BURKINA FASO

Burkina Faso’s economic freedom score is 56.7, making its economy the 117th freest in the 2020 Index. Its overall score has decreased by 2.7 points, with a plunge in the score for fiscal health. Burkina Faso is ranked 15th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and below the world average.

The dip in Burkina Faso’s economic freedom is the first significant decline in the past 10 years, during which the economy had briefly touched the moderately free ranks. Despite that relatively stagnant performance, GDP growth has been robust for the past five years, albeit in the context of extremely low per capita income.

For the economy of Burkina Faso, now mostly unfree, to make the leap to moderately free, the government will have to implement deep, broad, and well-institutionalized reforms to improve scores for property rights, judicial effectiveness, and government integrity, while also addressing shortcomings in the regulatory environment for businesses and banks.

BACKGROUND: The former French colony of Burkina Faso is one of the world’s poorest countries. After popular protests forced President Blaise Compaoré from office in 2014, Roch Marc Christian Kaboré of the People’s Movement for Progress was elected to a five-year term as president in 2015. In January 2019, the country’s prime minister and its entire cabinet resigned, most likely in response to a recent dramatic surge in terrorist attacks in Burkina Faso. About 90 percent of the population is engaged in subsistence farming, and cotton is the principal cash crop. Literacy rates are well below the regional average. Other challenges include political insecurity in neighboring Mali, unreliable energy supplies, and poor transportation links.
Protection of private property is weak. Since passage of the 2009 land tenure reform law, the government has been engaged in an effort to issue titles recognizing land ownership rights. The judiciary is formally independent but historically has been subject to executive influence and corruption. Corruption is widespread, particularly in the police force. Anticorruption laws and bodies are generally ineffective.

The top individual income tax rate is 27.5 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 18.1 percent of total domestic income. Government spending has amounted to 27.7 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 43.0 percent of GDP.

Burkina Faso improved some protections for minority investors in 2018, but those protections still lag behind those of most countries in the World Bank’s rankings. Enforcement of contracts has been made easier. The archaic labor market largely revolves around the production of two commodities: cotton and gold. Despite the availability of expensive state subsidies for insecticides, fertilizers, and irrigation facilities, cotton production fell significantly in 2019.

The total value of exports and imports of goods and services equals 63.6 percent of GDP. The average applied tariff rate is 9.1 percent. Coupled with the nontransparent regulatory framework, layers of nontariff barriers continue to undermine the benefits of open trade. Bureaucratic barriers hinder investment. Despite the development of microfinance institutions, overall access to credit remains low.