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Bureau de Recouvrement des Crédits du Burkina (BRCB)

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Bureau de Recouvrement des Crédits du Burkina (BRCB)¹

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Abstract

In Burkina Faso, the pre-1990s banking system was characterized by a high level of government involvement and ownership, which led to government-induced lending rather than lending based on creditworthiness. Nonperforming loans in the Burkinabe banking system grew to 10 percent of total loans in 1991. In order to address the banking crisis in 1991, the Burkinabe government entered into a Structural Adjustment Facility with the IMF and other multilateral organizations which prioritized the privatization of government-owned enterprises and included rehabilitation of the financial system. As part of this restructuring, the government established the Bureau de Recouvrement des Crédits du Burkina (BRCB), which acquired nonperforming loans from the restructured banks with the objective to liquidate and recover the assets. The BRCB operated in parallel with other bank restructuring activities, which included recapitalization, reduction of government ownership, and internal reorganization. In order to improve the BRCB's recovery, the government gave it special authority to seize assets from delinquent borrowers, and the BRCB also published names of such borrowers in an official government publication. The government dissolved the BRCB in 2002 and transferred the remaining portfolio of assets to the Treasury. The BRCB acquired CFAF 64.4 billion (USD 224.8 million) in nonperforming loans, and it recovered approximately CFAF 10.8 billion by the time of its dissolution in 2002.

Keywords: Burkina Faso, nonperforming loans, asset management companies, privatization

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Bureau de Recouvrement des Crédits du Burkina (BRCB)

At a Glance

Burkina Faso, formerly Upper Volta, gained independence from France in 1960. The country experienced multiple political regime changes in the years following its independence (Savadogo et al. 2004). Burkina Faso is a member of the West African Monetary Union (WAMU/UMOA) which has a common central bank, the *Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO), which was founded in 1962 (World Bank 1993; BCEAO 2020). Its common currency is the CFA (Communauté Financière Africaine) Franc.

In 1990, Burkina Faso's financial system consisted of a national agency of the BCEAO, eight banks with differing levels of state ownership,³ a state postal saving and checking system,⁴ four smaller consumer credit and equipment leasing organizations,⁵ and a number of smaller mutual aid organizations and cooperative societies in rural areas (IMF 1996; IMF 1998). Most of the banking system was established by the government after Burkina Faso's independence, including BND-B, the development bank. BND-B was given a prominent role in the economy, and it extended long-term loans at low interest rates for development projects. BND-B began facing financial problems in 1978 and underwent

Summary of Key Terms	
Purpose:	The "BRCB was established to liquidate, to the extent possible, nonperforming loans that were to be transferred to the Government in exchange for an infusion of capital" (IMF 1996).
Launch Dates	Announcement: 1991 (BCEAO n.d.) First transfer: 1991 (World Bank 1993)
Wind-down Dates	Dissolved by parliamentary vote on November 12, 2002 (Tanga 2002)
Size and Type of Problem	10% of banking system loans in 1991 State-directed loans to state-owned enterprises
Program Size	Not specified at outset
Eligible Institutions	Only banks participating in other restructuring and recapitalization activities Open and closed banks
Usage	CFAF 64.4 billion (USD 224.8 million) in NPLs transferred to the BRCB (Tanga 2002)
Outcomes	CFAF 10.8 billion recovered as of 2002 (Tanga 2002)
Ownership Structure	Government-owned
Notable Features	Special powers to seize and collect from debtors; part of banking system restructuring package and IMF agreement

³ The eight banks include BALIB (*Banque Arabe Libyenne Burkinabe*), BFCI (*Banque pour le Financement du Commerce et de l'Industrie*), BIB (*Banque Internationale du Burkina*), BICIA-B (*Banque Internationale du Commerce, de l'Industrie et de l'Artisanat du Burkina*), CAI (*Caisse Autonome d'Investissement*), CNCA (*Caisse Nationale de Credit Agricole*), UREBA (*Union Revolutionnaire des Banques*), and BND-B (*Banque Nationale de Developpement*).

⁴ The postal checking system was the CCP (*Comptes Chèques Postaux*) while the postal saving system was the CNE (*Caisse Nationale d'Epargne*).

⁵ These four consumer-credit and equipment-leasing agencies were FIB (*Financière du Burkina*), SBE (*Société Burkinabe d'Equipement*), SIEL (*Société Internationale d'Equipement en Leasing*), and SOBCA (*Société Burkinabe de Crédit Automobile*).

various reorganization attempts throughout the 1980s (IMF 1996).

According to the IMF, there was “severe government interference” in the Burkinabe banking system prior to the banking crisis and “evidence of government-induced lending” (IMF 1996). 40 percent of commercial bank deposits were held by government agencies and enterprises, and—within the postal banking system—deposits were frozen for a number of years because the Treasury had used the deposits to finance current expenditures and was unable to repay the deposits (IMF 1996).

In 1990, audits conducted by the BCEAO revealed that five of the eight Burkinabe banks had high levels of nonperforming loans (NPLs). Across the five banks, there was an estimated CFAF 49 billion (USD 171 million)⁶ in NPLs, but the banks had only provisioned CFAF 29 billion for loan losses. These five banks recorded losses of CFAF 21 billion and had a negative net worth of CFAF 28 billion (World Bank 1993). By 1991, 10 percent of total Burkinabe banking system loans were nonperforming; excluding short-term credit, 34 percent were nonperforming (IMF 1996).

In 1991, the government of Burkina Faso entered into a Structural Adjustment Facility (SAF) agreement with the IMF. In exchange for Special Drawing Rights (SDR) of 22.1 million, the government committed to following an economic strategy that included large-scale financial system rehabilitation and restructuring (IMF 1991). As a part of the plan, the Burkinabe government agreed to reduce the state’s participation in the capital of the banks to a maximum of 25 percent and established a recovery agency, the *Bureau de Recouvrement du Crédit de Burkina* (BRCB), for nonperforming loans (World Bank 1993). The BRCB’s objective was to recover the value of nonperforming loans transferred from the liquidated and restructured banks (IMF 1996).

The Burkinabe banks undergoing restructuring began to transfer NPLs to the BRCB in 1991. Three public banks—the BFCI, CAI, and UREBA—were placed under temporary receivership and merged, with CFAF 12 billion in NPLs transferred to the BRCB. BND-B was placed into government-controlled administration in 1991 and transferred CFAF 19 billion in NPLs to the BRCB. The BIB, which had an NPL ratio of 30 percent in 1990, transferred CFAF 17.8 billion in NPLs to the BRCB (IMF 1996).

In parallel with the removal of nonperforming assets from bank balance sheets, the government reduced bank liabilities as shown in Figure 1 below. For the 1991 restructuring activities, which totaled CFAF 49 billion in NPLs transferred to the BRCB and CFAF 21 billion in loan losses written off, the government reduced total banking system liabilities by CFAF 70 billion.

⁶ As of March 31, 1990, \$1 = CFAF 286.5 (*Communauté Financière Africaine Franc*, the African Financial Community Franc).

Figure 1. Bank Balance Sheet Restructuring in 1991

Reduction of Assets		Reduction of Liabilities	
NPLs transferred to BRCB	CFAF 49 billion*	Provisions cancelled	CFAF 29 billion
Losses written off	CFAF 21 billion	Reduction of capital	CFAF 13 billion
		Liabilities assumed by the Government	CFAF 25 billion
		Government deposits lost	CFAF 3 billion
TOTAL	CFAF 70 billion	TOTAL	CFAF 70 billion

*Note: The BRCB ultimately acquired CFAF 64.4 billion in NPLs.

Source: World Bank 1993; Tanga 2002.

Despite the financial restructuring in 1991, the financial position of the banks continued to deteriorate in 1992-93, as loan loss provisions were short by an estimated CFAF 16.2 billion (World Bank 1993). Because of the continued problems at the BND-B, the government appointed a liquidator for the bank in December 1993. Two financial leasing companies transferred NPLs to the BRCB, and between 1991 and 1996, a total of CFAF 58.8 billion in NPLs were transferred to the BRCB for recovery (IMF 1996).

In 1993, the Burkinabe government increased the BRCB's legal authority, granting it the same power as the Treasury to seize assets from delinquent borrowers. In order to improve recovery efforts, the BRCB published a list of 5,400 names of delinquent borrowers in 1993 in the Official Journal. The BRCB's portfolio included loans to private organizations that had either ceased operations or were facing financial difficulties as well as loans to government agencies and enterprises (IMF 1996).

Despite its special powers, when the BRCB was dissolved in 2002, its portfolio totaled CFAF 64.4 billion, and it had only recovered 17 percent, or CFAF 10.8 billion (Tanga 2002).

Summary Evaluation

According to the IMF, the BRCB was hamstrung by a number of factors, which included delayed transmission of loan files, missing documentation, lack of digitalization, high legal fees related to the liquidation of the BND-B, and lack of coordination with other enforcement authorities (IMF 1996). The restructuring of the Burkinabe banking system was also hampered by disputes between banks, the BCEAO, and the BRCB (Joseph 2002). The *Commission Bancaire*, the bank supervision organization for the WAMU countries, found that the BRCB had internal accounting and organizational issues (IMF 1996).

Bureau de Recouvrement des Crédits du Burkina (BRCB): Burkina Faso Context	
GDP (SAAR, Nominal GDP in LCU converted to USD)	\$2.63 billion in 1990 \$2.75 billion in 1991
GDP per capita (SAAR, Nominal GDP in LCU converted to USD)	\$298.50 in 1990 \$303.86 in 1991
Sovereign credit rating (5-year senior debt)	Ratings not available for 1990 and 1991
Size of banking system	Data not available for 1990 and 1991
Size of banking system as a percentage of GDP	Data not available for 1990 and 1991
Size of banking system as a percentage of financial system	Data not available for 1990 and 1991
5-bank concentration of banking system	Data not available for 1990 and 1991
Foreign involvement in banking system	Data not available for 1990 and 1991
Government ownership of banking system	Total government ownership by bank: 51% of BICIA-B, 25% of BIB, 6% of BND-B, 10% of BFCI, 27% of CNCA, 50% of BALIB
Existence of deposit insurance	No in 1991 and 1992
<i>Sources: IMF 1996; 1998; World Bank Database.</i>	

Key Design Decisions

1. Part of a Package: The BRCB was a key component of the restructuring and rehabilitation of the Burkinabe banking system.

In 1991, Burkina Faso entered into a Structural Adjustment Facility (SAF), which was supported by the IMF, World Bank, and other bilateral and multilateral creditors (IMF 1996). The IMF approved the SAF with special drawing rights (SDR) of 22.1 million on March 13, 1991, with a three-year term. The economic strategy had the goal to “reduce financial imbalances and promote growth by increasing the role of the private sector while reducing and refocusing that of the state” (IMF 1991).

As a part of its IMF arrangement, Burkina Faso embarked on an economic strategy that included restructuring and rehabilitating the banking system. There were five components of the banking system restructuring in Burkina Faso:

- a) recapitalizing problem banks;
- b) reducing the government’s share in banks to a non-controlling level;
- c) creating the BRCB, a loan-recovery bureau for NPLs;
- d) reorganizing and downsizing bank management; and
- e) returning funds borrowed by the Treasury to the postal savings and checking banks (CNE/CCP) (IMF 1996).

2. Legal Authority: The Burkinabe government passed a law in March 1991 establishing the BRCB.

On March 7, 1991, the government passed a law that established the BRCB.⁷ The government also published an ordinance that outlined provisions for the BRCB’s operations (BCEAO n.d.).⁸

⁷ The legislation, in French, was “*J.O./B.F. n° 10 du 07 mars 1991 (création du BRCB).*”

⁸ The ordinance title was “*Zatu n° An VIII-19 FP-PRES, portant dispositions particulières applicables au recouvrement des créances compromises des établissements de crédit cédées à l’Etat Burkinabé,*” which translates to an ordinance “laying down specific provisions applicable to the recovery of compromised debts of credit institutions ceded to the Burkinabe State.”

3. Special Powers: In 1993, the BRCB was granted special legal authority for debt collection and recovery, as only back taxes were senior to BRCB claims. The BRCB also published the names of delinquent borrowers in the official government publication.

Two years after establishing the BRCB, the Burkinabe government elevated the BRCB's legal authority for debt recovery (IDA 1993). The 1993 legislation provided the BRCB with the same level of authority to seize assets as the Treasury. Only back taxes were senior to BRCB collection efforts. Despite the "powerful tools at its disposal," the BRCB had recovered only 10% of the value of transferred assets by 1995 (IMF 1996).

4. Mandate: The BRCB's mandate was to minimize losses and manage nonperforming assets through the legal system by pursuing defaulting borrowers.

According to the IMF, the BRCB had a mandate to "recover to the extent possible the portfolio of nonperforming loans it had inherited from banks undergoing liquidation or restructuring" (IMF 1996).

5. Ownership Structure: The BRCB was fully owned by the government.

The BRCB was a government-owned entity (IMF 1998).

6. Governance/Administration: The BRCB was housed in Burkina Faso's Ministry of Finance, and the BCEAO Governor chaired the bank supervisory body that had oversight authority of the BRCB.

The BRCB was created in 1991 within Burkina Faso's Ministry of Finance (IMF 1998). On June 6, 1991, the government passed legislation that appointed a director of the BRCB (BCEAO n.d.).⁹

Prior to the rehabilitation of the banking system, the BCEAO founded the *Commission Bancaire*, the bank supervisory body for WAMU countries. It was established in 1990 with headquarters in Cote d'Ivoire (IMF 1996; BCEAO n.d.).¹⁰ The *Commission Bancaire*, which was chaired by the Governor of the BCEAO, conducted audits of the BRCB (IMF 1996).

7. Size: Though there does not appear to be a preestablished size for the BRCB, it acquired a total of CFAF 64.4 billion in nonperforming assets.

It does not appear that the government set a maximum value of assets that the struggling banks could transfer to the BRCB. By 1996, the Burkinabe banks had transferred a total of

⁹ *Kiti n° An VIII-320 FP-MF, portant nomination d'un Directeur du Bureau de Recouvrement des Créances du Burkina (BRCB) / J.O./B.F. n° 23 du 6 juin 1991.*

¹⁰ *Kiti n° An VIII-320 FP-MF, portant nomination d'un Directeur du Bureau de Recouvrement des Créances du Burkina (BRCB) / J.O./B.F. n° 23 du 6 juin 1991.*

CFAF 58.8 billion to the BRCB, and when the agency was dissolved in 2002, a total of CFAF 64.4 billion in NPLs had been transferred (IMF 1996; Tanga 2002).

8. Funding Source: In order to finance the Burkinabe bank restructuring, the government relied on asset sales, loans from banks and official lenders, and Burkinabe taxpayers.

The transfer of NPLs was one component of the financial system restructuring, and the IMF estimated that the total cost of bank restructuring in Burkina Faso was CFAF 48 billion. For the restructuring activities of the state development bank, the BND-B, the government borrowed CFAF 16 billion from the national social security fund (CNSS) under a six-year loan with 9 percent interest. The government also borrowed CFAF 3.3 billion from the investment bank, CAI, under a loan with a 15-year term carrying 3 percent interest. Furthermore, the government converted the BND-B's CFAF 9 billion debt to the BCEAO to long-term government debt to the BCEAO with a 15-year maturity—including a three-year grace period—and 3 percent interest rate (IMF 1998).

For the BIB, BICIA-B, and BFCI-B, the government reimbursed the banks for the transfer of NPLs using government bonds with a value of CFAF 11.8 billion and a 15-year term, 21-month repayment holiday, and 3 percent interest. Two financial leasing companies, the SOBCA and SIEL, received financing of CFAF 1.5 billion in exchange for transferring their NPLs to the BRCB (IMF 1998).

In addition to issuing bonds, the government relied on CFAF 6 billion in budgetary allocation and CFAF 2 billion in foreign financing from the *Caisse Française de Développement*, the French Development Agency (CFD) (IMF 1998).

As of 1998, Burkinabe banks held CFAF 10.4 billion in government bonds that were offered in exchange for the transfer of nonperforming loans (IMF 1998).

9. Eligible Institutions: The BRCB purchased assets from banks that the government was in the process of recapitalizing or restructuring.

The BRCB was one component of the Burkinabe financial system restructuring, and banks undergoing other restructuring activities transferred NPLs to the BRCB. There does not appear to be a limit on which of the eight Burkinabe banks were eligible to transfer nonperforming assets, though not all banks transferred assets to the BRCB. According to the IMF, the BICIA-B was in comparatively strong position in 1990, and it decided not to request support in order to maintain its “image of a quality bank” (IMF 1996).

Not all nonperforming assets were transferred from the BND-B to the BRCB, as some assets were transferred to the BND-B Liquidation Commission (IMF 1998).

10. Eligible Assets: It does not appear that there were restrictions on the types of nonperforming loans eligible for transfer.

Eligible banks transferred portfolios of nonperforming loans to the BRCB. It does not appear that there were restrictions on the types of nonperforming loans eligible for transfer. As of 1996, the IMF reported that the BRCB's portfolio included:

- CFAF 13.1 billion in loans to government agencies and enterprises;
- CFAF 10.7 billion in loans to private enterprises that had ceased operations;
- CFAF 24.8 billion in loans to private enterprises still operating but experiencing financial difficulties; and
- CFAF 10.2 billion in loans to unidentified borrowers.

Loans secured by real estate were eligible for transfer, as the BRCB owned approximately CFAF 800 million in real estate collateral in 1996 (IMF 1996).

11. Acquisition – Mechanics: The amount of NPLs transferred was based on prior BCEAO audits of each bank's financial statement.

Audits from the BCEAO, and later from the *Commission Bancaire*, examined and determined the amount of NPLs on the Burkinabe bank balance sheets. Based on the audits and restructuring plan, the bank and restructuring authorities determined the amount of NPLs to be transferred to the BRCB (IMF 1996).

12. Acquisition – Pricing: The transferring banks and the government agreed on the value of NPLs to transfer to the BRCB.

It does not appear that the BRCB published details regarding pricing or asset valuations. As a part of the audits of the Burkinabe bank balance sheets, the authorities and the banks would determine the amount of NPLs to be transferred to the BRCB. As a part of the determination of which loans to transfer, it is expected that the authorities and banks agreed upon the transfer price (IMF 1996).

13. Management and Disposal: The BRCB recovered CFAF 10.8 billion from its portfolio through its special authority to seize assets and recover the value of nonperforming loans from delinquent borrowers.

By 1996, the BRCB had recovered CFAF 5.7 billion from its portfolio on NPLs, and it ultimately recovered CFAF 10.8 billion by the time of its dissolution (IMF 1996; Tanga 2002). The exact mechanism for recovery or disposal is unclear, the BRCB had special authority to seize assets from delinquent borrowers, and the BRCB published a list of delinquent borrowers in an official government publication in order to improve recovery efforts (IMF 1996).

14. Timeframe: Although it does not appear that the BRCB had a predefined sunset date, the government voted to dissolve the BRCB on November 12, 2002.

It does not appear that the BRCB had a predefined sunset date. On November 12, 2002, the parliamentary body voted on a measure to dissolve the BRCB, with 79 of the 102 officials voting to dissolve the agency (Tanga 2002). The remainder of the BRCB's portfolio of assets was transferred to the Treasury, specifically to the Department of Litigation and Collection (Tanga 2002).¹¹

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