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A Developmental State Without Growth. Explaining the Paradox of Burkina Faso in a Comparative Perspective

Michael Kevane and Pierre Englebert

1 Introduction

The old political economy problem of Sub-Saharan Africa was neatly summed up in Pierre-Claver Ilboudo's short tale of desperation, *Adama, ou, la force des choses*, where Moumouni, the politician, runs for office on a platform of serving the interests of the Zamsé district and controlling corruption, but moves to the fashionable *Zone du Bois* neighbourhood as soon as he wins the election, never to be seen again by his constituents. The new political economy problem of Sub-Saharan Africa is more frightening: in countries like Burundi, Equatorial Guinea, Kenya, Liberia, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, and Congo (both Brazzaville and Kinshasa), many present and past holders of state offices build up their personal power by setting up private armies and investing themselves with the symbolic apparatus of terror. They transcend their kleptocratic status and become unabashed leaders of 'criminal' organizations, or even 'warlords', with little pretense of legality. In this new Africa, Ilboudo's politician would not just ignore his constituents, he would terrorize and manipulate them the better to establish his power and extract their surplus.[1]

For scholars of Africa's political economy, the first problem then has become one of explaining and understanding how a country escapes rule by criminals and warlords and instead comes to be directed by a set of lower-key kleptocrats who operate within a set of institutions which on the whole promote incentives and preferences for good 'governance'. In this paper, we *first* look at how a state has emerged in Burkina Faso (henceforth Burkina) which has overall been benevolent and developmental, at least by Sahelian standards. We argue that a host of factors have spared the modern state a substantial social challenge and have allowed for relatively efficient institutions.

1 On the criminalization of the state in Africa, see Hibou, Bayart and Ellis 1997.

A *second* problem, however, is that escaping the Hobbesian state of nature and generating good governance and state capacity may be necessary (van de Walle and Ndulu 1996), but not sufficient conditions to foster sustained growth and a developmental take-off. We look again at Burkina, this time as an embodiment of such a paradoxical situation of a developmental state without growth. The case of Burkina leads us to hypothesize that a second condition, beyond developmental statehood, must be fulfilled for sustained growth: namely, there must exist the conditions for an entrepreneurial class of sufficient size, whether domestic or international, to create wealth. The sense in which we use the label entrepreneurial class is not the usual one of individuals able and willing to 'break with tradition' and see opportunities and profit from them, but rather a narrower one: of individuals who are able to create organizations that as entities seek and profit from new and continuing opportunities. The entrepreneur hires employees and establishes a firm. Relative shortages in this factor, and constraints that prevent the flourishing of entrepreneurship are, we believe, responsible for slow growth in Burkina.

Baland and François (1997) have recently formalized a very specific reason for the necessity of a sufficiently large entrepreneurial class for development. They argue that the analysis of corruption equilibria should focus on entrepreneurship, and the ability of entrepreneurs to allocate their resources between wealth-creating and wealth-diverting activities. One overlooked aspect of these equilibria is that wealth-creating activities are generally destructive of rents, as entrepreneurs innovating in the economy find ways to 'get around' the constraints and distorted incentives of state bureaucratic corruption. Since the amount of wealth-diverting activities sponsored by the state is limited, the size of the entrepreneurial class is positively associated with the level of rent-undermining activities. While more rent-seeking increases the benefits of further rent-seeking (by lowering the costs of detection and punishment), more legitimate activity raises the benefits to further legitimate activity (by lowering the returns to activities profitable because of government created rents). The extent to which entrepreneurs are present in society, then, turns out to be a crucial variable.[2] Baland and François (1997) show that more entrepreneurs can lead a virtuous equilibrium path of good governance and development.

Talking about a lack of entrepreneurship often begs the question of where entrepreneurs come from, why they are in short supply, and why they face constraints to creating firms. Fafchamps (1997, p. 734) for instance has re-

2 This view is complementary to other analyses of developmental states. Grabowski (1994), for instance, argues that the size of the domestic market facilitates credible withdrawal of protection, thus making the developmental state more effective.

cently asked "Why are large firms so conspicuously absent from the African landscape?". Baland and François (1997) do not characterize their entrepreneurs, but it should be clear that in contexts of interaction with state bureaucrats, foreign traders and banking institutions, the relevant entrepreneurs are those who command capital and organizations. A possible answer to Fafchamps' question lies then in the low levels of literacy across West Africa. Literacy is indeed crucial to firms which must rely on a large group of educated clerks, accountants, managers and administrators, although the entrepreneur may himself or herself be barely literate or self-taught (as is actually the case of Burkina's two largest entrepreneurs). As Labazée (1988, p. 37) puts it: "The opening to public markets, to bank credit, to public financing, supposes as a precondition a host of modifications in the structure of the enterprise." Hence, the supply of successful entrepreneurs is a function of past investments in education and training by both the public and the private sectors. In addition to the well-documented effects of human capital on growth, Baland and François's (1997) findings uncover yet another positive externality of investments in education: the supply of literate workers to enterprises which reduce the benefits of wealth-diverting activities.

In a nutshell, then, our argument is that the successful developmental state is twice embedded. *First*, it is socially embedded in the sense that it faces little or no challenge to its legitimacy and does not compete with alternative sources of domestic authority. This reduces incentives to predate and maximizes the power and stability payoffs of developmental policies for political elites. *Second*, it is embedded in the network of firms and, more precisely in cases of domestic entrepreneurial shortages, in the firms of the world economy. This reduces incentives to seek rents. Both conditions are simultaneously required. Burkina is a case of the former without the latter; Zaire, for example, was a case of the latter without the former.[3]

We believe this view is essential in understanding an important phenomenon of the contemporary Sub-Saharan landscape.[4] Some extraordinary countries have seen political leaders pursue policies of good governance and sound macroeconomic management. Yet they have triggered only minimal

3 See MacGaffey (1987) on Zaire's entrepreneurial class, and Brautigam (1997) for a similar study on a remarkable pattern of industrialization in eastern Nigeria.

4 This view is more a lens through which to view the political economy of a country, than a hypothesis testable against alternatives. A recent survey by Moore (1997) has drawn attention to the pitfalls of talking about development in the language of 'entrepreneurship'. Our contribution is to suggest that the entrepreneurial factor can be approached by studying only one of its dimensions – the capacity to create and sustain firms – with useful results.

transformations of economic structures and only modest growth, nowhere near the level of some of their Asian counterparts. We suggest that these countries are failing to take off, despite essentially correct macroeconomic policies (see Rodrik 1996 on the standard macroeconomic prescription for growth), because of the small size of their entrepreneurial class.[5]

This view suggests that more consideration is due to policy prescriptions for countries which develop good governance and state capacity but lack both the entrepreneurial stimulus and the integration into the world economy (such as Burkina). These countries should be prime candidates for specific innovative programs which would strengthen the tendency for an increasing ratio of rent-undermining entrepreneurs to wealth-diverting entrepreneurs. Strengthening and supporting business and management education is one. Encouraging more open access to the major bottlenecks of international trade – communications, ports, roads and airports – is another.[6] Export and import insurance, risk-analysis, trade shows, trade tours, etc. should be encouraged. Foreign entrepreneurs (especially from neighbouring West African states) should be encouraged to establish enterprises in the country. Extensive attention to micro-entrepreneurs (as suggested in ONPE, 1992, and Van Dijk, 1986) needs to be compared explicitly with the external benefits of supporting firms. These policies are not too far from the stated official goals of the current regime in Burkina, which gives grounds for optimism.

The perspective we adopt in this paper moreover suggests that the recent call by the World Bank (1997, p. 162) for building state capacity in Africa, claiming that, "the urgent priority in Africa is to rebuild state capability through an overhaul of public institutions and credible checks on the abuse of power," must be more nuanced. A country like Burkina might not be in dire need of more state capacity. Indeed, there is such a thing as *too much* capacity, so that the state drains the very best human resources away from wealth-creating activities and into a status-laden administrative hierarchy.

In the next sections we develop this argument through an analysis of recent economic and political change in Burkina Faso, and with selected com-

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5 Notice that this perspective differs from Hirschman's (1958) perspective on entrepreneurship, namely that the state is needed to 'disequilibrate' the economy in order to break the vicious circle of coordination problems across sectors. Hirschman (1958, p. 206) also argued that foreign entrepreneurs see problems and perceived incentives 'differently' from domestic entrepreneurs.

6 In this context one may view with justifiable suspicion the claim that privatization of the railroad in Burkina will lead to large efficiency benefits: quite the contrary, it will merely shift the activities of rent-seekers to other venues (within the privatized company, between the company and the government, or the company and the unions).

parisons with Burkina's Sahelian neighbours, other West African countries, and rapidly growing low-income economies of Asia. We *first* argue that the characterization of Burkina as pursuing policies of good governance is reasonable and we derive the determinants of such capacity in terms of institutional legitimacy, autonomy and embeddedness. We *then* discuss the performance of the economy, showing the clear pattern of slow growth. We contrast this with the very rapid growth of the poorest Asian economies during the 1980s and the early 1990s. *Finally*, we explain this paradox by looking at the entrepreneurial dimensions to state and economy in Burkina. We show that Burkina's entrepreneurial class is extremely limited, and how this generates strong structural forces for wealth-diverting equilibria. We suggest that for the immediate future foreign involvement may be the best avenue to take the economy towards a virtuous circle of increasing growth and increasing institutionalization of good governance. For the longer term, continued emphasis on publicly-funded administrative and human capital investments are necessary to maintain adequate state capacity without impairing private-sector entrepreneurship.

2 Burkina as a developmental state

2.1 The record on state capacity

Burkina is often cited as an example of an incipient developmental state, interested and capable of foregoing predatory urges in favor of long-term benefits that may not necessarily accrue to the specific individuals who inhabit the state's space of power. The World Bank typically includes Burkina Faso in its list of 'good reformers'. In a 1989 economic memorandum on Burkina, it laid uncommon praise for its administrative capacity:

> *Wherever they may come from, foreign missions visiting Burkina invariably report being favorably impressed by the quality of public sector management, the competence of the officials in charge, the reliability of accounting documents, the regularity with which such documents are produced and, consequently, the speed with which an update of the current situation can be obtained. Other characteristics of Burkina are its sense of realism, its determination to avoid prolonged budget deficits, and the government's capacity to respond rapidly and decisively to threats of financial slippage* (World Bank 1989).

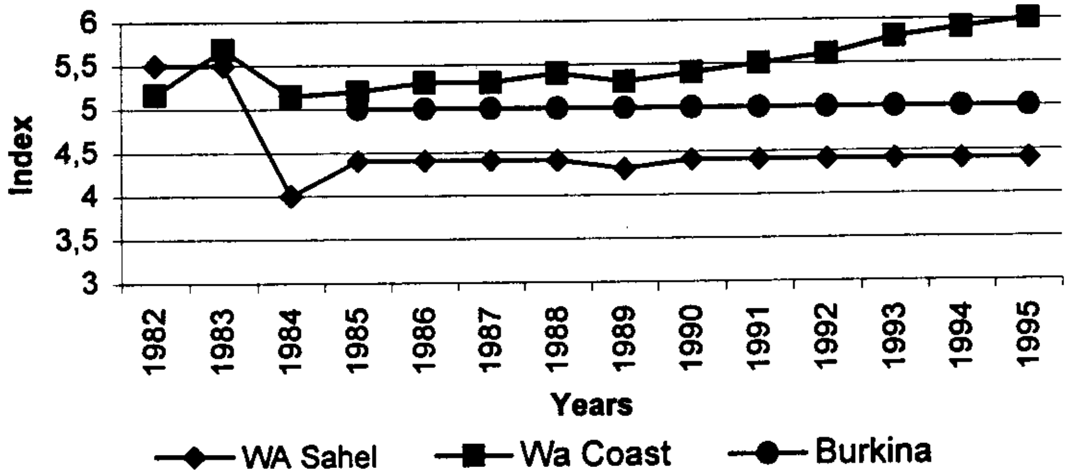
In its 1994 comprehensive *Adjustment in Africa* report, the World Bank also categorized Burkina as a 'large improver' in terms of macroeconomic policy, giving it a score of 1.0 in change in macroeconomic policies between 1981-6 and 1987-91, second only to Ghana among the countries considered (see also Zagré 1994 for a comprehensive review of adjustment policies in Burkina). Burkina saw considerable improvement, according to the World Bank, in overall fiscal structure and in monetary policy. Markets were somewhat liberalized, with improvements in the real producer prices of agricultural exports and in the overall taxation of agricultural sector, and with less intervention in food crops and reductions in controls on fertilizer. Since the *Adjustment in Africa* Report Burkina has been one of the Franc Zone countries which has best taken advantage of and coped with the large 1994 devaluation of the CFA franc. It has also implemented some privatizations, most notably of the state railway. In 1997 the International Monetary Fund approved a second disbursement of funds under a multi-year Enhanced Structural Adjustment Facility program, apparently satisfied with macro-economic policy-making.

Indicators of institutional effectiveness collected by the *Inter-Country Risk Guide* of the Political Risk Group, a US consultancy, also attest to Burkina's above-average performance (see ICRG/PRG/Knack/Keefer 1995). Figures 1 to 5 make clear that Burkina scores relatively high on five measures of institutional effectiveness estimated over the period 1982-1995, whether compared with coastal West African countries (Côte d'Ivoire, Ghana, Benin, Guinea, Togo) as a whole or, more crucially, to a control group of other Sahelian African countries (The Gambia, Guinea-Bissau, Mali, Niger and Senegal).

On the risk of repudiation of contracts by the government (Figure 1), a measure of the capacity to commit to policies, Burkina has averaged a rating of 5 over the whole period (all indicators are measured on a scale of 0-10, with higher being better), which compares favorably with 4.3 for the Sahelian control group, though it is markedly lower than the coastal countries.

Burkina's performance as to the risk of expropriation of businesses (Figure 2), on the other hand, falls well below both the Sahelian and Coastal averages (4.45 for Burkina, as against 5.92 for West Africa and 5.06 for Sahelian Africa).

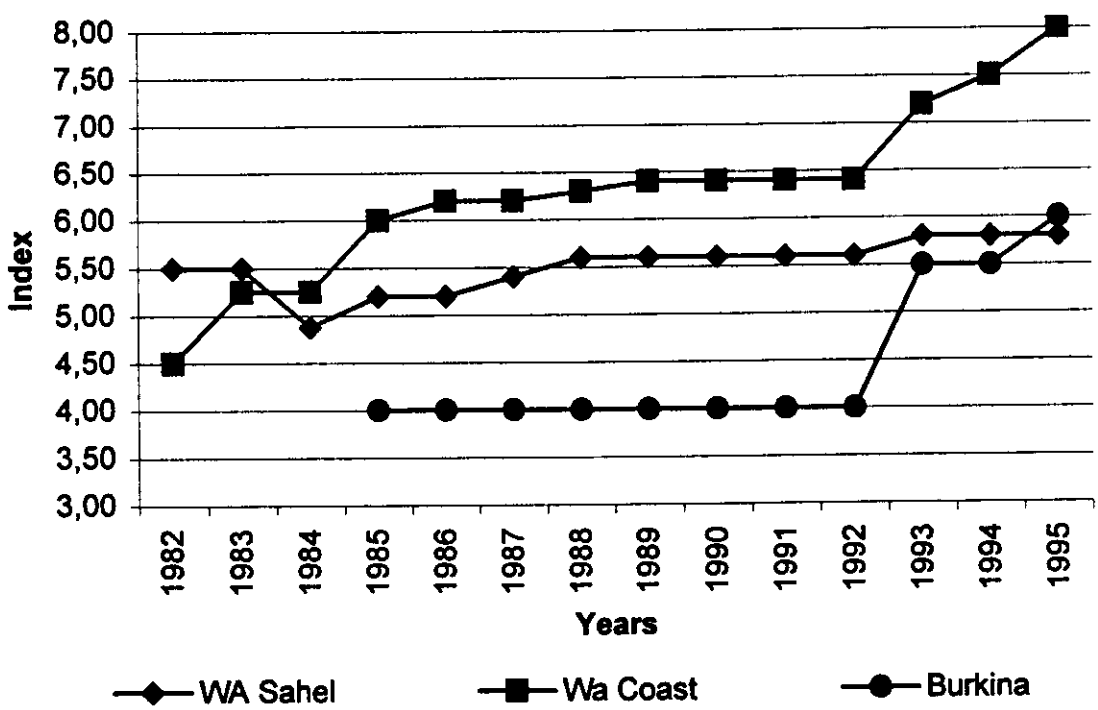
Fig. 1: Index of Risk of Repudiation of Contracts by Governments



This indicator addresses the possibility that foreign businesses, contractors, and consultants face the risk of a modification in contract taking the form of repudiation, postponement, or scaling down. Low points signify greater likelihood of repudiation.

Source: *ICRG "IRIS" data set, ICRG/PRG (Knack/Keefer 1995)*

Fig. 2: Index of Risk of Expropriation

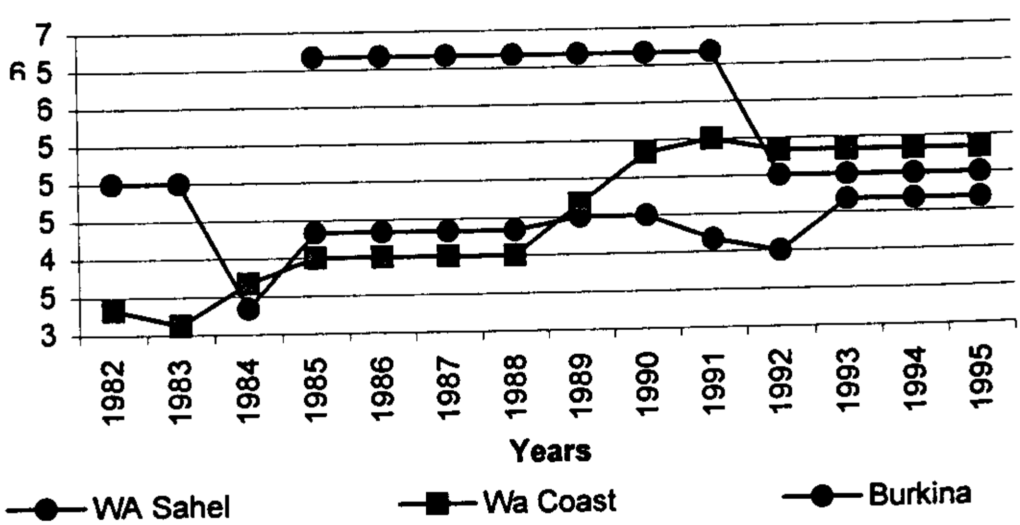


The risk of expropriation of private foreign investments encompasses outright confiscation and forced nationalization. The lowest risk ratings are given to countries where expropriation of private investment is a likely event.

Source: *ICRG "IRIS" data set, ICRG/PRG (Knack/Keefer 1995)*

Note, however, that Burkina's average performance suffers here from the days of the Sankara regime and the political uncertainty that prevailed in the years following his assassination. Its rating started to improve after the elections of 1992 which, apparently, were perceived by the business community as providing safeguards against arbitrary expropriations. Two other policy changes may also have positively contributed to this improvement. *First* was the relaxation on media enterprises. In December 1990 an independent, private, commercial radio station called Horizon FM began broadcasting, and has continued to expand its coverage. Around the same time the government encouraged the re-publication of *L'Observateur Paalga*, a major independent private newspaper (along with a host of minor circulation newspapers including the satirical *Journal de Jeudi*). There now exists a lively, private, free press often extremely critical of the government. *Second* was the program of restitution of private assets seized and the rehabilitation of state employees dismissed during Sankara regime. The former president of the National Assembly, Gérard Kango Ouédraogo, for example, was awarded 206 million CFA by the Supreme Court as restitution (*L'Observateur Paalga* 22/11/95, p. 8). Another salient case was the returning of assets to the family of Maurice Yaméogo, first President of Burkina Faso. His son Hermann was a vocal and symbolic opposition figure against the Compaoré regime. Shortly after compensation, Hermann Yaméogo joined the government.

Fig. 3: Index of Corruption in Government



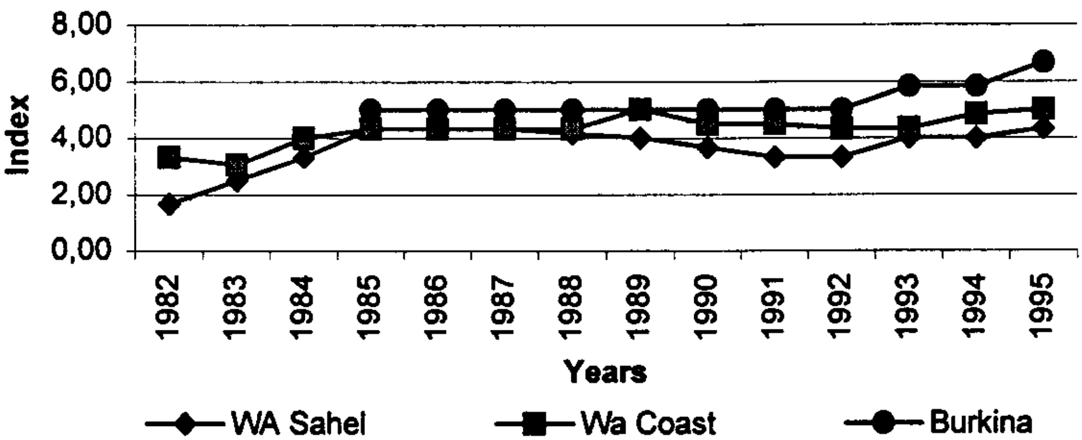
Corruption in government includes demands for special payments and bribes, excessive patronage, nepotism, job reservations and "favor-for-favors".

Source: *ICRG "IRIS" data set (re-scaled from 0-6 to 0-10), ICRG/PRG (Knack/Keefer 1995)*

It is with respect to corruption (Figure 3), however, that Burkina most distinguishes itself from its West African peers. The data suggest that the "country of men of integrity" deserves its name. With an average score of 6.06, Burkina comes first in the region which averages 4.62, and well ahead of its Sahelian counterparts (4.48). Note, however, that while risks of expropriation declined dramatically after 1992, the index of corruption increased markedly.

Despite its past political instability, there also seems to be a sound foundation for the rule of law in Burkina (Figure 4), which has even improved after the 1992 elections. The significant difference between Burkina's score of 5.3 and the Sahelian average of 4.03 suggests that there is some fundamental difference in popular perception between the institutions of Burkina and those of neighboring countries.[7]

Fig. 4: Index of the Rule of Law



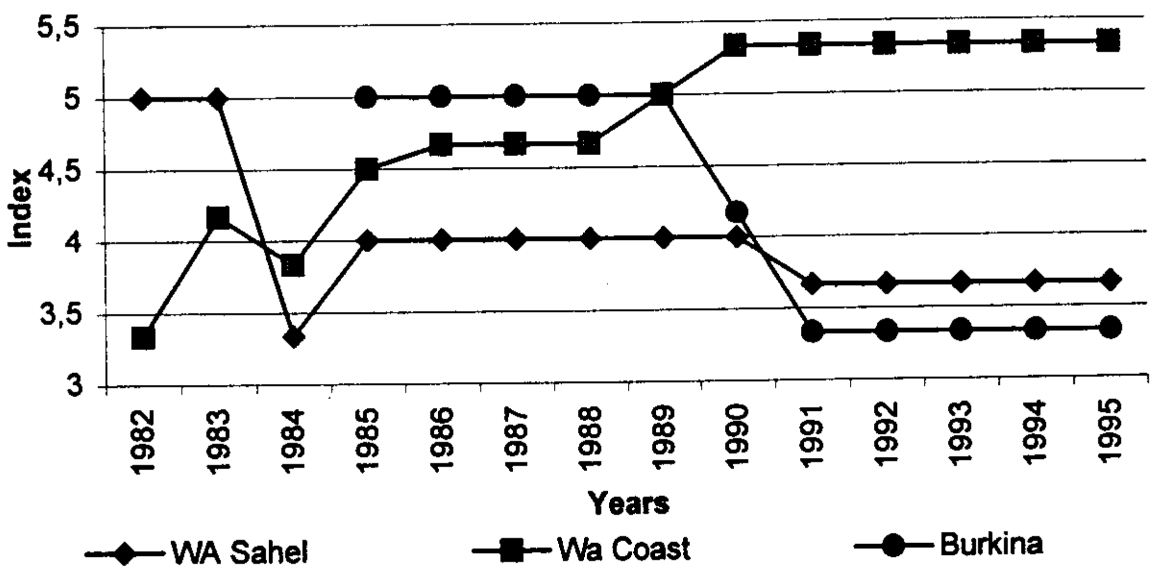
A country with established rule of law has sound political institutions, a strong court system, and provisions for an orderly succession of power. This indicator reflects the degree to which the citizens of a country are willing to accept the established institutions to make and implement laws and adjudicate disputes.

Source: *ICRG "IRIS" data set (re-scaled from 0-6 to 0-10), ICRG/PRG (Knack/Keefer 1995)*

7 Trust in institutions does not necessarily equate with trust in politics. There is still much controversy over the unresolved assassinations of former President Thomas Sankara in 1987, and Compaoré's co-leaders Jean-Baptiste Lingani and Henri Zongo, and leading opposition figures including Clément Oumarou Ouédraogo and Moctar Tall (who survived) in 1991, and the continued exile of Gaston Kaboré and Valère Somé, and furthermore including the mysterious deaths and disappearances of Compaoré's military and security associates Lamoussa Sayogo, Yacinthe Kafando and Arzouma Ouédraogo.

Finally, Burkina's score on the measure of quality of bureaucracy (Figure 5) came a bit as a surprise in view of Burkina's excellent administrative reputation (see World Bank 1989, vol.1, p. 16). Although ahead of other Sahelian countries with an overall average of 4.17, Burkina's bureaucracy has deteriorated quite substantially in the 1990s, a trend somewhat similar to what happened to its corruption record. This suggests that the return to neopatrimonial policies which is at the core of the Compaoré system of power has taken place at the expense of state capacity and may hurt Burkina's development prospects in the future.

Fig. 5: Index of the Quality of Bureaucracy



Extent to which a country's bureaucracy has the strength and expertise to govern without drastic changes in policy or interruptions in government services; extent to which it is autonomous from political pressure and has an established mechanism for recruitment and training.

Source: *ICRG "IRIS" data set (re-scaled from 0-6 to 0-10), ICRG/PRG (Knack/Keefer 1995)*

Apart from the measures of "risk of expropriation", the empirical evidence suggests that Burkina has a systematically better institutional capacity than its Sahelian counterparts. If we aggregate all five measures in an index of 'state capacity' Burkina scores 24.98 whereas the rest of Sahelian Africa averages 21.74. From this we can infer that Burkina, despite sharing similar physical and resource constraints and a comparable colonial legacy with other Sahelian countries, nevertheless is somewhat more developed in terms of institutional capacity and quality of statehood. In accord with popular wisdom, Burkina is a bit of an outlier in terms of developmental capacity with respect to its regional peers. Note, however, that the institutionalization of the Compaoré regime in 1992 has negatively affected several indicators. For the 1980s alone, Burkina's score was significantly higher at 25.67.

In short, while Burkina appeared to be one of many West African 'military oligarchies' in the early to mid-1980s (Bratton and van de Walle 1994, p. 473), it has evolved on a rather different path from those other regimes which have tended to collapse into criminality and warlordism with consequent economic stagnation (Côte d'Ivoire, Togo, Niger, Guinea, Guinea-Bissau, not to mention Nigeria, Liberia and Sierra Leone.). The Sankara and Compaoré regimes have been able to sustain Burkina's relatively good state performance, though emphasizing different dimensions.

2.2 The determinants of state capacity

If the record suggests the developmental nature of the Burkinabè state, it still behooves us to understand where its capacity comes from. This is of course an old problem in political economy, and we shall not pretend to break any new ground. Controversies over governance re-erupted in the late 1980s as the ideological blinders of the Cold War were removed. The literature on this topic is now voluminous (for a summary see Evans 1992), and international institutions like the World Bank and International Monetary Fund are expending considerable research effort to explaining and measuring the concept (Coolidge and Rose-Ackerman, 1997).

The literature suggests that good governance is rooted in legitimacy, autonomy and embeddedness . Legitimacy is the crucial factor that determines whether a state can be both embedded in local politics and autonomous, and also influences whether holders of state office are self-interested in pursuing 'good' governance. Although the Burkinabè state, like most of its African counterparts, is an externally imposed colonial creation, it has a bit more of historical legitimacy than other African states. Burkina, it should be recalled, was initially absorbed into the greater colonial entity of French West Africa. It became a colony in its own right in 1919, only to be partitioned between Côte d'Ivoire, the French Soudan and Niger in 1933 as part of French colonial labor policy. In 1947, however, partly as the result of strenuous lobbying by Burkinabè (the adjectival form of Burkina) politicians and traditional Mossi leaders, the separate colony of Upper Volta was re-established, with minor territorial changes. Burkina fought for independence, in a sense, well before other colonial struggles, and reached some level of success within the structures of the empire, at least as regards the Mossi hierarchy. Hence there is some level of endogeneity of the state in Burkina if only from the point of view of the Mossi. Such partial legitimation of the state was, of course, not possible for other colonies with established boundaries. Ironically, the very superficiality of the Voltaic colony in the eyes of the French may have contributed to its endogenization by some segments of the political society. This initial seed of legitimacy may well have contributed to forestalling any substantial challenge to the state in the close to forty years that have followed independence, allowing thereby the state to gradually build up even more legitimacy.

An additional reason for this lack of challenge is that other social organizations have failed to provide alternative legitimacies, unlike in countries with strong ethnic or religious institutions. The French colonizer effectively crushed the political structures of the main ethnic group, the Mossi, and deeply compromised its leadership by forcing its collaboration with the colonial enterprise (this did not happen with the same intensity in every French colony). The Mossi hierarchy became heavily invested in the apparatus of formal government. Moreover, the aversion of Mossi chiefs to formal colonial education kept their children away from school and allowed for the emergence of a 'modernized' political elite made of commoners without familial allegiance to ethnic authorities. Many other ethnic groups, principally in the western part of the country, never organized as political communities and, as such, never generated loyalties alternative to the state. Finally, the presence of economically attractive 'exit' options such as migration to Côte d'Ivoire and Ghana or more rarely to France has facilitated a climate of social peace and relative tolerance and has prevented the emergence of ethnic competition for the levers of power. As a result of these factors, the historical legitimacy of the state in Burkina has not been deeply challenged.[8]

The continuing legitimacy of the state accounts for part of Burkina's relatively autonomous governance, while the reinforcement of norms internal to the state accounts for the remainder. Because Burkina's political leaders have few other loyalties, they have tended to run the state as an ongoing enterprise rather than as a source of wealth to be 'looted' in favor of other social institutions (Ekeh 1975). The longer-term perspective is well-suited to maintaining good governance. In addition, the country's limited mineral resources have given office-holders few opportunities for large-scale deviance. As for lower-level civil servants, they have inherited and reproduced an institutional culture that stresses the value of hard work and meritocracy.

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8 Savonnet-Guyot (1986) contends, however, that the dominant, even 'conquering' Mossi society straddling the center of the country and pushing towards the extremes the numerous smaller ethnic groups of Bobo, Gourmantche, Gurounsi, Goin, etc. threatens the legitimacy of the central state. Still, the revolution of 1983 and Thomas Sankara's fiery radicalism may have forged a sense of nationalism that compensates for these old tensions and broadens the legitimacy of the state.

Characterizing the embeddedness of the Burkinabè state is more difficult. Recent analysts like Migdal, et al. (1994), Evans (1992) and Cornell and Kalt (1995) have suggested that embeddedness within structures of local polities is necessary for positive economic outcomes resulting from the responsible governance of technocratic administrators. Most commentators on Burkina would argue that a strong civil society exists, despite the absence of serious civil institutional challenge to the state. Otayek (1989, p. 14) asserts that this was certainly the case: "There existed in ex-Upper Volta a sufficiently consistent civil society,... sufficiently institutionalized to limit the ascendancy of the state and to preserve for itself some spaces of autonomy." The formal political process of government, however, has not been fully embedded in the give and take of local politics. Voter turnout in elections has been quite low (see Englebert 1996, p. 71). One reason for this may be that donor project financing appropriates goodwill from the citizens for the actions of the government, and encourages politicians to cultivate donors rather than to invest in the taxation/representation nexus.

Two important programs may be changing this lack of formal embeddedness. *First*, in the political arena, the Compaoré government has been committed to decentralization with a small measure of democratization. Elections have been held for mayors and national assemblymen and some fiscal authority has been devolved to regional and district levels. As a result, this program could bring into the folds of formal administration the many layers of 'traditional' hierarchy that continue to play important roles in conflict-resolution and resource-allocation in rural areas, market villages and small towns. Unfortunately, there are relatively tight limits to this policy as the government seems to retain ultimate control over the elected officials. In 1995, for example, the mayor of Bogodogo, a section of the capital Ouagadougou, was summarily dismissed by the Interior Minister. The sincerity and credibility of the government's decentralization program were deeply compromised, but the programme has nevertheless continued, with a 1996 reorganization of provinces and departments.

A *second* important instance of the construction of embeddedness is that Burkina is currently perhaps the only country in West Africa that has undertaken a serious program of reconstituting land tenure institutions at the micro level (see Batterbury 1993; Faure 1995; and Laurent and Mathieu 1994). The government adopted in 1986 a rural land management program called *Gestion des Terroirs Villageois* (GTV) where local users participate more formally in land use decisions. Under the aegis of GTV the Burkinabè state hopes to create village commissions that will have authority over the lands delimited – on maps and aerial photographs – as 'village land'. The authority consists of enforcing zoning provisions regarding land use, resolving disputes over land usufruct, and contracting with provincial and state authorities for implementation of specific projects like conservation works and afforestation. The hope is that 'secure' corporate tenure will permit villagers to enact long-term planning and 'rationalize' their land use. The reason villagers do not do so already, it is argued, is because a history of easy access to land has made this resource appear 'free' in the perceptions of villagers. Drought, rapid population growth, introduction of new cultivation technologies like cotton and animal traction, and large-scale migration within Burkina have all contributed to a new environment, where land is increasingly contested and increasingly degraded.

The danger in the GTV program is that excessive reliance on international funding coupled with an over-reliance on administrative decisions with only lip-service paid to local participation runs the risk of creating what Ferguson (1994) has called the 'anti-politics machine' of development bureaucracies. Rather than increasing the embeddedness of the state in rural politics, the state risks eliminating most of the important and relevant domains of rural politics by taking away decision-making power (Engberg-Pedersen, 1995). That power comes to be invested in bureaucracies, whose decisions are more influenced by internal bureaucratic incentives that take the external environment as given, rather than as something to be transformed through collective, consensual action. Hence, the GTV could backfire and further alienate rural people from the dynamics of development, an alienation which Mamdani (1996, pp. 165-170) brilliantly argues is at the heart of Africa's predicament.

Laurent and Mathieu (1994) provide an excellent example of this danger. A forestry project in a south-eastern village, sponsored by a Burkinabè NGO, reopened underlying tensions over ambiguous land rights held by Mossi migrants and Nuni *autochtones*. The Mossi had become so numerous and economically and politically powerful in the village and region that they no longer needed to abide by the customary rules and rituals of land tenure by which they acknowledged the temporary nature of their land use rights. The Nuni meanwhile were divided among themselves. One the one side stood the *pio*, priest for the dominating *kwéré* sorcery cult, and the village 'chief' recognized by the government. On the other side stood the president of the *groupement villageois* (the brother of the *pio*). The *pio* was accused of selling land to the Mossi. The *tiatiu*, known in French as the *chef de terre*, claiming traditional authority over land allocations, had lost all power. The *pio*'s brother took the land issue before the *prefet* who remanded it to the higher traditional Nuni authorities at the royal court. The court temporarily resolved the dispute by first recommending to the Mossi that they replace their chief (who left for Ouagadougou) and then by relieving the administrative delegate (formerly the Comité Revolutionnaire) who was the son of the *pio*. Throughout the dispute, however, it was clear that authority remained in the hands of administrators – rather than having been devolved to local authorities – and that the interests of administrators were in prolonging and postponing resolution of the disputes rather than resolving the dispute in favor of one faction or another. The administrators preferred to wait and be transferred rather than tackle a hard political choice that might adversely affect their long-term career goals.

3 Burkina's economic performance

Chinua Achebe's (1983) famous assertion that "the trouble with Nigeria is simply and squarely a failure of leadership" resonates strongly with the 'internal' emphasis of the literature on the developmental state. Van de Walle and Ndulu (1996) recently argued that Africa's development crisis was a crisis of state capacity. Burkina seems well on its way to resolving the state capacity problem. To paraphrase Migdal (1988), although the post-colonial Burkinabè state is 'weak', it is not faced by a 'strong society' in the sense of an integrated society with a well defined political project contrary to the interests of state actors. As a result, it has maintained legitimacy, autonomy and embeddedness. In addition to the state's tradition of bureaucratic quality, the Compaoré regime, although battered by a history of political instability, is willy-nilly attempting to restore the rule of law. The president has also appointed ombudsman-like officials responsible for implementing economic change. Evidence on policy and national planning design speaks to state capacity, and Burkina has been impressive in this regard. The discussion above suggests that Burkina, more than any of its neighbors, meets the characterization of developmental state, and that this legitimate, autonomous and embedded state has the potential to be successful.

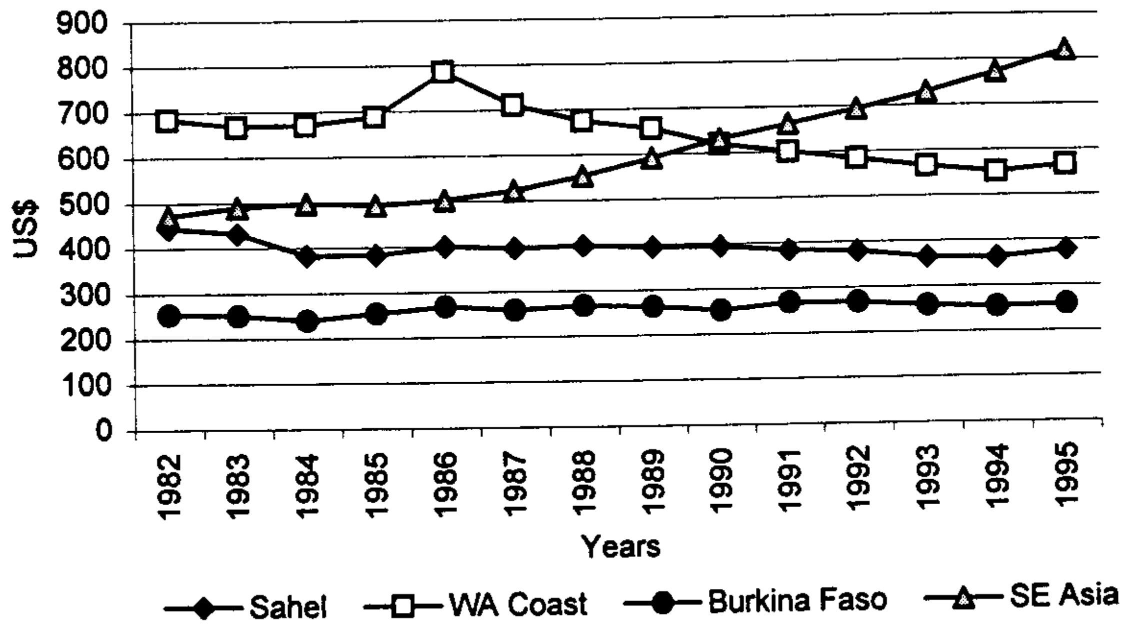
If Burkina can reasonably be classified as a developmental state, then why is its GDP growing at rates that barely match its population growth rates? As Table 1 and Figure 6 indicate, Burkina's GDP growth has averaged 3.64 per cent a year from 1970 to 1995, which translates into a barely positive per capita rate of growth. Although it appears significantly above the Sub-Saharan average rate of growth, it remains less than half the rate of growth of the East Asian and Pacific region, and falls far short of poorer southeast Asian economies (the data in Figure 6 give an average of per capita GDP for Indonesia, Malaysia, Thailand, Philippines, Vietnam, and Bangladesh). More worrisome even is the trend towards deterioration of the growth performance over time. Whereas East Asia's phenomenal growth rates have continued to rise over the last three decades, Burkina has not managed to escape Africa's average slowdown despite improvements in some dimensions of its state capacity. Figure 6 also makes clear that while growth in Burkina has indeed been higher than in almost all other West African economies, but that very fact is only because their economies have contracted – at least by official measures – while the Burkinabè economy has expanded slightly.

Tab. 1: GDP Growth (annual %)

	Average 1970-1995	*Average 1970s*	*Average 1980s*	*Average 1990s*
East Asia and Pacific	7.52	6.37	7.47	9.31
Sub-Saharan Africa	2.52	3.83	1.98	1.44
Burkina Faso	3.64	4.28	3.69	2.59

Source: World Bank. World Development Indicators 1997 (CD ROM).

Fig. 6: GDP per Capita (Constant 1987 US$)



Source: World Bank. World Development Indicators 1997 (CD ROM).

This comparatively weak performance is not for lack of proper macroeconomic policies. As Table 2 suggests, Burkina has displayed more fiscal probity than the average African country, and its level of investment (mostly public) has been rising while its growth rate was falling in the 1990s. To be sure, neither government consumption nor investment match the East Asian record. But government consumption falls in the same league and, at 20 per cent of GDP, investments are beyond any critical threshold for take-off. Hence, one must look beyond developmental statehood and macroeconomic management to understand the puzzle of Burkina's slow growth.

Tab. 2: Government consumption and investment

	1970s	*1980s*	*1990s*
Government Consumption			
East Asia & Pacific	8.43	11.73	11.70
Sub-Saharan Africa	13.60	15.67	17.35
Burkina Faso	10.34	13.81	15.02
Gross Domestic Investment			
East Asia & Pacific	25.27	30.01	35.97
Sub-Saharan Africa	23.08	19.42	17.60
Burkina Faso	21.30	19.68	21.54

Source: World Bank. World Development Indicators 1997 (CD Rom).

4 Perhaps good governance is not enough: World Economy Embeddeness

This slow growth suggests that technocratic autonomy may not be enough to prevent significant diversion of talent away from wealth-creating activities. If the entrepreneurial pool of talent is very small, then even good governance offers too many opportunities for wealth diversion. The small number of entrepreneurs are diverted into rent-earning activities and positions. In these circumstances, policy needs to consider the importance of embedding government into the international economy with its large supply of foreign entrepreneurs who can successfully establish and manage larger firm-size enterprises.

4.1 The Short Supply of Domestic Entrepreneurs

By one rough estimate, Nigeria has 61 enterprises of more than five employees per 100,000 persons, while Burkina has at most 9 per 100,000 (Brautigam 1997 and INSD 1994, p. 91). Why are there so few entrepreneurs in a country of 10 million people? Even the biggest entrepreneurs have not created large firms. Consider three entrepreneurs who dominate Burkina's formal, private economy: Oumarou Kanazoé, Djanguinaba Barro, and Alizéta Ouédraogo. Kanazoé is by far the biggest. At a 1995 Chamber of Commerce meeting with merchants from the Ouagadougou central market, the newly elected Chamber president Kanazoé contributed 5,000,000 CFA to a market fund, the other two entrepreneurs only 500,000. His construction equipment is ubiquitous in

Burkina. But Kanazoe operates the firm on an extremely personalistic basis, by all accounts, delegating little responsibility to professional managers. Barro's group, perhaps the second largest in the country, is limited to 300 employees distributed in a commercial group, an oil-pressing plant, flour mills, a transportation section, soap manufacturing plants, property management, and the newly privatized plastics manufacturer Fasoplast. And Barro was reported to be expanding into rice hulling in the south (*Le Matin* 7/12/95, p. 7 and *L'Observateur Paalga* 3/5/95, p. 7). Ouédraogo, the third, operated a large tannery, and had also secured the primary right to transport students to the Nasso satellite university campus is Bobo-Dioulasso.

There are a number of reasons why domestic entrepreneurs may be in short supply, or may not be able to realize their potential to create larger organizations. We highlight, among other reasons, the legacy of short-sighted education and state recruitment policies that have not encouraged the creation of firms, the lack of culturally accepted outlets for entrepreneurial creativity, and the more general failure of financial markets that comes from financial repression.

For the most part, highly educated men and women in Burkina are enticed into administrative positions, and entrepreneurs confront a shortage of professional managers with well-established reputations interested in careers in the private sector. Evidence on this shortage of managers may be found in the records of employment offers and applications submitted through official labour channels. There are obvious incentives to avoid the official system, and so the data must be viewed as unreliable, but for what they are worth the record indicates that only one category in 1993 had an excess of jobs over job seekers (Table 3). This category ('managers' as referred to in Table 3) was for 'commercial and sales personnel', and included among other professions managing directors, heads of sales, commercial agents, and stocking agents. This official labour office is primarily restricted to the educated sector and had approximately 30,000 records of job seekers in 1993.

At a more anecdotal level, Labazée (1988), writing about some first generation entrepreneurs who established enterprises before independence, provides considerable evidence of a real shortage of educated managers. One common lament is voiced by the entrepreneurs interviewed: they lack the ability to control the actions of the employees because of inadequate accounting due to the entrepreneur's own difficulty with writing ("I had to close a storehouse because a cousin embezzled all the stock.... now I try to control the inventory" (p. 34); "I do not know how to keep accounts. I know business, but not how to record transactions. Now, my daughter is working with me" (p. 36); "We know how to read and write a little. We never went to school, so we just get by. But I never had any problem with managing the enterprise because it was born with me" (p. 50)). One entrepreneur, Nikiema Adama, is more direct, criticizing (ibid., 83) university graduates for viewing work in the private sector as a stepping stone to public employment, rather than as an end in itself.

Tab. 3: Structure of official employment seekers and offers

Occupation	*Profes-sionals*	*Bureau-crats*	*Managers*	*Service workers*	*Agriculture*	*Skilled labor*
Males seeking jobs	1894	8053	98	1029	60	13743
Females seeking jobs	599	3778	62	62	1	172
Jobs offered	246	548	421	218	13	1805
Ratio of seekers to offers	10.1	21.6	0.4	5.0	4.7	7.7

Source: INSD, various tables, 1993

Labazée (ibid. 61) notes that one response of the entrepreneurs is to send their own children off to be educated in management and then to assume responsibility over operations. A second response is to slowly – and indeed rarely – employ professional accountants and managers. In one exceptional case, an entrepreneur allied himself with a European manager, who gradually took over the job of negotiating contracts with European exporters, while the entrepreneur specialized in developing domestic buying contracts.

At the governmental level, education policy has only recently shifted to an emphasis on private-sector careers for graduates of higher education. In 1995 the government inaugurated a new satellite campus of the University of Ouagadougou in the second major city, Bobo-Dioulasso. The campus will eventually contain all of the accounting and commerce sections, and is intended to add dynamism to the somewhat depressed southwestern region both directly (through employment and construction) and indirectly (through graduation of business-minded persons who might remain in the area). Until then, many of the best and brightest in higher education entered the prestigious *Ecole Nationale d'Administration* for eventual service in government and parastatals.

Education has also been a conduit to entry into the state sector rather than the private sector. This is most clearly seen in the *Adjustment in Africa* report (1994, p. 122), where Burkina, among 26 sub-Saharan African countries considered, had the highest share of wages and salaries in government expenditure (approaching 80 per cent and rising over the previous half decade). The government's system of merit-based entry into government positions may thus be seen as counter-productive: the most talented young men and women are siphoned off into lucrative but non-wealth-creating positions. Furthermore, the low levels of educational enrollment and attainment (see Table 4) have prevented the formation of a sufficiently large literate class which could have exceeded the fiscally constrained demands of the public sector and provided the foundation for a modern entrepreneurial sector.[9]

Tab. 4: School enrollment, primary (% gross)

	1970	*1975*	*1980*	*1985*	*1990*
East Asia & Pacific	88	117	110	119	122
Sub-Saharan Africa	50	55	79	73	73
Burkina Faso	13	16	18	29	37

Source: World Bank, World Development Indicators 1997 (CD ROM)

Meanwhile, less-educated but highly motivated entrepreneurs confront a second fundamental obstacle in the social norms that prevail regarding wealth accumulation. Labazée (1988) notes the very strong social pressures to hire relatives. Entrepreneurs must hire family members to work rather than 'professional' managers ("I hire the younger family members, and teach them the trade... But there are thefts and sometimes they sell things without telling me....But if I hired people I did not know, it would be even worse!" (p. 57)). In rural areas and cities, significant fractions of the population willingly assert that wealth accumulation is linked to magical powers or ritual activity, and must come at the expense of the suffering of others. This is of course a West African variant of a well-known social phenomenon that Foster (1960), labelling it the "image of the limited good", explored in the context of Mexico, arguing that villagers viewed the local economy as a zero-sum game and so wealth was acquired at the expense of the poor. With this understanding, strong social norms against wealth accumulation persist, and may include material sanctions. Recent works by Fiske (1991), Platteau (1996) and Geschiere (1995) develop similar themes.

The colonial legacy has twisted this theme of illegitimate wealth further, into a shared belief that the state is the only true source of wealth, and so all increases in wealth must be due to corruption. For instance, reported in the newspaper *Le Pays* (17/7/95, p. 3) was the story of an accusation that Kanazoé had bribed and threatened elected members of local municipal councils to change their affiliations from the opposition Burkinabè socialist party to the ruling party. More than being accused of corruption and black magic, the entrepreneurs are directly responsible for redistribution. As part of their 'social contract', they are the elected officials of the Chamber of Commerce,

9 See McPherson (1996) for recent evidence confirming the significance of education on the growth of micro and small enterprises in southern Africa.

and responsible for maintaining order and loyalty among the merchants of the central markets of Ouagadougou (*rood wooko*) and Bobo-Dioulasso.

Finally, a third important reason for the relative scarcity of domestic entrepreneurs may be the underdeveloped financial sector. The very close regulation and direct state control over financial institutions limits the accessibility of potential entrepreneurs to finance. This problem reinforces the cultural understanding that wealth accumulation must be linked to government connections and corruption. Linares (1989, p. 162), reviewing Labazée's book *Entreprises et Entrepreneurs au Burkina Faso,* observed that: "Their [entrepreneurs] movement from mason, mechanic, clothes manufacturer or whatever, to industrialist is rare or impossible unless they first establish a partnership with a government official who has access to public investment funds." Like the big entrepreneurs, smaller entrepreneurs are restrained by similar structural characteristics of the economy and society. A fascinating study by Freidberg (1997) details the factors confronting Bobo-Dioulasso agro-entrepreneurs. Freidberg emphasizes the extreme dependence of these small, family firms on the social nexus of personal relations with influential members of the government bureacracies.

But the shortage of credit is an unclear limiting factor. Labazée (op cit, p. 156) also notes that in general entrepreneurs make little use of bank credit. In many cases it is the absence of proper accounting records by the entrepreneur that makes obtaining credit difficult.

4.2 Conventional Policy

The idea that there is a shortage of private entrepreneurs and that rent-seeking dissuades them from starting wealth-creating enterprises is nothing new to West African governments and international donors, and indeed has long been the official rhetoric behind policies of supporting local enterprises. But, as Boone (1990, 1993) points out, very often this rhetoric and policy belies a desire of the ruling elite to *prevent* the growth of powerful domestic entrepreneurs. The common kinds of policy measures taken have been the traditional combination of subsidies and import protection. So in 1995 the Burkinabè government inaugurated a $10 million program to support small enterprises and industries. The government proudly proclaimed that the funds would be disbursed on a non-partisan basis, and repayments strictly enforced. As Emmanuel Bama, correspondent for *L'Observateur Paalga* put it (26/6/95, p. 4), "As if to convince the incredulous... they have placed a *toubab* [European] at the head of the project and two others have key positions. Now that is seriousness of purpose."

The government has offered considerable protection to privatized domestic firms. In July 1995, after the devaluation of the CFA, the government moved to prohibit export of sheep and goats on the hoof. The motive, reported in the official government newspaper in the course of a press conference with the Minister of Commerce, Industry and Crafts, was to support a $30 million investment by Alizeta Ouédraogo in a tannery, known as Tan-Aliz. According to the Minister (*Sidwaya* 21/8/95, p. 3), "For us, this firm is evidence of the disposition of our economic operators to engage in the path of privatization, to make the efforts needed to create a national industry... It's not by just importing and exporting that a country develops... We need to develop our industrial base." Shortly after opposition newspapers pointed to the comfortable arrangement for Tan-Aliz, and it began to look like the protection could be reversed, the association of butchers came forward, arguing they would be driven out of business by the expensive prices of beef and leather if exports were permitted. The classic illustration of the political economy of protection, with small organized interest groups prevailing over disbursed consumers and producers, is actually exceptional, rather than common in Burkina.

4.3 Positive Steps to Encourage Foreign Entrepreneurship

Given the inseparability of the policy-making process from Compaoré's (and associates) interest in staying in power, it is crucial to begin a dialogue exploring policies that are satisfactory to the regime and that also lay a foundation for future entrepreneurs to establish enterprises. As recent studies of 'benevolent', or 'rational' dictators suggest, proper public policy must maintain the economy and society on a dynamic path where the interest of the regime is to reduce policies that generate rent-seeking (because it then gains legitimacy) as it loses the need to 'buy off' potential threats to power (because they find state power less attractive).[10] International entrepreneurs may be in short supply because of statistical discrimination (African countries are lumped together under the rubric 'unstable'), or an inadequate legal infrastructure, or because of low levels of social capital due to language and transportation barriers.

The short supply of entrepreneurs, foreign and domestic, means that wealth-diverting activities dominate their portfolios of activities, even though the state itself tries to minimize those wealth-diverting opportunities. One policy touted as an avenue to increased foreign entrepreneurial involvement in the economy is privatization.[11] Burkina has had a large publicly-owned

10 See Wintrobe (1997) and Coolidge and Rose-Ackerman (1997).

11 One kind of international involvement that does seem to be active (but from Burkina outwards!) is involvement between President Blaise Compaoré and the

enterprise sector: according to one source 38 public enterprises accounted for 58 per cent of the value added in the 'modern' sector of the economy (Zagré 1994, p. 181). There has been some divestiture of these state enterprises. But even where foreign involvement has been allowed, it does not necessarily lead to any significant increase in entrepreneurial activity, as opposed to continued rent-seeking. An important example of the protection sought by and afforded to foreign private entrepreneurs is the raising of tariffs on cement in 1994. The government privatized the national cement project CIMAT (started during the Sankara years and never brought on-line) through sale of part-ownership to a Spanish multinational already operating in Guinea and Côte d'Ivoire. As part of the sale, the government agreed to raise tariffs from 31 per cent to 57 per cent. Moreover, domestic importers and users of cement were 'urged' to purchase all their cement from CIMAT rather than from abroad. By the middle of 1996, however, a parliamentary commission singled out CIMAT as an example of serious 'irregularities' in the privatization process. The privatizations of the national beer company and the national railway are further cases in point.

What policies then can ensure that privatization generates entrepreneurs more interested in wealth creation than wealth diversion? Some of the lessons from privatizations around the world suggest, not surprisingly, that competition and managerial discretion are crucial.

5 Conclusions

This paper has been mainly exploratory and only wishes to advance some hypotheses to address the puzzling paradox of Burkina Faso as a state which follows the essentials of developmental policy and institutions and yet has failed to significantly take off into sustainable growth. From a methodological point of view, it has not tested any of these hypotheses in a rigorous way, yet has offered descriptive and comparative data to catch an overall preliminary picture.

We began by reviewing the performance of the state sector across several institutional and policy variables and concluded that the evidence attests to the relatively high level of capacity of the state. Referring to the literature on developmental statehood, we found explanations for Burkina's capacity in the legitimacy, autonomy and embeddedness of the state. We further discussed

former rebel, newly elected President of Liberia, Charles Taylor. Sober journalistic accounts point to extensive involvement of Compaoré in Taylor's mineral extraction operations. See Gbanabome (1992) and French (1995).

current trends in these three variables. We then observed the relatively poor macroeconomic performance of the country over the last two decades and a half. We suggested that this paradox can be explained by the weakness of the entrepreneurial class. Such weakness in turn is a function of (1) low educational attainments of the population due to insufficient policy priorities for education; (2) social norms which discourage accumulation and wealth; and (3) shallowness of the financial sector. We warned against conventional protective policy responses and called for additional measures to encourage the competitive involvement of foreign capital.

Although our analysis is preliminary and calls for further work, we believe it can make a contribution at two ends of the theoretical spectrum of development studies. *First*, from a domestic point of view, the historical experience of Burkina suggests the importance of the endogeneity of the state, of the lack of substantial challenge from alternative institutions of collective action. Burkina truly distinguishes itself from other African countries by the extent to which the colonial institutions of statehood have been progressively embedded into society, starting during the colonial period itself. This is the reason why Burkina has remained a coherent state amid a region of 'shadow', 'suspended', 'bifurcated' and other deviant states. *Second*, our insistence on the role of the foreign capitalist sector, inspired by the model of Baland and François (1997) on the determinants of wealth-creating and wealth-diverting entrepreneurial activities, pushes the debate on the role of foreign investment in development beyond the accumulation and dependency debate. What we highlight, instead, is that Burkina Faso provides anecdotal evidence for the hypothesis that foreign capital inflows actually generate beneficial effects on state capacity by reducing rent-seeking opportunities to the benefit of wealth-creating activities. This is not the usual growth-path associated with the impact of foreign direct investment on capital accumulation and its potential learning externalities for the domestic capitalist class. This is a different and mostly indirect effect from foreign capital to increased state capacity which compounds the private effects of FDI. Further research is called for to investigate whether this effect is observable in a cross-section of countries.

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