



BURKINA FASO

SELECTED ISSUES

July 2024

This paper on Burkina Faso was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on May 31, 2024.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>

International Monetary Fund
Washington, D.C.



BURKINA FASO

SELECTED ISSUES

May 31, 2024

Approved By
African Department

Prepared By Moez Ben Hassine, Damien Capelle, Fabio Comelli, Pierre Fichter (UNHCR), Moe Miyahara (UNHCR), Gaston Mpatswe, Rahul Raju, and Martin Schindler

CONTENTS

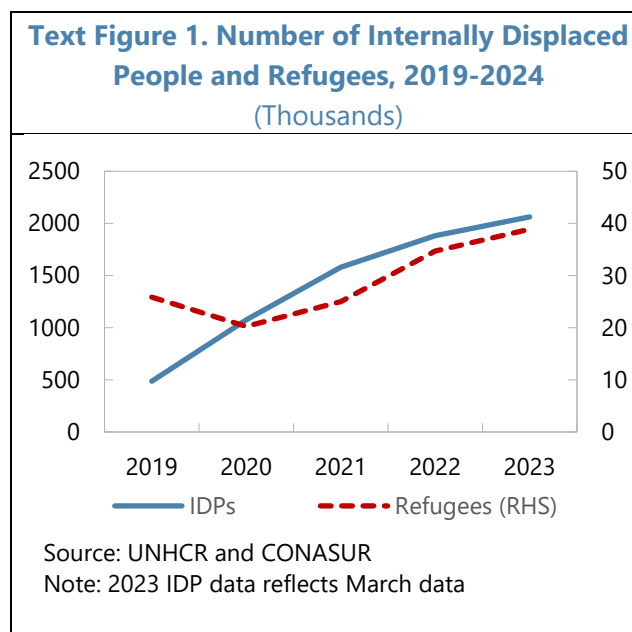
FORCED DISPLACEMENT: TRENDS, IMPACTS, AND POLICY IMPLICATIONS	3
A. Context	3
B. Recent Trends	3
C. Socio-Economic Impact	4
D. Policies	6
References	11
CLIMATE CHANGE AND FOOD INSECURITY	12
A. Context	12
B. Impact of Climate Change	13
C. Policy Responses	15
BOX	
1. Overview of the Model and Simulation Methodology	16
FIGURE	
1. Impact of Climate Change on Average Temperatures, Precipitation and Crops Yields	14
References	19
GROWTH AND STRUCTURAL TRANSFORMATION	20
A. Introduction	20
B. Growth Experience and Structural Weaknesses	21

C. The Challenge of Structural Transformation	23
D. Policies for Development: Learning from the Past, Thinking Forward	24
E. Conclusions	29
References	30

FORCED DISPLACEMENT: TRENDS, IMPACTS, AND POLICY IMPLICATIONS¹

A. Context

1. Difficult security conditions in Burkina Faso and the broader region have created significant internal and cross-border displacement. Forced displacement creates significant social and economic disruptions, both for source and recipient regions. In addition to substantial hardship at the individual level of being uprooted from their homes, security-related displacement implies lost production capacity in the source region, while overwhelming social and public infrastructure in destination regions. It is also a multi-dimensional challenge arising from a number of factors, including poverty, attacks by violent extremist groups,² as well as—in some cases—responses to these attacks, including excessive force by the military and unregulated self-defense militias. This SIP provides an overview of recent forced displacement dynamics in Burkina Faso and their socio-economic implications, based on recent data from UNHCR monitoring systems and other national and international actors.



B. Recent Trends

2. Internal displacement has been increasingly challenging in Burkina Faso for several years. Starting in 2019, worsening insecurity in many parts of the country resulted in an official count of 2,062,534 internally displaced persons (IDPs) as of March 2023³ (Text Figure 1). Since April 2023, new displacements have occurred, especially including massive movements in the North, East, Sahel, Center-north, Boucle du Mouhoun and the greater western regions. However, no official statistics have been published by the government since the last statistics of March 2023. Some of these recent displacement movements are secondary and tertiary movements, highlighting the volatile insecurity situation. All 13 regions of the country are hosting displaced families, although about $\frac{3}{4}$ of IDPs are concentrated in major cities and towns of the Centre-North, Sahel, North and

¹ Prepared by Pierre Fichter, Moe Miyahara (both UNHCR), and Martin Schindler (IMF).

² See Annex I on the drivers of fragility and other considerations.

³ The official count of IDPs is carried out by the National Council for Emergency Relief and Rehabilitation (*Conseil National de Secours d'Urgence et de Réhabilitation*, CONASUR). The last official count published by CONASUR is dated March 31, 2023.

East regions. While initially IDPs' regions of origin were mainly areas of high insecurity in the north and east of the country (Sahel, East, Centre-North and North), insecurity has spread to other regions in recent years—in 2024, significant movements of IDPs were observed also in the Centre-East, Boucle du Mouhoun and Hauts-Bassins regions. While the authorities have indicated that since 2023, following the military's security operations, some IDPs had returned, no confirmed data exist.

3. Regional insecurity has also created increased cross-border displacement, both into and out of Burkina Faso. As of March 2024, 209,973 Burkinabè refugees were reported in the country's six neighboring countries (Text Figure 2), with the majority in Mali and Côte d'Ivoire, as well as increasingly in Ghana. Conversely, Burkina Faso who has been hosting Malian refugees since 2012, registers 39,483 refugees and asylum seekers, the vast majority (97 percent) from Mali, but increasingly also from Niger. For Malian refugees, some of whom have been in Burkina Faso for over ten years, Burkina Faso has effectively become a protracted refugee situation.



C. Socio-Economic Impact

4. The socio-economic profile of forcibly displaced communities is typically different from that of host communities. Displaced people are predominantly women and children (84 percent). Among IDPs, 38 percent of heads of households are women, compared to 58 percent among refugees and asylum seekers. This household composition is a source of vulnerabilities (increased exposure to gender-based violence (GBV), access to employment, income level). For example, socio-economic vulnerability studies of IDP households indicate high levels of poverty, with 68 percent classified as "poor" and almost 14 percent as "very poor."⁴ In addition, the *Preliminary Targeting Report of the Food Assistance Program for People Affected by the Severe Food Insecurity Crisis in Burkina Faso* (WFP, December 2023) shows that a higher proportion of female-headed households are classified as "Poor" (76 percent) compared to those headed by men (62.3 percent); also, school enrolment rates are lower in displaced communities, while secondary school dropout rates are higher, compared to host communities. Lastly, according to WFP's IDP Household Targeting Study, household dependency ratios are high, on the order of 90 percent, highlighting the challenges related to the burden of supporting dependent persons within these households.

⁴ The WFP's IDP Household Targeting Study reports an average monthly IDP household income of about CFAF 8,000, or about US\$13.

5. The large displacement flows place a heavy burden on urban infrastructures. Much of the displacement is from rural to urban areas, placing additional burden on already scarce public services and weak infrastructure, as well as straining local labor markets in many of the host communities. For example, according to the last General Population Census, the city of Kaya (Centre-North) with a population of 208,682 in 2019 received 109,968 IDPs by 2023, while the commune of Ouahigouya (North), with a population of 199,387 in 2019, now hosts 143,427 IDPs.

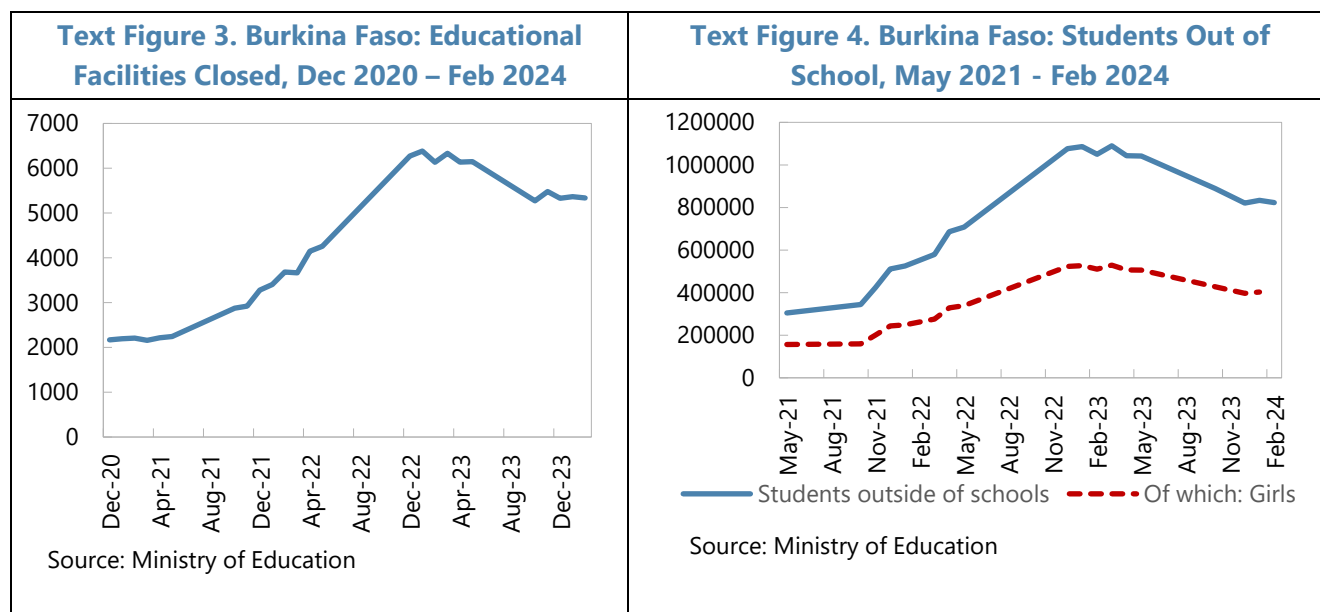
6. Insufficient urban infrastructures and public services may adversely affect social cohesion. IDPs are typically settled in temporary reception sites (organized or spontaneous sites) or collective centers (schools, public buildings). Currently, 238 sites in Burkina Faso shelter 1,707,180 IDPs. Alternatively, some IDPs live with families from the host community (e.g., relatives or members of the same ethnic group), by themselves in rented housing, or in open areas. These living conditions entail various protection risks (e.g., exposure to GBV, health risks) as well as risk in terms of urban development. The rapid expansion of underdeveloped neighborhoods outside any formal urban planning, without roads or access to basic services (e.g., water, electricity, health, education), represents additional risks of socio-spatial divide and exclusion reducing social cohesion and potentially leading to radicalization processes.

7. Security-related school closings and large displacement flows put strain on the educational and health systems. The security crisis has put tremendous pressure on educational institutions in the host areas, with 5,336 educational facilities remaining closed due to insecurity as of February 2024, pushing 823,340 students (and 24,158 teachers) out of school.⁵ (Text Figures 3 & 4). Given significant efforts to re-enroll forcibly displaced children, 436,651 individuals—over ½ of displaced students—have been put back to school. However, as a result, many schools are overcrowded and operating far above capacity, with adverse implications for learning outcomes and the mental health of students and teachers. Similarly, according to the Ministry of Health, in January 2024, the security crisis caused the closure of 426 out of a total of 2,117 health facilities, while 363 are functioning at a minimum and 126 have been vandalized. In addition, 352 health facilities serve as shelters for IDPs. As a consequence, more than four million people are estimated to be deprived of healthcare, placing additional strain on existing health centers in host localities.

8. Forced displacement has economic costs on both source and host regions. The displacement of workers reduces agricultural and livestock production and leaves agricultural land underutilized. The resulting reduction in domestic food supply has exacerbated global increases in food and fertilizer prices, creating additional hardships for vulnerable households also in other regions. Lack of employment opportunities and alternative sources of income makes it difficult to offset these cost increases. While, according to the Joint Market Monitoring Bulletin in Burkina Faso (WFP/SONAGESS, January 2024), availability of agricultural products on the markets of areas with high security challenges has recently improved compared to 2023, along with lower prices, prices of

⁵ Rapport Statistique de données de l'Éducation en situation d'urgence – ESU (ministère de l'Éducation Nationale, Février 2024). The securitization of certain localities and the return of displaced populations allowed the reopening of 1,295 educational infrastructure since 2023.

local cereals (rice, maize, millet, sorghum) remain between 20-40 percent above their five-year average. Vulnerable households in displaced and host communities will therefore remain dependent on humanitarian assistance.



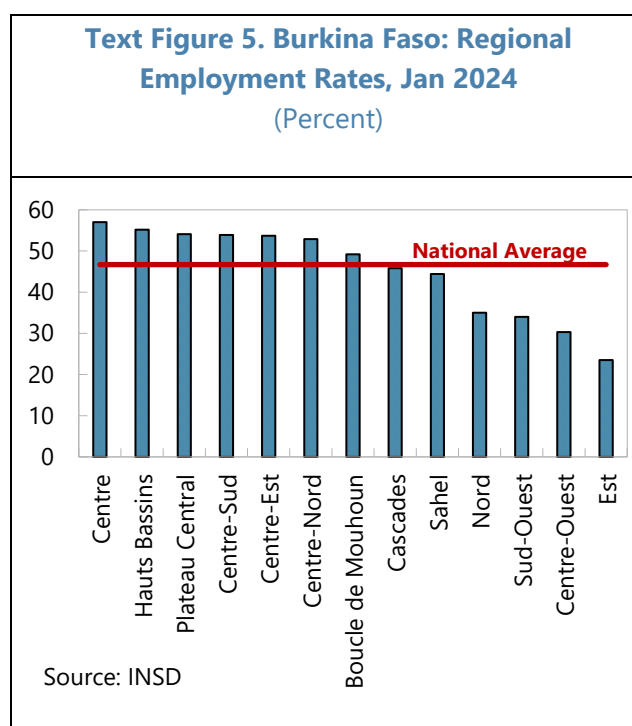
9. Displaced people face significant barriers to economic integration and financial inclusion. The regions most affected by displacement are also those with some of the lowest employment rates in the country. Against this context of limited labor market access and underemployment, displaced persons find themselves in competition with the host communities for certain types of jobs, creating challenges to economic inclusion. These include various factors, including: (i) a lack of professional networks (e.g., 4 out of 5 IDPs reportedly have no family ties in the host community, and nearly none are members of local organizations or associations); and (ii) a lack of relevant skills and education levels. A large majority of displaced persons are farmers and herders and would require professional (re)training, often leading to informal sector employment. According to 2024 data collected by CONASUR, most IDPs are employed as daily laborers and domestic workers or engaging in small businesses, often facilitated by humanitarian assistance and NGOs—typically weak sources of income requiring continued dependence on community, family or humanitarian assistance. These informal livelihood strategies with low incomes combined with difficulties in social integration create obstacles to financial inclusion in savings and credit systems.

D. Policies

10. Burkina Faso has devised several policy responses, including in cooperation with international partners. National response strategies, whose implementation will require support by Burkina Faso’s partners, include the following:

- The **National Recovery Strategy for Internal Displaced Persons and Host Communities (SNR-PDICA)** was adopted in June 2023 and led by CONASUR. A key pillar is the re-dynamization of the local economy and the empowerment of affected populations, particularly youth and women. Activities include reinforcing economic opportunities by developing agricultural and livestock value chains; capacity building in entrepreneurship; strengthening financial inclusion; vocational training; formalization of enterprises; and promotion of product marketing channels. According to the 2023 Assessment Report, 10 out of 38 planned activities had been carried out in 2023 (physical execution rate of 33.5 percent), and CFAF 29.9 billion out of a budget of CFAF 30.7 billion were spent (financial execution rate of 97 percent).

- The **National Strategy on Local Integration of Refugees Living in Burkina Faso**, initiated by the *Commission Nationale des Réfugiés* (CONAREF), has the aim of equipping Burkina Faso with a national framework for the implementation of refugees' local integration actions. In December 2023, Burkina Faso announced as a national pledge at the 2023 Global Refugee Forum (GRF) that such Strategy would be drafted following a diagnostic field study. The Strategy is expected to cover integration in a multisectoral manner including employment, financial inclusion, legal protection, civil documentation, healthcare services and housing, land and property.



- The **Action Plan for Stabilization and Development (PA-SD)**, the government's central tool for implementing national development policy, also contains policies regarding the return, integration, and relocation of IDPs (Pillar 2); the implementation of an emergency urbanization plan; and investments in host locations, such as the construction of classrooms and health infrastructure. While parts of the PA-SD have been implemented, through budget funds and direct support from partners, the continuing displacement crisis and increased needs in the defense and security sectors would benefit from a needs reassessment in host localities and better coordination of fundraising efforts between the government and its partners.
- **Several initiatives by development partners** are beginning to be implemented. Initiatives include the *Mobility and Development of Secondary Cities Project* (World Bank), the *OKD* and *OKDB* programs financed by the European Union, and the *Multi-sectoral Skills Development and Resilience Building Program* in preparation at the African Bank of Development. These will enable investments to help alleviate pressures caused by displacement in host communities.

11. Despite these measures, the persistent crisis of forced displacement means that the need for humanitarian assistance remains. For example, as of February 2024, 84 percent of emergency shelter needs and 60 percent of Non-Food Items (NFI) kits were not covered.⁶ In addition, certain localities cannot benefit from these projects due to inaccessibility. Significant efforts will therefore have to be made in the coming years by the government and its partners, as part of the humanitarian development and peace nexus, to fully absorb the impact of the security and humanitarian crisis.

12. A successful strategy for addressing the displacement crisis should be broad-based in terms of partners and approaches. In particular, the following elements could be considered:

- *Coordination.* The government's measures should be coordinated both across national strategies and with bilateral and multilateral development partners to scale up good practices of inclusion and enhance the impact of investments in host areas. Burkina Faso employs the triple Nexus approach across humanitarian, development and peace actors, and actions of the three domains also need to be better coordinated, especially along the key national strategies. Coordination efforts should also be made towards humanitarian actors to facilitate their access and the deployment of aid.
- *Data systems.* The inclusion of forced displaced persons in the Unified Social Register (RSU) and national social nets programs would facilitate the implementation of assistance and, along with other national repositories, help improve urban management and budget planning.
- *Analysis.* Given the country's economic and financial challenges, an in-depth understanding is needed of the economic impact of forced displacement and possible solutions. In other countries, studies show positive economic outcomes to host regions of forced displacement. To strengthen the government's data collection capacities informing such analysis, and to implement a large-scale study on this topic, the UNHCR, in collaboration with the *Institut National de la Statistique et de la Démographie* (INSD) and the World Bank, is designing an economic household survey as part of its protection monitoring (Projet 21).

⁶ Analyse de la réponse rapide pour les nouveaux déplacements – février 2024 (Cluster Abris Burkina Faso).

Annex I. Drivers of Fragility: Additional Considerations¹

1. Long-standing underlying drivers of fragility in Burkina Faso are complex and systemic. They arise from both external and internal sources. Key obstacles include climate change; a poorly diversified economy; weak security conditions due to terrorist incursions; and political instability, hampering all other aspects of economic development (see IMF Country Report [No. 23/343](#), pp. 39–41). Terrorist activities have threatened the state monopoly on violence and weakened local administration, the justice system, and the provision of public services. Competition over valuable resources aggravates conflict. Burkina Faso is rich in mineral resources (e.g., gold, manganese, zinc, and others) (EITI 2023), and their exploitation can trigger conflict. Lastly, household incomes to a large extent stem from agriculture, rent crops, and animal husbandry and are sensitive to climate conditions and terms of trade, fluctuations in which can affect the incidence of conflict (Box 1).

Box 1. Burkina Faso: Potential Channels of Economic Shocks on Occurrence and Intensity of Conflict

The related literature has identified three major channels for economic shocks affecting the occurrence of conflict activities (McGuirk & Burke, 2020; Leepipatiboon et al. 2023):

- *Opportunity cost channel.* A negative commodity price shock, for example, a rise in commodity import prices or a decline in export prices, would lower a household's respectively a producer's real income, thus reducing the opportunity cost of engaging in violence and conflict activities (e.g., food price increases in 2007/08 were followed by riots in many countries).
- *State capacity channel.* A negative commodity export price shock may lower government revenue such as royalties or custom revenues, while an increase in import prices may increase the political cost of a full passing-through to local prices and possibly the fiscal costs of subsidies on such goods, which ultimately weakens the state's ability to mitigate the economic shocks, provide security services or prevent violent conflict.
- *Predation channel.* Lower (higher) export prices, especially for oil and other natural resources, would lower (increase) the incentive to engage in rent-seeking activities, thereby decreasing (increasing) the likelihood of conflict through predation channel (e.g., Ross, 2004).

2. Restoring security and the presence of state administration in the crisis zones will be critical to the return of IDPs to their homes. Alongside efforts to restore security and territorial integrity, actions are required in the following key areas:

- 1) **Improve the provision of basic public services and public order.** Effective fiscal decentralization and improving the presence, institutional capacities and governance of local administrations and justice systems are critical for restoring peace and stability, and for the

¹ Prepared by Gaston Mpatswe (IMF).

reinforcement of the state legitimacy through adequate provision of essential public services (e.g., education, healthcare, administrative services).

- 2) **Promoting socio-economic inclusion for peace, stability, and prosperity.** This calls for development programs targeting the disaffected zones, such as efforts to address inequality, resolve land disputes, and support to income-generating activities as well as to SMEs operating in the targeted zones.
- 3) **Stepping up PFM reform efforts in the defense, security and justice system are critical to restoring peace and stability.** Key reforms needing close attention over the near to medium-term include:
 - *Protecting the sources of domestic revenues.* Actions to preserve the state authority over tax collection across Burkina Faso, thus denying armed groups potential sources of funding, would include: (i) strengthening security of important revenue collection points (e.g., border posts and mining areas); (ii) closing loopholes in the mining sector's tax system; (iii) formalizing artisanal gold mining activities; (iv) exerting greater control over clandestine gold trading networks; and (v) disrupting the routes of illegal commerce, drug trafficking and money laundering.
 - *Strengthening the control and management of the defense and security payroll.* Building a strong compensation framework for defense and security sector personnel² is necessary for peace and stability. Useful reforms in this area would include: (i) a manpower audit; (ii) a biometric census, identity cards, and development of a detailed central database linked to the overall public sector payroll system; and (iii) integrating the defense and security sector payroll system with the national payment system, financial services, and microfinance institutions.
 - *Strengthening the financial operations and reporting of security and defense spending.* Subject to specificities, PFM in the sector should be similar to that of other sectors (including execution, reporting, auditing, and legislative oversight). For Burkina Faso, it is critical to strengthen the operations of the Patriotic Support Fund (PSF), including to ensure that the financial transactions between the state and the networks of volunteers is transparent and accounted for.

² In addition to salaries, such a framework would include field deployment incentives, medical care, pensions and retirement benefits, funeral expenses, and dependents, & survivor benefits.

References

Cluster Abris Burkina Faso, *Analyse de la réponse rapide pour les nouveaux déplacements*, Février 2024.

CONASUR, *Tableau de bord sur l'enregistrement individuel des PDI*, Mars 2023.

FEWS-NET, *Burkina Faso - Perspectives sur la sécurité alimentaire*, 2024.

INSD (2020), *Cinquième Recensement Général de la Population et de l'Habitation du Burkina Faso*, 2020.

INSD (2024), *Note synthétique de l'Enquête Nationale de Base sur l'Emploi et le Secteur Informel*, Janvier 2024.

Leepipatpiboon, Patcharaporn, Chiara Castrovillari, and Tomohide Mineyama (2023), "Macroeconomic Shocks and Conflict," IMF Working Paper No. 23/68.

McGuirk, Eoin, and Marshall Burke (2020), "The Economic Origins of Conflict in Africa," *Journal of Political Economy* Volume 128, Number 10, October 2020.

Ministère de l'Éducation Nationale du Burkina Faso, *Rapport Statistique de données de l'Education en situation d'urgence*, Février 2024.

Ross (2004), What Do We Know about Natural Resources and Civil War? [*Journal of Peace Research*](#), Vol. 41, No. 3 (May 2004), pp. 337-356.

UNHCR (2024), *Burkina Faso - Monitoring des frontières*, Février 2024.

UNHCR/Projet 21, Burkina Faso – Monitoring de Protection, Février 2024.

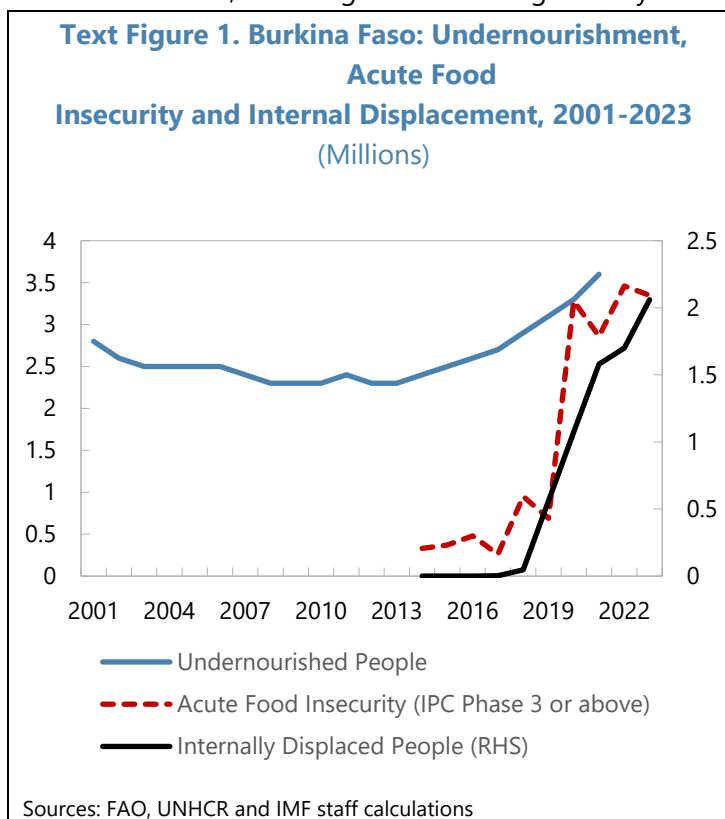
World Food Program, *Rapport préliminaire sur le ciblage Programme d'assistance alimentaire aux personnes affectées par la grave crise d'insécurité alimentaire au Burkina Faso*, décembre 2023.

World Food Program/SONAGESS, *Bulletin conjoint de suivi des marches au Burkina Faso*, Janvier 2024.

CLIMATE CHANGE AND FOOD INSECURITY¹

A. Context

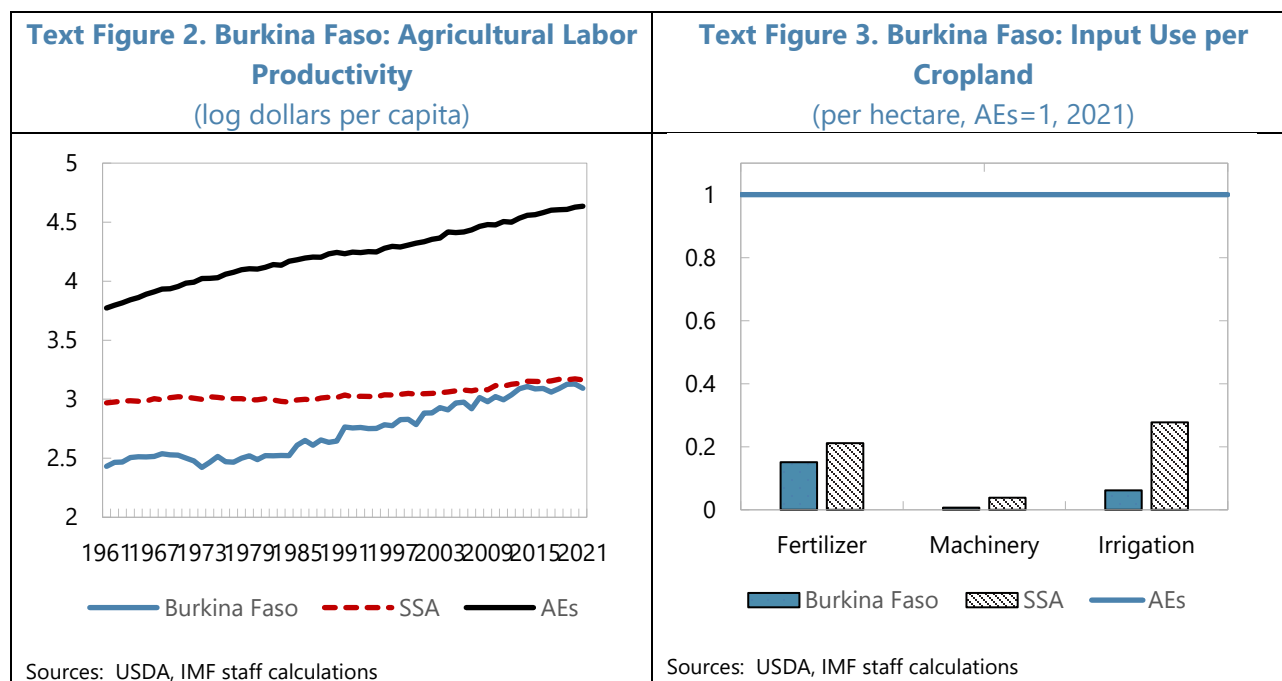
1. Burkina Faso faces chronic food security challenges which have considerably worsened in recent years. These developments reflect several factors, including a deteriorating security environment and increases in food and fertilizer costs, and could be further exacerbated by the effects of climate change. The prevalence of undernourishment, defined as the population consuming an insufficient number of calories to cover their energy requirement for a healthy life, remains elevated in Burkina Faso. After a slow secular decline until about 2013, it has since risen to the highest level in over two decades. Rising terrorist activity in many areas has led to the displacement of about 2 million people and to the siege of several cities such as Djibo—a main center in the northern part of the country. Combined with the increase in food prices and fertilizer prices, this has led to a dramatic increase in acute food insecurity since 2019 (Text Figure 1).



2. Low agricultural productivity is a key impediment to reducing rural poverty and food insecurity. Agriculture accounted for about 18 percent of Burkina Faso's GDP in 2022 and employs more than 80 percent of the country's workforce (INSD). While productivity in agriculture, measured as the value of production per farmer, has caught up to the average level in Sub-Saharan Africa in recent decades, it has recently remained stagnant and very low relative to advanced economies (Text Figure 2). Productivity dispersion across regions for the same crop points to significant potential for improvement. Several obstacles impede agriculture productivity. The use of fertilizers and of mechanized equipment is lower than in the rest of SSA, and the proportion of irrigated land is about four times smaller than the regional average; and all of these metrics in Burkina Faso are only a small fraction of those in AEs (Text Figure 3). Low levels of human capital and specialized training in farming also impede productivity. As agricultural production is the main source of income and food for most rural households, low agricultural productivity creates the conditions for keeping

¹ Prepared by Damien Capelle (IMF).

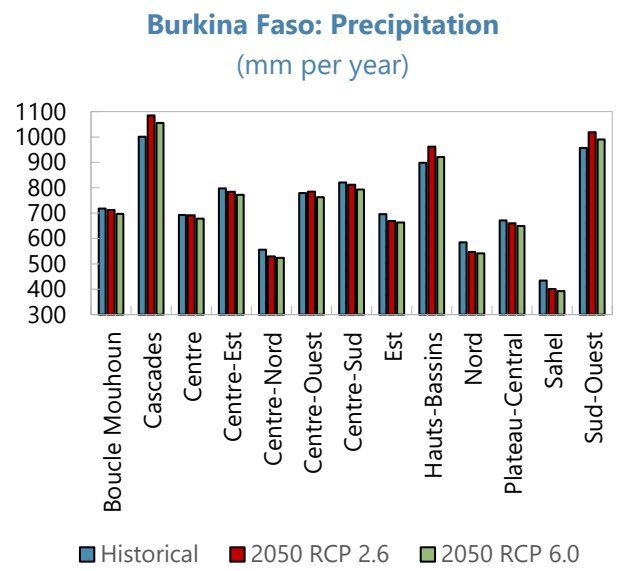
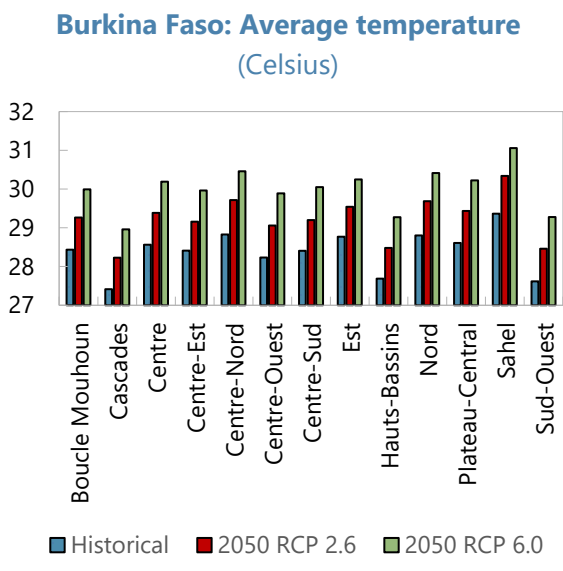
households in “low-level equilibrium traps” (Nelson, 1956). Families are unable to generate enough resources beyond subsistence levels, leaving no space for investments in equipment and inputs that would raise productivity and their children’s school attendance. Low farming productivity also prevents the reallocation of labor across sectors, limiting the ability to diversify income sources and increase resilience to sectoral shocks. Low productivity also hurts the competitiveness of key exporting sectors such as cotton and groundnut.



B. Impact of Climate Change

3. Climate change will affect agricultural productivity through more extreme heat, and lower precipitation in some regions. In a predominantly rainfed agriculture, higher temperatures and decreasing water availability are likely to further lower crop yields, with different impacts across regions and crops. (See Figure 1.) While all regions are likely to experience similar increases in average temperatures, precipitation could increase in a few regions, like Cascades, Hauts-Bassins and Sud-Ouest, but with more uncertainty. As a result, these same regions could experience an increase in average crop yields. Similarly crops will be affected differently: while rice, groundnut, cowpea suffer severely from climate change, cotton and maize are barely affected and sorghum and millet could even experience increases in their yields. Climate will also affect households who raise livestock and who will face increased risk of animal death and malnutrition. In addition, increased heat will also make it more difficult for people to work outside and negatively impact workers’ health, which will result in lower labor productivity. Extreme weather events such as more frequent droughts and bad harvests could increase the chance of large income losses (World Bank, 2022).

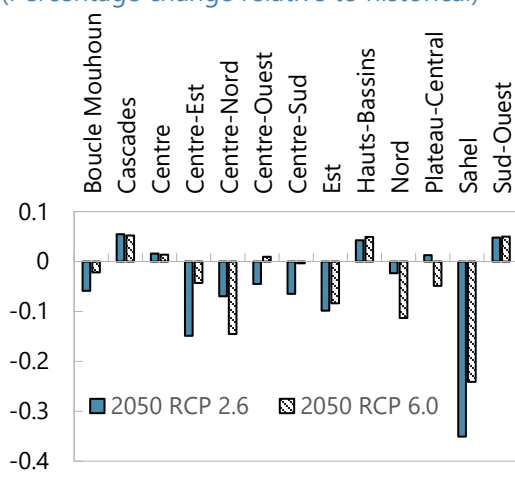
Figure 1. Burkina Faso: Impact of Climate Change on Average Temperatures, Precipitation and Crops Yields



Source: FAO-GAEZ, IMF staff calculations

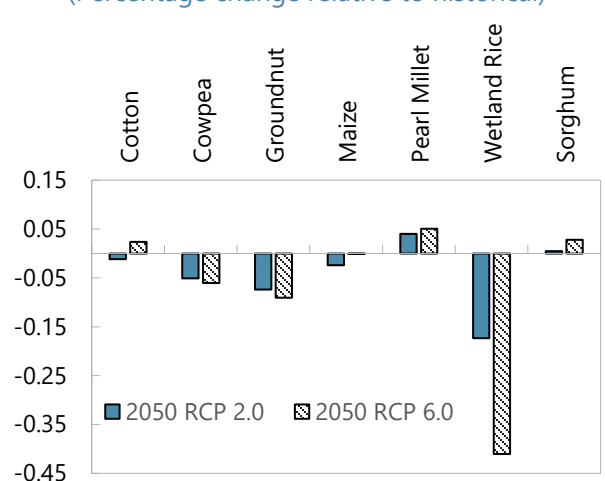
Source: FAO-GAEZ, IMF staff calculations

Burkina Faso: Average Yields by Region (Percentage change relative to historical)



Source: FAO-GAEZ, IMF staff calculations

Burkina Faso: Average Yields by Crop (Percentage change relative to historical)



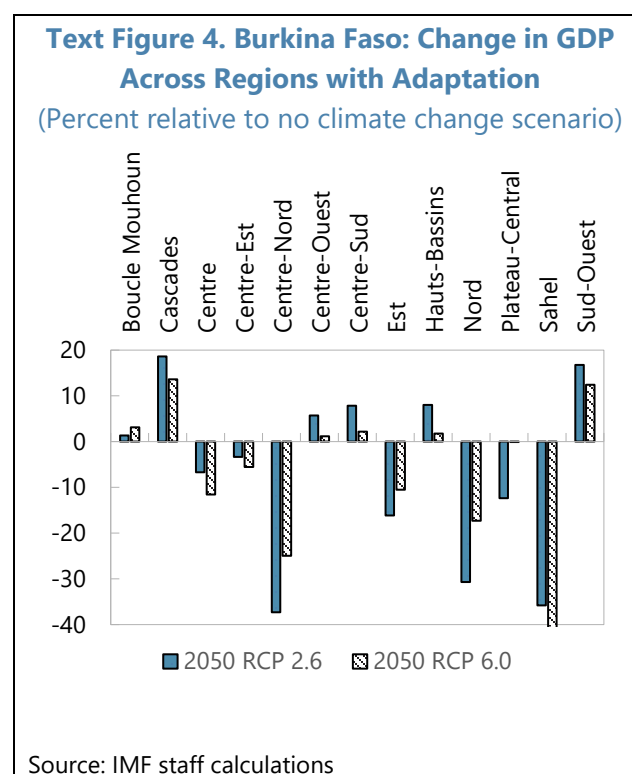
Source: FAO-GAEZ, IMF staff calculations

Notes: Representative Concentration Pathways (RCP) refer to greenhouse gas concentration trajectories adopted by the Intergovernmental Panel on Climate Change. RCP 2.6 is a very stringent pathway in which carbon emissions go to 0 by 2100, RCP 6 is more pessimistic and assumes that emissions peak around 2080 before declining.

4. Climate change could thus negatively affect agricultural production, lowering overall GDP and worsening food insecurity. While the net impact of climate change is likely to be negative, there is significant uncertainty surrounding its effects depending on the scenarios considered and the models used (Text Figures 4 to 7) and because of cascading effects. As a result, quantifying its overall impact is challenging and estimates should be interpreted with caution. The World Bank predicts in its recent CCDR for the Sahel that, without adaptation, climate change could lead to a decrease in GDP in Burkina Faso by 3.5 to 6.8 percent by 2050 depending on the climate scenario (World Bank, 2022). Analysis conducted by IMF staff (Capelle, forthcoming) based on a novel model suggests a decline in GDP and in food consumption by up to 3.5 percent by 2050 due to climate change in the scenario RCP 6 (see Text Box 1 for an overview of the model). These estimates differ for two reasons: the IMF staff’s model abstracts from the destruction of bridges and roads implied by extreme weather events, and it uses a lower semi-elasticity of labor productivity to temperatures, in line with the academic literature (Lai et al., 2023). Both estimates abstract from channels that are potentially important but harder to quantify, including loss of human capital, worse health outcomes and risk of pandemics, and risks of conflicts which are amplified by the FCS context (Larémont 2021, Tsomb et al 2023).

C. Policy Responses

5. Embracing the adaptive strategies accessible to Burkinabè farmers would have substantial benefits. These adaptation strategies include switching crops, moving to a more attractive region, or opting out of farming altogether and moving to a city. Measuring these adaptation responses is key to quantify the impact of climate change. It turns out that these adaptation strategies are very powerful, and Burkina Faso could strongly benefit from these opportunities. Considering these adaptation margins would mitigate the cost of climate change. Regions that benefit the most from these adaptation strategies include Cascades, Centre-Ouest, Centre-Sud, Hauts-Bassins and Sud-Ouest (Text Figure 4). Migration to regions with higher growth prospects is the most important adaptation margin in terms of its contribution to GDP growth, followed by switching to crops that benefit from climate change and migration to and from urban areas.



Box 1. Burkina Faso: Overview of the Model and Simulation Methodology

We build a novel multi-region, -sector, -crop model to analyze the economic impact of climate change and the adaptation strategies. There are 13 different regions, corresponding to the administrative “regions” in Burkina Faso. They differ in their climate conditions, and the yields of different crops. In each region, there are rural and urban areas. In rural areas, households are farmers, and their income is derived from the sale of crops they grow using land and their labor. Farmers choose which crop to grow (including cotton, groundnut, cowpea, millet, rice, maize, and sorghum), based on the expected income and costs of production. Those living in urban areas work in the secondary and tertiary sectors and earn wage incomes.

In the model, climate change affects the economy through its effect on crop yields and labor productivity. This effect is allowed to be different for different crops and for different regions. In addition, the change in average temperatures and precipitation will change the amenity value (the value of living in a location not explained by observables) of different regions, independently of their effects on yields and labor productivity, which affect the well-being of households living there. In turn, this will affect migration behaviors and the spatial distribution of economic activity.

The model embeds key strategies households have in Burkina Faso to adapt to climate change. There are three main margins of adaptation in the economy. First households can decide to switch to crops whose productivity is less negatively affected by climate change. Second, they can decide to move to urban areas to work in the secondary or tertiary sectors. Finally, they can migrate to another region with higher amenities, higher crops’ yields, higher (urban) wages, or any combination of the three.

The model is estimated to match aggregate-, region- and crop-level data. More specifically, we exactly match the observed migration patterns across each pair of regions, the current urbanization rate in each region, and the observed yields and production of each crop in each region, using data from the INSD. Using the consumer expenditure survey of 2018 (INSD), we calibrate the consumption basket to match the expenditure share on different crops and the average income of farmers and those living in urban areas. The elasticity of substitution across crops is estimated using the observed response of land used for each crop to exogenous changes in the international crop prices. The households’ migration and sectoral elasticity are taken from the literature.

The model simulations of the economic and migration effects of climate change are based on the projections from the FAO-GAEZ dataset. This dataset has projections for yields of the main crops in Burkina Faso, as well as average temperatures and precipitation, in different scenarios and at a very granular level. We construct average yields at the region and crop level, and average temperature and precipitation at the region level, in 2050. These are the main inputs in the counterfactual simulations. The simulated steady-state equilibrium predicts a new spatial distribution of economic activity and population, a different urbanization rate in each region, and different production of crops in each region.

6. Policies to enhance agricultural productivity would increase agricultural production, strengthen food security, and reduce rural poverty in Burkina Faso. More intensive use of fertilizers, investment in equipment and irrigation infrastructures are key priorities to improve agricultural productivity. Model-based counterfactuals suggest that moving agricultural production from the current situation of low input use to high input use (as defined in the FAO-GAEZ dataset) could significantly raise GDP. Regarding human capital, improving access to basic education and specialized training in rural areas, as well as devoting more resources to agricultural research and

development are also key to foster productivity growth. Another key policy priority to improve agriculture productivity is to improve property and land tenure rights, which would improve the incentives for farmers to invest and ease their access to finance (Mohieldin and Wellenstein, 2018).

7. Policies that identify opportunities and accompany key adaptation paths would mitigate the macroeconomic costs of climate change and enhance the resilience of the economy. The authorities should develop a strategic vision on how climate change will affect different crops, different regions, and different industries. Based on this view, policies should aim at providing information and incentives to households to transition to the regions, sectors, and crops with the best growth prospects, and should similarly focus public investment effort in those same regions, cities, sectors, and crops. Other policies to build resilience include developing infrastructures within Burkina Faso and with neighboring countries to decrease trade and migration frictions. Relatedly, the recent rise in terrorists' attacks has led to a further fragmentation of the national territory, disrupted trade and migration, and slowed down infrastructure investments in affected areas, underlying the criticality of regaining full control of the territory. Finally, diversification of crops, of industries and of import sources remain important goals to mitigate the impacts of extreme weather events, and international commodity or sector-specific shocks.

8. Public investment plans contained in the PNDES aim at improving agricultural productivity and building resilience to climate change. The PNDES sets several quantitative objectives pertaining to the increase in agricultural productivity, input use, share of primary product sold, as well as qualitative objectives for irrigation, modernization, and the development of high-productivity crops. While the authorities should continue their effort in this direction, future investment plans should incorporate more clearly adaptation strategies to climate change. An effective climate action also entails strengthening institutional capacities to plan and monitor budgetary processes, improve governance, and develop technical expertise. In the context of the IMF-supported ECF arrangement, the authorities are committed to attach an annex to the 2025 budget, detailing efforts to sustain infrastructure investment spending in the budget to adapt to climate change (MEFP Table 2). They have also committed to publish information of beneficial owners of entities awarded public procurement contracts to address food insecurity, improve clean water supply, or purchase agricultural inputs/food to be sold at subsidized prices (MEFP Table 2).

9. Social assistance program, through food and cash transfers, can help limit food insecurity for poor households. The extension of social protection is a key element of the authorities' poverty reduction strategy (MEFP ¶37). It has also been a key focus of the recent IMF- and NGO-supported policies to address rising acute food insecurity (*Plan de réponse et de soutien aux populations vulnérables à l'insécurité alimentaire*). In this context, the authorities have focused on actions with immediate impact (e.g., expanding cash transfer programs to rural areas and security-affected regions). A focus of the ECF arrangement is to create the conditions for accelerating the establishment of the Single National Registry of Beneficiaries and consolidating existing social safety net (SSN) programs into a single nationwide SSN to help mitigate the impact of shocks, including related to food insecurity and fuel prices, on the poorest (MEFP Table 2). Although they cannot substitute for structural policies that enhance agricultural productivity in the medium

term, social assistance programs are a key element to alleviate poverty, reduce food insecurity, build resilience, and help protect households against short-term volatility.

10. The authorities' aim to reduce GHG emissions, which are already very low by international standards, by 29 percent in 2030 relative to the baseline scenario is commendable. Burkina Faso is characterized by a very low consumption of energy, around 0.20 tonne of oil equivalent per person in 2014.² About 82 percent of energy production relies on land-use, land-use change and forestry (LULUCF). Oil, which represents 16 percent of energy consumption, is used mainly for transport, cooking and electricity generation, and is entirely imported. With a total capacity of about 400 MW, electricity is generated mainly by thermal power stations using outdated technology (47 percent of electricity consumption), hydropower (5 percent) and solar (3 percent) but a large share (45 percent) is imported from neighboring countries. The countries' GHG emissions, which account for 0.12 percent of global emissions, mainly originate from (LULUCF) (93 percent) followed by fuel combustion (7 percent).

11. Investment in renewable energies will help achieve climate mitigation goals, while fostering development and strengthening national resilience. The authorities' plan to mitigate emissions include developing solar, hydroelectricity and nuclear power plants, which should increase the share of renewable sources in the energy mix. With a solar energy potential estimated at 100 GW, and rapidly declining costs of solar technologies, investments in solar power plants should be scaled up, both to increase the capacity of the grid and to develop mini-grids and off-grid technologies. Six solar power plant projects are currently planned and should add about 150 MW to the grid. In addition, the authorities have put in place tax incentives for the private development of solar energy investment and consumption. Such investments would not only green the energy mix, but also boost growth and support economic development in a country where only about 21 percent of households, mainly in cities, have access to electricity. They would also strengthen national resilience by reducing dependence on energy imports and exposure to international energy price volatility. Additionally, they would enhance health outcomes by minimizing the need for burning fuels and biomass. It is however unclear whether these policies will be enough to meet the authorities' ambitious mitigation target in the context of a fast-growing demand for electricity. The worsening of the business environment in recent years could impede private-sector investments in solar power plants and slow the transition. Besides the development of greener energy sources, the authorities regulate the imports of vehicles based on their age to foster the adoption of energy-efficient technologies. Improving natural resources management through better community governance will also help reduce emissions. Finally, phasing out fuel subsidies (0.9 percent of GDP on average over the period 2012-2022), and considering the introduction of carbon taxes, would be important for increasing incentives to substitute away from oil, as well as to support fiscal sustainability.

² The tonne of oil equivalent measures energy use at the country level from all sources and is defined as the amount of energy released by burning one tonne of crude oil (approximately 42 gigajoules or 11.630 megawatt-hours).

References

- Capelle, Damien (forthcoming), "The Economic Impact of Climate Change in Burkina Faso".
- Lai, Wangyang, Yun Qiu, Qu Tang, Chen Xi, and Peng Zhang (2023), "The Effects of Temperature on Labor Productivity", *Annual Review of Resource Economics*, Vol 15.
- Larémont, Ricardo R. (2021), "Climate Change and Conflict in the Western Sahel", *African Studies Review*, Vol 64(4).
- Nelson, Richard R. (1956), "A Theory of the Low-Level Equilibrium Trap in Underdeveloped Economies," *American Economic Review*, Vol 46(5).
- Tsomb, Etienne I. B., Mermoz H. III Nsoga and Cyrille D. Bitting (2023), "Climate change vulnerability and conflicts in Africa: evidence from the migrations channel", *Environment, Development and Sustainability*.
- Mohieldin Mahmoud and Anna Wellenstein (2018), "Why Strengthening Land Rights Strengthens Development", World Bank, Washington DC.
- World Bank (2022), *G5 Sahel Region Country Climate Development Report*, Washington DC.

GROWTH AND STRUCTURAL TRANSFORMATION¹

A. Introduction

1. Burkina Faso, a low-income, fragile, and conflict-affected state (FCS), faces significant challenges to achieving the levels of growth needed for strong development. With a per-capita income of around \$830 in 2022 according to the WDI, it ranks in the bottom decile of the global income distribution and is assessed as one of the world's poorest and least developed countries according to the Human Development Index (HDI).² Being a landlocked country, Burkina Faso faces difficult geographic and geopolitical circumstances. The security situation has been deteriorating since the first terrorist attack in 2015, with approximately 40 percent of the territory currently outside government control. This deterioration has led to a humanitarian crisis, with more than two million internally displaced people at end-2023. Additionally, the country suffers from the impact of climate change, which has resulted in frequent food insecurity crises, exacerbated by Russia's war in Ukraine which triggered a rise in global prices of food and fertilizers. Political instability further compounds Burkina Faso's challenges, with two military coups d'état in 2022, which have interrupted financial support by partners, and the prospect for a quick return to democracy diminished after the government's exit from ECOWAS.

2. Despite rapid growth over the last four decades, Burkina Faso has not yet embarked on a process of structural transformation. Despite a robust average annual growth rate of 4.9 percent over the last 40 years—one of the fastest among low-income countries (LICs)—growth has not translated into significant improvements in human development indicators, as the poverty rate remains high at 43 percent and job creation in the formal sector has been limited, leading to a dominance of informal employment. Partly as a result, the economy has been stuck in a low productivity path. Importantly, growth has not kept up sufficiently with Burkina's population dynamics. Burkina Faso's GDP has diverged in per-capita terms from lower middle-income countries, reflecting a fast-growing population, low productivity growth, and insufficient development of human and physical capital.

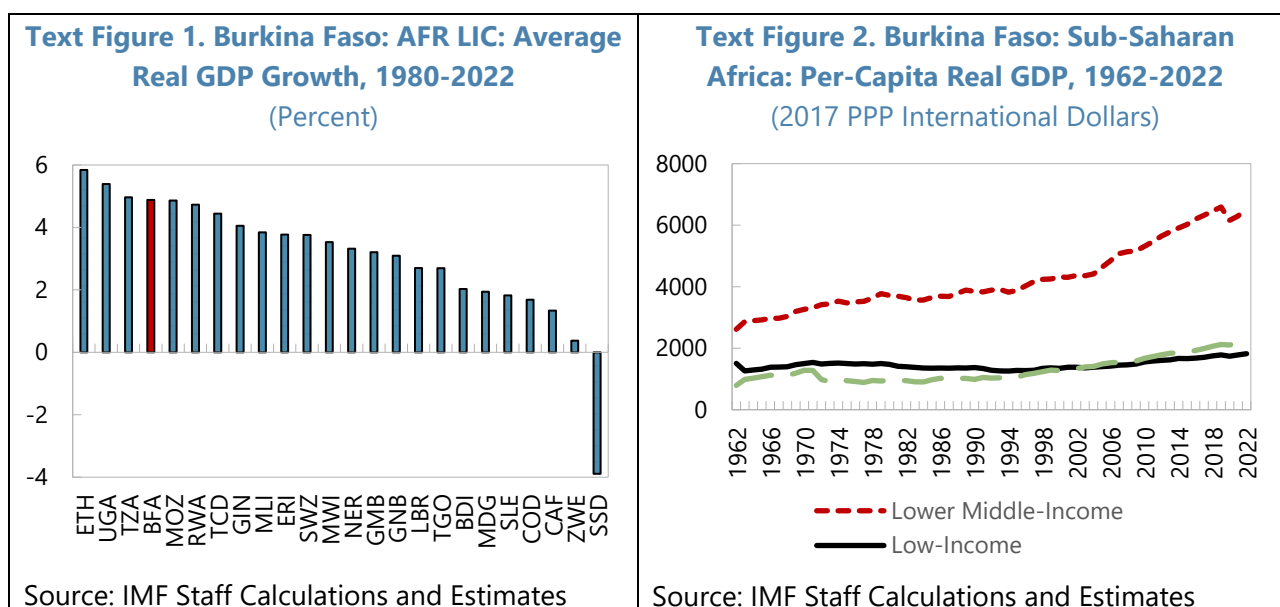
3. Accelerated reforms to achieve high sustainable and inclusive growth and to create jobs in the formal sector and reduce poverty will be key. In this SIP we investigate the main drivers of growth in Burkina Faso and explore policies to create strong and inclusive growth, including by fostering economic diversification and structural transformation. Achieving these goals requires policies aimed at bridging infrastructure and human capital gaps, enhancing export diversification and trade integration, promoting financial inclusion, addressing climate change and food insecurity, and tackling the security crisis and sources of fragility.

¹ Prepared by Moez Ben Hassine, Fabio Comelli, Rahul Raju, and Martin Schindler (all IMF).

² The HDI is an index created by UNDP (<https://hdr.undp.org/data-center/human-development-index>) measuring progress across three fundamental dimensions of human development: longevity, education, and standard of living.

B. Growth Experience and Structural Weaknesses

4. After four decades of strong economic performance, growth has declined and become more volatile. Historically, the country has been a standout performer in Sub-Saharan Africa (SSA), boasting an average growth rate of 4.9 percent during 1980-2022. However, recent years have seen Burkina Faso grappling with numerous challenges, including adverse climate conditions, political instability, insecurity, and external shocks stemming from highly volatile international fuel and food prices, as well as the impact of the Covid-19 pandemic. These shocks were further compounded by internal barriers to growth, such as low levels of education, inadequate infrastructure, limited export diversification, susceptibility to climate shocks, and insufficient financial inclusion.

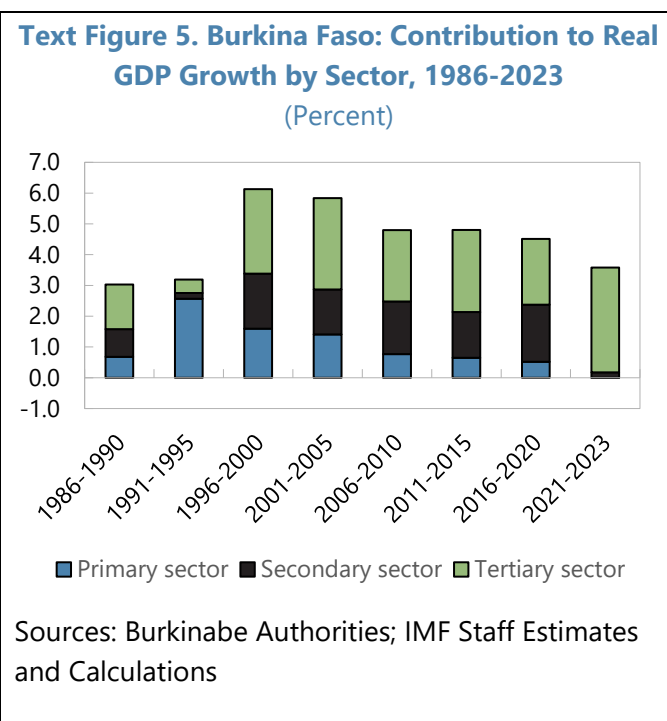
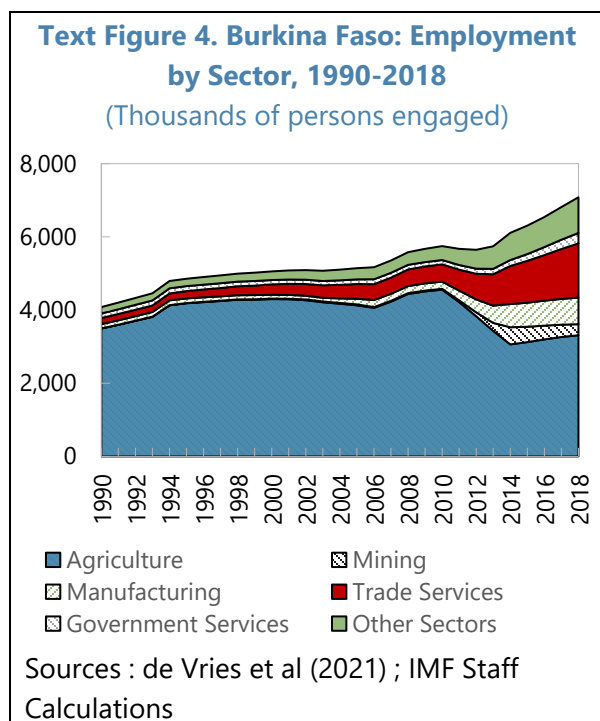
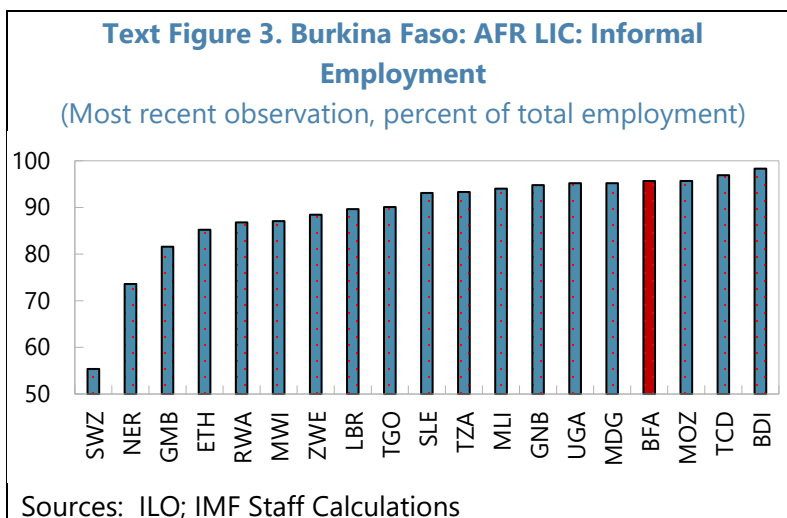


5. Burkina Faso has fallen further behind lower-middle-income countries in terms of per capita GDP. With Burkina Faso's GDP per capita having stood at approximately 71 percent of the average lower-middle-income GDP per capita in 1960, this gap has widened over time, reaching 32 percent in 2022. (Text Figures 1 & 2.) This decline can be attributed in large part to overall economic growth not keeping pace with rapid population growth which in Burkina Faso, at an average growth rate of 2.8 percent during 1980-2022, was one of the fastest-growing populations in Africa.

6. Despite strong growth outside the primary sector, the Burkinabe economy has struggled to generate significant formal employment growth. The agricultural sector, employing approximately 49 percent of the workforce in 2018, has experienced a decline in its share of employment and exhibited high volatility, largely influenced by weather conditions. Although the mining sector has become a significant contributor to growth since the early 2000s, accounting for around 0.7 percent GDP growth during 2000-2018 period and a substantial portion of exports and government revenues (approximately 85 percent and 20 percent, respectively), its employment capacity remains limited given a high capital intensity, accounting for only 1.5 percent of total employment in 2019. Similarly, the manufacturing sector, with a growth contribution of 0.5

percentage points, has stagnated and not created significant new employment opportunities either. By contrast, the service sector has emerged as the primary engine of economic growth, contributing 2.3 percentage points, as well as the main driver of employment growth, particularly within the government and informal sectors.

7. The lack of job creation in the formal sector has led to the informal sector absorbing most of Burkina Faso’s labor force. (Text Figure 3.) While a significant prevalence of informality characterizes much of SSA, Burkina Faso’s situation is particularly stark compared to its peers. In 2018, estimated informality, at over 90 percent, accounted for almost all employment.



8. Growth accounting points to weak productivity growth and a heavy reliance on expansion of the service sector. A growth decomposition exercise (Hall and Jones, 1999, and Caselli, 2005) suggests that total factor productivity growth has moderated over the past two decades, accounting for only 1/5 of cumulative growth, and dropping to below 1/10 of growth

outcomes more recently.³ From a sectoral perspective, services have been a key driver of both employment and GDP growth; manufacturing also played a strong role pre-COVID, but has since stagnated. Low productivity growth, including reflecting low human capital levels, and insufficient accumulation of physical capital have hampered Burkina Faso's growth potential. (See Text Figures 4 & 5.)

9. Several factors have contributed to insufficient capital accumulation. Low and inefficient public investment have implied low levels of public services. Public investment in Burkina Faso has averaged 6.6 percent of GDP over the last two decades, lower than in most other low-income SSA economies, resulting in inadequate infrastructure. Especially a lack of reliable electricity supply and poor road quality have hindered trade development and the emergence of new sectors. Burkina Faso ranks among the least electrified countries globally, with only 19 percent of the population currently connected to electricity, including 60 percent of the urban population and a mere 3 percent of the rural population. Partly as a result, FDI flows have remained limited and volatile. While Burkina Faso has attracted some FDI flows to the mining sector and services, particularly in the telecommunication and banking sectors, they have overall averaged only about 1.5 percent of GDP in the last two decades, among the lowest in LIC SSA.

10. Low education and poor human capital also represent structural weaknesses inhibiting sustainable growth in Burkina Faso. With a low adult literacy rate of 31 percent in 2018 (compared to an average of 62 percent for low-income countries) and dismal education outcomes, characterized by an average schooling attainment of just 2.3 years in 2022, productivity is severely hampered. Burkina Faso ranks 189th out of 193 countries in the 2022 HDI. Burkinabè citizens face significant challenges in accessing quality education and achieving a decent standard of living, underscoring the urgent need for investment in human capital development.

C. The Challenge of Structural Transformation

11. Most advanced economies underwent a similar pattern of structural transformation in their industrialization process. At an early stage, a growing industrial sector drew labor from a declining, less productive agricultural sector, later, as employment shares of agriculture and manufacturing fell, the service sector became the main source of employment growth. Many East and Southeast Asian countries followed a similar export-oriented industrialization model that allowed for sustainable high growth with a large reduction in poverty. These countries attracted FDI inflows thanks to their cheap labor, which facilitated the emergence of strong manufacturing sectors with large employment capacity. By the 1990s, as part of the globalization process, many policy makers concentrated efforts on reducing transaction costs on international trade, finance and investment and adoption of new technologies, with the aim of entering global value chains (GVCs) to help promote new industries, increase productivity, and generate structural change.

³ The data series on the quality of human capital from the Penn World tables, which is based on years of schooling and returns to education, is used as a proxy for human capital in this exercise.

12. Structural transformation has become more challenging for SSA countries. The major challenge facing policy makers in SSA countries is how to promote sectors that can create jobs for their fast-growing populations. Rodrik and Stiglitz (2024) recently underscored the limitations of growth strategies centered on manufacturing and exports, citing the phenomenon of “premature de-industrialization,” i.e., a decline in the manufacturing share of output or employment in middle-income economies before they have reached income levels comparable to those experienced during industrialization in advanced economies.⁴ Indeed, some emerging economies, such as India and the Philippines, have achieved success by integrating into the global economy through tradable services, bypassing heavy industrialization phases. However, this strategy relies on a highly skilled workforce, something where many SSA countries face large gaps. In addition, automation and new technologies may increasingly deprive LICs of the “cheap labor” route to development.

D. Policies for Development: Learning from the Past, Thinking Forward

13. Burkina Faso must embrace traditional recommendations to address structural bottlenecks, but also develop creative solutions in a changing world. The country has many structural weaknesses and gaps (e.g., Figure 1), and traditional policy recommendations are likely to be necessary conditions for embarking on a strong development path. However, the previous discussion suggests that they may not be sufficient conditions: in a context of fast-paced technological change and a changing global environment, traditional development models may no longer be available to countries like Burkina Faso. In the following, we discuss a range of key reforms.

The Basic Building Blocks of Development

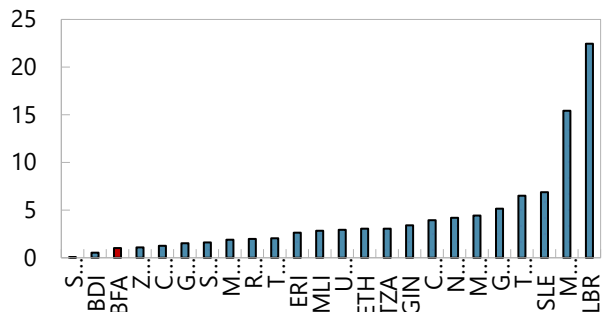
14. Addressing the deep-rooted drivers of fragility and restoring security will be pivotal for sustaining growth in Burkina Faso. The causes of fragility in Burkina Faso are complex and systemic (IMF Country Report [No. 23/343](#), pp. 39–41), with key obstacles including climate change; a poorly diversified economy; weak security conditions due to terrorist incursions; and political instability, hampering all other aspects of economic development:

- *Security.* Implementing a well-developed security strategy that balances others priority spending needs is a necessary condition for economic development (see also Annex I in SIP on Forced Displacement).
- *Climate change.* Adapting to climate change requires proactive and adaptive policies. Rising temperatures, erratic rainfall patterns, and more frequent extreme weather events have profound implications for (largely rain-fed) agriculture, which employs most of the population, further exacerbating food insecurity and poverty. Climate change is also amplifying social tensions, displacing communities, and undermining efforts towards sustainable development.

⁴ Two factors may give rise to this phenomenon: (1) industrialization in other regions, such as Asia, is already meeting much of advanced countries’ manufacturing demand; and (2) demand may increasingly switch to services as countries become richer, reducing overall (relative) global demand for manufactured goods (Smith, 2024a).

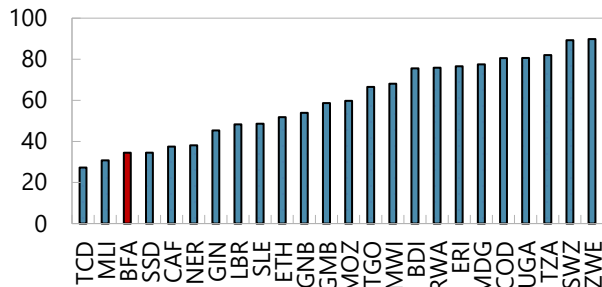
Figure 1. Burkina Faso: Selected Development Indicators

Burkina Faso: AFR LIC: Net Inward Foreign Direct Investment, average 2000-22
(Percent of GDP)



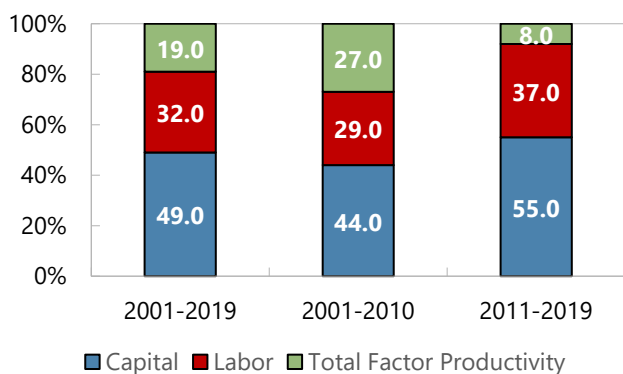
Source: IMF Staff Calculations

Burkina Faso: AFR LIC: Literacy Rate
(Most recent observation, percent of 15+ population)



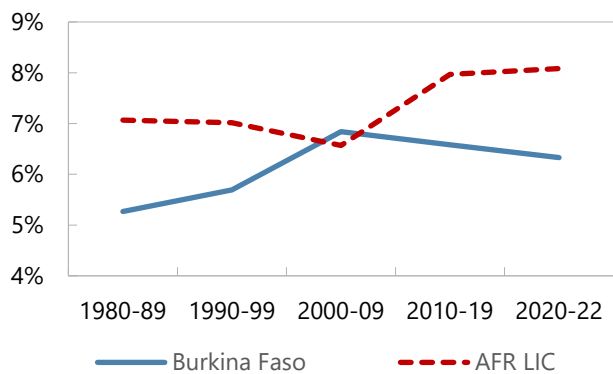
Source: World Bank

Burkina Faso: Contribution to Growth by Factor, 2001-2019
(Percent)



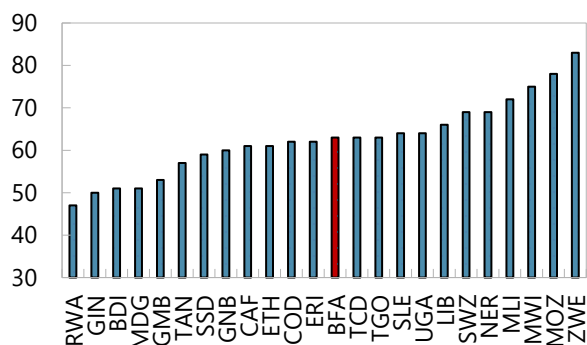
Source: IMF Staff Estimates and Calculations

Burkina Faso: Public Investment, 1980-2022
(Percent of GDP)



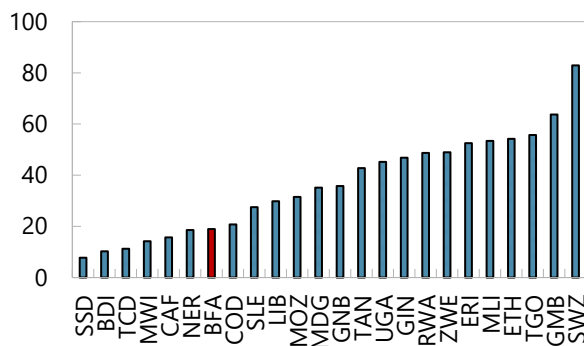
Source: IMF Staff Estimates and Calculations

Burkina Faso: AFR LIC: Road Quality: Mean Speed Score, 2022



Sources: Moszoro and Soto (2022); IMF Staff Calculations

Burkina Faso: AFR LIC: Access to Electricity, 2021
(Percent of population)



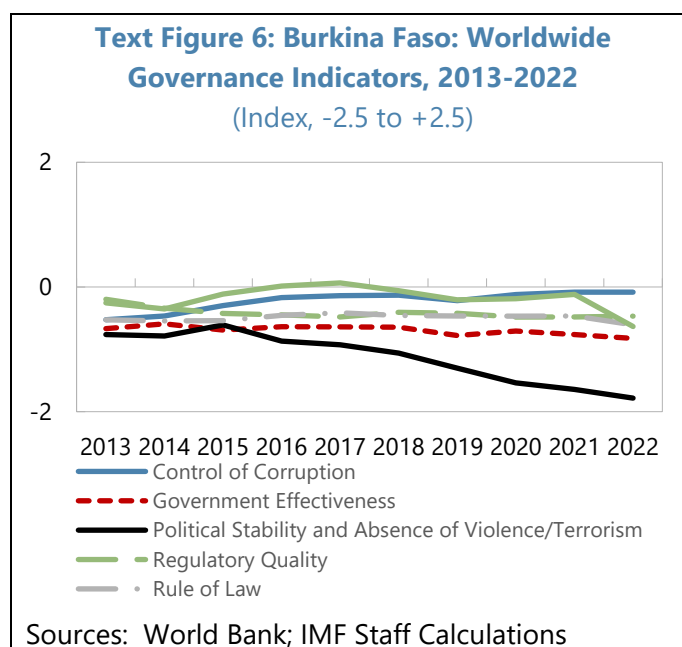
Sources: World Bank; IMF Staff Calculations

- *Governance.* Perceptions of governance (Text Figure 6) have been stable over the past decade, except Political Stability and the Absence of Violence/Terrorism. However, there have recently been notable deteriorations in perceptions of Voice and Accountability and the Rule of Law in 2022. A clear transition path to democracy would be helpful. Scope also exists in improving the overall business environment, including efficiency-enhancing reforms of state-owned enterprises (e.g., SONABEL AND SONABHY), as well as reducing regulatory burdens to help create a more conducive environment for businesses.

Increasing Physical and Human Capital

15. Strong physical and human capital are essential to fostering productivity-driven medium- and long-term growth. While TFP is the main driver of medium-term growth, Burkina Faso has much room for improving its human and physical capital stocks. (Figure 1.) Several policies are key:

- *Infrastructure.* As a landlocked country, Burkina Faso grapples with unique challenges imposed by its geography, necessitating infrastructure development to facilitate trade. Prioritizing investments in road networks that connect major urban centers to rural areas will not only promote trade but also foster regional integration. Investments in electricity and information and communications technology (ICT) infrastructure are also essential to enhance productivity and leverage new technologies.



- *Education and Health.* Improving the efficiency of public investment in education and health would be key for growth. Given the prevalence of informal employment in the country, the government should concentrate on providing basic education and vocational training to the substantial informal sector workforce. By equipping individuals with the necessary skills, Burkina Faso can empower them to participate more effectively in the economy, driving productivity and fostering inclusive economic growth.
- *Financial inclusion.* Much research (e.g., Levine, 1997) has demonstrated a strong positive correlation between financial-sector and economic development. While progress has been made in Burkina Faso to expand financial infrastructure through the establishment of microfinance institutions and mobile banking services, particularly in rural areas, obstacles remain, including

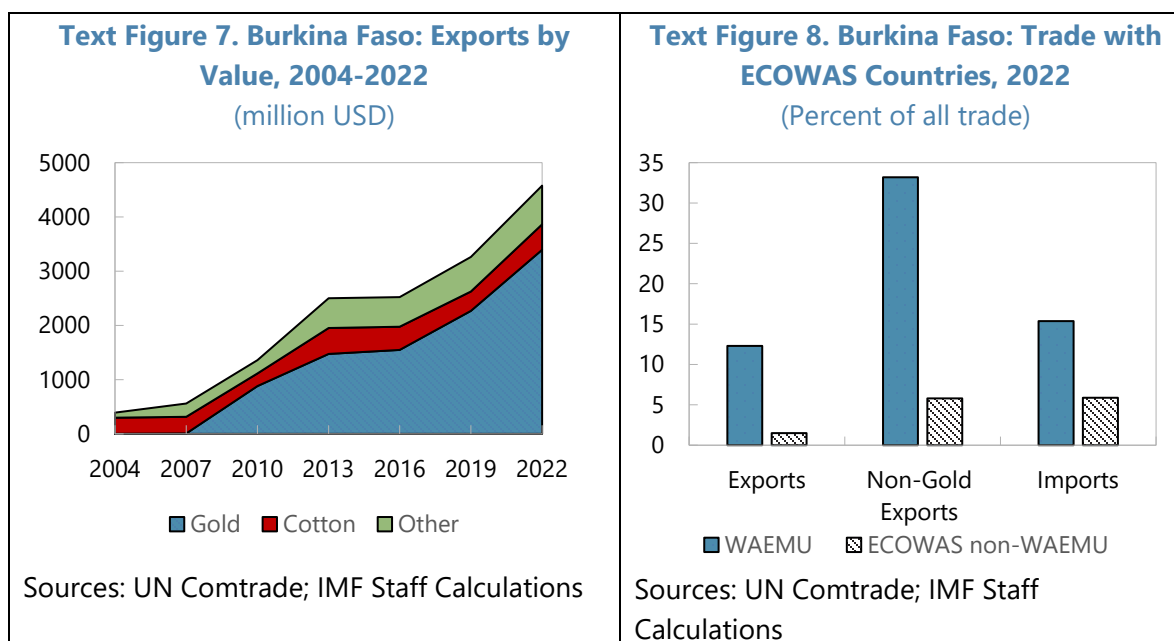
limited access to banking facilities in rural areas, low levels of financial literacy, and a predominantly cash-based economy.

- *Social safety nets* have an important role to play in strengthening the resilience of vulnerable households to shocks, as well as providing basic resources. They can help in the context of adjusting to climate shocks, and they have been playing an important complementary role in financial development, including esp. the establishment of electronic transfer systems.

Economic Integration and Diversification

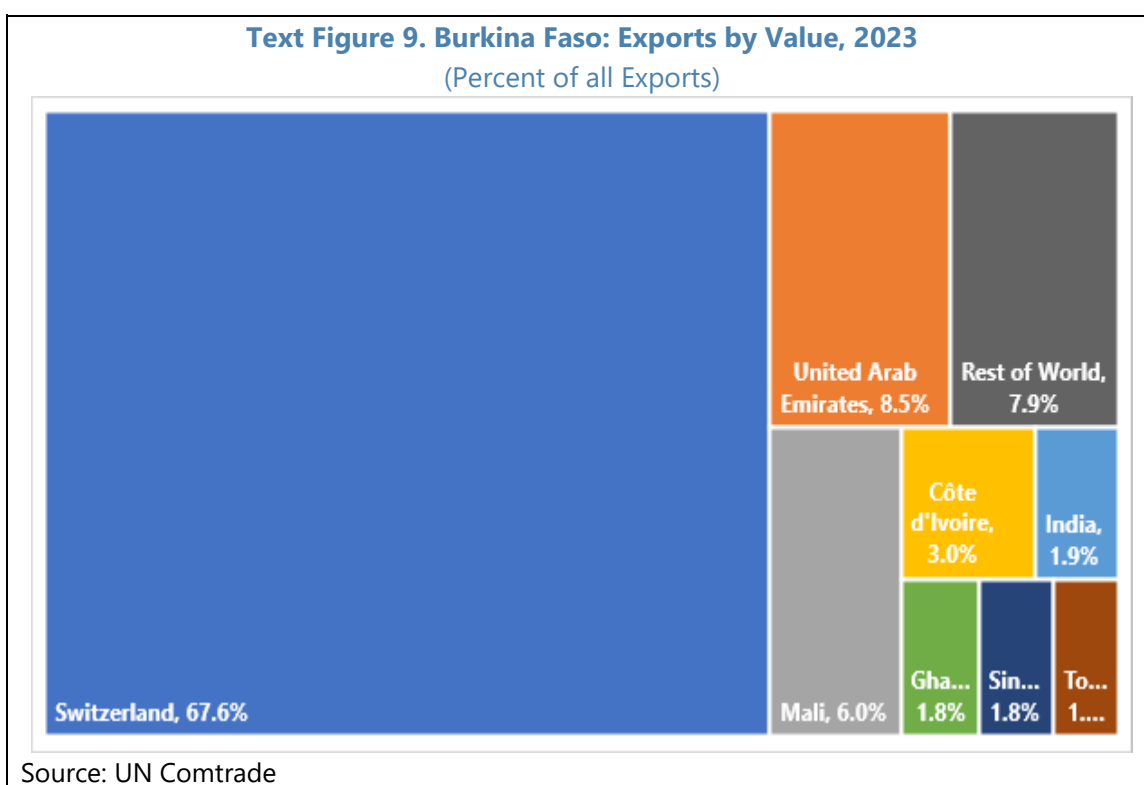
16. Export diversification is a cornerstone of robust, sustainable, and inclusive growth in low- and middle-income countries. Empirical research (e.g., IMF, 2014) underscores the pivotal role of export diversification—such as the number of goods produced, their complexity, and the breadth of trade partners—in driving economic development, including higher GDP per capita and reduced GDP growth volatility (e.g., by mitigating the impact of shocks originating from specific sectors or trading partners).

17. Burkina Faso has a highly non-diversified export structure. In terms of export goods, Burkina Faso's export profile has been heavily reliant on natural resources, notably gold, and agricultural products, especially cotton, with the lion's share in export earnings arising from the former (Text Figure 7), with gold surpassing cotton as the primary export shortly after the start of



gold exports in the early 2000s. In terms of trade partners, exports are also heavily concentrated, with about 2/3 of goods destined for Switzerland (Text Figure 9). Reform measures include the following:

- *Broader economic reforms* also enhance trade development. Research (IMF, 2014) suggests that export product diversification is strongly associated with higher levels of education and institutional quality, deeper financial systems, proximity to markets, trade liberalization, and agricultural reforms. Thus, trade development and diversification would be helped by many of the above-mentioned measures crucial for economic development more generally.
- *Economic integration.* Being landlocked, having access to trade partners in the region would lower trade costs, facilitate participation in regional and global value chains, and promote exports and export diversification. The African Continental Free Trade Area (AfCFTA) presents significant opportunities in this regard. Effects of the recent exit from ECOWAS would be mitigated by (re)negotiating trade agreements. Continued open trade within the West African Economic and Monetary Union (WAEMU) remains crucial (Text Figure 8).



Embracing New Paths

18. The emergence of new technologies creates challenges and opportunities. SSA countries such as Burkina Faso can benefit as both user and producer of/contributor to technological developments.

- *New technology applications.* For example, AI-based applications can have immense opportunities: AI-powered applications in agriculture, education, and health can provide easy and broad-based access to large segments of the population generating substantive gains. For example, agricultural applications, including satellite-powered technologies, can help improve

agricultural productivity; AI-powered health applications can provide basic medical care and bridge insufficient coverage especially in rural areas; and AI-tutors could significantly enhance educational attainment.

- *Leveraging geography and demography.* The AI revolution will continue to require ever more data on which to train systems; it will require power; and demand for data centers will continue to rise. Burkina and SSA more broadly are well placed to leverage all of these needs. Africa's population is growing fast, with 2 out of 5 humans projected to live in Africa by 2100 (IMF, 2023), making it both a key future market for the global economy, and a vast source of highly demanded training data. In addition, Burkina Faso's geography would be well-suited as a location for solar farms⁵ as well potentially to host data centers. Policies should anticipate these needs and pave the way by building appropriate infrastructure to leverage these opportunities.

E. Conclusions

19. Burkina Faso faces many challenges, but also has large potential. Essential reform needs cover a broad range, and prioritization will be crucial. However, these reforms are also mutually reinforcing. For example, a strong educational base will facilitate the adoption of technologies, which in turn can help improve productivity and diversification. Key priorities must therefore include investing in human capital through education and vocational training. Strengthening institutions, improving governance, and enhancing the business environment are essential for attracting investment, fostering entrepreneurship, and facilitating the growth of the private sector; they would also help improve political and macroeconomic stability, important preconditions for strong growth. Additionally, prioritizing infrastructure development, particularly in transportation and energy, can unlock economic potential and facilitate market integration both domestically and regionally. Achieving a successful economic development agenda, however, requires a growth- and development-based mindset by the country's leadership. Setting growth and development as a clear priority at the highest levels would be essential for prioritizing future-oriented policies (e.g., Dercon, 2022).

⁵ In this regard, the government's plan to build (jointly with Mali and Niger) a nuclear power plant is a proposal that should be analyzed further, including a careful analysis of costs vs. benefits and its implications for debt sustainability.

References

Benjamin, Nancy Claire, and Mbaye, Ahmadou Aly (2020) "The Failure of Structural Transformation in Francophone Africa and the Rise of the Informal Sector."

Caselli, Francesco, 2005, "Accounting for Income Differences Across Countries," in: *Handbook of Economic Growth Volume 1A*, ed. by Philippe Aghion and Steven Durlauf, pp. 679-741 (New York: North-Holland).

Dercon, Stefan (2022), *Gambling on Development*, Hurst Publishers.

Diao, M. X., Ellis, McMillan M., and Rodrik D. (2021), "Africa's Manufacturing Puzzle: Evidence from Tanzanian and Ethiopian Firms," January 2021.

ElGanainy, Asmaa, and others (2023), "Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World," [IMF Departmental Paper No 2023/003](#).

Hall, Robert E., and Charles I. Jones, 1999, "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *Quarterly Journal of Economics* 114, pp. 83–116.

IMF (2014), "Sustaining Long-Run Growth and Macroeconomic Stability in Low-Income Countries—The Role of Structural Transformation and Diversification," [IMF Policy Paper March 2014](#).

IMF (2023), "Africa's Century," *Finance & Development* 60(3), IMF September 2023.

Levine, Ross (1997), "Financial Development and Economic Growth: Views And Agenda," *Journal of Economic Literature* 35(2):688-726, February 1997.

Rodrik, Dani (2016), "Premature Deindustrialization," *Journal of Economic Growth* 21(1), March 2016.

Rodrik, Dani and Stiglitz, Joseph E. (2024), "A New Growth Strategy for Developing Nations".

Smith, Noah (2024a), "Do Poor Countries Need a New Development Strategy?," <https://www.noahpinion.blog/p/do-poor-countries-need-a-new-development>.

Smith, Noah (2024b), "All Futurism is Afrofuturism," <https://www.noahpinion.blog/p/all-futurism-is-afrofuturism-939>.