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# Doing Business in Burkina Faso

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## Introduction

Burkina Faso, a landlocked country at the heart of West Africa, has often been overlooked by international entrepreneurs. Yet, beneath its modest surface lies significant economic potential and a vibrant, resilient population hungry for new opportunities. As global investors increasingly seek untapped markets, Burkina Faso offers a landscape rich with possibilities for those prepared to understand not only its challenges but also its unique advantages. This book, "Doing Business in Burkina Faso: A Comprehensive Guide for Prospective Entrepreneurs," aims to serve as a thorough resource for anyone looking to enter and flourish in the Burkinabè business environment.

Unlike general guides to doing business abroad, this volume delves specifically into what sets Burkina Faso apart. The country's distinct political, economic, and cultural characteristics shape the business landscape in essential ways. Whether you are a local entrepreneur, an international investor, or a development professional, understanding these specifics is crucial to crafting a strategy that works.

In these chapters, you will find detailed information on every aspect relevant to launching and running a business in Burkina Faso. From macroeconomic overviews to granular discussions of taxation, infrastructure, and labor laws, the aim is to equip you with actionable knowledge rooted in the present-day realities of Burkina Faso. Where required, we reference current laws, outline processes for registration and compliance, and explain sector-specific opportunities and risks.

Entrepreneurship in Burkina Faso requires not just a solid business plan but also a nuanced understanding of potential challenges, ranging from access to finance and infrastructure deficits to cultural expectations and regulatory shifts. This book addresses these topics honestly, spotlighting both the hardships and the distinct opportunities that exist for those who are prepared.

Above all, "Doing Business in Burkina Faso" is intended to foster informed, ethical, and sustainable entrepreneurial activity. By illuminating the complexities and rewarding aspects of this dynamic country, the guide seeks to empower readers to contribute meaningfully to Burkina Faso's development story—while also benefiting from its growth. Whatever your starting point, you will find here both the practical steps and the strategic insights to begin or expand your business journey in Burkina Faso.

## CHAPTER ONE: Economic Overview of Burkina Faso

Welcome to the engine room of Burkina Faso, economically speaking. If you're planning to set up shop here, understanding the cogs, wheels, and occasional spanners in the works of the national economy is not just helpful, it's essential. Burkina Faso's economy presents a fascinating, complex picture: a foundation built firmly on the red earth of agriculture, increasingly gilded by the shine of gold, yet facing headwinds from geography, climate, and more recently, security challenges. It's a low-income country, according to the official scorekeepers like the World Bank, meaning resources are constrained, but it also signifies a landscape ripe with unmet needs and, potentially, opportunities for the astute entrepreneur.

Let's start with the basics: size and structure. Picture the economy as a national pie. In recent years, the total value of this pie, the Gross Domestic Product (GDP), has hovered around the 18 to 20 billion US dollar mark. While this might seem modest on a global scale, growth has, for significant periods, been respectable, often outpacing population growth. However, recent years have seen this growth trajectory become more erratic, buffeted by internal security issues and external shocks like the COVID-19 pandemic and ripple effects from global conflicts impacting fuel and food prices. Predicting year-on-year growth has become a trickier business than forecasting the arrival of the Harmattan wind.

So, what are the main ingredients of this economic pie? Agriculture, forestry, and fishing traditionally form the largest slice, although its dominance is gradually being challenged. This primary sector is the bedrock of livelihoods for the vast majority of Burkinabè, estimated at around 80 percent of the population. It's where the nation's famous cotton, often dubbed 'white gold', originates, alongside vital food crops like sorghum, millet, maize, and rice, as well as valuable exports like sesame and shea nuts. Livestock herding is also a critical component, deeply woven into the cultural and economic fabric of many communities.

The secondary sector, encompassing industry and manufacturing, remains relatively small but holds potential. Its most significant contributor by far is mining, overwhelmingly dominated by gold extraction. Since the mid-2000s, gold has transformed Burkina Faso's economic landscape, becoming the leading export commodity and a major source of government revenue. Beyond mining, manufacturing is largely focused on processing agricultural products (like cotton ginning, sugar refining, brewing), construction materials, and basic consumer goods. Industrial diversification remains a long-term goal, hampered by factors we'll explore later, such as energy costs and infrastructure.

Then there's the tertiary, or services sector. This slice of the pie has been growing steadily in importance, often contributing nearly as much, or sometimes slightly more, to GDP than agriculture. It's a diverse category encompassing wholesale and retail trade, transportation and logistics (crucial for a landlocked nation), telecommunications, financial services, hospitality, and public administration. A significant portion of the services sector, particularly trade and transportation, operates within the vibrant informal economy, a critical source of employment and economic activity that often flies below the official radar.

Delving deeper into the drivers, agriculture's significance cannot be overstated, despite its shrinking share of GDP. It dictates the rhythm of life for most Burkinabè and directly impacts food security and poverty levels. Cotton production, though subject to price fluctuations and competition, remains a structured industry providing cash income for hundreds of thousands of smallholder farmers. Shea nuts, harvested primarily by women, offer another vital source of income and have gained international recognition. However, the sector is highly vulnerable. Rainfall patterns are becoming increasingly unpredictable due to climate change, leading to recurring droughts and floods that can devastate harvests and livelihoods. Chapter 10 will delve into this sector's intricacies.

Gold mining is the other heavyweight champion of the Burkinabè economy. Once a minor activity, the country is now among Africa's top gold producers. Several large-scale industrial mines, primarily operated by international companies, generate the bulk of production and export earnings. Artisanal and small-scale mining (ASM) is also widespread, providing livelihoods for many but often associated with challenging social and environmental issues. The government relies heavily on royalties and taxes from the industrial mines, making public finances sensitive to global gold price swings and production levels. The specifics of navigating this glittering sector are reserved for Chapter 11.

The services sector, while diverse, often reflects the performance of the primary and secondary sectors. Trade thrives when harvests are good and mines are productive. Transport services are essential for moving cotton, gold, and imported goods. The rapid expansion of mobile telephony and mobile money services in recent years has been a standout success story, improving connectivity and financial inclusion, demonstrating the potential for technology to leapfrog traditional infrastructure constraints. Telecommunications and the digital landscape get their own spotlight in Chapter 15.

Turning to how Burkina Faso interacts economically with the rest of the world, its trade profile is quite concentrated. On the export side, gold is king, accounting for the vast majority of export revenues, often exceeding 70-80%. This makes the national balance sheet highly dependent on the shiny metal. Cotton is the second most important

export, though its share has fluctuated. Other exports include livestock (mainly to coastal neighbours), shea products, sesame seeds, and small amounts of fruits and vegetables. The primary destinations for exports are Switzerland (overwhelmingly for gold refining), followed by regional neighbours within the Economic Community of West African States (ECOWAS), and some Asian markets.

Imports, conversely, are more diversified but consistently outweigh exports, leading to a structural trade deficit. The country imports virtually all its petroleum products, a significant amount of capital goods and machinery (often linked to the mining sector or infrastructure projects), intermediate goods for its limited industries, and foodstuffs, particularly rice and wheat. Key import partners include neighbouring countries like Côte d'Ivoire, Ghana, and Togo (often acting as transit hubs), as well as France, China, and India. Being landlocked adds significantly to import costs due to overland transport requirements, a topic further explored in Chapter 13 on Infrastructure.

This persistent trade deficit highlights the importance of other financial inflows. Remittances from the large Burkinabè diaspora living abroad, particularly in Côte d'Ivoire and Europe, provide crucial support to household incomes and the balance of payments. Foreign Direct Investment (FDI) has been heavily concentrated in the gold mining sector, though efforts are ongoing to attract investment into other areas. Official Development Assistance (ODA), comprising grants and concessional loans from bilateral partners and multilateral institutions like the World Bank and IMF, also plays a significant role in financing development projects and supporting the national budget.

Managing the government's finances presents an ongoing balancing act. Revenue collection relies heavily on taxes on goods and services (like VAT), income taxes (corporate and personal), customs duties on imports, and, significantly, revenues derived from the mining sector. Efforts to broaden the tax base and improve collection efficiency are priorities, particularly given the large informal sector which contributes relatively little direct tax revenue. The dependence on volatile mining revenues and import duties makes government income somewhat unpredictable.

On the expenditure side, demands are substantial. Security spending has surged dramatically in recent years in response to escalating extremist violence and internal conflict, diverting resources from other critical areas. Investment in infrastructure – roads, energy, water – remains a priority for long-term development but requires significant capital. Recurrent expenditures, primarily the public sector wage bill and social spending on health and education, also constitute major budget items. Servicing the national debt claims a growing portion of the budget as well.

This dynamic frequently leads to fiscal deficits, where government spending exceeds revenues. These deficits are typically financed through a combination of domestic borrowing and external financing, often concessional loans and grants from international partners. While public debt levels have risen, particularly due to

increased security and social spending pressures, they have generally been managed within the stability framework agreed upon by members of the West African Economic and Monetary Union (WAEMU), of which Burkina Faso is a part. Maintaining debt sustainability while addressing urgent security and development needs is a core challenge for economic policymakers.

The monetary environment is largely shaped by Burkina Faso's membership in WAEMU. The country uses the West African CFA Franc (currency code XOF), which is pegged to the Euro (EUR) at a fixed rate (currently 1 EUR = 655.957 XOF). This peg provides a degree of exchange rate stability and helps control inflation, importing monetary credibility from the Eurozone via the French Treasury's guarantee. Monetary policy decisions are not made domestically but by the regional Central Bank of West African States (BCEAO), headquartered in Dakar, Senegal. The BCEAO sets benchmark interest rates and reserve requirements for commercial banks across the eight member states.

Inflation in Burkina Faso has historically been relatively moderate, often tracking trends within the wider WAEMU region and influenced by the Euro peg. However, recent years have witnessed significant inflationary pressures. Supply chain disruptions linked to the COVID-19 pandemic, soaring global energy and fertilizer prices exacerbated by the war in Ukraine, and internal factors like insecurity disrupting agricultural production and trade routes have all contributed to rising consumer prices, particularly for food and transport. This hits low-income households hardest, eroding purchasing power and potentially exacerbating poverty. The BCEAO has responded by tightening monetary policy across the region, but its tools have limited impact on supply-side and security-driven price pressures specific to Burkina Faso.

Looking at recent economic performance requires acknowledging the profound impact of the deteriorating security situation, primarily in the northern and eastern regions, which has unfortunately spread. This insecurity has led to massive internal displacement of people, disrupting agricultural activities, closing schools and health centers, and hindering trade and movement. It has damaged investor confidence and forced the government to redirect substantial resources towards security and humanitarian assistance. Consequently, economic growth has slowed compared to pre-crisis levels, and progress on poverty reduction has stalled or reversed in affected areas.

The economy has also wrestled with external shocks. The COVID-19 pandemic caused disruptions through border closures, supply chain issues, and reduced demand, although the direct health impact was less severe than in some other parts of the world. More recently, the global surge in fuel and food prices has strained household budgets and increased import costs. Despite these formidable challenges, the Burkinabè economy has shown a degree of resilience. Agricultural output, while

impacted by climate and security, remains substantial. The informal economy continues to provide a safety net for many, and gold production has largely continued, providing vital export revenue.

However, significant structural economic challenges persist, predating the current security crisis but often exacerbated by it. Poverty remains deeply entrenched, particularly in rural areas, despite years of economic growth. Inequality is also a concern, with wealth concentrated in certain sectors and urban centers. The benefits of gold mining, for instance, have not always trickled down effectively to the wider population. Addressing poverty requires not just growth, but inclusive growth that reaches the most vulnerable.

The economy's vulnerability to external shocks is a major structural weakness. Dependence on rain-fed agriculture makes it highly susceptible to climate change impacts like desertification, droughts, and floods. The heavy reliance on gold and cotton exports exposes the country to volatile global commodity prices. Diversifying the economy beyond these pillars is a long-standing objective, but achieving it requires overcoming significant hurdles.

Infrastructure deficits represent a major bottleneck. Insufficient and unreliable electricity supply increases operating costs for businesses and limits industrial development. While the road network has improved, many rural areas remain poorly connected, hindering market access for farmers. Water resource management is also critical, especially given climate variability. Chapters 13, 14, and 15 explore these infrastructure challenges and opportunities in detail.

Developing human capital is another crucial challenge. While progress has been made in improving access to education, quality remains a concern, and skill gaps persist, particularly technical and vocational skills needed by the private sector. Health outcomes also lag, impacting overall productivity and well-being. The security crisis has further damaged the education and health systems in affected regions. Chapter 16 specifically examines the labor market and skills availability.

Overlaying all these economic factors is the current security environment. Resolving the conflict and restoring stability is arguably the most critical prerequisite for unlocking Burkina Faso's economic potential. Insecurity directly hampers agriculture, trade, and investment, increases humanitarian needs, strains public finances, and undermines social cohesion. Any realistic economic overview must acknowledge this as the dominant challenge influencing the country's trajectory.

Looking ahead, Burkina Faso's economic outlook is uncertain and heavily contingent on improvements in the security situation and political stability. A return to peace would allow displaced populations to return home, revive agricultural production, facilitate trade, and potentially encourage renewed investment. Continued structural

reforms aimed at improving the business climate, diversifying the economy, strengthening governance, and investing in human capital and infrastructure remain essential for sustainable long-term growth.

The potential, however, remains. The country possesses a young and growing population, significant untapped agricultural resources, known mineral wealth beyond gold, and a strategic location within West Africa. Entrepreneurship, both formal and informal, is vibrant. If the formidable challenges, particularly security, can be overcome, and the right policy environment fostered, Burkina Faso could yet harness its resources to build a more prosperous and resilient economy. For the prospective entrepreneur, this means navigating a complex environment with significant risks, but one that also offers opportunities for those who are well-prepared, adaptable, and committed to contributing to positive change. Understanding this broad economic context is the first step on that journey.

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