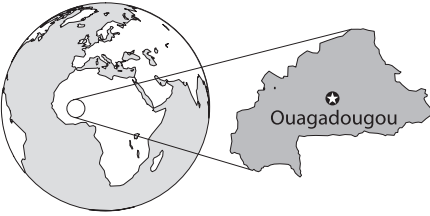


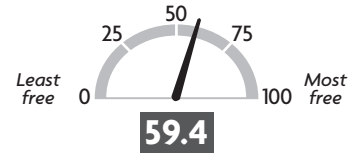
# BURKINA FASO



World Rank: **90**

Regional Rank: **9**

## Economic Freedom Score



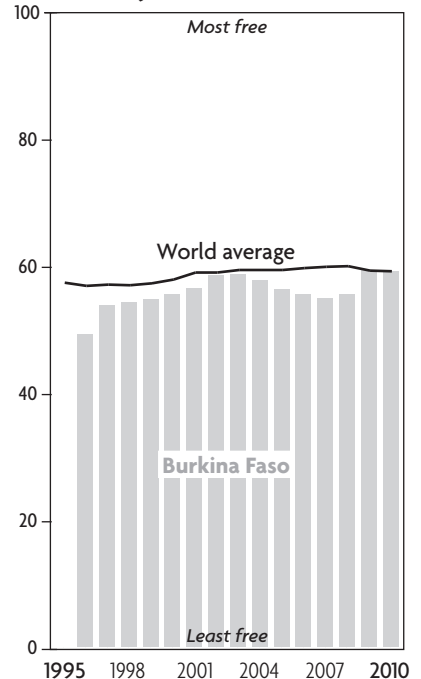
**B**urkina Faso's economic freedom score is 59.4, making its economy the 90th freest in the 2010 *Index*. Its overall score is almost identical to last year, with a loss of monetary freedom offset by a gain in investment freedom. Burkina Faso is ranked 9th out of 46 countries in the Sub-Saharan Africa region, and its overall score is equal to the world average.

Progress in opening the economy and developing the private sector has promoted relatively sound macroeconomic performance with an annual growth rate of over 5 percent over the past five years. Burkina Faso scores relatively well in fiscal freedom, government spending, and monetary freedom. The overall tax burden is low, and privatization has been resumed.

Deeper structural and institutional reforms remain critical to maintaining stable growth, diversifying the production base, and continuing the transition to greater economic freedom. There are systemic weaknesses in business freedom, property rights, investment freedom, and freedom from corruption. Extensive regulations hinder the development of a more entrepreneurial environment, and the weak judicial system fuels corruption.

**BACKGROUND:** Burkina Faso has been ruled for over two decades by former army officer Blaise Compaoré, who seized power in a 1987 coup and executed his predecessor. Compaoré won a third term as president in November 2005, though a constitutional amendment that entered into force that same year should limit the presidency to two terms in the future. Burkina Faso is a very poor agrarian country that is beset by frequent drought. Over 80 percent of the population is engaged in subsistence agriculture. Many Burkinabé live and work abroad, with as many as 4 million living in or migrating annually to neighboring Côte d'Ivoire for seasonal agricultural work. Remittances are a substantial source of income. Inadequate communications, poor infrastructure, and a high rate of illiteracy have slowed development.

## Country's Score Over Time



## Quick Facts

**Population:** 15.2 million

**GDP (PPP):** \$17.7 billion

4.5% growth in 2008

5.3% 5-year compound annual growth

\$1,161 per capita

**Unemployment:** estimated to be over 20%

**Inflation (CPI):** 10.7%

**FDI Inflow:** \$137 million

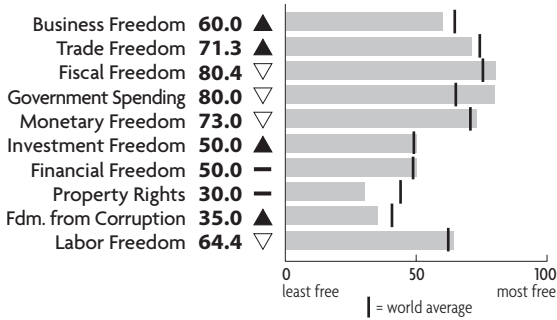
2008 data unless otherwise noted

Data compiled as of September 2009

## How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## BURKINA FASO'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 60

The overall freedom to start, operate, and close a business remains constrained by Burkina Faso's regulatory environment. Business registration is more streamlined, and obtaining a business license requires less than the world average of 18 procedures. The process for closing a business can be lengthy.

### TRADE FREEDOM — 71.3

Burkina Faso's weighted average tariff rate was 9.3 percent in 2008. Despite steps to reform the trade regime, supplementary taxes on imports, import fees and bans, import authorization for certain products, customs corruption, and weak enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Burkina Faso's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 80.4

Burkina Faso has moderate tax rates. The top income and corporate tax rates are 30 percent. Other taxes include a value-added tax (VAT) and a tax on insurance contracts. In the most recent year, overall tax revenue as a percentage of GDP was 12.5 percent. Full introduction of the new tax management system should simplify tax collection. The government remains committed to reforming the corporate tax and the VAT.

### GOVERNMENT SPENDING — 80

Burkina Faso's total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 25.8 percent of GDP. The national telephone company was privatized in March 2009.

### MONETARY FREEDOM — 73

Inflation rose dramatically in 2008 and averaged 7.3 percent between 2006 and 2008, driven by sharp increases in the prices of food and imported oil. A record cereal harvest and lower international oil prices are expected to reduce inflation in 2009. The regional Banque Centrale des Etats de l'Afrique de l'Ouest maintains the CFA franc's peg to the euro. The market determines most prices, but the government maintains price supports for cotton and influences prices through the public sector. Ten points were deducted from Burkina Faso's monetary freedom score to adjust for measures that distort domestic prices.

### INVESTMENT FREEDOM — 50

The law guarantees equal treatment of foreign and domestic investors. Investments are screened to determine eligibility for incentives. The government is liberalizing most monopolies and adopting transparent laws to foster competition, but inadequate infrastructure, a weak legal system, and corruption remain deterrents to investment. Foreign investors are guaranteed the right to transfer abroad any investment-associated funds, including dividends, receipts from liquidation, assets, and salaries. Payments and transfers over a specified amount require supporting documents, and proceeds from non-West African Economic and Monetary Union countries must be surrendered to an authorized dealer. If property is expropriated, the government must compensate the property holder in advance, except in the event of an emergency.

### FINANCIAL FREEDOM — 50

Burkina Faso's financial system is small and underdeveloped. Microfinance has expanded rapidly. Reforms aimed at tightening supervision and improving credit access are ongoing. The government has pursued banking liberalization and restructuring since the 1990s and limits its direct participation. The banking sector consists of 11 commercial subsidiaries of major multinational banks. In 2008, the government held around 20 percent of total banking capital. Credit is generally allocated on market terms, but the government still influences lending. The financial sector remains hampered by difficulties in mobilizing long-term resources. Due to limited exposure to international financial markets, the impact of the global financial crisis on banking has not been significant.

### PROPERTY RIGHTS — 30

Burkina Faso's judicial system is weak. Villagers have their own customary or traditional courts. The executive has extensive appointment and other judicial powers. Systemic weaknesses include arbitrary removal of judges, outdated legal codes, too few courts, a lack of financial and human resources, and excessive legal costs.

### FREEDOM FROM CORRUPTION — 35

Corruption is perceived as pervasive. Burkina Faso ranks 80th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, a substantial improvement over 2007. Persistent deficiencies include a weak judiciary, limited enforcement powers of anti-corruption institutions, misappropriation of public funds, and a lack of separation of powers. According to a June 2009 poll, two-thirds of the population believes that corruption is becoming more prevalent. Almost half reported that they had been directly affected by corrupt practices.

### LABOR FREEDOM — 64.4

Relatively flexible employment regulations enhance employment and productivity growth. The non-salary cost of employing a worker is high, but dismissing a redundant employee is generally costless.