

**Burkina Faso—Poverty Reduction Strategy Paper Progress
Report—Joint Staff Assessment**

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper Progress Report for **Burkina Faso**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) Annual Progress Report or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

BURKINA FASO

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

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

Approved by Amor Tahari and Mark Plant (IMF)
and Callisto Madavo and Gobind Nankani (IDA)

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I. INTRODUCTION

1. The third annual progress report (APR) on the implementation of the 2000 poverty reduction strategy paper (PRSP) was prepared by the government during June-October 2003. With a view to preparing for the revision of the PRSP in early 2004, the APR discusses the policies implemented and results obtained in 2002, and summarizes the achievements during 2000-02. The progress report also outlines policies and objectives in an annex. It was validated by a high-level seminar in July 2003 with participants from government, private sector, civil society, and the donor community. It also benefited from regional consultations undertaken in May-June 2003 to prepare the revision of the PRSP in 2004.

2. **The progress in implementing the PRSP is well documented, although the report could have further deepened the analysis of links between policy implementation and outcomes and presented policies and targets for 2003-04 more comprehensively.** The progress report presents a variety of macroeconomic, budgetary, and sectoral statistics and discusses a considerable number of PRSP indicators. Overall, during 2000-02, progress in raising growth rates and improving social outcomes was slower than originally projected, despite the broadly satisfactory implementation of macroeconomic and sectoral policies and some improvements in key social indicators. In this respect, the progress report could have displayed more of the government's analysis regarding the links among policies, outputs and outcomes, and could have expanded the analysis of the impact of government spending. It would also have been useful to set out the agenda for the way forward on the basis of lessons learned during the past three years. Future progress reports could usefully include a more detailed discussion of future policies and objectives in the main text rather than the annexes. In the context of the PRSP revision, the government should carefully analyze recent poverty trends on the basis of the 2003 household survey and enlarge the coverage of cross-cutting issues, such as gender and environmental concerns. The revised PRSP would benefit from the inclusion of a detailed policy matrix, in order to make the document more operational, as

well as the development of alternative growth scenarios to present policy options for coping with different external shocks.

II. IMPLEMENTATION OF THE PRSP AND PROSPECTS FOR 2004

A. Macroeconomic Policies

3. **The progress report describes a generally adequate set of macroeconomic policies and outcomes for 2000-02.** In 2002, the Burkinabè economy grew by 4.6 percent, or 1 percentage point less than originally projected, as a result of a slower-than-anticipated growth in agricultural output and the impact of the crisis in Côte d'Ivoire late in the year. However, unanticipated abundant rainfall and an increase in the effective cotton producer price generated a large increase in cereal and cotton output, resulting in a real GDP growth rate estimated at 6.5 percent in 2003. Inflation is estimated to have abated to less than 2 percent at end-December 2003, on a 12-month basis, compared with about 4 percent in December 2002. The external current account deficit, including official transfers, narrowed during 2002-03. Fiscal consolidation efforts remained solid, in spite of continued weaknesses in tax administration and current spending overruns in 2002, the latter owing to (i) humanitarian assistance to the more than 200,000 refugees returning from Côte d'Ivoire, as well as border patrol and security spending; and (ii) higher-than-planned outlays for the May 2002 legislative elections. The basic fiscal deficit was contained at less than 4 percent of GDP in both 2002 and 2003.

4. Following the diversification of transportation routes and redirection of trade during 2003, the real GDP growth rate is projected at about 5 percent in 2004, despite continued tensions in Côte d'Ivoire. Inflation and the external current account deficit are targeted to remain stable in 2004, while the basic fiscal balance is programmed to narrow by about one percentage point of GDP, reflecting a major strengthening of tax and customs revenue collection. The staffs of the Bank and the Fund believe that these macroeconomic objectives, including the fiscal targets, are realistic and provide a sound basis for implementing the programs under the PRSP. They would stress, however, the need for the authorities to carefully monitor the composition of external debt to ensure sustainable debt levels, and to continue to accelerate the absorption of HIPC Initiative funds in social sectors.

B. Growth and Competitiveness

5. **In the APR, the government summarizes the policies that were implemented during 2000-02 to improve economic competitiveness, raise rural incomes, and diversify the economy.** Some important advances were made in reducing administrative hurdles for investors, liberalizing trade and prices, executing the privatization program, enhancing road infrastructure, and supporting agricultural diversification and intensification, including through community-driven initiatives. However, overall performance was mixed and progress in enhancing economic competitiveness was limited. The staffs believe that both implementation capacity and strategies in this area deserve to be strengthened during the revision of the PRSP.

6. In its 2000 PRSP, the government set an ambitious real GDP growth rate target of 8 percent for 2002-03 on the basis of policies that would remove structural impediments. In the event, limited progress in reducing factor costs and external shocks, such as adverse weather conditions during 2000-01, the deterioration of the terms of trade, and the Ivorian crisis, constrained Burkina Faso's average growth rates to about 4.5 percent during 2000-03. **The progress report could have highlighted the existing obstacles to accelerating growth**, since the PRSP continues to emphasize equitable growth as the central means to reducing widespread poverty. In this context, particular attention should be given to strategies to reduce unit labor costs, enhance productive skills, and lower electricity and other factor costs. Moreover, the staffs believe that policies to facilitate and enhance trade deserve further attention, including the marketing of agricultural products, promotion of downstream processing facilities, and further trade integration in the context of the West African Economic and Monetary Union (WAEMU).

7. **The report devotes significant attention to government policies underpinning the development of the rural economy, where the majority of the population resides.** It describes a number of actions that were undertaken to reduce the vulnerability to weather conditions, increase production of livestock and cereals, encourage diversification of agricultural activities, build and manage rural roads and water infrastructure, and protect the most vulnerable segments of the population. The staffs believe that these policies address important constraints on a rural population exposed to shocks and promote the inclusion of this population in the national economy. However, they encourage the authorities to implement their new rural development strategy, to tie together interventions tackling developmental constraints as part of an overall poverty reduction and economic growth strategy. It would be useful to conduct a poverty and social impact analysis of proposed policies, based on recent survey data, in order to support government strategies aimed at improving rural incomes and at reducing vulnerability. In this respect, the report could have discussed more the strategy for cotton production, which is the predominant export good and cash crop. In the area of social protection, it would be desirable to integrate food security issues more closely with the development strategy.

C. Social Services

8. The report indicates that enhancing social services to improve key social indicators remained one of the government's priorities in 2002, as reflected in the large share of budgetary and Initiative for Heavily Indebted Poor Countries (HIPC Initiative) resources devoted to these sectors. After slow progress in several areas during 2000-01, indicators show some encouraging signs of improvement in 2002, especially as regards school enrollment rates. The PRSP revision that is under way could usefully build on the experiences in these areas in making the appropriate readjustment in strategies and sectoral budget allocations to further pursue PRSP objectives.

9. **Education. The report shows advances in access to schooling and school enrollment rates in Burkina Faso in 2002.** First-grade admission rates in school-year 2002-03 reached almost 53 percent (45.4 percent for girls). Primary school enrollment rates increased by more than 2 percentage points to 47.5 percent during the same school year,

while primary school repetition rates declined considerably but less than targeted. Overall, the staffs believe that the figures show the positive impact of the acceleration of infrastructure investments and increased hiring of primary school teachers in the past two years under the ten-year basic education development plan (PDDEB). However, progress has been slower than originally projected, and it would be necessary to further accelerate and deepen the implementation of the strategy and adjust school enrollment targets in light of the current outcomes.

10. The reported figures also raise several challenges for the education sector that could have been outlined in the text, along with the government's policy response. In order to sustain and build on the gains made in 2002, further improvements in the quantity and, especially, the quality of education are necessary. In this respect, the low execution rate of deconcentrated budgets and the decline in coverage of the 2002-03 cohorts with schoolbooks is worrisome and would need to be corrected as early as possible. Additional action needs to be taken to bolster girls' enrollment rates, which continue to lag. Moreover, better monitoring is needed as regards effective teaching hours and teachers' presence. Finally, the transition of students from primary to secondary education needs to be carefully planned, so as to ensure a financially sustainable expansion of the education system, given the increasing primary graduation rates.

11. **Health. The most recent data presented by the government shows that key health indicators improved further in 2002.** In particular, most vaccination rates exceeded the targets, and yellow fever vaccination rates rebounded after the vaccine supply problems were resolved. Usage rates of health centers and health center staffing also improved somewhat, although progress in meeting staffing norms was slower than targeted. Overall, the health sector shows some modest improvement in service supply and outputs, but the report is largely silent on health outcomes, including those tracked under the Millennium Development Goals, given that data from the 2003 demographic and health survey are not yet available. Future reports could also discuss the execution of the health budget, especially at the deconcentrated level, which continues to show poor results. Overall, the staffs believe that a strengthening of capacity in the Ministry of Health in the context of the ten-year health development plan is warranted to more effectively translate budgetary resource allocations into improved health outcomes. As regards the fight against HIV/AIDS, the report summarizes the different initiatives undertaken by the government in close collaboration with donors and civil society organizations. These efforts have been successful in controlling the spread of the virus and stabilizing the HIV-positive share of the population, which, at 6.5 percent, still remains high by West African standards.

D. Budget Management and Governance

12. **The government made commendable efforts in 2002 to formulate a coherent and comprehensive action plan for public expenditure reform (PRGB—*Plan de Renforcement de la Gestion Budgétaire*)** on the basis of a variety of analytical work undertaken by the Fund, the Bank, and other donors. A recent donor-financed review of its implementation and scope shows that significant measures under the PRGB have already been taken. However, overall implementation fell short of the ambitious agenda as a result of

shortages in financial and human capacity, as well as insufficient prioritization and coordination. The staffs, therefore, believe that it would be desirable to emphasize the implementation and monitoring of the PRGB in the PRSP process, and to ensure that financial resources are put in place to execute the PRGB. Moreover, in the context of the PRGB, additional emphasis should be given to enhancing the efficiency of tax and customs revenue collection, so as to make progress toward meeting the WAEMU's revenue-related convergence criterion, and to ensure that the government can sustain its social spending programs without increasing its dependency on external aid. Furthermore, the recording of foreign-financed spending should be improved in order to better budget for, and monitor the effectiveness of, these resources.

13. As outlined by the report, in 2002, the government improved governance in several areas. The elections for the national assembly, which were considered to be free by international observers, saw large gains for opposition parties. In addition, the restructuring of the Supreme Court into four independent institutions, including the Auditor General's Office, reinforced the independence of the justice system and the ex-post control of government financial activities. In this respect, the staffs welcome the revision of the good governance plan and believe that the PRSP should be the key instrument to implement and monitor its priority actions. The staffs also welcome the development, in 2002, of the five-year action plan to strengthen the justice system, as well as the creation of the high authority for the coordination of the fight against corruption, which will utilize the different investigative reports of internal and external auditing bodies. The government should now ensure that the action plan is satisfactorily financed and monitored, and that the high authority has the operational capacity to conduct its work.

14. In the area of decentralization and local governance, the staffs welcome the reinvigoration of the decentralization process in 2002, including the restructuring of the ministry in charge of decentralization, and the government's intention to clearly redefine the roles and objectives of various administrative layers. They encourage the government to swiftly finalize and adopt the related legal documents in order to set a comprehensive framework for the ongoing deconcentration of social services and the devolution of responsibilities to regions and local authorities, while local capacity is being reinforced. The decentralization framework would also need to clearly specify local government revenues, budget authority, and budget controls.

III. MONITORING, EVALUATION, AND PARTICIPATORY PROCESS

15. **The report retraces the development of the monitoring and evaluation system under the PRSP in 2000-02 and candidly points out the difficulties encountered in the process.** The staffs believe that the timely production of annual social statistics is crucial to ensure the proper monitoring of relevant indicators and the prompt disbursement of donor support that is linked to specific outcomes. Although progress has been made in defining operational monitoring indicators, the staffs encourage the government to strengthen the analysis of budget implementation, including the execution of program budgets, in order to develop links between budgetary expenditure and results and increase the efficiency of government intervention. As mentioned in the report, several line ministries were only

weakly integrated into the PRSP process by way of sectoral groups. Moreover, monitoring and evaluation rarely focused on the budget as a core instrument of PRSP implementation. The staffs believe that these weaknesses, arising from the experience during 2000-02, need to be corrected as soon as possible to ensure the central role of the PRSP in defining government priorities and arbitrating resource demands. As regards poverty analysis, a new household survey was conducted in 2003. Preliminary data analysis presented by the authorities indicates that poverty rates have not declined during the period 1998-2003, while income equality remained stable. However, the authorities should carefully review the methodology of poverty measurement, as current survey results are not consistent with positive per capita growth during the same period.

16. **As regards participation, the report outlines the learning process that has been under way since the inception of the PRSP.** The staffs are encouraged by the increasing understanding of the role of the PRSP by civil society and private sector groups, and their more active involvement in the different workshops held under the PRSP process, including through the recent introduction of regional consultations. The high-level seminar in July 2003 to discuss the progress report also included representatives of the private sector and civil society, and a group of non-government organizations conducted its own three-day workshop on the progress report in July 2003. Nonetheless, the staffs believe the government should foster more informal exchanges with different groups of civil society and the donor community at early stages of PRSP reviews, and would recommend that the progress reports be discussed by the national assembly in the context of the government's budget and medium-term expenditure framework.

IV. CONCLUSION

17. **In the view of the staffs, the 2002 progress report presents a candid and well-documented picture of the PRSP's implementation in 2000-02.** Despite severe exogenous shocks, the macroeconomic program remained broadly on track, and several social indicators, particularly in the area of basic education, progressed in 2002. A variety of measures were successfully implemented to improve the environment for private sector development, reduce the vulnerability of the rural sector, and strengthen public finance management. These successes notwithstanding, the staffs believe that some areas deserve close attention in the context of the current revision of the PRSP. These areas concern the definition of a more comprehensive framework for growth-enhancing policies, which should encompass the rural sector; the development of analytical links between budgets and results, including through the establishment of sectoral medium-term expenditure frameworks; and the strengthening of the role of the PRSP as an integrative framework for sectoral policies.

18. The staffs of the World Bank and IMF consider that Burkina Faso remains committed to the implementation of poverty-reducing policies, as evidenced by this third progress report. They believe that the overall 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 IMF reach the same conclusion.