.

Table 3.4. Tax regimes and incentives under the new Investment Code

Type of incentive	**Tax regime and incentives**			
	Regime A: Investment of CFA francs 100 million-500 million, with the creation of at least 20 permanent jobs	*Regime B:* Investment of CFA francs 500 million-2 billion, with the creation of at least 30 permanent jobs	*Regime C:* Investment of more than CFA francs 2 billion, with the creation of at least 40 permanent jobs	*Regime D:* Investment of more than CFA francs 1 billion, with the creation of at least 30 permanent jobs and where more than 80% of output is for export
Customs duties	Payment of customs duty in category 1 of the customs tariff at the rate of 5% on operating equipment and the first batch of accompanying spare parts.			
Value added tax (VAT)	Exemption for new business start-ups from VAT payable on operating equipment and the first batch of spare parts. In the event of business expansion, reimbursement of the VAT credit available to the company at the end of a reporting period up to a maximum of the VAT paid on operating equipment and the first batch of accompanying spare parts. Exemption for new business start-ups of VAT payable on locally manufactured operating equipment. Under a leasing contract accompanied by a transfer of tax incentives, the rent for the above-mentioned goods is exempt from VAT.			
Corporate profit tax	Successive carry-forward of tax losses until the second fiscal year following the end of the tax-loss carry-forward period permitted under current legislation. For new business start-ups, deduction of 50% of the approved			

Type of incentive	Tax regime and incentives			
	investment amount, not exceeding 50% of taxable earnings. Such deductions may be spread over no more than five successive fiscal years. For approved expansion projects, in no fiscal year may deductions exceed 50% of taxable earnings.			
Business licensing tax	Exemption from the proportional tax for 5 years	Exemption from the proportional tax for 6 years	Exemption from the proportional tax for 7 years	Exemption from the proportional tax for 6 years
Employer's apprenticeship tax (TPA)	Full exemption from TPA for 5 years	Full exemption from TPA for 6 years	Full exemption from TPA for 7 years	Full exemption from TPA for 6 years

Source: Ministry of Agriculture and Water Resources (MAH).

Tax systems and administration practices were modernised as a result of these efforts, with models now used to guide tax policy. Now the government should therefore enhance the consistency of tax treatment and the efficiency of the tax administration vis-à-vis businesses operating in the agricultural sector.

3.10.2. Tax administration

An efficient tax administration is key to any tax-compliance promotion strategy aimed at maximising revenue collection and the use of public resources. In Burkina Faso, the administration has always been at the heart of tax policy design, often with the technical support of the IMF and other partners. Measures to increase tax compliance by businesses and individuals include the computerisation of the tax and customs authorities, training for their staff and, most importantly, heightened tax auditing. Corporate tax administration is centralised by the Directorate-General for Taxes, which includes a Large Enterprise Division and a Medium Enterprise Division. Lastly, local funds (municipalities and regions) are raised by specialist government departments (Treasury and Tax) which may be boosted with staff recruited by local authorities.

However, several challenges continue undermining tax collection, including: the current self-assessment tax system; tax evasion and avoidance; the informal economy (agriculture, crafts and trade); and diverse tax collection structures, including the three main financial authorities - tax, customs and treasury.

Any tax policy reform should therefore be accompanied by continued tax administration reform to improve the overall investment climate, and investment in agriculture in particular. The main objective of any such reform should be to increase the efficiency of the tax administration. The structure of tax collection agencies is a further key factor in the effectiveness and efficiency of the tax administration's operations and the provision of taxpayer services. Many tax agencies are engaged in major reforms in this area, moving from structural arrangements based mainly on the type of tax – which result in separate, largely self-sufficient and mutually independent departments responsible for each type of tax – to a single department based primarily on functional groupings (such as registration, accounting, data processing, audit, collection or appeals). A largely function-based model could improve overall operational performance, leading to efficient specialisation, economies of scale and simplified and consistent taxpayer treatment. The adoption of a functional model has led to the introduction of single access points for tax-related claims, unified taxpayer registration systems and more effective management of tax audits and debt collection.

Notes

1 The most important monitoring and regulatory bodies are: the Telecommunications Regulatory Authority; the Burkinabe Copyright Office; the National Bureau of Environmental Assessments and Hazardous Waste Management; the Radiation Protection and Nuclear Safety Authority; the High Council for Communication; and the Data Protection Authority.

2 They include: the Agricultural Diversification and Market Development Project funded by the World Bank; the Revitalisation of Agri-Food Sectors Project in Burkina Faso funded by the Canadian International Development Agency; the Agricultural Development Programme funded by the German Federal Ministry for Economic Cooperation and Development; the Agricultural Development Support Programme for Burkina Faso funded by the Danish International Development Agency; and the IFAD-funded Agricultural Value Chains Support Project.

3 They include: the Investment Code; the National Agricultural Investment Programme; the National Strategy for Promoting Non-Wood Forest Products; the policy for leasing land to private domestic or foreign private investors for hunting or wildlife tourism; the Action Plan and Investment Programme for the Livestock Sector 2000-15; the Plan of Action by sector: dairy, poultry, livestock/meat, small ruminants.

4 *Policy Framework for Investment*, OECD (2006).

5 *UIS Statistics in Brief*, UNESCO Institute for Statistics.

6 *Ibid.*

7 World Trade Organization documents: G/SCM/N/3/BFA, G/SCM/N/16/BFA, G/SCM/N/25/BFA of 2 September 1997; and G/SCM/N/186/BFA of 14 December 2009.

8 In the main customs offices, handling approximately 95% of transactions.

9 *www.primature.gov.ml/index.php?option=com_content&task=view&id=3067&Itemid=5*.

10 *Trade Policy Review: Benin, Burkina Faso and Mali*, World Trade Organization (2010), p. 204.

11 Source: National Foreign Trade Office (ONAC), *www.tradepoint.bf*.

12 The aim of the National Export Promotion Strategy (SNE) is to set coherent priorities and strategic objectives for exports by making a realistic assessment of available national resources for promoting exports (source: *www.loccidental.net*).

13 Burkina Faso's state-owned electricity company (SONABEL) is the main electricity producer.

14 *Bilan énergétique et maîtrise de l'énergie au Burkina Faso*, Pousga E.J.-C. Kaboré.

15 *OECD Guidelines for Multinational Enterprises* (2011).

16 *http://www.publishwhatyoupay.org/fr/where/coalitions/burkina-faso*

17 *Guidelines on Corporate Governance of State-Owned Enterprises*, OECD (2005).

18 Adopted by the government by decree n° 2004-485/PRES/PM of 10 November 2004.

19 Adopted by decree 2000-235/PRES/PM/MIHU/MTT of 2 June 2000, the strategy paper presenting the second Transport Sector Programme (PST-2).

20 *Aid for Agriculture: Turning Promises into Realities on the Ground: Niger, Burkina Faso and Ghana Case Studies; http://www.caadp.net/pdf/Highlights%20to%20the%20study.pdf*

21 *www.resimao.org/html/fr/Burkina/network*.

22 *Africa Infrastructure Country Diagnostic (AICD) Country Note*, Burkina Faso, 2009.

23 The Rain-fed Rice Project *(Projet riz pluvial)* is the result of co-operation between Burkina Faso and China.

24 *A Better Future for Africa: Recommendations from the Private Sector (*2009).

25 *African Economic Outlook*, OECD (2010).

26 *Ibid.*

27 Credit Bureau Program of the International Finance Corporation (IFC), a member of the World Bank Group.

28 *World Development Indicators*, World Bank.

29 *Making Finance work for Africa* (2010).

30 *Rapport annuel de la Commission bancaire de l'UEMOA* (2008). In early 2011, the Banking Company of West Africa (CBAO) entered Burkina Faso's banking market, taking advantage of the single licence principle introduced by the Central Bank of West African States (BCEAO) to allow banks and other financial institutions to set up in another UEMOA member state.

31 *Making Finance work for Africa* (2010).

32 *African Economic Outlook*, OECD (2010).

33 Interview with Léonce Kone, chief executive officer of the Agricultural and Commercial Bank of Burkina (BACB), *investir-bf.info*.

34 . Interview with Léonce Kone, chief executive officer of the Agricultural and Commercial Bank of Burkina (BACB), *investir-bf.info*.

35 The city of Ouagadougou is home to 12% of Burkina Faso's population and 39.78% of its banks.

36 *Rapport annuel de la Commission bancaire de l'UMOA* (2007).

37 *International Financial Statistics Database* (2007).

38 *Making Finance work for Africa* (2010).

39 *Making Finance work for Africa* (2010).

40 *African Economic Outlook*, OECD (2010).

41 *Ibid.*

42 *Ibid.*

43 United Nations Development Programme, UNDP (2010).

44 *Improving Financial Literacy: Analysis of Issues and Policies*, OECD (2005).

45 *Policy Framework for Investment*, OECD (2006).

46 *Why is Administrative Simplification so Complicated?* OECD (2010).

47 Information on Burkina Faso in *Doing Business Report 2010*.

48 *Ibid.*

49 *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, OECD (2009).

50 *Ibid*

51 Since 1991, the One-Stop Centre for Trade and Investment has been responsible for centralising, streamlining, simplifying and accelerating administrative formalities to which businesses in Burkina Faso are subject. The One-Stop Centre for Trade and Investment comprises the One-Stop Shop for Investment, the One-Stop Shop for Trade, and the Administration, Information and Documentation Service. Structurally, the One-Stop Centre for Trade and Investment is linked with the Directorate-General for Economic Promotion (source: *www.izf.net/pages/burkina-faso/4683/*.)

52 The International Finance Corporation *Doing Business Report 2009* on Burkina Faso showed improvements in four of the ten indicators of reform (registering property, dealing with construction permits, paying taxes and employing workers).

53 They include: tax on industrial, commercial, and agricultural profits; tax on non-commercial professional earnings; and single tax on wages and salaries.

54 Beverages, coffee, tea, colas, tobacco, cigars and cigarettes.

55 Law 26/96/ADP of 16 July 1996.

56 *Fiscalité des ménages et équité fiscale au Burkina*, Centre for Economic and Social Policy Analysis, 2008.

57 *African Economic Outlook*, OECD (2010).

Bibliography

OECD/African Development Bank/United Nations Economic Commission for Africa (2010), *African Economic Outlook 2010*, OECD Publishing. doi: 10.1787/aeo-2010-en

OECD/ (2011), *African Economic Outlook 2011: Africa and its Emerging Partners*, OECD Publishing. doi: 10.1787/aeo-2011-en

Bourse Régionale des Valeurs Mobilières (Regional Stock Exchange, BRVM) (2011).

Centre d'Analyse des Politiques Économiques et Sociales (2008), *Fiscalité des ménages et équité fiscale au Burkina*.

Commission Bancaire de l'UEMOA (2007), *Rapport annuel*, Abidjan. Commission Bancaire de l'UEMOA (2008), *Rapport annuel*, Abidjan.

Confederation of Danish Industry (2009), *A Better Future for Africa: Recommendations from the Private Sector*.

Government of Burkina Faso, MAH (2005), *Diagnostic de la situation de sécurisation foncière en milieu rural*, Rapport final, Comité National pour la Sécurisation Foncière en Milieu Rural (National Committee for Rural Land Security, CONA-SFR).

Government of Burkina Faso, MAH (2007), Forum National sur la Sécurisation Foncière (National Forum on Land Security).

Government of Burkina Faso, Direction Générale de l'Economie et de la Planification (DGEP) (2008), *Rapport sur la coopération pour le développement*.

Government of Burkina Faso, Conseil National pour l'Environnement et le Développement Durable (CONEDD) (2009), Deuxième *Rapport sur l'état de l'environnement au Burkina Faso*.

Government of Burkina Faso, Conseil Présidentiel de l'Investissement (CPI) (2009), *Entreprises privées et investissements au Burkina Faso*.

Government of Burkina Faso, Direction Générale de la Promotion de l'Économie Rurale (DGPER) (2009), *Évolution du secteur agricole et des conditions de vie des ménages au Burkina Faso*.

Government of Burkina Faso, Direction Générale de l'Economie et de la Planification (DGEP) (2009).

Government of Burkina Faso, Ministère du Commerce, de la Promotion de l'Entreprise et de l'Artisanat (MCPEA) (2009), *État des lieux de l'investissement privé au Burkina Faso: quelles stratégies de relance ?*

Government of Burkina Faso, Secrétariat Permanent de la Coordination des Politiques Sectorielles Agricoles (SP/CPSA) (2009), *Situation de référence des performances du secteur rural au Burkina Faso*.

Government of Burkina Faso, Office National du Commerce Extérieur (ONAC), *www.tradepoint.bf*.

IFC (2006), *Credit Bureau Knowledge Guide*.

IMF (2010), *International Financial Statistics Database*, Burkina Faso.

Kaboré, Pousga E.J.-C. (2006), *Bilan énergétique et maîtrise de l'énergie au Burkina Faso*.

Kone, Léonce, Interview in *investir-bf.info*.

Making Finance work for Africa (2010), *Country Focus Burkina Faso*.

OECD (2005), *Improving Financial Literacy: Analysis of Issues and Policies*, OECD Publishing.
doi: 10.1787/9789264012578-en

OECD (2005), *Guidelines on Corporate Governance of State-Owned Enterprises*, Paris.
http://www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm

OECD (2006), *Policy Framework for Investment*, Paris,
http://www.oecd.org/daf/inv/investment-policy/pfi.htm

OECD (2009), *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers*, OECD Publishing. doi: 10.1787/9789264059726-en

OECD (2010),*Why Is Administrative Simplification So Complicated?: Looking beyond 2010*, Cutting Red Tape, OECD Publishing. doi: 10.1787/9789264089754-en

OECD (2011), *OECD Guidelines for Multinational Enterprises, 2011 Edition*, OECD Publishing. doi: 10.1787/9789264115415-en

Oxfam International Research Report (2009), *Turning Promises into Realities on the Ground*.

Société Nationale d'Électricité du Burkina (SONABEL) (2010), *Données et chiffres : chiffres caractéristiques*, *www.sonabel.bf/statist/chiff_caract.htm.*

Système d'information sur les marches agricoles (SIM)/Société nationale de gestion du stock de sécurité alimentaire (SONAGESS), Réseau Burkina, *www.resimao.org*.

UNCTAD (2009), *Investment Policy Review: Burkina Faso*, Geneva.

UNDP (2010), *Human Development Report*, New York.

UNESCO (2009), UNESCO Institute for Statistics (UIS), *General profile, Burkina Faso*.

World Bank (2007), *Making Finance work for Africa*, Washington, DC.

World Bank (2009), *Revue des dépenses publiques. Au-delà du paradoxe burkinabè : feuille de route pour une décentralisation réussie et une dépense publique plus efficace*.

World Bank (2009), *Africa Infrastructure Country Diagnostic (AICD) Country Note*, Burkina Faso.

World Bank (2010), *World Development Indicators*, World Bank Group, Washington, DC.

World Bank (2010), *Doing Business Report 2009 – Country Profile: Burkina Faso*, Washington, DC.

World Bank (2011), *Africa Infrastructure Country Diagnostic (AICD), Burkina Faso's Infrastructure: A Continental Perspective*, Washington, DC.

World Bank (2011), *Railway Concessions in Sub-Saharan Africa: Lessons Learned and Potential Solutions for a Revival of the Sector*.

WTO (1997), WTO Documents G/SCM/N/3/BFA, G/SCM/N/16/BFA, G/SCM/N/25/BFA.

WTO (2009), WTO Documents G/SCM/N/186/BFA.

WTO (2010), *Trade Policy Review: Benin, Burkina Faso and Mali*, Geneva.

Annex A

Evolution of domestic and international investment in agriculture in Burkina Faso
(thousands of FCFA)

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
2000	Agriculture	National budget		
		Government counterpart funds	942 770	932 643
		Loans	1 721 4945	10 631 495
		Grants	9 034 408	6 287 179
		Total	27 192 123	17 851 317
	Livestock	National budget	100 000	88 215
		Government counterpart funds	230 000	229 991
		Loans	700 000	107 946
		Grants		
		Total	1 030 000	426 152
	Environment	National budget		
		Government counterpart funds	119 313	93 031

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Loans	335 940	177 730
		Grants	4 090 650	2 448 669
		Total	4 545 903	2 719 430
	Water and irrigation	National budget	1 925 000	1 392 958
		Government counterpart funds	2 052 920	1 336 648
		Loans	15 715 450	6 903 142
		Grants	8041120	5 626 000
		Total	27 734 490	13 865 790
	Grand Total		60 502 516	34 862 689
2001	Agriculture	National budget	400 000	400 000
		Government counterpart funds	1 556 175.825	1 174 563
		Loans	8 138 357	9 441 843
		Grants	5 488 573	5 861 094
		Total	15 583 105.83	16 477 500
	Livestock	National budget	150 000	149 975
		Government counterpart funds	235 000	164 086
		Loans	1 053 000	974 531
		Grants	270 950	222 265
		Total	1 708 950	1 510 857
	Environment	National budget	73 000	33 975

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Government counterpart funds	229 046	173 433
		Loans	920 600	169 000
		Grants	2 845 920	2 846 133
		Total	4 068 566	3 222 541
	Water and irrigation	ONEA	0	379 828
		National budget	1 900 000	1 252 921
		Government counterpart funds	1 620 462	1 077 942
		Loans	10 153 674	6 186 378
		Grants	13 886 697	8 017 488
		Total	27 560 833	16 914 557
	Grand Total		48 921 454,83	38 125 455
2002	Agriculture	National budget	552 900	650 602
		Government counterpart funds	1 942 641	1 992 891
		Loans	25 712 648	15 480 067
		Grants	8 154 640	7 028 483
		Total	36 362 829	25 152 043
	Livestock	National budget	45 000	0
		Government counterpart funds	314 406	302 422

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Loans	3 150 200	2 193 278
		Grants	188 426	212 149
		Total	3 698 032	2 707 849
	Environment	National budget	65 000	64 863
		Government counterpart funds	79 617	39 960
		Loans	120 000	46 900
		Grants	3 450 776	1 987 660
		Total	3 715 393	2 139 383
	Water and irrigation	National budget	1 502 630	743 459
		Government counterpart funds	2 116 126	1 719 199
		Loans	18 444 363	34 857 671
		Grants	19 081 400	5 893 086
		Total	41 144 519	43 213 415
	Grand Total		84 920 773	73 212 690
2003	Agriculture	National budget	1 598 000	1 587 881
		Government counterpart funds	3 669 325	3 413 455
		Loans	23 516 474	22 801 550
		Grants	10 749 644	10 592 190

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Total	39 533 443	38 395 076
	Livestock	National budget	58 000	41 621
		Government counterpart funds	351 256	345 891
		Loans	4 495 453	3 107460
		Grants	206 400	151 090
		Total	5 111 109	3 646 062
	Fisheries	National budget	9 500	4 879
		Total	9 500	4 879
	Environment	National budget	8 785	0
		Government counterpart funds	36 969	36 188
		Loans	0	0
		Grants	3 349 509	4 516 340
		Total	3 395 263	4 552 528
	Water and irrigation	National budget	2 400 870	846 030
		Government counterpart funds	1 038 545	9 689 571
		Loans	24 768 716	19 424 430
		Grants	15 212 076	9 801 622
		Total	43 420 207	39 761 653
	Grand Total		91 469 522	86 360 198

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
2004	Agriculture	National budget	1 364 560	1 356 824
		Government counterpart funds	2 280 370	1 825 450
		Loans	23 902 550	9 586 675
		Grants	16 097 260	12 962 590
		Total	43 644 740	25 731 539
	Livestock	National budget	95 000	50 000
		Government counterpart funds	124 633	123 976
		Loans	1 959 042	1 402 587
		Grants	1 009 149	408 767
		Total	3 187 824	1 985 330
	Environment	National budget	0	0
		Government counterpart funds	284 550	307 022
		Loans	0	0
		Grants	3 436 462	3 225 329
		Total	3 721 012	3 532 351
	Water and irrigation	National budget	5 279 977	3174 707
		Government counterpart funds	1 470 412	1 432 365
		Loans	22 106 191	11 063 747

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Grants	20 798 041	14 091 438
		Total	49 654 621	29 762 257
	Grand Total		100 208 197	61 011 477
2005	Agriculture	National budget	300 000	300 000
		Government counterpart funds	1 570 236	1 786 436
		Loans	31 488 119	20 000 182
		Grants	11 856 547	17 379 069
		Total	45 214 902	39 465 687
	Livestock	National budget	225 760	58 586.976
		Government counterpart funds	123 240	123 239.66
		Loans	1 054 026	1 572 044
		Grants	1 155 502	659 829
		Total	2 558 528	2 413 699.636
	Fisheries	National budget	50 000	25 528
		Grants	0	35 170
		Total	50 000	60 698
	Environment	National budget	16 100	131 000
		Government counterpart funds	800 796	942 741.436
		Loans	4 231 056	205 224
		Grants	3 636 465	1 640 297

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Total	8 684 417	2 919 262.436
	Water and irrigation	ONEA	0	661 730
		National budget	1 973 390	1 870 420.63
		Government counterpart funds	2 105 732	1 913 649.776
		Loans	27 058 809	18 100 592
		Grants	14 977 892	12 641 520
		Total	46 115 923	35 187 912.41
	Grand Total		102 623 770	80 047 259.48
2006	Agriculture	National budget	2 168 433	1 209 447.551
		Government counterpart funds	2 826 423	2 399 937.804
		Loans	30 814 891	28 506 239
		Grants	13 701 841	15 982 171
		Total	49 511 588	48 097 795.36
	Livestock	National budget	219 586	92 486.468
		Government counterpart funds	423973	381919.273
		Loans	2 774 975	2 598 268.88
		Grants	771 012	524 322.673
		Total	4 189 546	3 596 997.294
	Fisheries	National budget	50 000	0
		Grants	59 741	300 001

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Total	109 741	300 001
	Environment	National budget	143 250	112 059
		Government counterpart funds	251 158	196 627.953
		Loans	2 031 730	1 630 111
		Grants	1 178 635	1 943 764.953
		Total	3 604 773	3 882 562.906
	Water and irrigation	ONEA	0	552 400
		National budget	2 471 945	1 693 193.031
		Government counterpart funds	3 873 395	3 868 861.445
		Loans	38 002 577	24 929 668
		Grants	18 911 614	15 044 380
		Total	63 259 531	46 088 502.48
	Grand Total		12O 675 179	101 965 859
2007	Agriculture	National budget	5 103 216	2 826 729
		Government counterpart funds	2 875 016	2 261 213
		Loans	24 922 035	32 477 592
		Grants	12 523 722	8 715 715
		Total	45 423 989	46 281 249
	Livestock	National budget	670 743	81 947.094
		Government counterpart funds	370 880	363 644

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
		Loans	6 894 260	663 467
		Grants	733 497	373 148
		Total	8 669 380	1 482 206.094
	Fisheries	National budget	50 000	30 727
		Government counterpart funds	7 000	0
		Grants	89 250	436 075
		Total	146 250	466 802
	Environment	National budget	296 000	80 000
		Government counterpart funds	730 000	805 405
		Loans	6 228 971	1 429 886
		Grants	1 052 500	1 628 552
		Total	8 307 471	3 943 843
	Water and irrigation	ONEA	0	1 823 430
		National budget	2 132 197	2 433 168
		Government counterpart funds	5 081 268	3 662 042
		Loans	29 869 558	21 355 797
		Grants	20 095 514	15 289 464
		Total	57 178 537	44 563 901
	Grand Total		119 725 627	96 738 001.09

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
2008	Agriculture	National budget	4 685 675	2 958 571.047
		Government counterpart funds	3 671 467	2 610 095.738
		Loans	26 417 999	20 684 181
		Grants	9 036 919	6 120 590
		Total	43 812 060	32 373 437.79
	Livestock	National budget	1 277 437	1 192 176.545
		Government counterpart funds	493 788	275 275.827
		Loans	3 221 742	1 245 967
		Grants	588 764	37 751
		Total	5 581 731	2 751 170.372
	Fisheries	National budget	630 000	87 040
		Grants	33 347	280 410
		Total	663 347	367 450
	Environment	National budget	395 687	155 343.347
		Government counterpart funds	552 899	422 643.998
		Loans	2 966 319	868 528.995
		Grants	1 060 897	1 270 580.43
		Total	4 975 802	2 717 096.77

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
	Water and irrigation	National budget	9 130 680	4 575 270.257
		Government counterpart funds	3 880 918	2 524 353.256
		Loans	22 442 242	3 713 727
		Grants	17 222 141	12 170 283
		Total	52 675 981	22 983 633.51
	Grand Total		107 708 921	61 192 788.44
2009	Agriculture	National budget	5 550 000	5 700 952.225
		Government counterpart funds	2 892 354	1 424 442.251
		Loans	31 001 911	14 585 011.6
		Grants	9 329 866	5 269 330
		Total	48 774 131	26 979 736.08
	Livestock	National budget	1 160 000	1 146 695.45
		Government counterpart funds	746 942	663 558.934
		Loans	6 022 171	4 166 153
		Grants	455 880	269 446
		Total	8 384 993	6 245 853.384
	Fisheries	National budget	100 000	97 992.111
		Total	100 000	97 992.111

Year	Agricultural subsector	Method of financing	Budget law	Expenditure in Dec.
	Environment	National budget	940 000	303 360
		Government counterpart funds	125 000	103 701.829
		Loans	100 000	619 424.787
		Grants	742 769	138 459.098
		Total	1 907 769	1 164 945.712
	Water and irrigation	National budget	5 895 611	6 677 200.463
		Government counterpart funds	4 721 670	3 650 613.93
		Loans	32 327 490	5 457 893
		Grants	9 151 147	3 366 002
		Total	52 095 918	19 151 709.39
	Grand Total		111 262 811	53 640 236.14

Source :: Ministry of Economy and Finance (MEF), Directorate-General for Economy and Planning (DGEP), Directorate-General for Trade (DGC).

*ONEA: National Water and Sanitation Company

Annex B

Bilateral investment promotion and protection agreements and double taxation treaties concluded by Burkina Faso

Bilateral investment promotion and protection agreements

	Date signed	Date of entry into force
Germany	22 October 1996	21 November 2009
Belgium and Luxembourg	18 May 2001	13 January 2004
Benin	18 May 2001	–
Chad	18 May 2001	–
Comoros	18 May 2001	–
Ghana	18 May 2001	–
Guinea	25 March 2003	26 August 2004
Korea, Republic of	26 October 2004	–
Malaysia	23 April 1998	18 August 2003
Mauritania	18 May 2001	–
Morocco	8 February 2007	–
Netherlands	10 November 2000	1 January 2004
Switzerland	6 May 1969	15 September 1969
Tunisia	7 January 1993	–

Double taxation treaties concluded by Burkina Faso

	Type of treaty	Date signed
France	Income and wealth	11 Aug. 1965
Tunisia	Income	15 April 2003

Source: United Nations Conference on Trade and Development (UNCTAD), 2011.

Annex C

Key agricultural strategies and policies of Burkina Faso

A. KEY STRATEGIES AND POLICIES FOR THE AGRICULTURE, WATER RESOURCES AND FISHERIES SUB-SECTOR

National Water Policy: The overarching goal of this policy, adopted by decree 98-365/PRES/PM/MEE on 10 September 1998, is to contribute to rural development by providing appropriate solutions to water-related problems to ensure that water serves not as a constraint but as a source of economic and social development. This overarching goal is underpinned by four specific objectives: (i) to meet water needs in a sustainable manner; (ii) to protect against aggressive water action; (iii) to improve public finances; and (iv) to prevent conflict arising from the management of shared water resources.

National Food Security Strategy (NFSS): A decade of implementing action plans and programmes under this strategy has yielded mixed results. Agricultural output has not sufficiently increased to eliminate food insecurity and increase rural incomes. The NFSS was adopted in 2001 and adjusted in 2002 with the aim of creating the conditions for sustainable food security by 2010. Its overarching goal is to halve the number of people suffering from hunger and malnutrition. Its ultimate goal is to create the conditions for sustainable food security and contribute to reducing structural inequality and poverty in Burkina Faso by 2015. Its specific objectives are to: (i) increase domestic food production and value added sustainably; (ii) build market capacity to enhance access to food; (iii) improve the economic and nutritional status of poor people and vulnerable groups sustainably; (iv) strengthen the system for preventing and managing chronic food crises in coherence with increased structural food security; and (v) build stakeholder capacity and promote the good governance of food security.

B. KEY STRATEGIES AND POLICIES FOR THE ANIMAL RESOURCES SUB-SECTOR

National Sustainable Development Policy for Livestock 2010-15: Its overarching goal is to increase the contribution of the livestock sub-sector to the country's economic growth and the food and nutritional security and living standards.

Its four specific objectives are to: (i) enhance the capacity of stakeholders in the sub-sector by building innovation capacity and public-private partnerships; (ii) secure pastoral land tenure and sustainable pastoral management by supporting agribusiness and establishing intensive livestock production areas; (iii) increase livestock productivity and output sustainably through structural investment in feed, genetics and animal health; and (iv) improve the competitiveness of animal products and strengthen production-market linkages by developing key marketing infrastructure and promoting food safety and quality and professionalisation.

Actions to be implemented fall into four main areas: (i) building the capacity of stakeholders in the sub-sector; (ii) securing land tenure and the sustainable management of pastoral resources; (iii) increasing livestock productivity and output; and (iv) improving the competitiveness and marketing of animal products.

Action Plan and Investment Programme for the Livestock Sector (APIPLS): This programme is a tool for implementing the policy mentioned above. It determines the policy framework for developing the livestock sector and follows on from previous discussions, mainly in: (i) the Policy Paper on the Action Plan for Livestock Development in Burkina Faso of November 1997; (ii) the Strategic Orientation Document for the agriculture and livestock sector by 2010 (DOS, 1998); (iii) the Strategic Operating Plan for sustainable growth in agriculture (PSO, 1999); (iv) the earlier version of the APIPLS adopted in 2000; and (v) the new national and regional policy guidelines for rural development.

The APIPLS includes 12 priority programmes based on the four specific objectives of the livestock policy. Priority 1 includes three programmes: (i) strengthening vocational training; (ii) building the capacity of advisory support organisations; and (iii) building the capacity of professional organisations. Priority 2 includes three programmes: (i) securing intensive livestock production areas; (ii) improving pastoral water management; and (iii) preventing and managing crises and vulnerabilities. Priority 3 includes four programmes: (i) improving livestock feed security; (ii) enhancing the genetic potential of local breeds; (iii) controlling animal disease; and (iv) developing veterinary services. Priority 4 includes two programmes: (i) developing marketing infrastructure; and (ii) improving the quality of livestock products.

C. KEY STRATEGIES AND POLICIES FOR THE ENVIRONMENT AND LIVELIHOODS SUB-SECTOR

National Forest Policy: Actions to manage forest, wildlife and fishery resources stem from this policy adopted in 1995. Its main objectives are to: (i) clarify the place and role of the forestry, wildlife and fisheries sub-sectors and specify the government's options via the related priority development areas, in accordance with the tasks of the line ministry; (ii) streamline the management of the three sub-sectors' resources; (iii) provide a conceptual basis for developing legislation on the management of the three sub-sectors; and (iv) provide a bargaining tool and framework for consultation with development partners to improve the coordination and harmonisation of interventions in the three sub-sectors. Further strategies for strengthening this policy include the National Plan of Action to combat Desertification (PAN/LCD, 1999).

Forest Investment Programme: It is one of the programmes of the Strategic Climate Fund set up as part of the Climate Investment Funds. Its aim is to mobilise policies and measures as well as substantially increased funding to help reduce deforestation and forest degradation and to promote sustainable forest management leading to reduced emissions, enhanced forest carbon stocks and poverty reduction.

Source: MAH.

Annex D

Key national strategies of Burkina Faso

VISION FOR BURKINA FASO'S FUTURE TO 2025

Since 1995, Burkina Faso, with the support of its technical and financial partners, has been engaged in a national long-term vision study entitled "Burkina 2025". The aim was to build development management capacity by creating a framework for social dialogue on major development issues in order to reach a consensus vision for the country's future. The study culminated in a Vision for Burkina Faso's Future to 2025 as a nation of solidarity, progress and justice commanding growing respect from the international community. The components of this Vision are structured as follows: (i) the building blocks are solidarity and justice; (ii) the performance indicator is progress, leading to prosperity and quality of life; and (iii) the expected outcome is greater respect for Burkina Faso internationally.

Realising this Vision calls for a number of development strategies and policies. Some strategies and policies targeting rural areas have formulated sectoral approaches contributing to the overall vision of the country's development. The Rural Development Strategy adopted in 2003 aims to create *a less impoverished rural society enjoying sustainable food security by 2015 by means of: increased crop, livestock, fisheries, forestry and wildlife output through improved productivity; higher incomes through greater integration into the market economy and the diversification of economic activities in rural areas; the modernisation of peasant family farming; production diversification and regional specialisation; and the sustainable management of natural resources and ecosystems.*

The government adopted the National Sustainable Development Policy for Livestock in September 2010. It sets out a vision for *a competitive and environmentally sound livestock sector underpinning real value chains led by professional, market-oriented sub-sectors and contributing to food security and to the improved well-being of Burkina Faso's people.* These various visions guide the formulation and implementation of rural-sector strategies and policies.

NATIONAL LAND-USE PLANNING SCHEME

A National Land-Use Planning Scheme has been developed. It is a long-term planning instrument that determines the general purpose of land situated within national boundaries and the nature and location of large infrastructure facilities across the country. It serves as the basis for policy-making.

STRATEGY FOR ACCELERATED GROWTH AND SUSTAINABLE DEVELOPMENT

Policy frameworks were developed and implemented to realise the Vision for Burkina Faso's Future to 2025. The Poverty Reduction Strategy Paper was implemented between 2000 and 2010. A Strategy for Accelerated Growth and Sustainable Development 2011-15 (SCADD) was adopted to replace it. The SCADD is based on the following four strategic priorities: (i) developing the pillars of accelerated growth; (ii) consolidating human capital and promoting social protection; (iii) strengthening good governance; and (iv) mainstreaming cross-cutting priorities into development policies and programmes.

Its objectives are to: (i) achieve real average GDP growth of 10%; (ii) reduce extreme poverty and hunger; (iii) provide universal primary education; (iv) promote gender equality and empower women; (v) reduce the mortality of children under the age of five; (vi) improve maternal health; (vii) control HIV/AIDS, malaria and other endemic diseases and continue reversing the trend; and (viii) ensure environmental sustainability.

POLICY PAPER ON DECENTRALISED RURAL DEVELOPMENT

The Policy Paper on Decentralised Rural Development was adopted in 2002 and describes the broad policies and strategies for decentralised rural development. Its actions are based on the following strategic priorities: (i) developing the market economy in rural areas; (ii) modernising farms; (iii) professionalising and strengthening the role of stakeholders; (iv) managing natural resources in a sustainable manner; (v) strengthening food and nutritional security; (vi) improving the economic status of rural women; (vii) refocusing the role of the state and promoting private enterprise; (viii) establishing a system for co-financing activities and infrastructure (schools, roads, health centres) between the authorities and local communities.

The policy paper covers existing sector policies and strategies, including: the Strategic Plan for Scientific Research (October 1995); the Policy Paper on the Action Plan for Livestock Development in Burkina Faso (November 1997); the Strategic Orientation Document for the agriculture and livestock sector by 2010 (December 1997); National Plan of Action to combat Desertification (July 1999); the National Biodiversity Strategy and Action Plan for Burkina Faso (February 2001); and the Strategic Operating Plan (PSO) for sustainable growth in agriculture (October 1999).

RURAL DEVELOPMENT STRATEGY

In 2003, the government developed the Rural Development Strategy (RDS) for a number of reasons, including: (i) the mixed performance of the agricultural sector and the increased incidence of rural poverty; (ii) the need to ensure consistency between rural and agricultural policies and strategies and the Poverty Reduction Strategy Paper; (iii) the need to transpose into national policy sector policies adopted at regional level (ECOWAS, UEMOA); and (iv) the adoption of the CAADP as the agricultural component of the NEPAD. RDS focuses on reviving the rural economy with the overarching goal of halving the number of people suffering from hunger and malnutrition by 2010. Its seven strategic priorities are to: (i) increase, diversify and intensify agricultural, livestock, forestry, wildlife and fishery production; (ii) strengthen production-market linkages; (iii) increase and diversify income sources; (iv) improve safe water supply and sanitation; (v) ensure the sustainable management of natural resources; (vi) build stakeholder capacity and create a favourable institutional framework; and (vii) promote gender mainstreaming to improve the economic situation and social status of rural women and youth.

NATIONAL RURAL SECTOR PROGRAMME

This programme is the result of a merger between the Sectoral Programme for Productive Rural Development (SPPRD) and the National Agricultural Investment Programme (NAIP). A draft document has been prepared but not yet adopted. It aims to combine investment measures in the sub-sectors of crop production, animal resources, fisheries and wildlife resources, and environment. The SPPRD and NAIP processes were both launched at around the same time in 2007 but suffered a number of consistency problems. In 2010, the government decided to merge the two processes into the national rural sector programme for which a memorandum of understanding defining priority rural investment options was signed by all stakeholders (government, civil society organisations, technical and financial partners, farmers' organisations and private sector) on 22 July 2010.

This programme serves as a policy, planning, implementation, monitoring and evaluation framework for all public and private rural development interventions in agriculture, water resources, fisheries, animal resources, environment and livelihoods. By 2015, it will cover the entire value chain in all three sub-sectors: (i) agriculture, water resources and fisheries; (ii) animal resources; and (iii) environment and livelihoods. The agriculture, water resources and fisheries sub-sector comprises seven priority programmes: food and nutritional security; sustainable development of crop and fishery production; sustainable land and water management and rural land security; promotion of the agricultural economy; water supply and sanitation; sustainable agricultural water development; and guidance and support.

The animal resources sub-sector includes five priority programmes: pastoral land tenure and sustainable pastoral management; increased livestock productivity and output; improved competitiveness and marketing of animal products; improved animal health and veterinary public health; and programme support. These five programmes are contained and described in the APIPLS. The environment and livelihoods sub-sector includes five priority programmes: improved forestry and wildlife production in a context of climate change; environmental remediation and improved livelihoods; adaptation to climate variability and change; environmental governance; and programme support.

Source: MAH.

Annex E

Regional and sub-regional policies in Africa

COMPREHENSIVE AFRICA AGRICUTURE DEVELOPMENT PROGRAMME

In response to an appeal by the FAO at the World Food Summit, the Heads of State and Government pledged to halve the number of people living in food insecurity by 2015. The African Heads of State and Government adopted the CAADP in Maputo in July 2003 as the agricultural component of the NEPAD.

The CAADP includes the following principles and targets for African countries: (i) use agriculture-based growth as the main strategy for achieving the MDG poverty reduction targets; (ii) achieve an average 6% annual growth rate in agriculture; (iii) allocate 10% of national budgetary resources to agriculture; and (iv) include farmers, agribusinesses and the community at large in all major efforts to build partnerships and alliances. The CAADP defines four key focus areas or pillars to accelerate agricultural growth, reduce poverty and achieve food and nutritional security: (i) extend the area under sustainable land management and equipped with reliable water control systems; (ii) increase market access through improved rural infrastructure and other trade-related interventions; (iii) increase food supply and reduce hunger across the region by raising smallholder productivity and improving responses to food emergencies; and (iv) improve agricultural research and the dissemination and adoption of new technologies.

ECOWAS AGRICULTURAL POLICY

In West Africa, the Heads of State and Government meeting in Yamoussokro in May 2002 mandated the ECOWAS to coordinate the implementation of the various NEPAD components, including the agricultural component. The Agricultural Policy of the Economic Community of West African States (ECOWAP) was adopted in Accra in January 2005, following intensive consultations among the member states and various regional professional organisations. It promotes food sovereignty and reduced food imports to encourage local agriculture. In March 2005, ECOWAS held a regional meeting in Bamako (Mali) to plan the CAADp implementation in West Africa. The meeting led to a review of CAADP objectives, targets and principles and their consistency with ECOWAP. ECOWAP was chosen as the political and institutional framework for implementing the CAADP in West Africa. In May 2005, the NEPAD Secretariat and ECOWAS adopted a joint ECOWAP/CAADP action plan for agricultural development for the period 2006-10.

Under ECOWAP/CAADP, it was proposed to implement a Regional Agricultural Investment Programme (RAIP) and a NAIP over the period 2009-15 to rapidly improve living conditions. Seven components were chosen: (i) sustainable land management and climate change adaptation; (ii) improved water management; (iii) sustainable farm development; (iv) the improved management of other shared natural resources; (v) the development of agricultural value chains and promotion of markets; (vi) the prevention and management of food crises and other natural disasters; and (vii) institution-building. These components are consistent with the national priorities defined in the RDS which provides the overarching sectoral policy framework for rural development.

Based on these components, Burkina Faso is currently developing its National Rural Sector Programme with clearly defined investment options included in a covenant signed by all stakeholders on 22 July 2010. This inclusive process entails pooling the country's expertise from all sources: ministries responsible for rural development; research institutions; farmers' organisations; private sector; and civil society. This programme is consistent with the RAIP, thereby providing a framework for implementing the ECOWAP and the CAADP.

Lastly, the ECOWAS Regional Forum on Livestock in Niamey (Niger) in February 2009 provided strategic guidelines that will be transposed into an action plan for livestock development in the Sahel and West Africa (APIPLS 2010-15).

UEMOA AGRICULTURAL POLICY

The Commission of the UEMOA adopted the objectives, guiding principles, components and main focus areas for its Agricultural Policy (PAU) in December 2001 in the Additional Act 03/2001. The overarching goal of PAU is to make a lasting contribution to meeting food needs, promoting the economic and social development of member statesand and reducing rural poverty.

This overarching goal is divided into three general objectives: (i) achieving food security by reducing food dependency and improving the functioning of agricultural markets; (ii) increasing agricultural productivity and output sustainably; and (iii) improving the living standards of producers by developing the rural economy and raising their income and social status.

The scope of PAU includes agriculture, livestock, fisheries and forestry activities. Its intervention strategy is based on the following guiding principles: (i) the principle of subsidiarity - matters should be dealt with at regional level only when they cannot be dealt with more effectively at national or local level; (ii) the principle of proportionality requiring that UEMOA action does not go beyond what is needed to achieve the objectives of the Treaty establishing the UEMOA; (iii) the principle of regionality - the UEMOA should address only issues affecting two or more member states; (iv) the principle of complementarity - complementarities between member states' economies should be exploited to the full; (v) the principle of solidarity aimed at ensuring social and political cohesion by supporting and redistributing resources to the most disadvantaged population groups and areas, in order to phase out disparities; (vi) the principle of gradual implementation of measures - the specific situation and interests of each member state should be considered and appropriate adjustments should be introduced gradually; (vii) the principle of partnership, aimed at seeking complementarities and synergies with national or intergovernmental organisations involved in agriculture.

The PAU focuses on three main areas:

1. *Adapting production systems and improving the production environment.* This entails setting up a region-wide process of consultation with institutional and private stakeholders to bring agricultural value chains in line with regional and international market rules by promoting more intensive production and improving value chain competitiveness.

2. *Deepening the common market in the agricultural sector and managing shared resources* through interventions relating mainly to: the harmonisation of production and marketing standards in sanitary standards; taxation applicable to the agricultural sector; control; the management of cross-border transhumance; and the management of fishery resources and shared water resources.

3. *Integration of UEMOA agriculture into the regional and global market.* The aim is to further secure export markets for farm products and limit the food dependency of UEMOA member states by ensuring the gradual integration of agriculture into regional and global markets, with interventions focusing mainly on the establishment of an intra-UEMOA consultation framework for preparing international trade negotiations on agriculture and an information and decision-support system for the negotiations.

Source: MAH.

Annex F

List of Steering Committee members

Permanent Secretariat for the Coordination of Agricultural Sector Policies (SP/CPSA)

Ministry of Agriculture and Water Resources (MAH) /Directorate-General for Promotion of the Rural Economy (DGPER)/ Directorate-General for Water Resources (DGRE)/Studies and Planning Directorate (DEP)

Ministry of Animal Resources (MRA)/Directorate-General for Livestock Forecasting and Statistics (DGPSE)/Studies and Planning Directorate (DEP)

Ministry of Environment and Livelihoods (MECV)/Forestry Directorate (DIFOR)

Ministry of Economy and Finance (MEF)/Directorate-General for Economy and Planning (DGEP)/Directorate-General for Co-operation (DGCOOP)

Minister for Trade, Enterprise Promotion and Crafts/Directorate-General for Industrial Development (DGDI)/Directorate-General for Trade (DGC)

Ministry of Secondary and Higher Education and Scientific Research (MESSRS)/Institut de l'Environnement et Recherches Agricoles (INERA) [Burkina Faso's leading institute for agricultural and environmental research]

Minister for Basic Education and Literacy/Studies and Planning Directorate (DEP)

Ministry of Mines, Quarries and Energy (MMCE)/Directorate-General for Energy (DGE)

Presidential Investment Council (CPI)

Regional Chambers of Agriculture (CRA)

Farmers' Confederation of Burkina Faso (CPF)

Burkina Faso Business Centre (MEBF)

Chamber of Commerce and Industry of Burkina Faso (CCIBF)

African Development Bank (AfDB)

Central Bank of West African States (BCEAO)

Food and Agriculture Organization of the United Nations (FAO)

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(20 2012 03 1 P) ISBN 978-92-64-20237-5 – No. 61149 2013

Policy Framework for Investment in Agriculture in Burkina Faso

Contents

Consult this publication on line at ***http://dx.doi.org/10.1787/9789264202382-en.***

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit ***www.oecd-ilibrary.org*** for more information.

SAHEL AND WEST AFRICA Club Secretariat

OECD publishing
www.oecd.org/publishing

ISBN 978-92-64-20237-5
20 2012 03 1 P

9 789264 202375