

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 Monetary Fund  
and the International Development Association

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**I. INTRODUCTION**

1. The second annual progress report of Burkina Faso's poverty reduction strategy paper (PRSP) presents the results obtained in calendar year 2001, and lays out the measures the government is pursuing in 2002-03 in order to achieve its policy objectives. The PRSP was endorsed by the Executive Boards of the Fund and the World Bank in June 2000, and the first annual progress report was endorsed in December 2001. In 2003, the government will fully update the PRSP with a poverty analysis based on a new household survey, which will be launched in late 2002.

**II. THE FOUR PILLARS OF THE PRSP**

**A. Accelerating Broad-Based Growth**

2. The progress report states that, in 2001, the economy grew by more than 5 percent with the return to a regular pattern of rainfalls and a strong expansion of cotton production. However, the drought-related shortfall in cereals supply in 2000 continued to affect consumer prices. Government policies were supportive of the resumption of growth and appropriately protected the poorest segments of the population from the impact of cereals supply shortages. The government still aims for an ambitious growth target in 2003. However, given the constraints of the external environment, notably the low level of international cotton prices, and the limited competitiveness and diversification of the economy, it recognizes that a growth rate of 5.5 to 6 percent will be more in line with the economy's potential. In future reports, it would also be desirable to discuss explicitly the consequences of lower growth for poverty reduction targets. Based on recent economic developments, the overall macroeconomic stance is appropriate and inflation and current account targets outlined in the progress report appear within reach.

3. As noted in the progress report, execution of the government's budget was constrained by weak revenue performance and the late disbursement of donor assistance in 2001. Although the government appropriately adjusted nonpriority spending in order to safeguard macroeconomic stability, recurrent cash-flow constraints, overly optimistic revenue projections, low predictability of resource inflows, and the considerable budgetary overhang between annual budget exercises hampered the execution of the poverty reduction program. The government's program for 2002 therefore appropriately focuses on strengthening fiscal revenue forecasts and collection, as well as on coordinating donor support. The decision of donors to provide more support through budgetary assistance also has facilitated donor coordination. Moreover, there was a considerable acceleration of the execution of social expenditures funded with debt relief under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) in 2002, leading to a marked increase in overall social spending. Further improvements in budget management and planning are desirable, and the government adopted an ambitious reform program for budget management in July 2002 that builds on an earlier action plan and incorporates recommendations of the Country Financial Accountability Assessment (CFAA) and the Report on the Observance of Standards and Codes (ROSC).

4. The competitiveness of the Burkinabè economy continues to be negatively affected by high factor costs. Attracting foreign investment and creating an environment that is conducive to achieving efficiency gains in the provision of electricity, telephone, and water services, therefore, remains an important concern of the government. The swift and determined application of already formulated government strategies in these areas and implementation of planned investments should induce a decline in factor costs over the medium term. In addition, the 2003 update of the PRSP should detail the trade practices and lay out the government's further plans for trade liberalization.

### **B. Promoting Access to Social Services**

5. The progress report notes that the government continued to give high priority to the social sectors and maintained the progress made in increasing government expenditure in these areas despite recurrent cash constraints. Nonetheless, progress in improving health and education indicators has been mixed.

6. **Education.** School enrollment and literacy rates improved in 2001, albeit less than originally targeted in the PRSP. The delay in committing expenditure for investments in education, the uncertainty in the disbursement of donor assistance, the limited absorption of HIPC Initiative funds, and drought-related increases in prices of food that raised the costs to send children to school contributed to the slower-than-expected progress. In the meantime, the government adopted in 2001 a ten-year basic education development plan (PDDEB) that is consistent with the PRSP and is being supported by the World Bank and bilateral donors. The PDDEB will guide the government's policies to improve the quality and quantity of basic education, support the decentralization of education services, and reinforce the capacity of the Ministry in charge of basic education to design, execute, and monitor its programs. Among other things, implementation of the program is expected to increase the gross

enrollment rate to 56 percent and raise literacy rates to 32 percent by 2005. On the basis of the existing education program, Burkina Faso has also been found eligible for the Education for All Initiative, which seeks to achieve universal primary education, one of the Millennium Development Goals, by 2015.

7. **Health.** As regards the PRSP targets, progress was made in raising immunization coverage rates (with the notable exception of yellow fever, owing to shortages in vaccine supplies), increasing health center staffing, and lowering the prices of drugs and selective services. However, demand for curative care remains sluggish, with the number of consultations virtually stagnating in recent years. Additional efforts are needed to (i) increase deconcentrated budgets and improve their execution; (ii) verify that the proposed reductions in user fees are effectively implemented; and (iii) ensure that staffing norms for rural facilities are met and that staff recruited under the HIPC Initiative-related programs are absorbed into the regular budget. Future progress reports need to provide a more detailed and up-to-date picture of (i) progress in achieving health system performance indicators; (ii) trends in health spending in real and per capita terms; and (iii) progress in analytical work, such as the studies accompanying the World Bank's poverty reduction support credit (PRSC). Data discrepancies should be addressed in order to accurately describe health sector performance.

### **C. Increasing Employment and Income-Generating Activities for the Poor**

8. As noted in the progress report, agricultural activities are the main income source for about 75 percent of the population, and most of the poor live in rural areas. Reducing poverty, therefore, requires progress in increasing productivity and in creating income-generating activities for the poor in rural areas, and this is one of the priorities of the PRSP. The government's rural development strategy remains guided by the Strategic Orientation Document (SOD), which, as noted in the joint staff assessments (JSAs) for the PRSP and the first progress report, includes appropriate interventions for different subsectors but lacks a broader strategy for the rural sector. The proliferation of subsectoral programs, many of which are mentioned in the progress report, hampers the establishment of priority government interventions to achieve the objectives of the PRSP and constrains the formulation of comprehensive and coherent program budgets for rural development. Moreover, the progress report focuses largely on inputs rather than on outcomes that could guide a formulation or revision of the government's strategy. The drafting of a rural development strategy, which is currently underway, has taken more time than originally envisaged because of capacity constraints and the 2002 legislative elections. By the time of the preparation of the new PRSP, the government should finalize a comprehensive rural development strategy; this strategy should be integrated with subsectoral programs and designed following an effective participatory process with all sectoral stakeholders. It should reflect the progress made thus far in meeting PRSP objectives to raise rural income and strengthen rural access to markets and credit. The reform of the crucial cotton sector could have received more prominence in the progress report and the authorities should make every effort to stick to the participatory reform process and timetable agreed under the program supported by the World Bank's PRSC.

9. In the area of rural infrastructure, the construction of access roads and electrification are being pursued as a means to improve market access and raise opportunities for rural employment. The recurrent costs of these investments have to be carefully weighed against their potential benefits to ensure their sustainability, in particular with the planned transfer of responsibilities to local and regional governments. For these reasons, rural infrastructure development would need to be more closely integrated with the overall rural development and environmental strategy.

#### **D. Promoting Good Governance**

10. The progress report states that the government made further important strides in improving the political climate and strengthening institutions in the run-up to the legislative elections in May 2002 through the revisions to the election law, the public financing of political parties, and the strengthening of the independent national election committee. Administrative and judicial reforms were pursued with the introduction of a new merit system for civil servants, preliminary work on a budget reform plan, the change in the statute of magistrates, the institution of regions as separate administrative entities, and the creation of the High Authority for the Fight Against Corruption. In 2002, the government appointed the members of the high authority and set up the four highest judicial institutions, including the Supreme Audit Court. With this significant progress in creating institutions, the government's focus should now shift to making these institutions fully operational. The reforms set out in the recently adopted government action plan on public expenditure management and the decentralization process of public finances should be pursued diligently to further improve economic management.

### **III. MONITORING, EVALUATION, AND RISKS**

11. The first two years of implementation of the PRSP revealed the difficulty of monitoring and evaluating progress on the basis of outcome or impact indicators that change little on an annual basis and are subject to factors outside the government's control. The government recognized this constraint at the time of the first annual progress report and began a consultative process on broadening indicators with the national observatory for poverty and sustainable development (ONAPAD) of the United Nations Development Program-supported Program for the Reinforcement of Economic Governance. It would have been desirable to include the extended set of indicators in the progress report in order to implement a statistical monitoring system for 2003 and gain experience for the PRSP revision, and the government should now make every effort to finalize soon the list of indicators. The forthcoming new household survey will also be indispensable for updating the poverty reduction strategy and should receive the utmost attention and sufficient funding. Other analytical work needed to underpin the update should be identified and launched on a timely basis, and the progress report could have more explicitly discussed the remaining gaps in poverty diagnostics.

12. As regards the government's PRSP monitoring system, the progress report notes certain weaknesses, such as irregular meetings of sectoral groups and confusion about their

role. Since these weaknesses became apparent at the time of the first progress report, the government should strive to make the appropriate revisions proposed by the evaluation seminar before embarking on a PRSP update.

13. The progress report appropriately notes that the implementation of the PRSP is subject to exogenous shocks, notably fluctuating cotton prices and unforeseen delays in the disbursements of donor assistance. It also mentions the government's limited human and institutional capacity for program implementation. Additional risk factors include weak and fluctuating domestic revenue mobilization, deficiencies in the institutional set-up, and the limited integration of some of the sectoral strategies. Moreover, the progress report could have fleshed out the government's policy response to sharp declines in cotton prices that have been witnessed in 2001-02, when the government chose an appropriate mix between adjustments to producer prices and financing of the deficit with the cotton support fund.

#### **IV. PARTICIPATORY PROCESS**

14. Several PRSP-related workshops were held in 2001 in different regions of Burkina Faso. The first draft of the second annual progress report was prepared in May-June 2002 and discussed with representatives of civil society and donors during a two-day validation seminar in Ouagadougou in July. The seminar included workshops for each of the priority sectors. Although these consultations allowed feedback from a wide variety of stakeholders, the staffs believe the authorities could further broaden the consultative process for the preparation of the 2003 PRSP. In line with the recommendations of recent studies on the first annual progress report, the authorities should further improve the public visibility of the PRSP as the main point of reference for government policies; they should also increase their efforts to decentralize PRSP consultations, draw on representatives from a large variety of regions and social contexts, and reflect these discussions in the progress report.

#### **V. CONCLUSION**

15. The progress report comprehensively sets out the achievements of the government in 2001 and clearly describes the areas in which targets were missed or less-than-desirable progress was made. The response to the unfavorable climatic condition in 2000 and weak revenue performance in 2001 underscores the government's strong commitment to maintain macroeconomic stability, while safeguarding a high level of social expenditure. The good overall track record on economic management and the development of government strategies and action plans in many sectors should now lay the foundation for further improving the preparation of the medium-term expenditure framework and program budgets, strengthening budget management, lowering factor costs, increasing rural incomes, and promoting good governance. The progress report presents appropriate government policies in these areas. At the same time, additional efforts should be devoted to reducing the high factor costs, developing a comprehensive rural development and infrastructure strategy, revising the monitoring indicators of the PRSP, and adapting the government's monitoring system, as well as deepening and broadening the participatory process.

16. The staffs of the World Bank and IMF consider that Burkina Faso's implementation of the poverty reduction strategy provides sufficient evidence of its commitment to poverty reduction. 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.