Burkina Faso

2012

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Burkina Faso

- After a year's growth at more than 5.0% in 2011, the economic outlook of the country is favourable despite a difficult national, regional and international context. After an estimated 5.1% growth rate in 2011, projections indicate a growth rate of 5.3% in 2012 and 5.5% in 2013. Burkina Faso's economy remains vulnerable, however, to climate conditions and to fluctuations in the international prices of raw materials, essentially gold, cotton and oil.

- Promoting a more dynamic private sector in order to produce deep economic changes is amongst the country's main challenges. To achieve these, the public authorities will have to improve the country's economic competitiveness and strengthen governance, notably by making the judiciary system more efficient and by fighting corruption.

- Poverty persists, and the social crisis that arose in 2011 testifies to this weakness. Unemployment is low, affecting 1.8% of the population living mainly in urban areas. Young people are particularly affected and account for 80% of the jobless. The main challenges are underemployment, low skill levels and low pay, particularly in the rural areas, all of which is preventing poverty from being eradicated.

Overview

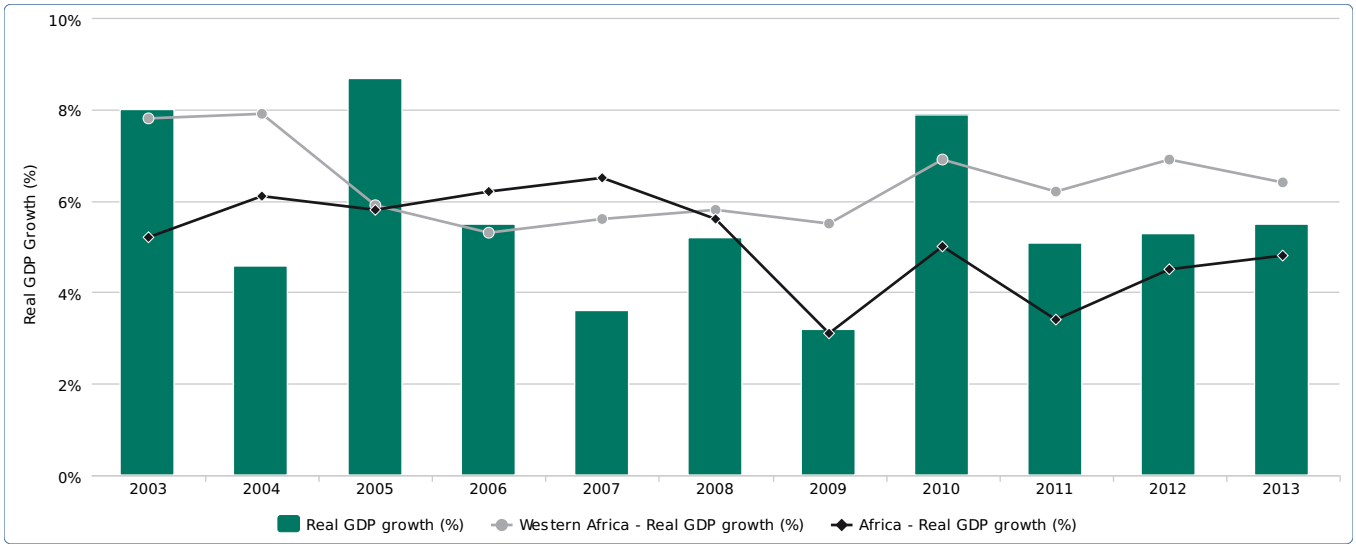
The economic outlook for 2012 is favourable, with growth of 5.3% expected, up from 5.1% in 2011. Inflationary pressure should increase, however, with the inflation rate rising from 2.8% in 2011 to 3.9%. Growth should be driven by the mining industries, cotton ginning and agriculture. The economy is vulnerable to several external factors however: a shortage of rainfall due to the unfavourable climate, the decline in the price of gold and a big increase in the price of oil on the international market.

The country will have to maintain its efforts to spend public money cautiously and to preserve macroeconomic stability. Controlling prices in the context of a food crisis will be an important challenge to take on. To accelerate growth, the country could focus on developing infrastructure, starting with roads, energy, and information and communication technology, in order to improve the country's economic competitiveness and to facilitate its access to regional and international markets. Greater diversification of the economy is also strategically important, to reduce the country's high dependence on a small number of export products such as gold and cotton.

Politically, the country was badly hit by a social crisis in 2011, which revealed weaknesses in governance, particularly justice. To deal with the crisis, the public authorities engaged in a dialogue with the different political and social actors. This led to a more peaceful social climate and to the start of work on reforms that will strengthen the democratic process and consolidate social peace. The main challenges for the country for 2012 and 2013 will therefore be to improve administrative institutions, judicial ones in particular, and to bring about better economic and political governance.

Burkina Faso's labour force is essentially made up of poor people, people in rural areas and unskilled young people, and the main constraint is their low productivity. Unemployment is relatively low: it affects only 1.8% of the population living mainly in urban areas. The unemployed, estimated at about 120 000 people, are generally young, educated and not poor. More generally, the main problems are underemployment, poor skill levels and low wages, particularly in the rural areas, which keep workers in poverty. The country's unemployment reflects the real problem of a mismatch between training and employers' needs. Moreover, the private sector is very poorly developed and structurally unable to absorb job seekers. In 2012 and 2013, the country will have to implement policies that will both allow a better match between training and market needs, and speed up economic transformation so the economy can absorb the influx of job seekers.

Figure 1: Real GDP growth (Western)



Figures for 2010 are estimates; for 2011 and later are projections.

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Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.9	5.1	5.3	5.5
Real GDP per capita growth	5	2.1	2.3	2.6
CPI inflation	-0.6	2.8	3.9	2.8
Budget balance % GDP	-10.7	-8.1	-7.6	-8.5
Current account % GDP	-3.2	-0.9	-0.4	-2.6

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2011
Agriculture, forestry, fishing & hunting	39.2	35.4
Mining and quarrying	0.8	12.6
of which oil	-	-
Manufacturing	11.7	9.3
Electricity, gas and water	1.2	1.1
Construction	4.8	5.1
Wholesale and retail trade, hotels and restaurants	11.7	12.6
of which hotels and restaurants	-	-
Transport, storage and communication	4.4	3.7
Finance, real estate and business services	6.9	4.5
Financial intermediation, real estate services, business and other service activities	-	-
General government services	19.5	15.6
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	0	0
Gross domestic product at basic prices / factor cost	100	100

Figures for 2010 are estimates; for 2011 and later are projections.

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In the first half of 2011, the economic and social life of Burkina Faso was hit by social upheaval in all sectors: the administration, the army, the police, the judicial system, the informal sector, agriculture, trade, etc. Despite this crisis and a difficult regional and international context, the economy continued to grow. Economic growth was essentially driven by the mining industry, whose production is estimated to have increased by 21%, and by a recovery in cotton production, which is expected to grow by 21%. Growth thus remained strong in 2011, albeit slower than in 2010, falling from 7.9% to 5.1% year-on-year. Current projections indicate continued growth in 2012 and 2013, at 5.3% and 5.5% respectively.

With strong growth in the mining industry, the economy is gradually becoming structured around the secondary sector, which was estimated to have had a 27% share of nominal gross domestic product (GDP) in 2011, versus 23% in 2010. Nonetheless, the primary and tertiary sectors still dominated the economy with their respective shares of GDP at 35% and 38% in 2011.

Agriculture, as well as livestock, forestry and fishing have remained the most important sub-sectors (35% of GDP), followed by trade, transport and communications (18%), and mining (13%). To support agricultural production, in 2011 the public authorities maintained their incentives to the sector, in particular through the distribution of improved seeds, subsidies for fertiliser and support to producers. Nonetheless, a bad distribution of rainfall during the 2011/12 agricultural season made it impossible to maintain the strong growth of the food-crop sub-sector, which slowed from 16% in 2010 down to 6% in 2011. Continuation of the incentives, combined

with existing promotion of agricultural mechanisation and irrigation, notably through the distribution of motorised pumps and tractors, together with better rainfall, should translate into at least 10% annual growth in cereal production in 2012 and 2013.

The cotton sub-sector was seriously shaken up in 2011 by producers demanding a higher purchase price in line with world cotton prices. These demands led the public authorities to improve incentives, in particular by subsidising inputs, and to raise producer prices from XOF 182 (CFA Franc BCEAO) per kilogramme in 2010 to XOF 245 in 2011. Despite the crisis and the unfavourable distribution of rainfall, cotton production rose by 10.9%. This momentum is expected to continue in 2012 and 2013, with annual growth projected to be at least 10.0%. The main threats to this sub-sector will remain the climate, a decline in the price of cotton on the international market and a big rise in the cost of inputs.

The secondary sector has been driven by the mining industry. Eight industrial mines were operational in 2011. The public authorities have also granted 16 semi-industrial operating permits and 200 small-scale operating licenses. This enabled gold production to reach 28 tonnes in 2011, up from 23 tonnes the previous year. Manganese production, begun in 2010, reached 60 000 tonnes in 2011. Thanks to the high price of gold in 2011, the state budget collected more than twice as much in receipts from the mining industry as it had the previous year, rising from XOF 43.1 billion in 2010 to XOF 88.5 billion in 2011. Two more mines should become operational in 2012 and 2013: the Perkow zinc mine and the Bissa Gold mine. Projections for gold show continued growth in production from 31 tonnes in 2012 to 32 tonnes in 2013. To maintain this momentum, the public authorities will nevertheless have to strengthen site security and improve production oversight by combating fraud more effectively.

The tertiary sector remained vigorous in 2011 after normalisation of the country's trade with Côte d'Ivoire. Its growth rate was estimated at 5.0% in 2011, versus 3.0% in 2010, supported by both non-commercial services, which grew by 6.0%, and commercial services, which grew by 4.0% after a 1.6% decline in 2010. Despite being affected by the social crisis in 2011, trade increased the vitality of commercial services.

On the demand side, real GDP growth in 2011 was mainly fuelled by final consumption and by foreign trade, contributing 4.2% and 1.6% respectively. Investment, however, made a negative contribution to GDP growth of -0.8%. Looking at the detail, the contribution of final consumption to growth was essentially due to final public consumption, which grew by 9.8%. This increase reflects the public authorities' measures to deal with the crisis: subsidies on widely-consumed products, basic food products in particular, and subsidies on petroleum products. As for the private component of final consumption, it is estimated to have grown by 4.0%. The contribution of the foreign sector was driven by exports growing by 18.3%. This good progress is explained by the high price of gold on the world market, as well as by the fact that Essakane, the largest gold mine in the country, became fully operational.

The big rise in public and private investments over the past three years, in infrastructure renewal after the 2009 and 2010 floods and in the construction of the Essakane gold mine, should drop back once these major projects are completed. Gross fixed-capital formation (GFCF) was estimated to have fallen by 2.2% in 2011, mainly due to the 4.6% decline in public GFCF. It should be noted that the social crisis, which lasted about six months, also slowed down the implementation of investment projects funded from abroad. The rate of project implementation fell to 63% in 2011 versus 75% in 2010.

In 2012 and 2013, Burkina Faso's economy should be sustained by the infrastructure investments set out in its Strategy for Accelerated Growth and Sustainable Development (SCADD), including Donsin airport, the Bagré growth hub, road construction under the Millennium Challenge Account-Burkina Faso programme, and electricity netwrok projects.

Real GDP growth should reach 5.3% in 2012 and 5.5% in 2013. The main risks to the economy in these two years will be unfavourable rainfall, a fall in the price of gold and a big rise in world oil prices. This could affect the economy in the form of higher prices for transport and widely-consumed products, which could lead to new social tensions. In addition, to reach SCADD goals, the public authorities will also have to strengthen the implementation capacity of public investment projects across the sectors.

Macroeconomic Policy

Fiscal Policy

Fiscal policy in 2011 consisted mainly of preserving the stability of the country's macroeconomic framework and in managing the social crisis of the first half of the year. Besides controlling the growth in prices of essential goods (hydrocarbons and food) through subsidies, the government had to compensate businesses, mainly retailers, who suffered damage during the social upheaval, and had to finance the restoration of a number of destroyed buildings. Social pressure also led the public authorities to raise civil service pay by 5.0% and extend certain allowances to the whole of the civil service. The payroll accounted for 6.0% of GDP in 2011, against 5.6% in 2010. This upward trend in the payroll is also expected in 2012 and 2013. Overall, current expenditure increased from 12.1% in 2010 to 13.4% in 2011. Nonetheless, public expenditure as a whole was kept under control in 2011, amounting to 25.3% of GDP, versus 25.7% in 2010. To meet the expenditure generated by the social crisis, the state restructured its 2011 budget, cancelling non-essential expenditure – such as that related to celebrations, receptions and workshops – limiting the number of missions and postponing the construction of a number of administrative buildings. The public authorities estimated the budgetary impact of the crisis at nearly XOF 26 billion in 2011.

Budget receipts, grants included, showed good growth in 2011. Tax receipts increased by 23% from XOF 565.7 billion in 2010 to XOF 695.6 billion in 2011 thanks to the rise in the world price of gold and to continued improvement of the tax-collection system. The tax burden remains nonetheless low overall, at 7.4% in 2011, compared to the minimum 17.0% community standard for West African Economic and Monetary Union (WAEMU) countries. This low level is largely explained by the importance of the agricultural sector, which is not subject to tax and accounts for 35% of GDP, but also by the scale of the informal economy in the tertiary sector.

Despite the cautious management policy implemented by the public authorities in 2011, the overall budget deficit remains high, at 8.1% of GDP, versus 10.7% in 2010. To avoid accumulating arrears in the domestic debt, the public authorities financed the deficit with disbursements from the International Monetary Fund's Extended Credit Facility and by issuing bonds on the WAEMU market. These two actions should contribute to increasing the debt burden in the medium and long term. The overall budget deficit should be slightly reduced in 2012, with its share of GDP projected at 7.2%, before rising again in 2013 to 8.5%.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	17.8	41.0	20	17.1	19.6	15	17.2	17	16.4
Tax revenue	11.1	12.0	12.5	12.1	12.6	7.8	7.4	7.1	7
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	5.5	28.1	6.5	4	5.9	4.6	7.1	7.3	6.8
Total expenditure and net lending (a)	20.9	24.3	25.7	21.5	23.1	25.7	25.3	24.6	24.9
Current expenditure	10.5	12.8	13.8	12.3	12.4	12.1	13.4	12.6	12.7
Excluding interest	9.8	12.2	13.4	12	11.9	11.6	13	12.2	12.3
Wages and salaries	4.6	5.3	5.8	5.4	5.8	5.6	6	6.2	6.3
Interest	0.7	0.6	0.4	0.3	0.4	0.5	0.4	0.4	0.4
Primary balance	-2.4	17.3	-5.3	-4	-3.1	-10.2	-7.7	-7.2	-8.1
Overall balance	-3	16.7	-5.7	-4.4	-3.5	-10.7	-8.1	-7.6	-8.5

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

The monetary policy implemented regionally, with a fixed exchange rate for the franc zone, made it possible to control prices in Burkina Faso in 2011. In this context, the country's inflation rate, estimated at 2.8% in 2011, should stay below the 3.0% limit set by the WAEMU community standard. The country should nonetheless experience some inflationary pressure and the rate could go up to 3.9% in 2012 before coming back down to 2.8% in 2013.

The money suppy should be 19.1% higher at the end of 2011 than at the end of 2010. This increase would be due to a significant rise in net external assets (12.6%) under the combined effect of the big increase in exports from the mining industry (gold, manganese) and significantly increased disbursements from donors: XOF 328.9 billion in 2011 versus XOF 198.9 billion the previous year.

In 2012 and 2013, the money supply should continue to rise by 13.6% and 8.5%, respectively, against a background of an overall increase of credit, which should grow by 21.0% in 2012 and 12.0% in 2013.

Economic Cooperation, Regional Integration & Trade

Burkina Faso is fully engaged in the regional integration process, and as such it took part in the resolution of various political crises in the sub-region, such as in Côte d'Ivoire and in Guinea. The WAEMU is headquartered in Burkina Faso and the country has ratified 90% of the protocol agreements issued by the various regional and economic integration and co-operation organisations. Burkina Faso applies the Common External Tariff in force within the WAEMU and belongs, with the other members, to a customs union. The practice of discriminatory taxation on imported goods is exceptional and temporary, and there is no export tax. Prior authorisations are required, however, to import certain products such as sugar and cement. These authorisations are not systematically given, as they can limit competition in the import and distribution of these products.

As regards commercial trading, the country is characterised by its low degree of openness to international and regional markets, despite its strategic participation in the WAEMU and the Economic Community of West African States, which should allow it easier access to regional markets. The crisis in Côte d'Ivoire disrupted trade and, for Burkina Faso, translated into an increase in supply costs of about 10%, as a result of using alternative routes, such as through Ghana. The on-going normalisation in Côte d'Ivoire should have a positive impact on trade in 2012 and 2013. In addition, expansion of the mining industry boosted exports in 2011 to 18.3% of GDP from 9.7% in 2010. Consequently, the balance-of-payments current account should be sharply improved, with its deficit declining from 3.2% in 2010 to 0.9% in 2011. It should be noted that foreign direct investment in the mining sector comes essentially from Canada.

To improve foreign trade, the country will have to work on three components: removing constraints on trading across borders; applying WAEMU community directives on the free circulation of goods and people; and reducing transaction costs. In particular, costs in United States dollars per export or import container, at USD 2 412 and USD 4 030 respectively, are high compared to the averages in sub-Saharan countries, which are USD 1 960 and USD 2 503 respectively. To facilitate commercial trading within the WAEMU, adjacent customs stations have been set up at the country's borders with Ghana, Togo and Niger. In addition, thanks to South-South co-operation with Senegal, the country's customs authorities are setting up an electronic platform using the Senegalese computer system ORBUS for collecting customs documents. Deployment of the system is however experiencing delays.

In this context, Burkina Faso should intensify its commercial trading within the next few years thanks to the mining industry and to agricultural raw materials, with cotton and sesame in the lead. The export share of GDP is expected to be 19.3% in 2012 falling back to 17.7% in 2013.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	-9.1	-8.4	-8.8	-10.9	-5.8	-3.2	-1.6	-0.2	-1.8
Exports of goods (f.o.b.)	7.6	10.2	9.2	8.4	10.8	16.1	18.1	19.3	17.7
Imports of goods (f.o.b.)	16.7	18.6	18	19.3	16.6	19.4	19.7	19.5	19.5
Services	-4.5	-5.6	-5.3	-5.7	-4.9	-5.7	-6	-6.4	-6.6
Factor income	-0.6	-0.0	0	0	-0.1	-0.1	-0.1	-0.1	-0.1
Current transfers	5.6	4.4	5.9	5	6.2	5.8	6.8	6.3	5.9
Current account balance	-8.5	-9.6	-8.3	-11.7	-4.6	-3.2	-0.9	-0.4	-2.6

Figures for 2010 are estimates; for 2011 and later are projections.

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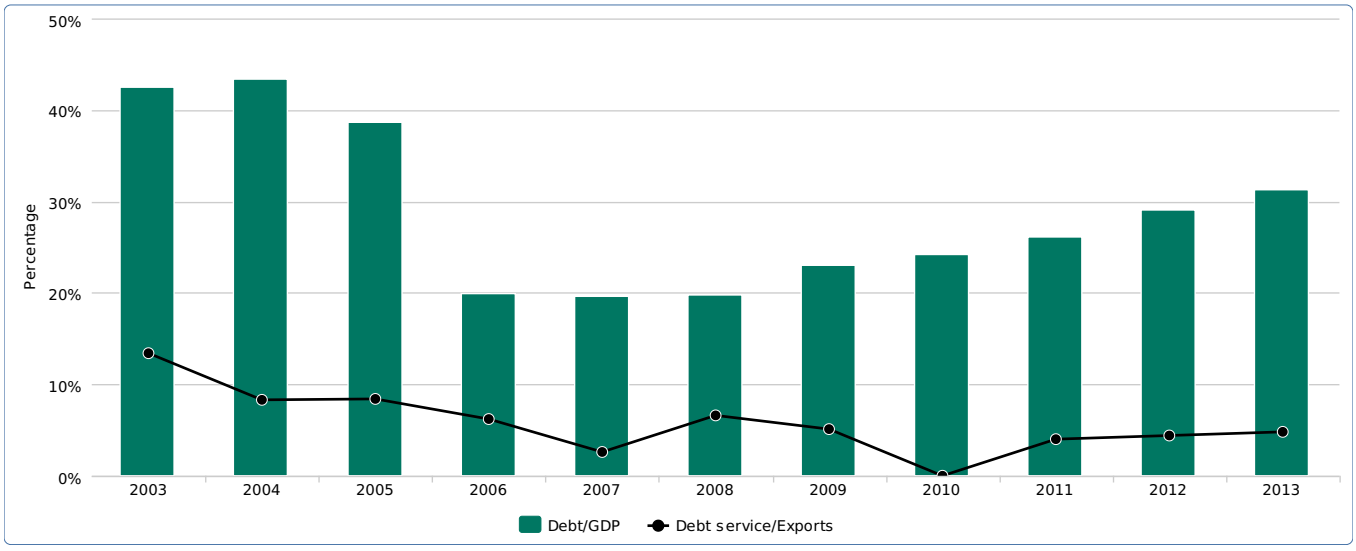
Debt Policy

The country has implemented several debt-restructuring programmes since 2001. It benefitted from the Heavily Indebted Poor Countries initiative as well as from the Multilateral Debt Relief Initiative in 2006. In spite of these initiatives, Burkina Faso's external public debt has remained high at 23.0% of GDP in 2011 versus 21.5% in 2010, amounting to 85.3% of total public debt, versus 14.7% for domestic debt.
An analysis of the sustainability of Burkina Faso's external debt puts the country in the category of those presenting a risk of high over-indebtedness in the long term. Nonetheless, in 2011, all the indicators were below the standard critical thresholds. Thus the ratio of the present net value of foreign debt to tax receipts should increase from 104.7% in 2010 to 107.8% in 2011, against a maximum threshold of 150%. With the increase in gold production, the ratio of the present value of the debt on exports should decline from 90.2% in 2010 to 70.8% in 2011. The current official policy is to maintain a prudent debt policy by limiting borrowing to concessional loans in which the grant share is higher than 35%. In 2011, the country had no arrears in external-debt payments. The same was true for the internal debt.

According to the World Bank's 2011 Debt Management Performance Assessment, the country's performance still appears weak. The public authorities have planned measures in 2012 to strengthen their performance: an analysis of debt management; improvement of the annual strategy of external-debt management; implementation of external-debt management software; and training to apply the manual on indebtedness procedures and debt management developed with support from the African Development Bank.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



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Economic & Political Governance

Private Sector

The private sector is dominated by the informal economy, with very small and medium-sized enterprises as well as very small and medium-sized industries, in particular in trade and public construction. The business climate has improved in the sense of being more favourable for investments, but remains a major challenge for the country.

As well as trying to simplify administrative procedures for starting a business, Burkina Faso is continuing its efforts to improve the business climate by opening regional centres specialising in the formal procedures for starting a business. These centres have led to a considerable reduction in the number of procedures and the time needed to complete them. Burkina Faso's overall ranking in the World Bank's 2012 *Doing Business* report improved slightly to 150th out of 183 countries in 2011, from 151st in 2010. According to the World Bank's International Finance Corporation, the progress achieved in implementing reforms merited the country's rank of fourth most consistent reformer in the world in 2010.

According to the *Doing Business* report, in 2011 Burkina Faso had only 3 procedures for starting a business, compared to an average of 8 in sub-Saharan African countries and an average of 5 in OECD (Organisation for Economic Co-operation and Development) countries. The time needed to start a business is 13 days on average in Burkina Faso, compared to 37 in sub-Saharan Africa and 13 in OECD countries. Closing a business takes longer: 4 years in Burkina Faso compared to 2.7 years in sub-Saharan Africa and 1.7 years in OECD countries. The cost of starting a business is more reasonable at 47.7% of income per capita, much less than the 81.2% in sub-Saharan Africa. The same is true for the cost of closing a business, which amounts to 9% of its assets, versus 19% in sub-Saharan Africa.

The country's main weakness is its judicial system, which could re-establish trust if it was more reliable. The index of investor protection in Burkina Faso as reported in *Doing Business* is 3.7 on a scale of 0 to 10, compared with 4.5 for sub-Saharan Africa and 6 for OECD countries.

In addition, competition is unsatisfactory due to poor oversight of anti-competitive practices such as price-fixing and monopolies. In 2011, to combat the high cost of living, the public authorities took measures to control prices that had until then been freely set, except for a few products (hydrocarbons, electricity, water, generic drugs and school materials). These measures have focused on both the prices and the profit margins for basic commodities such as sugar, rice, oil and milk.

The private sector has development opportunities in several sectors (agriculture, mining, tourism, etc.). The public authorities intend to focus on public-private partnerships, and mechanisms to promote them are currently being implemented.

Financial Sector

The financial sector is characterised by the establishment of multinational, pan-African banks, which controlled more than 65% of the credit market in 2010. This penetration of multinationals has contributed to injecting dynamism in the sector, in both network extension and improvement in service provision. The rate of access to banking services remains low, however, at about 7% for the country as a whole.

Central Bank of West African States (CBWAS) oversight policy imposes prudent ratios on banks: a standard for minimum capital representation, risk cover and stable resources to cover jobs in the medium and long term, amongst others. This has made it possible to consolidate the stability of the financial sector while at the same time protecting the national economy from the direct impact of the global financial and economic crises. It has also allowed Burkina Faso's financial system to stay healthy overall, even though the non-performing credit portfolio has remained high, at about 17% in 2010. The majority of banks are sufficiently capitalised in terms of the new WAEMU standards. Moreover, banks have continued to be dynamic on the regional mandatory market and have not been negatively affected by the Côte d'Ivoire crisis.

Nonetheless, in spite of good bank capitalisation, interest rates are high at 10 to 12%, which makes the banks less competitive. In addition, access to credit has continued to bias the performance of the financial sector, the penetration rate of which remained low in 2011 (17% of GDP). In order to facilitate the access of small and medium-sized enterprises (SMEs) to financial services, the public authorities adopted a strategy to promote the sector in 2010, which in 2011 was supplemented with an action plan. This strategy aims to establish a framework to encourage competition in the industry. For the latter, the actions begun by the national health-insurance fund in particular to strengthen the viability of the insurance market in the medium and long term. The actions being implemented also have other goals: to improve access to finance in rural areas and for SMEs;

to encourage the development of housing finance; and to facilitate home ownership. This sector-specific strategy further aims to improve the legal and judicial framework of the financial system, as well as the country's financial stability.

In Burkina Faso, 44% of households are involved with micro-credit systems. The public authorities are keen on promoting this sector further by reinforcing its institutional framework, i.e. by applying the new regulations of Decentralised Financial Systems in WAEMU member states. These regulations entail a greater involvement of the CBWAS in overseeing the systems.

The public authorities intend to focus on implementing their micro-credit development strategy and on preparing a plan to reform the financial postal services provided by SONAPOST, the national postal company. These priority actions are expected to bring about significantly higher credit in the coming years: credit to the economy should thus increase by 21.3% in 2012 and 12.0% in 2013. The penetration rate of the financial sector should also go up to 19% of GDP in 2012 and 20% of GDP in 2013.

Public Sector Management, Institutions & Reform

Burkina Faso is a member of the Organisation for the Harmonisation of Business Law in Africa, whose texts were adopted in 1994 and which constitute the foundations for modernised economic law in West Africa. Even so, mechanisms for protecting property rights and enforcing contractual provisions are still generally inefficient, due in particular to slow verdicts and the judges' lack of qualifications in business law. Furthermore, career development and promotion to high office are not always systematically based on merit. The pay is low and the perks are poor incentives. In this context, it is still difficult to attract and keep qualified staff in key technical domains such as computer science, statistics, medicine or geology.

Efforts are being made in the administration to establish liability mechanisms to limit the diversion of resources to private interests at the expense of the public interest. The Superior Authority of State Control and the Court of Auditors publish their audit reports, the content of which is widely covered by the local media. These reports highlight responsibility for mismanagement, but the disclosure of cases of misappropriation is not always followed by sanctions.

In the latest report from Transparency International, a non-governmental organisation combating corruption, Burkina Faso was ranked 100th out of 183 countries in 2011, down from 98th in 2010. This ranking comes with a Corruption Perceptions Index that reflects changes in perceptions of the scale of corruption in a country, which for Burkina Faso has deteriorated considerably year-on-year. Indeed the high level of corruption helped to trigger a governance crisis in the first half of 2011, against the backdrop of considerable social discontent demanding better judicial governance and improved living conditions. As for the outlook for 2012 and 2013, the country's situation in terms of good governance should continue to improve thanks to the public authorities' increasingly visible determination to make progress in this area. These intentions were illustrated in 2012 when the customs chief was arrested for corruption.

To accelerate the decentralisation process begun in 1995, the public authorities opted in 2008 for full decentralisation of national responsibilities in urban and rural townships. In 2011, out of eleven responsibilities that were to be transferred by the state to local authorities, four were managed entirely locally.

The eleven responsibilities include primary education, health, sports and culture, and water and sanitation. Despite this move towards decentralisation, the local authorities' capacities are still too weak to manage the transferred responsibilities properly. Furthermore, the resources transferred by the state are insufficient to fully manage them. In 2011, the share of the budget transferred to the local authorities amounted to just 3.9% of the state budget. The situation should improve slightly, however, as the public authorities are planning to transfer XOF 34.4 billion, versus XOF 29.3 in 2010.

Natural Resource Management & Environment

Protecting, defending and promoting the environment is written into the country's constitution and is a national challenge. Environmental legislation is based on codes covering the environment, forestry, mining, and pastoralism, the framework legislation on water management, and the national policy on security of tenure in rural areas. The national environmental policy framework covers all the relevant fields. There is legislation for environmental impact assessment that imposes an obligation to conduct an environmental and social impact study prior to any development project.

The increasing number of mining companies has, however, raised questions from the public on the effectiveness of current regulations in managing environmental and social impacts. Use of a number of dangerous products such as cyanide and mercury in the mining industries, and poor management of their environmental impact

have given rise to much criticism from civil society and the political class. In 2011 therefore, the public authorities began a process of review of the mining code. The Declaration on Mining Policy currently being prepared should allow the mining industry to improve their management of social and environmental issues in 2012.

To improve transparency in the management of natural resources, the country joined the Extractive Industries Transparency Initiative (EITI). After joining this international coalition with Candidate Country status in 2009, in May 2011 Burkina Faso published its first report on the payments and revenues related to the exploitation of mining resources in order to inform the public on the contribution of the mining industry to the state budget. These efforts should allow Burkina Faso to obtain EITI Compliant Country status by 2013 at the latest.

Political Context

In 2011, the country experienced social and political instability with claims from various social actors, who demonstrated their discontent throughout the country. This was mainly a governance crisis against a backdrop of malaise in the different social strata, which demanded better practices in the judicial system and improvement in the population's living conditions.

Acts of vandalism, destruction and mutiny undermined the security of property and people in many of the country's cities, especially in Ouagadougou, Koudougou and Bob-Dioulasso. These events affected the country significantly, both socially and economically. The main sectors affected by the movements were education, justice, the administration, business, the army, the police, mines and rural areas. The social crisis led to a reshuffle of the government team and to widespread local and national consultations to define the major priorities for institutional reform, with a view to building a new social and political consensus. The consultations resulted in the organisation of national conferences at the end of 2011. Among the main conclusions of the consultations was the non-amendment of Article 37 of the constitution, which limits the state presidency to a maximum of two terms, as well as constitutionalising gender equality.

The main risks to the country's stability are essentially political and security-related. What is mostly in question is the issue of amending Article 37 of the constitution and that of worsening insecurity in the Sahelian band, which also involves Mali, Niger and Nigeria.

Social Context & Human Development

Building Human Resources

In 2010 the authorities adopted a five-year plan for 2011-15, the SCADD. This new five-year strategy clearly sets out the development of the social sectors as a priority, and is to be implemented through sector-specific plans.

In relation to health, the public authorities are implementing the national health development plan (2011-20), the health development support programme and the national nutrition programme. Some progress has been made, as shown by improvements in health indicators: vaccination coverage has exceeded 100%, and the percentage of health and social promotion centres complying with the minimum standards for nursing staff and midwives increased from 83.2% in 2009 to 86.9% in 2010. In addition, antiretroviral therapy was made free in January 2010; a step towards universal access to treatment for those affected by HIV/AIDS. The HIV-infection prevalence rate was thus reduced from 1.6% in 2009 to 1.2% in 2010. For malaria, the policy to distribute insecticide-treated mosquito nets started in 2010 has been continued. This policy has made it possible to reduce the mortality rate from severe malaria amongst children under five from 2.9% in 2009 to 2.7% in 2010. The weak link in the health sector remains the fight against malnutrition. Underweight prevalence amongst children under five was still high, at about 25.7% in 2010.

In education, the public authorities have continued to implement policies, action plans and promotional mechanisms geared towards reaching the goals of universal basic education, literacy and fair access to early-years development programmes. The authorities are also implementing policies to improve the level of technical and vocational education. Through these policies, the gross enrolment rate (GER) was expected to rise from 77.6% in 2010 to 82.4% in 2011, a rise of 4.8%.

The secondary school GER rose from 20.1% in 2009 to 29.7% in 2010, and disparities are gradually disappearing. The enrolment rate for girls rose from 16.6% in 2009 to 25.8% in 2010. Progress in health and education are the result of substantial state funding in these areas, considered as priorities. In 2011, the state budget share allocated to these sectors should reach 12.25% for health and 16.50% for education.

Overall, progress has been accomplished in these two areas with regard to the Millennium Development Goals (MDGs) set by the United Nations. Such progress is however insufficient to meet the MDGs by 2015.

There has also been some improvement in the under-five mortality rate, which fell from 141.9 per thousand live births in 2006 to 129.0 per thousand in 2010.

Poverty Reduction, Social Protection & Labour

The SCADD aims to promote diversified economic growth and poverty reduction. In order to strengthen support for the most vulnerable, in particular to facilitate their access to basic social services and more generally to reduce poverty, the public authorities raised total social expenditure from XOF 297.2 billion in 2010 to XOF 314.4 billion in 2011. As a percentage of GDP, however, social expenditure was estimated to have declined from 6.8% to 6.7% year-on-year. Subsidies on the prices of petroleum products are relatively low, amounting to 4.0% of GDP. It should be noted that the various efforts combined to implement reforms and programmes made it possible to reduce the incidence of poverty in 2010, even in a complex context including the international financial and economic crisis, poor rainfall and a fall in the price of cotton.

The government acted to meet the emergency humanitarian needs of populations affected by the flooding of 2009 and 2010, as well as providing compensation to the victims of the social crisis in the first half of 2011; the aid being distributed to victims in the country's various regions. Also in 2011, input subsidies were provided to agricultural producers. Labour-intensive schemes are also favoured in most public-works projects.

There is an on-going tripartite dialogue on social security including unions, employers and the government. Dismissal procedures have been made more flexible in employment law. Nonetheless, to guarantee adequate protection to employees, redundancy for economic reasons is always subject to prior consultation with staff representatives in order to explore alternatives to dismissal such as reducing working hours, part-time work or temporary lay-offs.

The public health insurance programme is covered by two national structures, the national social security fund and the civil-service retirement fund, the benefits of which are still limited to formal employment schemes for senior citizens. The long-term viability of these institutions is still guaranteed for the time being.

Expansion of the state budget, the main instrument in the fight against poverty, is guided by the priorities of the

SCADD performance matrix. Government policy is limited, however, by low revenue collection levels. Government revenues consist mainly of tax revenues (80%), over 25% in direct taxes and over 70% in indirect taxes.

The overall incidence of poverty is still high but is on a downward trend, having fallen from 43.9% in 2009 to 41.6% in 2010.

Gender Equality

Despite the various efforts made by the public authorities, there is still not gender equality in access to education. The Gender Parity Index in primary school was a ratio of 0.91 girls to boys in 2009. The government remains nonetheless committed to correcting this gender inequality and has developed a National Gender Policy document to do so.

In line with this policy, incentives for girls' enrolment are being put in place, such as free schooling and free school materials. These measures made it possible to improve girls' Gross Enrollment Ratio to 76.80% in 2010, compared with a mixed (girls and boys combined) overall rate of 79.38%. The rate of girls' admission to the first grade of primary school reached 86.85% in 2010, while approximately 72% of those declared newly literate were women. In the area of health, the rate of childbirths assisted by medical staff reached 75.1% in 2010. Measures are also being taken to improve women's access to prenatal and maternity care; vaccination campaigns have been stepped up, and emergency obstetric care financed.

Burkina Faso has ratified all international agreements promoting the emancipation of women, including the Convention on the Elimination of All Forms of Discrimination against Women. The country's family law is favourable to women, prohibiting all forms of discrimination in inheritance rights.

Discriminatory practices persist, however, related to Burkina Faso's social and cultural context. Moreover, women are poorly represented in decision-making bodies. The current government has 3 women out of a total 29 ministers (10.3%). There are 17 women parliamentarians out of 111 in the National Assembly (15.3%). Female representation could, however, improve in 2012 with the application of the gender quota law, which specifies that at least 30% of the party lists for legislative and municipal elections be women.

The new land law, adopted in 2010, will also allow women to own land. The implementation of this law is planned in 2012.

Thematic analysis: Promoting Youth Employment

The working population is essentially made up of poor people, people in rural areas and unskilled young people. According to the 2009/10 survey on household living conditions, 90% of adults aged 15 to 65 have a professional activity. Young people (15-34 years old) account for 60% of the working population. Strong demographic growth, of about 3.2% per year, also increases the number of young people entering labour market. Demographic projections show that the number of 15-to-24 year olds will double between 2010 and 2030 from 3 to 6 million. In rural areas, almost all young people start to work at 15.

In urban areas, 75% of 15-to-34 year olds are active in the labour market, although the majority have little or no education. The majority of the country's population work in low-income, low-productivity activities and are therefore vulnerable to economic impacts.

Unemployment is low, at only 1.8% of the active population, or about 120 000 people. The unemployed are mainly young (more than 80% of the total), live mainly in urban areas and are not poor; 75% live in non-poor households. Overall, the education level of the unemployed is currently higher than average, with 60% having at least a primary-level diploma.

The country's main challenges in terms of employment are to deal with the low wages and the insufficient job creation for the influx of job seekers. Many job seekers have some form of training, but not always in the skills required by employers.

To make sure that information is flowing properly between job seekers and employers, the public authorities set up a national employment promotion agency in 1998, then in 2001 a national observatory of employment and professional training, ONEF. The ONEF comprises an efficient information system on employment, professional training and the labour market. It makes it possible to identify training needs and provides a forecast of jobs and qualifications. The ONEF identifies employment needs in Burkina Faso, produces a directory of training centres, provides job-seeking guidance for young people and maintains a web site of job offers.

More generally, there are basic programmes to promote youth employment: technical and vocational education and training (TVET); government-sponsored apprenticeships; job-seeking assistance; direct job creation; etc. Their effective reach in the country, however, remains limited. Moreover, these programmes are not always aimed at bringing a structural solution to the employment issue, as the main limitation to youth employment is the poor match between training and employer needs. The private sector is also very poorly developed and structurally unable to absorb job seekers.

In November 2011, the public authorities launched a special job-creation programme, PSCE, aiming to reduce unemployment and underemployment amongst young people and women. At a cost of XOF 11 billion, the programme expects to generate 54 209 jobs per year. The PSCE targets five main elements: young graduates; young peple not in school or leaving early; rural young people; financial self-sufficiency for women; and incentives for job creation by local enterprises. The public authorities also intend to accelerate TVET take-up by setting up technical and vocational schools.

To develop youth employment, Burkina Faso's challenge is to create more productive and better paid jobs. The performance of the education and training system as a whole will also have to improve.