

Burkina Faso: Overcoming the Odds

Burkina Faso is a poor, landlocked country that faces severe constraints. It has limited natural resources, an economy that is strongly dependent on cotton exports, and a vulnerability to both natural disasters and fallout from civil strife in the nearby West African countries. Nonetheless, Burkina Faso has maintained a real GDP growth rate averaging over 5 percent per year since 1994, and has driven poverty incidence down from 54 percent in 1998 to around 42 percent today.

Country Indicators	1995	2005
Real GDP growth (%)	6.3	7.1
Atlas GNI per capita (US\$)	240	400
External debt (% of GNI)	51.95	40.8 (2004)
Debt service ratio (exports/debt service)	23	24.7
Poverty incidence (% , national threshold)	54.6 (1998)	42 (2006) ^e
Gross primary school enrollment rate (%)	39.6	56.8
Gross secondary school enrollment rate (%)	7.2 (1990)	15.5
Under-five child mortality (per 1,000)	204	184 (2003)
Total fertility rate (births per woman)	7	6.5 (2004)
Population (millions)	9.8	13.2

Sources: World Bank *World Development Indicators* and surveys.

e = staff estimate.

Burkina’s political stability over the past 15 years, together with a country-led transition to a more open, market-driven economic model, has provided the foundation for growth and poverty reduction.

Since 1994, the International Development Association, the World Bank’s fund for the world’s poorest countries, has supported sustained policy reform in Burkina’s transition towards a market economy through financial assistance and strategic advice. It has worked to improve infrastructure linking the country’s producers to a wider economic space. The Bank also has led efforts to improve public financial management and accountability, to harmonize donor support in the social sectors, and to promote decentralized development.



COUNTRY ACHIEVEMENTS

Burkina Faso gained its independence from France in 1960 as Upper Volta, inheriting a centralized approach to economic management while facing the challenges of frequent political turnovers and a difficult economic environment.

The Burkinabe¹ revolution.

From 1982 to 1987, following a series of political upheavals, the country went through a revolution that was aimed at instilling a greater sense of national identity, increasing country ownership of the development process and emphasizing values of individual integrity.

The emphasis on country-led development and the culture of national unity remain hallmarks of the Burkinabe political economy

But the revolution didn’t immediately generate an economic resurgence. State control over the main engines of growth as well as key infrastructure discouraged private sector investment. Real per capita income gradually declined throughout the period, leading to public disillusionment.

1. Burkinabe is the name given to Burkina Faso’s inhabitants.

Economic transition.

In 1987, Burkina Faso began a post-revolutionary transition towards a market economy. A new regime launched a “rectification” of the earlier revolution, this time stressing improved macro-economic management and a sustained shift towards a market economy. Measurable results began to appear in the early 1990s.

A New Orientation

- Fixed export prices and the state monopoly on cereal imports and other staple agricultural goods were eliminated.
- The vast majority of public enterprises were privatized or liquidated.
- IDA increasingly supported private actors and public-private partnerships for the delivery of agricultural services, as well as in the electricity and petroleum sectors.
- The 50 percent devaluation of the CFA franc in 1994 restored competitiveness in the Franc zone and helped to accelerate growth in Burkina Faso like in most of the affected countries.
- The cotton sector, which provides about two-thirds of export earnings, was liberalized, introducing private management of key functions.
- Major trade reforms came in the late 1990s. Non-tariff barriers were dismantled and tariffs reduced between 1998 and 2003, in accordance with the West Africa Economic Monetary Union common customs union.

Since 1994, GDP growth has averaged around 5 percent per year, compared to an average of 1.2 percent in 1960-80 and 0.73 percent in 1980-94.

A stronger cotton industry.

Liberalization of the cotton sector starting in 1998 lowered production costs and helped Burkina compete in an otherwise heavily subsidized global cotton market. Government has retained a minority share and become a “silent partner” in cotton management, while the ginning market has been opened to two new operators in the eastern and central zones.

A new pricing mechanism was introduced to better transfer world market signals to producers while at the same time reducing volatility and risk for farmers. Production has increased by more than 8 percent per year in the 1998-2003 period, reaching 700,000 metric tons in 2006 and making Burkina the number one exporter of prime-grade cotton in Africa today.

This achievement should not, however, minimize the risks to an economy over-dependent upon a single commodity. (The cotton industry provides around two-thirds of Burkina’s export earnings.) In addition, continued distortions in the world cotton market—particularly subsidies of cotton farmers in developed countries—put West Africa’s cotton farmers at a disadvantage.

Improved management of public finances and higher quality social services.

The shift to a market-based economy was accompanied by efforts to strengthen the

management of public funds, with gradual progress, from 1990 onward, in enforcing fiscal discipline and modernizing budget systems. Planning tools were introduced, including program budgeting and medium-term expenditure frameworks.

The government eliminated debt service arrears and later became one of the first countries to reach completion point under the Highly Indebted Poor Countries (HIPC) debt reduction plan. Burkina today is one of the highest-ranking African countries on the HIPC public expenditure management index. (Recent changes in international interest rates and the depreciation of the US dollar, however, have weakened Burkina’s debt outlook.)

Tangible Outcomes

Although public financial management may sound abstract, the benefits of improved government spending are anything but. Some of the concrete outcomes include:

- expanded immunization against avoidable diseases;
- a program of prevention and treatment of HIV/AIDS;
- more affordable pre-natal care;
- an extended education network.

As a result, positive trends in social welfare have accelerated, with infant mortality rates falling from 107 per 1,000 live births in 1995 to 97 in 2003. The gross primary school enrollment rate has also risen quickly, from 44 percent in 2000 to 57 percent in 2005.

IDA CONTRIBUTIONS

Since the beginning of 1994, total IDA commitments for Burkina Faso have amounted to US\$1.2 billion, funding 72 operations. This includes 10 budget support operations, including six Poverty Reduction Support Credits.

Sustained support for Burkina's transition to a market economy has been critical and has made a measurable difference in a number of areas.

Supporting sustained policy reform.

A series of IDA policy loans in the 1990s was critical in supporting the transition from a centrally controlled economic model to a more market-oriented economy.

Analytical work financed by IDA, such as the 2001 study of competitiveness and economic growth and the 2004 study on reducing poverty through sustained growth, has supported the agenda for change.

In recent years, a series of Poverty Reduction Support Credits (PRSC) has underpinned privatization and spin-offs in the cotton sector, liberalization of the telecommunications and electricity sectors, and initial investment climate reforms aimed at reducing the cost of doing business.

The current PRSC series puts even greater emphasis on investment climate reform, increasing public-private partnerships for infrastructure and energy development, and supporting administrative and fiscal decentralization.

The government has adopted strategies for private-sector participation in the electricity and petroleum sectors. Liberalization of the cellular telephone market has had perhaps the most visible results, with two new entrants introducing lower prices and expanding connections to rural areas. The successful establishment of ARTEL, the telecoms regulatory agency, is serving as a model for other countries and sectors.

Forging a new aid compact.

Since 2000, IDA has helped forge a new aid compact based on poverty reduction strategies, HIPC debt relief, better harmonized aid and government leadership.

The Bank is helping to advance a process whereby donors work from a common results framework derived from the poverty reduction strategy. Ten donors are signatories of a general framework for budget support which establishes common disbursement criteria, data sources, monitoring systems and joint review processes.

Within this model, IDA has worked to improve Burkina's public financial management by introducing a rationalized and modernized approach to finances based on a medium-term expenditure framework. Through poverty reduction credits, IDA contributed to strengthening budgetary control institutions. A capacity-building program in public administration also had an impact in this area.

On the governance side, progress was made to strengthen supreme audit institutions in order to fight corruption. IDA also enabled reforms in public bidding processes.

Harmonizing donor support for improved social services.

To improve the effectiveness of their aid, IDA and other donors have been providing direct budget support while establishing sector-wide approaches in basic education, health, HIV/AIDS and water supply.

In health, a pooled funding mechanism channels resources directly to health districts and hospitals on the basis of indicators that can

be tracked over time. In education, donors plan to concentrate their interventions on the 20 provinces with the lowest primary school enrollment rates.

In March 2006, donors established a joint secretariat for aid effectiveness to promote harmonization, alignment and a focus on country results. Overall, strong donor harmonization has contributed to more predictable aid flows and encouraged the use of country systems.

Promoting decentralized development through a community-based approach.

IDA is supporting a far-reaching decentralization policy through community-driven development projects that build rural communities' governing and management capacities.

The IDA-supported Community-based Rural Development (CBRD) Project, has reached thousands of rural communities, helping to finance projects ranging from literacy centers to improved water management. The program has been instrumental in developing the legal and regulatory framework for decentralization and local government. Village bodies were entrusted with the legal mandate of local development. The CBRD exceeded its objectives and anticipated coverage: it reached 26 out of 45 provinces—covering nearly 40 percent of the country's 8,000 villages.

Evaluations show that participating communities benefited from increased household incomes, higher agricultural productivity, increased women's participation and better nutrition.

IDA worked with program administrators to support the process of local elections. And in April 2006, the first-ever municipal elec-

tions were held—a critical milestone in the effort to decentralize and increase economic participation and access to social services.

The national parliament has recently endorsed the model of local governance embodied in the community-driven development approach.

IDA's impact in Burkina Faso spans many sectors.

Energy. At the regional level, IDA has a two-prong approach to supporting the provision of low-cost energy.

First, IDA and other donors have financed urgently-needed power generation capacity in Burkina, as well as investing in **regional electricity interconnections** with Côte d'Ivoire and Ghana. The goal has been to halve the cost of electricity.

Second, IDA is providing technical and financial support to increase rural access to modern energy sources, through expansion of the electrification grid and investment in alternative technologies.

Roads. In the transport sector, IDA is part of a consortium of donors that is assisting the government in rehabilitating and maintaining essential transport infrastructure. The support also involves strengthening existing institutions, adopting sound policy and regulatory measures. IDA financing has rehabilitated more than **800 kilometers of rural roads**, connecting agricultural production zones to markets.

Water. Responding to chronic water shortages in Ouagadougou, Burkina's capital, IDA was part of **a coordinated 13-donor effort** to support the government's medium-term

investment plan. Central to that plan was the construction of the Ziga dam and the treatment and transport facilities necessary for bringing water to Ouagadougou. IDA's contribution finances the secondary and tertiary water network in the city, which will double the number of household water connections and more than triple the population served through neighborhood standpipes.

IDA has also invested in drainage and sanitation infrastructure in Ouagadougou and Burkina's second city, Bobo-Dioulasso, with positive measurable effects on disease prevention and economic activity in surrounding areas.

Taken together, IDA interventions in energy, roads and water are helping Burkina reduce the cost of infrastructure and progress towards the goal of greater regional integration.

Agriculture. Farm activities accounted for 31 percent of Burkina's GDP in 2004, a share that has varied little over the past 20 years. About 80 percent of the population is rural.

In addition to supporting increased productivity in the critical cotton sector, IDA has financed expanded irrigation and measures to diversify farm outputs.

IDA has emphasized private-sector led irrigation to allow **dry-season production of high-value export crops** such as tomatoes and onions. IDA supported the manufacture and maintenance of small-scale irrigation equipment, as well as institutional and financial support. Beneficiaries, including women's groups in the project zone, have been able to **double the surface of irrigated land** and increase their household income by an estimated 30 percent.

IDA's agricultural intensification and marketing program is now scaling up earlier investments in export infrastructure, such as cold storage rooms at airports.

Mining is poised to become Burkina's second biggest export after cotton, increasing total export earnings by around 25 percent. The expansion of the mining sector is expected to have a positive impact on growth and equity, increasing poor people's access to basic services and employment and expanding the government's tax revenue. IDA has provided technical and financial support over the past 10 years to eliminate the state monopoly on mining, opening it up to competition.

A revised legal and regulatory framework encouraged private mining exploration and investment in gold, manganese, phosphates, and zinc. A mining capacity-building and technical assistance project also improved the productivity and safety of small-scale, artisanal mining. With the adoption of a **revised mining code** in 2003 and higher gold prices, Burkina stands well poised to benefit from the dynamism of the mining sector. Today, multinational investors are completing construction of three gold mines and four other firms have completed encouraging feasibility studies.

Education. IDA support has contributed to expanding children's access to basic education.

At the primary education level, IDA support targeted girls and the poor in the provinces with the least coverage. The **gross enrollment rate (GER) in primary education rose to 60 percent in 2006** from 42 percent in 2001, and the completion rate to 40 from 19 percent.

The transition rate from primary to secondary education increased from 27 in 1994 to 40 percent in 2002, surpassing objectives. The number of students at the secondary level increased by 60 percent; in particular, the proportion of girls enrolled at secondary level reached the target of 40 percent.

However, Burkina is unlikely to achieve the education Millennium Development Goals. Achieving basic education for all remains constrained by large disparities between provinces and urban/rural areas and lack of capacity in secondary education. At the secondary level, the system could not accommodate some 22,000 students seeking schooling in 2004.

Health & HIV/AIDS. Despite its low ranking in human development indexes, Burkina has seen some of its health indicators improve in the past five years, including wider vaccination coverage, improved prenatal care, and lower child mortality (from 219 to 184 per 1,000 between 1999 and 2003). With support from debt relief and poverty reduction credits, child vaccination became free in 2002, as did prenatal care in 2003.

HIV rates in urban areas have begun to decline, from a peak of over 6 percent in 1999 to about 4 percent today. Other trends are also encouraging: the percentage of men using condoms during their most recent high-risk sexual contact increased from 59 to 69 percent from 1999 to 2003, and the HIV prevalence rate among young women (aged 15-24) attending urban antenatal clinics has declined.

Financing Anti-retroviral Treatment

A treatment acceleration program (US\$18 million over three years) is scaling up the availability of anti-retroviral drugs, delivered through government and NGO partners, for 7,000 AIDS patients. But a significant financing gap remains to reach the government's target of 20,000 persons under ARV treatment. Financial barriers preventing access to essential drugs have yet to be eliminated.

Other health challenges persist: malaria remains the major killer of children, followed by diarrhea and respiratory infections; and nearly 38 percent of children are chronically malnourished.

CHALLENGES AHEAD

Burkina remains one of the poorest countries in the world, with per capita income around US\$400. Two of every five children are malnourished and do not attend school. The country's social welfare indicators continue to lag behind Sub-Saharan averages, placing Burkina near the bottom of the Human Development Index.

Along with education and health challenges, Burkina Faso will need to address a key set of constraints in order to sustain recent economic and social gains.

Vulnerable growth.

Economic growth could waiver as a result of soaring oil prices, lower world market prices for cotton and lower exchange rates for the U.S. dollar. Indeed, recent growth was

driven largely by the expansion of cotton and cereal production, with a doubling of cotton exports.

The country's continuing dependence on cotton and its comparatively weak investment climate are chronic problems that must be taken on. A struggling school system falls short of preparing a competitive workforce and the need for a stronger entrepreneurial culture holds back private-sector job creation.

Political instability in neighboring countries will continue to affect regional trade and infrastructure costs. Burkina also suffers from unequal participation in growth from one region to another.

Government itself must address perceptions of rising corruption and build local capacity to strengthen decentralization.

A plan for progress.

A demonstrated commitment to reforms and proven capacity to absorb aid effectively now offer Burkina an opportunity to accelerate progress and achieve better results. The 2006-08 Priority Action Plan (PAP), an implementation plan for the country's poverty reduction strategy, aims to accelerate real growth to around 7 percent per year and to reduce poverty levels to less than 35 percent of the population by 2015.

To accelerate growth, the country needs to pursue regional economic integration to reduce costs and expand markets and position itself as a hub for transport and services. Burkina must diversify its agricultural base and expand exports beyond the heavy reliance on cotton. Additional resources can be absorbed

in the short run in at least three key areas: i) private sector-led rural development; ii) energy infrastructure; and iii) commodity-based health and nutrition interventions.

Lessons learned.

IDA could arguably play a bigger part in laying out the analytical roadmap which could guide the government as it interacts with international donors. Because of its involvement in a broad range of sectors and issues, IDA is well placed to analyze Burkina's long-term development needs and priorities.

A country assistance evaluation conducted by the World Bank's Independent Evaluation group found that careful, participatory preparation of projects pays off by producing smoother implementation results.

However, even with careful preparation, development is a slow process. IDA expected too much, too soon, partly because it did not take adequate account of Burkina's social, political, and institutional constraints. High expectations were also a pattern in some sectors, particularly in health.

Lessons learned from the implementation of IDA's last Country Assistance Strategy for Burkina Faso were integrated into the design of the current strategy (Fiscal Years 2006-09). These include: sustained commitment to sound policies creates the basis for accelerated growth; diversification and decentralization are key to more inclusive growth; strengthening capacity and country systems will enhance results and sustainability; and, progress on simplification and harmonization of aid has lagged behind rhetoric.

More specifically, these lessons point to the fact that it is only when the Bank and other donors have allowed the country to develop and build its own consensus through a broad consultative process, that reforms have succeeded. In contrast, lack of consensus has hampered progress in certain areas, such as overhauling the business investment climate.

IDA's contribution has helped establish a strong country-led development process, harmonize donor support and increase the use of country systems, which in turn, has enhanced accountability and aid effectiveness.

March 2007.

<http://www.worldbank.org/ida>