

BURKINA FASO
JANUARY 2009

CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

Country Rating	<u>S/T Business Cycle Indicator</u>	<u>S/T Political Indicator</u>	<u>Debt Recovery</u>
3C	→	→	Debt recovery is best suited to the use of a good collection agent.

Credit Guarantee Experience

We are open for cover on this market on a case-by-case basis where we have a small exposure with good experience. This market is conducive to open account exports but it is important that exporters have thorough knowledge of the country and the importers in the market before undertaking such transactions and take adequate measures to protect themselves accordingly.

Political Highlights

- ❑ Burkina Faso has been ruled for over two decades by former army officer Blaise Compaore who came into power in a 1987 coup. He won a third term as president in November 2005. The next presidential election is scheduled for 2010.
- ❑ Legislative elections last took place in May 2007 with President Blaise Compaore's CDP party winning a comfortable majority of 73/111 seats, regaining its grip on the parliament.
- ❑ In January 2008, Burkina Faso became a non-permanent member of the UN Security Council; it will hold this position for two years.

Economic Highlights

- ❑ Burkina Faso is a poor, landlocked sub-Saharan country with inhabitants estimated at 15.2 million in 2008. The population growth rate is estimated at 3.1%.
- ❑ It has significant reserves of gold but cotton production is the economic mainstay for many Burkinabe; Over 80% of the population is engaged in subsistence agriculture. The economy is strongly dependent on cotton exports that are vulnerable to external and climatic shocks.
- ❑ The country is attempting to improve the economy by developing its mineral resources, improving infrastructure, making its agricultural and livestock sectors more productive and competitive and stabilising the supplies and prices of food grains.
- ❑ In mid-January, Burkina Faso's trade minister warned cereal producers that the country may face violent street demonstrations again if cereal prices do not fall. In early 2008 the country was rocked by street protests after food and basic goods increased by more than 50%. Following price riots the government authorised emergency subsidies worth almost \$28 million for fertilizers, seeds and farming equipment. Despite a 2008 surplus cereal production the prices of locally produced rice and corn increased by 20% while those of millet and sorghum increased by 14%. Local cereal farmers and merchants said buyers from neighbouring countries who poured in at the end of the 2008 harvest have driven up demand. The price of a 100kg-bag of corn leapt from US\$15 in November 2008 to \$32 in January.
- ❑ The local rice harvest was 235,000 tons in 2008 from 69,000 tons in 2007, but local rice prices were US62 cents per kg in November 2008, 30% higher than in November 2007. Imported rice at 84 cents was 50% higher than in November 2007. Although local rice is cheaper than imported rice, Burkinabe urbanites favour South-east Asian rice; they consume some 450,000 tons a year, partly because it is easier to access than local rice. Rural populations consume mainly local cereals, millet and sorghum and fonio. To spur competition, in October the Agriculture Ministry issued a proposal to set a price of 22 cents per kg for all local rice, which it says gives the farmers an adequate profit margin.
- ❑ Over the past 10 years Burkina Faso has established a good track record on macroeconomic performance and has sustained a real growth rate of more than 5% until 2007. Growth is estimated at 4.5% in 2008 due to favourable weather conditions that supported a rebound in agricultural production.
- ❑ The 2009 budget aims to strike a balance between preserving debt sustainability and social and infrastructure needs. Plans are to limit the fiscal deficit at 4.9% of GDP in 2009 as a first step towards reducing it to 3% of GDP in the medium term, recommended by the IMF so as to stabilise debt ratios. Reducing the fiscal deficit will require sustained revenue administration efforts and moving ahead with the tax policy reform. Priority areas include revising the business tax, streamlining tax exemptions and strengthening VAT.
- ❑ IFC a member of the World Bank Group has stated its support for the initial public offering (IPO) of Onatel, Burkina Faso's incumbent telecom operator. It is expected to attract investment into the country and develop domestic and regional capital markets. Privatisation began in 2006 after the government sold a 51% stake to Morocco's Maroc Telecom. The government will sell a further 20% of Onatel's capital in the offering.

Trade Developments

- Burkina Faso was ranked 148 out of 181 economies in the Doing Business 2009 survey:

Ease of	2009 rank	2008 rank	Change in rank
Doing Business	148	164	+16
Starting a business	113	109	-4
Dealing with Construction permits	106	168	+62
Employing workers	57	125	68
Registering property	148	172	24
Getting credit	145	141	-4
Protecting investors	142	141	-1
Paying taxes	132	135	+3
Trading across borders	173	173	0
Enforcing contracts	110	111	+1
Closing a business	110	94	-16

Source: www.doingbusiness.org

- Trading across borders received the lowest rank and remains unchanged. It involves the cost of importing and exporting a standardised shipment of goods. Every official procedure involved is recorded, starting from the final contractual agreement between the two parties and ending with the delivery of the goods. Inadequate infrastructure also limits trade. Below is a summary of the procedure:

Indicator	Burkina Faso	Region	OECD
Documents for export (Number)	11	7.8	4.5
Time for export (days)	45	34.7	10.7
Cost to export (US\$ per container)	2,132	1,879	1,069
Documents for import (number)	11	8.8	5.1
Time for import (days)	54	41.1	11.4
Cost to import (US\$ per container)	3,630	2,278	1,132

Source: www.doingbusiness.org

- Main exports: cotton, livestock and gold.
- Main imports: capital goods, food items and petroleum.
- Major trading partners: China, Singapore, Thailand, Ghana, Taiwan, France, Cote d'Ivoire and Togo.
- SA's exports to Burkina Faso totaled R154m in 2007 from R109.8m in 2006.

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