

Burkina Faso: Overcoming the Odds

Burkina Faso has maintained relative macroeconomic stability. In the decade preceding 2007, the real GDP growth rate averaged about 6 percent per year and poverty incidence declined from 54 percent in 1998 to around 42 percent. However, Burkina Faso remains a poor, landlocked country that faces severe development challenges. 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. In recent years, a series of external shocks, including floods and droughts, the international food and fuel crises and the ongoing global financial crisis have slowed Burkina's growth rate to below 5 percent and resulted in an increase in poverty incidence to above 45 percent.

Country Indicators	1995	2008
Real GDP growth (%)	6.3	5
Atlas GNI per capita (US\$)	240	430
External debt (% of GNI)	51.95	21.6 (% of GDP)
Debt service ratio (exports/debt service)	23	5.2
Poverty incidence (% , national threshold)	54.6 (1998)	57 ^e
Gross primary school enrollment rate (%)	39.6	66
Gross secondary school enrollment rate (%)	7.2 (1990)	20.7
Under-five child mortality (per 1,000)	204	122
Total fertility rate (births per woman)	7	6.5 (2004)
Population (millions)	9.8	15.2

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 Burkinabe 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 Burkinabe¹ political economy. But the revolution did not 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 for Burkina Faso's nationals.

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. Fixed export prices and the state monopoly on cereal imports and other staple agricultural goods were eliminated and the majority of public enterprises were privatized or liquidated. The 50 percent devaluation of the CFA franc in 1994 restored competitiveness in the Franc zone and helped to accelerate growth in Burkina Faso as in the other affected countries. Measurable results began to be felt in the early 1990s. Since 1994, GDP growth has averaged around 5 percent per year, compared to an average of 1.2 percent in 1960-1980 and 0.73 percent in 1980-1994.

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. The cotton sector reforms brought about significant changes.

The government opened the ginning market to two new operators in the eastern and central zones and, prior to the 2007 crisis, released a major share of the existing ginning company to private ownership, becoming a minority shareholder and “silent partner” in cotton management. 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 increased by more than 17 percent per year in the 1995-2006 period against a global average growth rate of only 2.1 percent. Today, Burkina Faso is sub-Saharan Africa’s number one exporter of prime-grade cotton.

This achievement should not, however, minimize the risks to an economy over-dependent upon a single commodity (the cotton industry provides between a half and a third of

Burkina’s export earnings depending on the year). Continued distortions in the world cotton market—particularly subsidies of cotton farmers in developed countries—put West Africa’s cotton farmers at a disadvantage.

Since 2007, the cotton sector has experienced two crises caused by climate shocks, fluctuating international cotton prices and continued structural inadequacies and lack of competition in the sector. These have had an important effect, not only on the country’s macroeconomic stability, but on the livelihoods and wellbeing of the Burkinabe. The crises have highlighted the need for Burkina Faso to broaden and diversify its economic resource base.

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

Some of the concrete outcomes of improved government spending and public financial management 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 vaccination levels (pentavalent) in children under 1 increasing from 57 percent to 106.9 percent between 2005 and 2008. The gross primary school enrollment rate has also risen quickly, from 44 percent in 2000 to 72 percent in 2007.

IDA CONTRIBUTIONS

Between 2000 and 2009 (fiscal years), total IDA commitments for Burkina Faso have amounted to US\$1.4 billion.. This includes 10 budget support operations (nine of which are Poverty Reduction Support Credits). Sustained support for Burkina's reforms agenda 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 to a more market oriented economy.

Analytical work financed by IDA, such as the 2004 study on reducing poverty through sustained growth, the 2007 diagnostic study into trade integration and diversification and the soon to be released study of competitiveness and economic growth, continue to support 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 significant investment climate reforms aimed at reducing the cost of doing business.

The current PRSC series places significant emphasis on investment climate reform and export promotion, sustaining economic growth in a time of global recession (including improving the competitiveness of the cotton sector), enhancing public financial management, and supporting administrative and fiscal decentralization for improved service delivery.

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 service providers introducing lower prices and expanding connections to rural areas. The successful establishment of ARTEL, the telecoms regulatory agency, has served 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. Ten donors are signatories of a general framework for budget support, which establishes common disbursement criteria, data sources, monitoring systems and joint review processes. The PRSC series is firmly embedded in this process and the Bank has assumed the role of leading donor on budget support and President of the donors' coordinating body.

On the governance side, progress was made to strengthen supreme audit institutions in order to fight corruption. Support for the decentralization process is gradually facilitating the devolution of decision-making responsibility to local and community levels. In 2008 the President of Burkina Faso led consultations, supported by IDA, UNDP and UNAIDS, to assess governance and transparency in national AIDS programs in West Africa and Mauritania. IDA also enabled reforms in procurement and public bidding processes.

In March 2006, donors established a joint secretariat for aid effectiveness to promote harmonization, alignment and a focus on country systems. Relatively strong donor

harmonization has contributed to more predictable aid flows and encouraged alignment behind government sectoral strategies. To improve the effectiveness of their aid, IDA and other donors have been providing direct budget support while establishing programmatic approaches in basic education, health, HIV/AIDS and water supply. For example, 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.

Donors have also partaken in sectoral thematic groups to coordinate reform dialogue and sectoral interventions. The Bank has assumed chairmanship positions in many of these thematic groups. The donor community has committed to establishing a joint assistance strategy in 2012. This joint strategy will align with the new government Strategy for Accelerated Growth and Sustainable Development expected in 2011.

Promoting decentralized development through a community-based approach.

IDA is supporting the country's far-reaching decentralization policy through community-driven development projects that build rural communities' governing and management capacities. The Community-based Rural Development (CBRD) project, together with the PRSC series, a Decentralized Urban Development project, and the Administration Capacity Building project (PRCA) have been instrumental in advancing the country's decentralization agenda.

The program has supported the development of the legal and regulatory framework for decentralization and local government. IDA worked with program administrators to sup-

port the process of local elections. In April 2006, the first-ever municipal elections were held—a critical milestone in the effort to decentralize and increase economic participation and access to social services. And in 2009, the legal decrees for the devolution of responsibilities to the municipalities were made effective.

The community-driven development approach adopted through the extensive CBRD project has set the pace for local participation in decision-making under the newly decentralized system. Since 2004, the CBRD project has supported thousands of rural communities and, more recently, elected local governments in the creation of their own local development plans. A total of 4,013 villages (40 percent of villages in the country) have already benefited from the support and about 18,000 village projects have been achieved. It has helped to finance projects ranging from literacy centers to improved water management. Evaluations show that participating communities benefited from increased household incomes, higher agricultural productivity, increased women's participation and better nutrition. The current project (CBRD II launched in July 2007) extends support to the entire country, including the 302 rural communes located in the country's 45 provinces.

Communities Manage Seed Distribution

A noteworthy CBRD achievement involved the targeted distribution of seed to rural farmers during the peak of the food price crisis in 2008. Roughly 3,500 tons of improved millet, sorghum, maize, beans and rice seeds were distributed to 140,000 households in 302 communities in the country for a total of US\$5 million. The targeting of households was carried out by the village councils who took into account people's level of poverty and how much they had been affected by flooding.

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 is 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 1100 kilometers of rural roads**, connecting agricultural production zones to markets.

Water. IDA has supported Burkina's unprecedented progress in improving access to safe drinking 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 financed the secondary and tertiary water network in the city. Drawing upon the success of the program, IDA, together with the other donors, has recently committed to supporting an expanded urban water and sanitation project. Through the CBRD project, rural populations have also benefited from the installation of sanitized wells and hand pumps.

Ouagadougou Water Supply Project

As part of a US\$205 million program involving 13 donors, IDA contributed US\$70 million toward the Ouagadougou Water Supply Project. The project, which closed in 2006, achieved outstanding results. Within six years, the project successfully turned around the national water utility in Burkina Faso, closed the gap with the best performing utilities in the region (Côte d'Ivoire and Senegal), and put Burkina Faso on track to meet the MDG target for potable water by 2015. The project also contributed towards:

- An increase in access piped water in urban areas covered by ONEA, the public water utility, from 57 percent in 2001 to an estimated 73 percent in 2008. In Ouagadougou, the number of people with direct access to piped water through household connection has more than tripled in six years from 300,000 in 2001 to 1,040,000 people in 2007.
- Compared to the situation in 2001 when the water service in Ouagadougou was chronically intermittent with insufficient pressure, 24/7 water supply service is now assured to 94 percent of the population. This is close to water access levels found in Abidjan and Dakar.
- Improved sector management operational performance as a result of the successful implementation of a Service Contract: bill collection ratio improved; unaccounted-for-water decreased; the commercial staff productivity index improved and financial equilibrium was restored. Today, ONEA is considered as one of the best managed public enterprises in Burkina Faso.

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. Farming activities have formed the mainstay of Burkina's rural population for many years. Eighty percent of the population is engaged in agricultural activities and the agriculture sector amounts to 40 percent of national GDP.

In addition to supporting increased productivity in the critical cotton sector, IDA has financed expanded irrigation and measures to diversify and commercialize 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 has supported key supply chain studies and assisted co-operatives in negotiating export contracts for mangoes, meat and onions. The project is also scaling up earlier investments in export infrastructure, such as cold storage rooms at airports and a meat-slaughtering center in Ouagadougou.

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 by increasing poor people's access to basic services and employment (the sector provided **3,350 jobs** in 2008) 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. IDA is supporting efforts to ensure transparency and environmental and social safeguards in the sector. With the IFC and MIGA, it is also supporting efforts to encourage private sector investment through investment climate reforms, guarantees and mining linkages programs.

A revised legal and regulatory framework has facilitated 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, a more attractive investment climate and higher gold prices, Burkina stands well poised to benefit from the dynamism of the mining sector. Gold export revenue is expected to increase from US\$125 million in 2008 to US\$700 million in 2015 and tax revenue should grow from 1.3 percent in 2008 to 14-20 percent by 2011.

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 from 60 percent in 2006 to 72 percent in 2008 and the completion rate from 40 percent to 44 percent in the same period.

Though the country continues to have one of the lowest gross enrollment rates in post-primary education in Africa, the GER in lower secondary education increased from 20 percent in 2006 to 28.5 percent in 2008, exceeding initial targets. The World Bank remains one of the few donors to support post-primary education. IDA has supported **reduced school fees, improved teacher training and the promotion of girl enrollment** at the secondary level.

However, achieving basic education for all remains constrained by large disparities between provinces and urban/rural areas and issues related to quality of education at both primary and secondary levels. Literacy levels in Burkina are amongst the lowest in the world, falling below 30 percent.

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 104 per 1,000 between 1999 and 2009). 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 significantly declined, from a peak of over 7 percent in 1997 to about 1.9 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 above 70 percent from 1999 to 2007, and the number of infected persons receiving anti-retroviral treatment has dramatically increased. Thanks to a concerted effort by donors led by IDA, over **21,000 people received treatment between 2002 and 2006.**

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.

A Rapid Response to the Meningitis Outbreak

Recurrent outbreaks of meningitis have been reported over the last 20 years. The most recent and most devastating outbreak occurred in 1996 and left over 25,000 dead across the “Meningitis Belt” (from Senegal to Djibouti) and another 60,000 with severe neurological consequences. Epidemics occur every year, with more severe epidemics occurring every 8 to 12 years. The year 2008 was particularly bad for Burkina Faso, with meningitis taking the lives of nearly 8,400 people.

In the early stages of the 2008 epidemic, Burkina appealed to donors for a more concerted and robust response to the crisis. The donor community, led by the World Bank and UNICEF, responded quickly by allowing the country to use its existing credit proceeds to purchase 2.5 million doses of vaccines through a direct financing with UNICEF to make sure that the availability and quality of the vaccines were guaranteed. This crucial partnership prevented the deaths of thousands for people. After the crisis was contained, the Bank proceeded to allocate an additional US\$5 million for the purchase of additional vaccines to prevent shortages in the event that another epidemic might occur.

CHALLENGES AHEAD

Burkina remains one of the poorest countries in the world, with per capita income around US\$460. Two of every five children are malnourished and two-thirds of the population remain illiterate. 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, and, in the wake of recent and ongoing climatic and financial crises, Burkina Faso will need to address a key set of constraints and vulnerabilities in order to sustain the steady economic and social gains made to date.

Vulnerable growth.

As demonstrated by the recent slow down in economic growth, Burkina Faso's growth performance remains highly vulnerable to external shocks. The food and fuel crises in 2007-2008, floods and droughts over the same period and the ongoing global financial crisis have resulted in lower productivity, weaker world market prices for cotton and the potential for a future diminution of the levels of foreign direct investment and foreign aid levels.

The country's continuing dependence on cotton, low agricultural productivity levels and weaknesses in the investment climate are chronic problems that require immediate and sustained attention. The struggling school system falls short of preparing a competitive workforce and the need for a stronger entrepreneurial culture holds back private-sector job creation.

Burkina will need to continue to actively harness opportunities to promote regional

integration and trade considering the political environment in neighboring countries.

The government's commitment to improving governance and combating corruption need to be accompanied by the smooth and effective decentralization of identified social service delivery responsibilities, the capacity development of local municipalities and, most importantly, broadened opportunities for local participation in decision-making and oversight of government functions.

A plan for transformation.

A demonstrated commitment to reforms, political stability and proven capacity to absorb aid effectively offer Burkina an opportunity to accelerate progress and achieve transformative results. The 2009-2011 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. The Strategy for Accelerated Growth and Sustainable Development planned for 2010-2011 will enable the country to update and advance its development agenda.

To minimize economic vulnerability and promote sustained and shared growth, the country needs to intensify, diversify and commercialize its agricultural base and expand exports beyond the heavy reliance on cotton. Pursuing regional economic integration will be critical to reducing costs and expanding markets. Improving the effectiveness and quality of social service delivery will advance human development and enable a redistribution of the benefits of growth. Additional resources can be absorbed in the short run in at least four key areas: (i) agricultural productivity;

(ii) private sector-led diversification (in agriculture, mining and possibly tourism); (iii) transport infrastructure; and (iv) decentralized service delivery interventions.

IDA has a key role to play in supporting the government in laying out the analytical roadmap for development in the country. Because of its involvement in a broad range of sectors and issues, IDA is well placed to support the analysis of Burkina's development needs and priorities and to promote greater harmonization of donor activities.

July 2009

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