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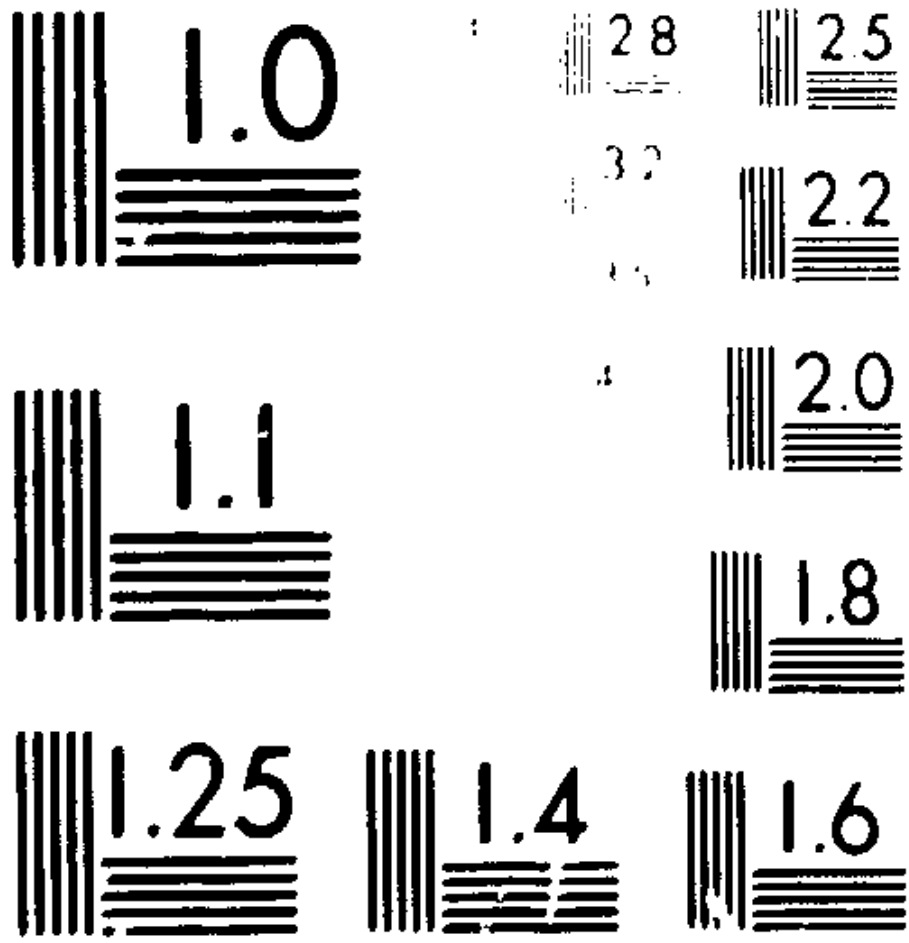
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UNIDO/IS.303
13 April 1982

ENGLISH

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

COUNTRY INDUSTRIAL DEVELOPMENT BRIEF: UPPER VOLTA*

Prepared by the

Division for Industrial Studies
Regional and Country Studies Branch

603577

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PREFACE

The Division for Industrial Studies, Regional and Country Studies Branch, undertakes within its work programme the preparation of Country Industrial Development Briefs. These briefs are desk studies, providing statistical and economic analysis of the manufacturing sector, its recent growth, present status and future prospects. It is hoped that the briefs will provide information which will be useful particularly in programming technical assistance and in industrial redeployment and investment activities.

This brief on Upper Volta is based on documents, reports, and publications available at UNIDO, Vienna, and the Joint ECA/UNIDO Industry Division, Addis Ababa. No field survey has been undertaken and some of the data and information are either incomplete or not up-to-date.

The views or comments which might be found in this brief do not reflect those of the Government of Upper Volta nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

SELECTED BASIC INFORMATION

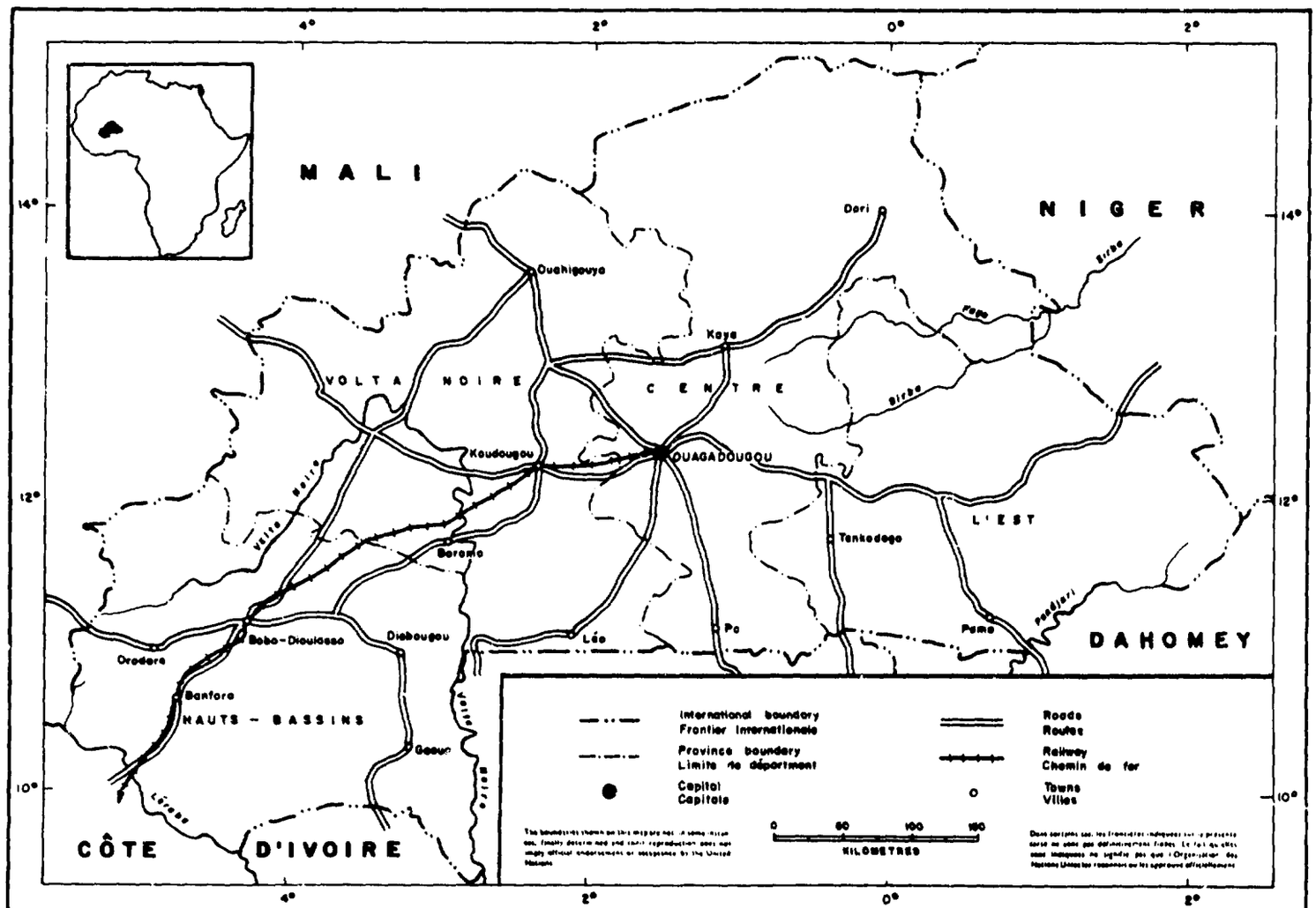
Land Area:	274,200 sq. km
Population:	6.55 million (1978)
Main Towns:	Ouagadougou (175,000 population in 1971), Bobo Dioulasso (78,000 population in 1971)
Languages:	French, several African languages

Currency Unit	:	CFA franc (CFAF) - 100 cents	
US $ 1.00	:	CFAF 214,32	(1975)
	:	CFAF 245.00	(1976)
	:	CFAF 245.00	(1977)
	:	CFAF 220.00	(1978)
	:	CFAF 330.00	(1982)
Fiscal year	:	January 1 - December 31	

ABBREVIATIONS

ORD	Office régional de développement
ARCOMA	Atelier régional de construction de matériel agricole
CNPAR	Centre national de perfectionnement des artisans ruraux
OPEV	Office de promotion de l'entreprise voltaïque
SACS	Service d'assistance, conseil et soutien
SME	Small and medium scale enterprise
SSE	Small scale enterprise
VOLTELEC	Société de l'éléctricité de la Haute-Volta

HAUTE-VOLTA



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EXEMPLAIRE DE TRAVAIL A L'USAGE DU SECRETARIAT EXCLUSIVEMENT

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CONTENTS

LIST OF TABLES

SUMMARY AND CONCLUSIONS

Upper Volta is a least-developed and landlocked West African country in the drought-affected Sahel. The climate is hot and dry and most of the soils are poor and exhausted. Water resources, which may be used for irrigation and livestock are scarce. The country's main energy resource is wood which supplies the necessary energy for domestic needs, but at the cost of an accelerated deforestation. Besides wood, the country has a limited hydroelectric potential. There are significant mineral resources to support mining and industry, however, these have yet to be exploited.1/

Upper Volta is a country with a predominantly agricultural economy and without significant industrial development. Agriculture itself, including livestock and fishery, is primarily for subsistence and is far from developed. A wide range of constraints affect agricultural production, which is heavily dependent on rainfall in this drought-stricken country. The climatic conditions are unfavourable; the technology used is outdated; the cultivated areas are small and the farms are mainly family owned. Both food and cash crops are in short supply in relation to needs.

Manufacturing is in its infant stage, with a very low level of production which takes place mostly in small scale units; food processing and textiles are the dominant branches. The development of manufacturing is seriously constrained by a number of factors such as the lack of raw materials, the small size of the domestic market, inadequate industrial finance (both domestic and external), and the lack of technical and managerial know-how. The Government's industrial policy and the current institutional infrastructure do not provide sufficient support and incentives to promote industrial development of the country.

1/ United Nations Conference on the Least Developed Countries, document LDC/CP/26, 1981 (hereinafter cited as: LDC/CP/26).

The nation's rather poor endowment of natural resources suggests an agriculture oriented development strategy. There is a need, however, for devising and implementing appropriate policies for the modernization of agriculture and the introduction of extension services. At the same time, efforts should be made to implement special programmes to combat drought, to correct some of the adverse effects of the particularly uneven geographic distribution of the population, and to promote gradually irrigated farming.

I. ECONOMIC BACKGROUND

1. Selected Economic Indicators: Population, Labour Force, GDP and GDP Per Capita, Exports and Imports

A comparative overview of Upper Volta's economy and the economies of other African least developed countries is presented in Table 1. The main economic indicators of population, labour force, gross domestic product and gross domestic product per capita, gross capital formation and exports and imports are considered.

Upper Volta's estimated 1978 population was 6.55 million with a population density of 23 people per square mile.[1/] The population is overwhelmingly rural, with a highly unbalanced geographical distribution, and an extensive migratory movement within and outside the country. The average annual population growth between 1970 and 1978 was 2.42 per cent, somewhat below the average population growth rate for the least developed African countries as a whole (2.65 per cent). Consequently, Upper Volta's share in the total population of African least developed countries dropped from 5.07 per cent in 1970 to 4.97 per cent in 1978.

The estimated labour force in 1978 was 3.31 million. Agriculture provides approximately 99 per cent of employment; industry (food processing, metals, textiles and leather) approximately 4.0 per cent; and the tertiary sector 6.0 per cent. However, it is believed that in the mainly rural and traditional economy of Upper Volta, the bulk of the labour force is composed of self-employed and non-paid family workers in agriculture.[2/] Growth of the labour force during the 1970-1978 period averaged 1.92 per cent. This growth rate was both below Upper Volta's growth rate of population and the growth rate of labour force of the African least developed countries (2.13 per cent).

1/ Its area is 274,000 square kilometers.

2/ LDC/CP/26, op.cit.

Table 1 Upper Volta - Main economic indicators: absolute figures, 1970, 1975 and 1978; comparison with African LDCs and real growth rates

Period	Population	Labour force	GDP	Gross capital formation	Exports	Imports	GDP per capita
	(millions)		(in 1975 U.S. dollars, milliors)				(1975 U.S.dollars)
1970	5.41	3.01	509	67	65	160	94
1975	6.07	3.30	545	164	86	273	90
1978	6.55	3.51	536	162	74	268	82
	Upper Volta - Share in total for African LDCs (in per cent)						Ratio Upper Volta/ African LDCs
1970	5.07	6.43	2.80	2.21	2.40	3.90	55.32
1975	5.00	6.34	2.63	4.54	2.66	5.10	52.51
1978	4.97	6.32	2.29	3.88	2.08	4.34	45.99
	Upper Volta - Real growth rates (in per cent)[a/]						
1970-71	2.25	1.76	-3.02	-31.20	37.44	16.09	-5.16
1971-72	2.25	1.76	-2.22	48.89	0.70	18.71	-4.38
1972-73	2.28	1.76	4.38	22.11	34.49	30.33	2.05
1974-74	2.31	1.76	-4.96	2.49	-7.58	-4.36	-7.11
1974-75	2.38	1.86	11.13	43.32	7.87	2.31	8.55
1975-76	2.45	1.95	-0.58	-7.99	-2.39	12.94	-2.95
1976-77	2.50	2.03	0.84	-10.20	-8.33	-13.87	-1.62
1977-78	2.59	2.11	-4.88	2.69	-1.50	8.91	-7.28
1978-79	2.61	2.18	2.58	7.04	-5.24	4.63	-0.03
1970-75	2.33	1.81	1.69	19.63	6.43	10.09	-0.52
1975-78	2.57	2.11	-0.98	-0.12	-4.71	0.29	-3.46
1970-78	2.42	1.92	0.97	9.54	1.35	5.16	-1.42
	Upper Volta - Real growth rates, African LDCs (in per cent)[a/]						
1970-75	2.60	2.09	2.58	4.38	3.48	5.84	-0.02
1975-78	2.75	2.22	4.17	4.94	2.62	4.93	1.39
1970-78	2.65	2.13	3.19	4.54	3.12	5.37	0.53

a/ All rates based on values derived from data in 1975 U.S. dollars.

Source: Data from UNIDO data base (Industrial Data System, Regional and Country Studies Branch, International Centre for Industrial Studies, UNIDO) information supplied by the United Nations Office of Development Research and Policy Analysis.

Unemployment in such a primarily subsistence economy is very difficult to define and to evaluate. However, there are indications that in 1975, over 3 per cent of the workforce was unemployed. Included in this category are the unemployed among school leavers, whose number seems to grow every year.1/

There were only 41,600 wage earning workers in 1975, 54 per cent of whom were employed in the public sector and the rest in the private sector, mainly engaged in secondary and tertiary activities.2/

Available information, as Table 1 details, indicates that GDP at constant 1975 prices rose from 509 million US dollars in 1970 to 536 million US dollars in 1978. GDP grew at an average annual rate of 0.97 per cent between 1970-78, as compared with a rate of 3.19 per cent for the least developed countries in Africa. A series of droughts in recent years caused a severe setback in agricultural production and adversely affected real GDP. This is reflected in the negative growth rate of -0.98 per cent during the 1975-1978 period. The share of Upper Volta in the total GDP of least developed countries in Africa dropped from 2.80 per cent in 1970 to 2.29 per cent in 1978. During the 1970-78 period, per capita GDP fell from 94 to 82 US dollars, declining at an average annual rate of -1.42 per cent, as compared to a growth rate of 0.53 per cent for African least developed countries. The 2.58 per cent growth rate in Upper Volta's real GDP observed in 1978, was due largely to a significant increase in industrial and trade activities.

Gross capital formation in constant prices increased substantially between 1970 and 1975 and declined slightly between 1975 and 1978. Upper Volta's share in total gross capital formation of African least developed countries increased from 2.21 per cent in 1970 to 4.54 per cent in 1975 and declined to a share of 3.88 per cent in 1978.

1/ LDC/CP/26, op.cit.

2/ ECA/UNIDO Report, 18 June 1981.

In Upper Volta the trade deficit has become a permanent feature of the economy as imports grow faster than exports. As Table 1 indicates, while the value of exports rose from 65 million US dollars in 1970 to 74 million US dollars in 1978, imports went up sharply from 160 million US dollars to 268 million US dollars within the same period. Thus, imports grew at an average annual rate of 5.16 per cent during the 1970-78 period versus a 1.35 per cent growth rate for exports during the same period. Upper Volta's share in total exports of African least developed countries dropped from 2.40 per cent in 1970 to 2.08 per cent in 1978, while its imports share rose from 3.90 per cent in 1970 to 4.34 per cent in 1978.

Main exported products are live animals, cotton, groundnuts, karite nuts and oil, sesame seed and vegetables. Among imported products, road vehicles and transport equipment occupy the first place followed by petroleum products, mechanical equipment, metal and metal products, electrical equipment, construction materials and food products.

Main trading partners are: France, Ivory Coast and U.K., followed by USA, Italy, Germany, the Netherlands and Ghana.[1/]

2. Main Economic Sectors and their Share in GDP

Table 2 reports the values and shares of value added by economic sector during the 1970-78 period. This period is generally marked by steady increases in the real value added produced in most sectors.

1/ Economist Intelligence Unit, Quarterly Economic Review of Ivory Coast, Togo, Benin, Niger, Upper Volta, Annual Supplement, 1981, pp. 56-57.

Table 2 Upper Volta - GDP and its distribution by economic sector, 1970-1978, (all values in millions of US $ at constant 1975 prices)

Year	Agriculture		Mining and Quarrying		Manufacturing	
	Value	Share	Value	Share	Value	Share
1970	231.7	45.56	0.4	0.07	72.7	14.30
1971	224.9	45.23	0.3	0.07	65.7	13.22
1972	236.3	45.53	0.4	0.08	67.7	13.04
1973	193.9	39.31	0.4	0.08	68.2	13.82
1974	220.8	40.29	0.5	0.10	72.3	13.19
1975	232.0	42.57	0.5	0.10	75.5	13.86
1976	218.6	39.78	0.5	0.09	74.1	13.49
1977	212.6	40.67	0.5	0.10	65.9	12.60
1978	200.6	37.40	0.7	0.12	68.6	12.80

Year	Utilities		Construction		Services		GDP
	Value	Share	Value	Share	Value	Share	Value
1970	2.1	0.42	33.5	6.59	168.1	33.05	508.5
1971	2.3	0.45	37.8	7.60	166.2	33.43	497.2
1972	5.3	1.02	29.8	5.75	179.4	34.57	519.0
1973	5.3	1.08	30.3	6.14	195.1	39.56	493.3
1974	4.8	0.87	32.3	5.89	217.4	39.66	548.2
1975	5.0	0.92	32.3	5.93	199.6	36.62	545.0
1976	4.9	0.89	34.5	6.28	216.9	39.47	549.6
1977	5.0	0.95	36.0	6.90	202.7	38.78	522.8
1978	5.3	0.99	42.6	7.94	218.5	40.74	536.3

Source: Industrial Data System, op.cit.

Clearly, as Table 2 indicates all the shares of sectors increased except the shares of agriculture and manufacturing. In 1978, agriculture was still a major contributor to GDP (37.40 per cent) second to services (40.74 per cent).

Growth rates of real GDP and of the main economic sectors for the period 1970 and 1978 are reported in Table 3. Agriculture has had the most noticeable decline with a -4.5 per cent negative growth rate between 1975 and 1978. Manufacturing followed closely with a -4.0 per cent decline for the same period. Consequently, total real GDP declined by -1.0 per cent during the 1975-1978 period.

The declines in agriculture and manufacturing during the seventies are attributed to insufficient rainfall and in particular to the 1974 and 1975 droughts which resulted in a severe setback in agricultural production between 1975 and 1978. Nevertheless, in 1978, the agricultural sector contributed 96 per cent of total exports in weight and 93.4 per cent in value terms.[1/]

Table 3 Upper Volta - Growth rates of economic sectors and GDP (in per cent)[a/]

Year	Agriculture	Mining and Quarrying	Manufacturing
1970-71	-3.0	-8.4	-9.6
1971-72	5.1	24.8	3.0
1972-73	-17.9	-0.2	0.7
1973-74	13.9	33.7	6.0
1974-75	5.0	-3.9	4.5
1975-76	-5.8	-2.9	-1.9
1976-77	-2.7	6.7	-11.1
1977-78	-5.7	22.9	4.1
Trend growth rate			
1970-75	-0.7	10.3	1.4
1975-78	-4.5	8.2	-4.0

Year	Utilities	Construction	Services	GDP
1970-71	5.4	12.8	-1.1	-2.2
1971-72	135.0	-21.0	7.9	4.4
1972-73	0.7	1.5	8.7	-5.0
1974-74	-10.6	6.6	11.4	11.1
1974-75	4.5	0.2	-8.2	-0.6
1975-76	-1.8	6.8	8.7	0.8
1976-77	1.3	4.4	-6.6	-4.9
1977-78	7.5	18.2	7.8	2.6
Trend growth rate				
1970-75	20.4	-1.8	5.1	1.7
1975-78	2.1	9.1	2.1	-1.0

Source: Industrial Data System, op.cit.

a/ Growth rates are based on constant 1975 US $ values.

1/ ECA/UNIDO Report, op.cit.

Its importance to the national economy notwithstanding, Voltaic agriculture is characterized by particularly low productivity. The main factors responsible for this are the unfavourable climatic conditions prevailing in the country, the outmoded agricultural methods used, and the very limited areas cultivated. Out of a potential of 8.9 million hectares, only 2.3 million are cultivated.[1] Farming is comprised of small family units of an average surface area of 5 hectares employing about 10 workers each.

Cotton, shearnuts, and sugarcane are the main cash crops being grown for export alongside groundnuts and sesame. Development efforts have concentrated on developing further the production of groundnut, cotton, rice, fruit, vegetables and sugar production and on generally improving techniques to increase yields and halt and/or reduce soil erosion.[2]

Besides crop agriculture[3], livestock provides the basic livelihood of a large part of the population and is one of the country's principal sources of exports. This sector employs only 6 per cent of the labour force. However, livestock production is constrained by water shortage, and the drought has caused severe losses in Sahelian livestock herds, estimated at 30 per cent for cattle and 20-25 per cent for sheep and goats.

Although the mining sector contributed only 0.12 per cent of value added in GDP, it is the sector on which most hopes are based on for economic development in Upper Volta because of its potential. The country has important deposits of phosphates, manganese and limestone for which technico-economic studies were completed. Other mineral deposits located include nickel, vanadium, bauxite, lead, copper, and gold deposits.

1/ E.I.U., op.cit.

2/ FAO/UNIDO Report, op.cit.

3/ The country has some fishing potential. However, this potential is relatively limited, and the current production is estimated to be between 50,000 and 60,000 tonnes per year, which represents only about one quarter of the estimated potential.

Upper Volta, in the past, exported copper ore from Gaoua mine and gold from Poura mine, the production of which used to be only 1,000 kg per year until 1976, when it was closed down. There are plans to reopen this gold mine during 1984-85, for exploitation over a period of 20 years. The only deposits being currently mined are the marble deposit at Tiara and the antimony deposit at Mafoulou.

Inadequate finance is one of the major constraints on mining development. Thus, the project aimed at mining of the manganese deposit of Tambao has not started yet as it requires the construction of a railway to ship out the ores, the cost of which was estimated in 1977 at 52 billion CFAF.

Finally, as Table 2 shows, the share of manufacturing in GDP was 12.80 per cent in 1978. The growth pattern of the sector has been erratic following more or less the performance of the agricultural sector. We will discuss this sector more extensively in Chapter II.

3. Transportation System

The 1,146 km railway which connects Ouagadougou with Bobo-Dioulasso and Abidjan is Upper Volta's main link with the [illegible], carrying 70 to 80 per cent of the country's imports and [illegible]. The part within Voltaic territory is 517 km long and carries an average 30,000 tonnes of freight per year.[1/]

The existing 11,150 km road network was intended to play an important part in the economy given the remoteness of the country

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1/ ECA/UNIDO Report, op.cit.

from the sea and its role as a transit area between neighbouring countries (Mali, Niger, Ivory Coast, Ghana and Benin). However, the bulk of international traffic continues to be carried by railway (in spite of the paving of the roads from Ouagadougou to Tema [1,030 km] and to Lomé [1,000 km]) because of the higher costs of road transport due to soaring petroleum prices.

Domestic traffic is mostly by road in spite of the fact that the roads are in poor condition. Most of the state and local roads are not paved and, after heavy rains, traffic can be interrupted for weeks at a time.

Air transportation is relatively limited. The country has only one international airport in Ouagadougou, and most of the traffic is shared by Air Afrique (54 per cent) and UTA (46 per cent). Domestic air flights are made by Air Volta, mainly between Ouagadougou and Bobo-Dioulasso.

4. Balance of Payments

From 1965 to 1974, the balance of payments registered surpluses in spite of the goods and services deficit which doubled during the 1972-1975 period, rising from 18.5 to 39.9 billion CFAF. The goods and services deficit was more than offset by private transfers and increasing inflows of foreign aid, including emergency relief assistance. However, following the doubling of the trade deficit (goods and services) in 1975, due to the combined adverse impact of drought on agricultural production, rising domestic investment, and steep increases in import and energy prices, the balance of payments surpluses turned into a deficit of 1.4 billion CFAF. The balance of payments deficit continued in 1976 and 1977, amounting to 1.0 billion CFAF and 2.3 billion CFAF respectively, before falling slightly to 1.8 billion CFAF in 1980.[1/]

1/ ECA/UNIDO Report, op.cit.

5. Development Aid and External Debt

External resources are very important in Upper Volta since they have contributed 27 per cent of expenditure in the economy in the three years from 1976 to 1978. Since the drought years, net public transfer receipts (consisting mainly of official grants) went up significantly. These transfers increased from 8.4 billion CFAF in 1972, to 20.8 billion CFAF in 1975, while the net public capital inflows, which were mostly concessionary loans, rose from 0.8 to 4.4 billion CFAF. Over the same period, private transfers and private capital inflows, together registered a net increase of 3.3 billion CFAF. In 1976 and 1977, there was a fall in the net inflow of external assistance owing to a decline in official grants, and this accounted for most of the balance of payments deterioration over these years.

The country's external debt was 27.2 million US dollars in 1976, and had increased to 47.1 million US dollars in 1980. The debt service ratio was 4.6 per cent in 1976, and rose to 7 per cent in 1980. Debt service charges which were 4.7 million US dollars rose to 11.3 million US dollars in 1980.[1/]

6. Energy

The country imports all its petroleum requirements. Most energy in the modern sector is derived from oil products. Consumption of such products grew by 13 per cent in 1978, against 17.2 per cent in 1977.[2/] Wood is the form of energy most commonly used by households, particularly in rural areas. Possibilities exist for constructing hydroelectric dams. Efforts to investigate alternative sources of energy (biogas, solar energy, etc.) are in progress, but the prospects for making a substantial contribution towards improving the energy situation remain very limited.[3/]

1/ ECA/UNIDO Report, op.cit.

2/ Power is produced and distributed by the parastatal "Société Voltaique d'Eléctricité (VOLTELEC). The total production grew from 46 millions KWH in 1974, to an estimated 120 million KWH in 1980. ECA/UNIDO Report, ibid.)

3/ Ibid.

II. STRUCTURE OF THE MANUFACTURING SECTOR

1. Sectoral Structure of Manufacturing

Table 4 reports the shares of manufacturing activity accounted for by branch in Upper Volta. The most striking pattern shown is the heavy concentration of Upper Volta's manufacturing in food products. This branch alone accounted for 87.7 per cent of total manufacturing value added in Upper Volta in 1978, versus a 71.5 per cent share in 1975.

Table 4 Upper Volta - Branch structure of manufacturing value added, 1975, 1978 a/

Branch	ISIC	Sectoral shares in total MVA 1975 Value	1975 Share	1978 Value	1978 Share
Food products	3110	54,000	71.5	74,530	87.7
Wearing apparel	322B	9,600	12.7	(18,728	15.3) 1/
Wood products	331A	2,700	3.6	-	-
Paper	3410	400	0.5	-	-
Printing and publishing	3420	400	0.5	-	-
Industrial chemicals	3510	4,800	6.4	7,534	8.9
Rubber products	355A	600	0.8	(1,014	1.1) 2/
Iron and steel	371A	700	0.9	-	-
Metal products, except machinery	3810	1,900	2.5	2,331	3.3
Other manufactures	3900	400	0.5	-	-
Total		75,500	100.0	84,935 3/	100.0

Source: Industrial Data System, op.cit.

a/ Shares (in per cent) based on total values in thousand U.S.$ at current prices).

1/ 1977 data.

2/ 1976 data.

3/ Excluding the 1976 and 1977 data.

The manufacture of wearing apparel, leather, fur products and footwear comprised 15.3 per cent of MVA in 1978 (the latest year for which we have information) versus 12,7 per cent in 1975. Clearly, Upper Volta conforms to the typical developing country pattern of composition of MVA where food products, beverages, tobacco, textiles and wearing apparel account for a major part of MVA.

Other identifiable branches contributing to MVA are the industrial chemicals branch (8.9 per cent in 1978, versus 6.4 per cent in 1975) and the metal products (except machinery) branch (3.3 per cent in 1978, versus 2.5 per cent in 1975). The branches of wood products, paper, printing and publishing, rubber products, iron and steel, and other manufactures also recorded shares in 1975 in manufacturing value added, however, our data for the year 1978 do not cover these branches.

Although, food products definitely comprise the bulk of manufacturing value added, there are some structural shifts. As becomes evident from observing the trend growth rates between 1969 and 1978 of the various manufacturing branches in Table 5, wearing apparel, leather and footwear products are taking a lead in growth (19.3 per cent average annual growth) followed by metal products except machinery (11.1 per cent average annual growth). At the same time, food products record an average annual decline of -2.6 per cent.

Table 5 Upper Volta - Trend growth rate of manufacturing, selected branches, 1969-1978

Branch	ISIC	Trend growth rate 1969-78
Food products	3110	-2.6
Wearing apparel	322B	19.3 1/
Industrial chemicals	3510	9.3
Rubber products	355A	5.3 2/
Metal products, except machinery	3810	11.1
Total		-0.6

Source: Industrial Data System, op.cit.

1/ Growth rate for 1970-1977.

2/ Growth rate for 1970-1976.

2. Location

Manufacturing is geographically concentrated at Ouagadougou and Bobo-Dioulasso and to a lesser extent at Koudougou and Banfora. Table 6 shows the geographical distribution of Voltaic industrial establishments as well as the main sub-sectors and establishments.

Table 6 Upper Volta - Number and location of industrial establishments, 1980

Industries	Number	Location/Name of Enterprise			
		Ouagadougou	Bobo-Dioulasso	Koudougou	Banfora
Food, beverages and tobacco	15	SN-SHV Covolta SIBB, Coveco Abattoir Frigorifique Kravolta Sovobra	Koudougou Soconaf Bravolta Havoci Biserie	-	SOSU-HV G.M.V. Sicopad
Textile, leather, and footwear	10	CFAA Coughin C.T.M.C. S.V.C.P. SOFTTEX BATA SOVIC	Sovolta Sobofri Softtex S.V.C.P.	Voltex	Softtex
Engineering, metal and electrical	10	Sovica, Safi (1) Voltelec Fonderie H.V. Voltaique Du Metal	Cvia Satim Profilmetaux Ivoloy Sovica Safi	-	-
Chemicals and related	11	Voltoa Fiexifoam SVPCE, SACA Somico Carvolt Sovolplas Mavie Prochimie	Sap Sopivolta	-	-
Miscellaneous	17	Papec (1) Sovis (2) Volbriceram (2) CIV Simac, Svem Sovores Sovoic E.B.A., Soremi Somitam, Imprimerie Nationale, Imprimerie Presse Africaine	Sovomac Covemi Imprimerie de la Savana		Scierie Coulibaly

(1) Closed down in 1980

(2) Temporarily closed

Source: United Nations Conference on Least Developed Countries, document LDC/CP/26 p.30

3. Employment and Size of Manufacturing Establishments

As of 1978, manufacturing establishments employed approximately 4,881 people.[1] Six companies accounted for the bulk of employment in the manufacturing sector. These companies were: Voltex (textiles), Société Sucrière Voltaique (Sosu-Hv, sugar) Voltelec (electricity), SH-SHV (soap and oil products), Bravolta (beverages) and GMV (flour and biscuits). The concentration of manufacturing activity in a few firms is necessitated by the fact of the small size of the domestic market.

Large scale industry tends to be capital intensive and the capital employed per worker is quite high. As such, job creation per unit of investment is rather low, which greatly restricts its employment potential. Judging by the estimated capital requirements of new large industrial projects, including extensions of existing plants, the average investment per worker, on a replacement cost basis, is of the order of US $10,000. There is, however, considerable variation around this average, and investment per worker may range from US $3,000 - 5,000 in simple processing (sawmills, tanning) to as much as US $20,000 - 30,000 in metal processing, sugar, cotton and textiles.[2]

Most medium scale establishments utilize modern technology, have a corporate structure, and use formal accounting systems. They also have access to protection and tax benefits provided under the Investment Code, as well as access to bank credit. They receive technical and promotional assistance from the Office de Promotion de l'Entreprise Voltaique (OPEV). Paints, paper products, cartridges and welding gases are some typical medium scale manufactures. Except for an artisan complex, all the medium scale units being envisaged for

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1/ See Appendix A-1.

2/ ECA/UNIDO Report, op.cit. According to the same source, the capital employed per worker in medium scale manufacturing is lower (but not substantially), than in large enterprises. The average investment per worker was estimated, in 1979, to be about US $7,000.

the Ouagadougou industrial estate will be using relatively modern fabrication processes to manufacture metal products, ball points pens, furniture, biscuits, and peanut butter.

The Voltaic industrial sector is mainly characterized by small scale production which takes place in units functioning mostly outside of the formal sector. These units which form the largest part of the sector, account for four-fifths of the industry's contribution to the gross domestic product, provide the bulk of indutrial employment, and meet the main part of household consumption needs for fabricated or processed goods. These enterprises manufacture a wide variety of products ranging from metal furniture to artistic handicrafts. These products often are comparatively less sophisticated products of every day use for the low income mass market. The range of techniques employed is wide and encompasses, for instance, both essentially modern metal fabrication processes and the traditional "cire perdue" casting of bronze figurines. Production is highly labour extensive and, as compared to medium or large scale view of its size, modest investment requirements, and employment potential, the small scale sector could well play an important role in Upper Volta's industrial development. Unfortunately, the small scale production sector, despite its importance, has remained poorly researched; not much is known about market prospects, employment, input consumption, and costs.[1/]

Future development of small scale industry is likely to be constrained by limited or even declining markets. The market problem reflects partly the shift away, as income rises, from low priced less sophisticated consumption goods to their factory made counterparts. In addition, small enterprises find it difficult to compete successfully as developmental support efforts are directed largely towards medium and large scale industry. Small informal sector entrepreneurs rarely benefit from low preferential rates of customs duty and other taxes on imported inputs and equipment. Similarly, small enterprises have little access to bank financing because of their inability to file proper applications or because of a lack of formal accounting.[2/]

1/ ECA/UNIDO Report, op.cit.

2/ ibid.

4. Linkages

Linkages between large and small industries are weak and unimportant: most of the inputs used by the modern large industrial units are imported except for locally procured raw materials of agricultural origin. Thus, apart from industries based on such local materials, the ratio of imports to gross output varies from 46 to 87 per cent, and is particularly high in flour milling (using imported wheat), bicycles and moped assembly, and metal manufacturing.

Maintenance and repairs are usually performed within the enterprise and very few, if any, components are bought locally. The well equipped railway shop, for example, does not have much outside work even though sufficient capacity is available. Individual industries make little use of subcontractors, e.g., the supply of light metal press work such as bicycle lamps.

The lack of such contracting for components and services reflects partly the technological gap between large industrial units and the rest of the economy, including small industrial units. But subcontracting could be developed to provide a significant market for small and medium scale firms.[1/]

5. Institutional Framework and Promotional Agencies

The Ministry of Commerce, Industrial Development and Mining is the centre of policy-making for the industrial sector. Other ministries include the Ministry of Finance, the Ministry of Public Service and Employment, the Ministry of Rural Development, and the Ministry of Planning.

Three official agencies are involved in the promotion and the development of industrial enterprises of different types and sizes. The Directorate of Industrial Development and Handicrafts in the Ministry of Commerce, Industrial Development and Mines, deals with policy and planning matters. It is also directly concerned with investment in large-scale manufacturing.

1/ ECA/UNIDO Report, op.cit.

OPEV, another agency of the same Ministry, is responsible for the promotion of small and medium scale modern enterprises. Besides providing technical assistance, training, and project follow up facilities, OPEV manages the industrial estates for small and medium enterprises in Ouagadougou. Its activities, however, extend to large scale enterprises as well since firms with total assets of 25,100 million CFAF are considered to be medium scale firms.

The Centre National de Perfectionnement des Artisans Ruraux (CNPAR) is mainly concerned with small scale units. As an agency of the Ministry of Public Service and Labour, it trains rural artisans and, through a subsidiary, the SACS (Service d'Assistance, Conseil et Soutien), provides them with credit in kind, technical assistance and marketing services. The ARCOMAS (Ateliers Régionaux de Construction de Matériel Agricole), though financially autonomous, are another subsidiary of the CNPAR.

The National Development Bank plays a relatively minor role in development financing. However, it does extensive commercial banking, accepting deposits and making loans for consumer durables, industry, housing, etc. It also makes equity investments. Furthermore, the Bank administers a small- and medium-scale enterprise guarantee fund which was established in 1969, and grants loans to majority Voltaic-owned firms with fixed investment under CFAF 25 million.[1/]

1/ ECA/UNIDO Report, op.cit.

III. INDUSTRIAL POLICY

Although the focus of the Government's development effort has justifiably been the agricultural sector, it nevertheless has recognized the important linkages between agriculture and industry and has oriented its industrial strategy toward the promotion of large-scale agro-industries such as sugar refining, cotton processing and leather tanning. The Government also has supported the development of import substitution industries and has generally encouraged local entrepreneurship. Since 1975, it has required a minimum of 51 per cent Voltaic ownership in priority sectors such as banking, insurance companies, electricity, water and fuel distribution. For all other industries, commercial and agro-industrial enterprises, a minimum of 35 per cent is required.

As its primary means of promoting industrial development, the Government offers incentives under the Investment Code and the supplementary Code devised to grant special investment concessions to small-scale enterprises. The Investment Code provides for the extensions, whenever necessary, of tariff or quota protection against similar imports to new enterprises in the priority sectors, which practically cover almost all branches of modern industry. The Code also exempts all new enterprises for five years from taxes on industrial and commercial profits. Those in the priority sectors may be partially or wholly exempted from the turnover tax for a similar period. Protective measures have been reinforced by tax holidays which subsidize production costs, although the impact of both is tempered by the imposition of controls on selling prices of most industrial concerns.

The expansion of modern manufacturing capacity, particularly the setting up of large scale undertakings, was greatly facilitated by Government's policy of actively promoting industrial development. Industrial investment has been encouraged through a package of measures consisting of tariff protection or, in a few cases, of quantitative restrictions on imports, generous fiscal incentives and term financing from banks and specialized credit institutions.

On a regional level, Upper Volta's industrial strategy is to be harmonized with that of its neighbours through membership in the Communauté Economique de l'Afrique de L'Ouest, which is in the process of setting commom external tariffs. 1/

1/ ECA/UNIDO Report, op.cit.

IV. DEVELOPMENT PLANNING

The country's experience in development planning remains relatively limited. Since 1963, four development plans have been prepared. The first one, which was intended to cover the five-year period 1963-1967, has never been implemented. The two following ones covered 1967-1971, 1972-1976, respectively, and only about 60 per cent of the provisions of each one were implemented. The third five-year development plan was approved in June 1980, however, the evaluation of its implementation would be premature.

Since 1978, the Government has decided that the plan should be prepared on a regional basis to assure better access to data and information. Efforts are being made to carry out this decision which is aimed at further involvement of the regions in the planning exercise.

For the 1980s, the current development plan sets a number of industrial objectives, among which is the exploitation and the upgrading of the agricultural and livestock resources. The two top priority branches are agro-industries and the textile industry, but it is recognized that handicrafts should not be neglected.

However, in the current five-year development plan the industrial sector as a whole is given only a third rank priority and, in what is known as "Programme Substantial d'Action", only 15 per cent of development finance is allocated to the industrial sector. This is a package which includes urban water facilities, manufacturing, mining, handicrafts, energy and hydro-electricity. In other words, the priority given to manufacturing is relatively low.[1/]

1/ ECA/UNIDO Report, op.cit.

V. CONSTRAINTS ON DEVELOPMENT

Economic development and in particular industrialization in Upper Volta has been inhibited by a wide range of constraints and obstacles.

Among the constraints which affect industrialization are the following:

- the country is landlocked, which entails high transport costs coupled with customs and transit difficulties
- hydrologic resources are poor: as a result, no fluvial transportation system can be developed and water resources are inadequate for both irrigated farming and livestock development
- the climate is hot, dry and the country is drought-afflicted
- energy resources are limited; apart from wood, Upper Volta has an untapped hydro-electrical potential of about only 400 GVH, the location of which is remote from possible consuming centres
- the population is distributed sparsely, which among other things inhibits the development of economic and administrative infrastructure
- government finance and the institutional infrastructure are in general inadequate to support industrialization
- small domestic market.

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APPENDIX

Table A-1 Upper Volta - Average number of employees in manufacturing (in units) and trend growth rates (TGR)

ISIC	1970 Units	1970 Share	1971 Units	1971 Share	1972 Units	1972 Share	1973 Units	1973 Share	1974 Units	1974 Share
3130	150	11.3	153	11.4	172	12.0	190	14.4	251	16.6
3140	61	4.6	49	3.7	54	3.8	53	4.0	55	3.6
3210	521	39.4	553	41.2	591	41.3	585	44.3	606	40.0
3230	19	1.4	23	1.7	36	2.5	34	2.6	37	2.4
3240	118	8.9	101	7.5	98	6.9	101	7.6	105	6.9
3900	453	34.3	462	34.5	479	33.5	359	27.2	460	30.4
TOTAL	1322	100.0	1341	100.0	1430	100.0	1322	100.0	1514	100.0

ISIC	1975 Units	1975 Share	1976 Units	1976 Share	1977 Units	1977 Share	1978 Units	1978 Share	70-78 TGR
3130	265	7.3	285	6.0	471	9.6	639	13.1	19.2
3140	55	1.5	63	1.3	63	1.3	60	1.2	1.7
3210	629	17.4	635	13.4	616	12.6	745	15.3	3.3
3230	38	1.0	46	1.0	46	0.9	48	1.0	11.2
3240	143	3.9	151	3.2	142	3.3	167	3.4	6.9
3900	2493	68.8	3569	75.2	3535	72.2	3222	66.0	39.3
TOTAL	3623	100.0	4749	100.0	4893	100.0	4881	100.0	23.2

Source: Industrial Data System, op.cit.

Note:
- 3130: Food products
- 3140: Tobacco
- 3210: Textiles
- 3230: Leather and fur products
- 3240: Footwear
- 3900: Other manufacturing