

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
INTERNATIONAL MONETARY FUND

BURKINA FASO

**Annual Progress Report on the Poverty Reduction Strategy
Joint Staff Advisory Note**

Prepared by the Staffs of the International Development Association (IDA) and
the International Monetary Fund (IMF)

Approved by Gobind Nankani (IDA),
Thomas Krueger and Mark Plant (IMF)

August 23, 2006

I. OVERVIEW

1. This Joint Staff Advisory Note (JSAN) reviews the fifth annual progress report (APR) on the implementation of the Poverty Reduction Strategy (PRS) of Burkina Faso. The APR covers PRS implementation in 2004. A draft APR was prepared in May 2005, and was finalized and formally shared with staffs only in early 2006, following a prolonged internal discussion and consultation process. The staffs note that the usefulness of the APR would increase if it were released prior to the beginning of the budget cycle so as to inform the policies and spending priorities of the budget for the next year. Staffs note that with the strengthening of the monitoring and evaluation system, the authorities have just released an APR for 2005 that broadly meets that benchmark. The staffs expect to present to Executive Directors the APR for 2005 and the accompanying JSAN by end-2006.

2. The pillars of the PRS are: (i) accelerating broad-based growth; (ii) promoting access to basic social services for the poor; (iii) increasing employment and income-generating activities for the poor; and (iv) promoting good governance. The major quantitative objectives are to: (i) increase per capita gross domestic product by at least 4 percent per year starting in 2004; (ii) reduce the current incidence of poverty to under 35 percent by 2015; and (iii) increase life expectancy to at least 60 years by 2015. These objectives are in line with efforts to achieve the Millennium Development Goals (MDGs).

3. The APR indicates an economic growth rate of 4.8 percent in 2004 despite a drought and locust infection that had an adverse impact on growth in the primary sector. The APR notes a reduction in poverty headcount from 46.4 percent in 2003 to 46.1 percent in 2004, mostly as a result of a decline in the incidence of poverty in urban areas. The APR also provides information with regard to progress on access to basic services and on governance.

4. The staffs recommend that future PRSPs and priority action plans deepen the links with achieving the MDGs, including providing detailed multiyear costing plans and measures to remove absorptive capacity constraints. The resulting expenditure framework could follow a three-tier approach: a first tier that identifies the expenditure needs to achieve all the goals of the PRSP; a second tier that takes into account absorptive capacity and identifies spending that could reasonably be undertaken; and a third tier that identifies expenditures in line with available resources.

5. The staffs commend the authorities for a detailed and rich APR. Overall, the staffs are of the view that Burkina Faso's implementation of its PRS has allowed solid progress in 2004, and the broad direction of policies and programs seems appropriate for achieving PRS objectives.

II. STRATEGIC PILLARS FOR POVERTY REDUCTION

A. Accelerating Broad-Based Growth

6. The APR adequately analyses macroeconomic developments in 2004. Developments in key sectors are broadly covered, and the in-depth discussion of public expenditures is commendable. Given the importance of resource mobilization to meet the MDGs, a more detailed discussion of measures to increase revenues would have been useful, as well as an assessment of whether the amount and the terms of donor support were appropriate given domestic financing and debt sustainability constraints. While recognizing that the APR is primarily an assessment of the implementation of the PRS, it would nevertheless be useful to include a more thorough discussion of the medium-term macroeconomic outlook, the expenditure framework and an assessment of debt sustainability.

7. The staffs agree with the thrust of the APR discussions in the area of growth—including macroeconomic stability, policies to improve competitiveness and reduce factor costs, improving the business climate, public divestiture program, support for productive sectors, strengthening the institutions supporting private sector development—and urge stronger progress in implementation.

8. However, the APR could benefit from an explicit recognition of the key role of external trade for promoting growth and progress toward the MDGs. If the PRSP growth objectives are to be achieved, there will need to be a renewed focus on export performance

and a consensus across the Government and the private sector on steps to promote trade liberalization. The on-going Diagnostic Trade Integration Study should assist the Government in identifying remaining hurdles to external trade and in establishing concrete objectives for their removal.

B. Promoting Access to Basic Social Services by the Poor

9. The staffs note that the PRS has indicated that at current trends most MDGs will not be met, and staffs suggest that future APR could usefully report on progress on key MDGs. While the APR mentions the preparation of an action plan to achieve the MDG for access to potable water, it is silent on progress towards reaching other MDGs, including for health and education.

10. The APR describes increasing resources for the education sector. The staffs believe that expanding services would remain a challenge unless construction and teachers costs are lowered. In that context, the staffs suggest that future APRs could report on trends in unit costs in the education sector.

11. The staffs note significant achievements in enrollment in primary education, and observe that the greater pressure on lower-secondary education calls for improved financial and managerial integration between the two education levels, as well as scaling up the public-private partnership to expand supply in the secondary education.

12. The staffs recognize the positive impact of the policy of subsidizing schooling in the 20 provinces with the lowest school enrollment rates, and suggest the policy be strengthened by reviewing the criteria for selecting the 20 priority provinces. In addition to the current single criterion of gross enrollment rate, criteria based on a poverty map could be included. In addition, intervention modes for the subsidies should encourage quality and the demand for schooling, especially for girls.

13. The APR reports on the very low learning hours in the basic training cycle (650 hours). Staffs see the implementation of an action plan to increase learning hours as a powerful way to improve the quality of education, and they support further progress, notably by strengthening supervision, increasing resources for inspectorates, and empowering local communities.

14. The APR notes that teacher recruitment has continued to be carried out centrally and suggests that the reform in that area should effectively be implemented with the decentralization. The staffs share this view and encourage the authorities to take the

opportunity of the transfer of primary education responsibilities to sub-national governments to re-examine teacher recruitment and management.

15. The staffs encourage the authorities in their efforts described in the APR for increasing equitable access to and improving quality of health, nutrition and HIV/AIDS services. The staffs suggest several ways to strengthen the policies in that area: further increasing budgetary allocations for priority health services, particularly at decentralized levels; strengthening results-based budgeting and monitoring system for the health sector by implementing a sectoral Medium-Term Expenditure Framework (MTEF) and establishing an integrated system for tracking and reporting expenditures; improving equity and financial accessibility for preventive and curative services by effective implementation of subsidies for essential preventive and emergency services (including emergency obstetrical care, and procurement and distribution of treated bednets), and clarifying the criteria for indigence and further pilot exemption schemes for the poorest.

16. The APR discusses the preparation of a national policy document to address the health personnel management and staffs recommend that forthcoming APRs report on the implementation of the plan, including on improvement in distribution and motivation of health personnel in the context of decentralization reform and the transfer of health facilities, budgets and personnel to sub-national governments.

17. The staffs note that the APR discusses nutrition issues by focusing on the supply of micronutrient supplements and food rations to pregnant women, nursing mothers and persons affected by HIV/AIDS. Staffs encourage the development of an integrated approach to community-level health and nutrition, recognizing that malnutrition is a result not just of inadequate household food security, but also of access to clean water, child feeding and sanitation practices, and access to health care.

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

18. The staffs view as appropriate the focus on sectors critical to increasing the income of poor households (such as agriculture, water, livestock, environment, fisheries, and forestry). They encourage a full costing of these activities and their integration in the MTEF. The staffs agree with the analysis of key bottlenecks for diversification and income generation in the rural sector, including low labor productivity, high transport and energy costs, access to water, inadequate marketing services and infrastructure, research and extension services.

19. The staffs observe that while the discussion on cotton sector developments rightly emphasizes the reforms undertaken to liberalize the sector, it does not explain whether continued growth is expected given the risk of declining long-term world prices, nor does it explore sources and bottlenecks of sustained cotton sector growth (e.g. through improvement in soil fertility and the introduction of new varieties).

20. The staffs also note the creation of SOBFEL (*Société Burkinabé de Fruits et Légumes*) as an element of the Government's strategy to promote exports. Staffs see that further analysis of SOBFEL is warranted to solve the inherent contradiction between SOBFEL as a private sector competitor and as a sub-sector coordinator. The removal of the Bobo Fruit Terminal and the Ouaga cold storage facilities from direct SOBFEL control by putting them under the control of a "sub-sector promotion agency" which would be implemented under the PAFASP, would solve this contradiction.

D. Promoting Good Governance

21. The staffs support the emphasis on governance and anti-corruption efforts, particularly in the area of public finances management. The staffs encourage the continuous enforcement of existing regulations, and suggest that the different control bodies prepare and publicize annual progress reports with their recommendations. Furthermore, the Government should consider allowing High Authority for the Fight Against Corruption (HACLC) to refer corruption cases to Justice, thereby resolving the hiatus in its power to initiate legal proceedings.

22. The staffs also urge the Government to strengthen the capacity and operating resources of the Audit Court, the administrative inspection bodies, and the HACLC. Additional resources should be included in the MTEF and the annual budget.

23. The staffs commend the adoption of the decentralization law that has the potential to improve governance and services delivery. They encourage the authorities to implement the provisions of the law by organizing effective revenue and expenditures assignments between national and sub-national governments.

24. The APR provides detailed information on resources flows. The staffs encourage the authorities to use the ongoing introduction of a functional budget classification as well as accountability instruments such as PETS (Public Expenditures Tracking Surveys) to monitor trends in the "pro-poorness" of the budget as well as the governance of expenditures management.

III. CONCLUSION

25. The staffs commend the authorities for their effort to address the recommendations made in the JSAN of the previous APR. In the sections above, the staffs have underlined several areas where PRS implementation could be strengthened and they urge the authorities to consider and implement these recommendations. In particular, the staffs would like to stress the importance of:

- Strengthening the link with the MDGs;
- Emphasizing trade issues and policies for growth and economic diversification;
- Promoting an efficient delivery of education and health services at the sub-national levels;
- Stepping up governance and anti-corruption efforts.