

THE INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

BURKINA FASO

**Joint Staff Assessment of the Poverty Reduction Strategy Paper
Annual Progress Report**

Prepared by the Staffs of the International Development Association and
the International Monetary Fund

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1. The annual progress report of the poverty reduction strategy paper (PRSP-PR) takes stock of the first year of implementation of the PRSP since it was submitted to the Executive Boards for consideration. It presents in a clear fashion the progress achieved, and difficulties encountered, in implementing the four key pillars of the PRSP: (i) accelerating equity-based growth; (ii) promoting access to basic social services for the poor; (iii) expanding opportunities for employment and income-generating activities for the poor; and (iv) promoting good governance. It also discusses the efforts undertaken by the authorities to improve the poverty monitoring system, incorporate stakeholders' views in the process of updating the strategy, and produce and disseminate information on economic and social issues. Finally, the report presents the next steps, notably with respect to the updating of the main elements of the poverty reduction strategy, as well as the review of the program of priority actions for the period 2001-04. The staffs consider the PRSP-PR to provide a good basis for evaluating progress in implementing the strategy.

A. PRSP Objective 1: Accelerating Broad-Based Growth

2. **Growth and macroeconomic framework.** Burkina Faso has faced unforeseen constraints in executing its priority poverty reduction program, linked with exogenous shocks and lower than expected receipt of funds under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) because of delays in finalizing agreements and non-participation by certain creditors. Nonetheless, it has continued to promote an enabling environment to foster growth, has carried out its poverty reduction program, and has ensured the effective implementation of priority actions, as listed in the PRSP. In 2000, the exogenous shocks lowered real GDP growth to 2.2 percent, compared with a projected growth rate of 5.7 percent. Confronted with this evidence of the fragility of the economy, the authorities have realized that the growth target presented in the PRSP (an average of 7 percent real GDP growth for the period 2000-04) would be difficult to achieve. Projected real GDP growth over this period has been revised downward to 6 percent while preserving the poverty

reduction objectives. While such a growth level could be achieved, the staffs' calculations indicate that a slightly lower growth level of about 5½ percent per annum would be more in line with Burkina Faso's potential. This revision implies that the reduction in the poverty head count (i.e., from 45 percent to 30 percent by 2015) needs to be carefully reexamined. This is especially true in light of the likely increase in unemployment that the return of Burkinabè from Côte d'Ivoire, following the economic and political deterioration in that country, will generate. Overall fiscal targets and financing assumptions remain appropriate under the lower growth prospects. Additional targets in the PRSP for the period 2000-03 included achieving an inflation rate of less than 3 percent and a current account deficit in the balance of payments, excluding grants, of 13 percent of GDP. These targets are still likely to be met; staffs, however, regret the absence of a discussion of monetary and external sector policies in the PRSP-PR. The authorities have persevered with structural reforms, including the privatization agenda, deregulation of the telecommunications and energy sectors, and some cotton sector reforms; however, the bulk of the cotton sector has yet to be liberalized.

3. **Public finance.** The PRSP-PR indicates that, notwithstanding the economic downturn and ensuing lower revenue in 2000 and the first semester of 2001, expenditure on social sectors was maintained at levels committed to in the PRSP, and most of the PRSP targets for 2000 were met, including on fiscal efficiency. In particular, the government focused on improving program budgets, decentralizing budget implementation in health and education, updating the medium-term expenditure framework (MTEF) and public expenditure reviews (PERs) in the education and health sectors, decentralizing the budgetary system and the institutional problems linked to the implementation of the public investment program. The main recommendations of the PERs will be incorporated in the recently adopted ambitious medium-term budgetary reform program, Plan de Renforcement de la Gestion des Dépenses Budgétaires (PRGB).¹ This program will benefit from the recommendations of the Country Financial Accountability Assessment (CFAA), which the World Bank is preparing in collaboration with other donors. With the assistance of the IMF, the fiscal module of the Report on the Observance of Standards and Codes (ROSC) was elaborated. An action plan was developed to improve the capacity of the public expenditure management system to track and report on the uses of poverty-reducing expenditures.

B. PRSP Objective 2: Promoting Access by the Poor to Social Services

4. The PRSP-PR shows that the government has made significant progress in implementing the education and health plans in 2000. Notwithstanding the economic downturn, it maintained social spending, met most of the targets, and completed PERs in these sectors. While some improvements in outcomes were small, this was to be expected in the first year of implementation of the strategy.

5. **Basic education.** While all the short-term targets were met, the PRSP-PR mentions a mixed performance in the primary education area. It emphasizes that additional efforts will

¹ This program will be supported by the second Poverty Reduction Support Credit (PRSC II), scheduled for World Bank Board presentation in 2002.

be needed to increase access to schools in the poorest provinces, in particular for girls. Also, the cost paid by parents of school attendance at the primary level increased by some 17 percent between 1999-2001, as the cost of school meals rose because of the 2000 harvest shortfall. This is expected to be reversed with the good harvest of late 2001—early-2002. Concerning the updated strategy in the PRSP-PR, the initiation of the ten-year basic education program and its integration in the decentralization process is consistent with the PRSP, and resources will be aligned to meet the goals of the sector. However, more efforts are needed to improve the effectiveness and efficiency of spending in this sector, to correct the low and unequal access to basic education, to reduce the high cost of schooling and the wastage of resources (including through improving priorities for project selection and costing of projects), and to improve the quality of education and the weak capacity for management and supervision.

6. **Health.** The PRSP-PR notes that progress towards meeting the PRSP objectives has been generally satisfactory with most targets met or exceeded. Notable progress was achieved in raising immunization coverage rates, ensuring a good supply of essential drugs, and improving staffing of primary health facilities. The government has taken an important step forward by removing fees for preventive services. Moreover, it has fostered greater involvement of village health committees (COGES) in determining priorities, formulating strategies and overseeing resources from cost recovery. As pointed out in the PRSP-PR, however, there is room for improvement in a number of areas. Utilization of health care services remains low with no discernible improvement in the past year. Further work is required to address the weak demand for health care, notably by rationalizing fees for drugs and consultations to ensure that they do not pose a major barrier for the poor. Efforts are also needed to improve the performance of primary health care facilities (CSPS) by reducing staff turnover, improve limited career development possibilities and boost morale. The involvement of women in COGES needs to be expanded to ensure that their preferences and priorities are incorporated in the bottom up planning process. Finally, the recent establishment of the National HIV/AIDS/STI Council in the president's office is expected to enhance the program's visibility, strengthen national leadership, and improve coordination.

C. PRSP Objective 3: Increasing Employment and Income-Generating Opportunities for the Poor

7. Given the dominant role of agriculture in the overall economy (accounting for about 40 percent of GDP and 78 percent of employment) and the concentration of nearly 95 percent of the poor in rural areas, the PRSP focuses rightly on establishing the conditions for accelerated growth in agriculture as the main vehicle for providing income-generating activities to the poor.

8. The joint staff assessment of the PRSP noted that the action plan for rural development, derived from the Strategic Orientation Document (SOD), focused on appropriate subsectoral interventions but lacked a broader strategy for rural growth and poverty reduction. This weakness is repeated in the PRSP-PR. The authorities should promptly address this through the formulation of a comprehensive rural development strategy

with measurable indicators and targets. In the context of providing support to productive sectors, correctly emphasized in the PRSP as necessary for growth, there is little indication of current developments concerning access to agricultural inputs (notably in the cotton sector), or measures to diversify rural incomes and increase the competitiveness of agricultural exports (such as access to market information, financial services, and appropriate technologies). The staffs recommend that the government, with the assistance of the World Bank, develop an integrated and comprehensive strategy for rural growth, incorporating the various subsectors action plans, with outcome indicators that encompass the views of all relevant stakeholders. This strategy should be described in the next PRSP progress report.

D. PRSP Objective 4: Promoting Good Governance

9. The PRSP-PR describes the actions taken to promote good governance in 2000. In particular, the staffs welcome the steps taken to fight corruption, including the publication of tenders on government contracts, the initiation of the revision of the general regulation of procurement, the monitoring of compliance with tax legislation by enterprises in the formal sector, the creation of an Ethics Committee, and the emergence of a national anticorruption network—the latter a civil society initiative. Furthermore, the PRSP-PR emphasizes the authorities' commitment to implement the recommendations of the CFAA, which is being conducted in collaboration with the World Bank. The PRSP-PR, however, is silent on indicators and targets to monitor the implementation of these initiatives. For the updated strategy, the authorities' plan to encourage and strengthen the dialogue with civil society is welcome. However, the anticorruption drive should be reinforced, in particular through the setup of the anticorruption unit envisaged in the PRSP before the end of 2001. This unit should be independent of the government and have the jurisdiction to investigate and review cases, as well as refer cases to the competent judicial authorities.

E. Monitoring, Evaluation, and Revision of the PRSP Strategy

10. The government has set up good institutional arrangements, involving decision makers at the highest levels, to monitor the PRSP process. The three committees are working well and are starting to produce reports. However, the PRSP-PR does not discuss progress in improving the adequacy of data collection and analysis, which are inherent parts of a sound monitoring and evaluation system. Social statistics are still incomplete, scattered among various ministries, and untimely. There is an urgent need to activate the centralized unit to monitor social spending and outcomes, to update and implement the statistical master plan, prepared with the assistance of the World Bank and AFRISTAT, and to prepare the third national household survey. The authorities propose to elaborate a set of indicators for monitoring and evaluation of the PRSP within the "reformulated conditionality test initiative," although the timing and use of the results from this initiative is not specified in the PRSP-PR. This should be remedied in subsequent reports. An additional aspect that needs to be addressed concerns the inclusion of key stakeholders in the selection of indicators and in the monitoring process. This issue could be addressed in the Participatory Poverty Assessment (PPA), which is being prepared with the support of the World Bank.

11. The government should be commended for its considerable PRSP outreach program. It has made great efforts to disseminate the PRSP, publicize its main actions, and intensify the debate on poverty reduction, as documented in the PRSP-PR. The participatory process associated with the implementation of the PRSP, designed to obtain feedback for revising the strategy and fostering ownership, has thus been greatly strengthened. The PRSP-PR report is candid about the concerns raised by domestic stakeholders and proposes to incorporate many of these concerns in their plans for updating the PRSP. Also, the PRSP-PR was disseminated by the authorities in Ouagadougou in September 2001 and discussed by a large audience, including government officials, civil society, and development partners, all of whom openly expressed their views on the strength and weaknesses of the first year of the PRSP implementation. While the authorities underlined the difficulties so far encountered in getting the implementation of the PRSP off the ground, they reiterated their commitment to the strategy and openly discussed the progress achieved and difficulties encountered in the implementation of each of its four pillars.

12. The authorities plan to update the four main pillars of the PRSP, and the staffs broadly agree with the work program outlined. After updating the macroeconomic and budgetary framework (2002-04) in light of the recent domestic and global economic slowdown and incorporating the results of the September 2001 Fund staff review of the program supported by the Poverty Reduction Growth Facility (PRGF), the authorities also plan to develop measures to complement the sectoral strategies established for the period 2001-04. The program, to be supported by HIPC Initiative related resources, will take into account new concerns expressed by the key stakeholders and will be designed to support the most vulnerable members of society. The staffs welcome the integration of the measures into the annual budget and the MTEF, but the authorities should endeavor to improve the process of costing, prioritizing along the revised indicators, and implementing the proposed measures. Also, staffs encourage the authorities to start working on updating the policy matrix and to include it in next year's progress report.

F. Conclusions

13. In the view of the staffs, the PRSP-PR provides a good basis for evaluating progress in the implementation of the government's poverty eradication strategy. The report is candid and comprehensive in its coverage. It presents accomplishments where progress was achieved, discusses problems where targets were not met, and clearly highlights areas for further improvement. The staffs welcome in particular the progress achieved in intensifying the debate on poverty reduction in the country and fostering the participatory process associated with the implementation of the PRSP and its revision. Moreover, it is noted that, despite a reduction in government revenues in 2000 and first semester of 2001, expenditures in priority sectors has been maintained at adequate levels. At the same time, areas for further improvement include the need to update the medium-term macroeconomic framework (and its links to poverty reduction), presenting concrete steps for setting up a monitoring and evaluation system for the PRSP, developing a global vision on rural development, and strengthening social statistics.

14. The staffs of the World Bank and IMF consider that the country's efforts to implement the strategy provide sufficient evidence of its continuing commitment to poverty reduction and, therefore, that the strategy continues to provide a credible poverty reduction framework and a sound basis for World Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.