

BURKINA FASO
Poverty Reduction Strategy Paper
Joint Staff Assessment

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I. INTRODUCTION

1. Burkina Faso is among the poorest countries in the world. About 45 percent of its population falls below the absolute poverty line. Since 1991, Burkina Faso has been implementing a wide range of economic reforms under a series of stabilization and structural adjustment programs supported by the Bank, the IMF and other donors. Overall, it has established a positive adjustment track record associated with renewed growth and good macroeconomic performance. In the Letter of Intent for Sustainable Human Development Policy issued in 1995, the Burkinabe authorities laid down their vision of the country for 1995-2005, with the central objective of reducing poverty. Since then, several important policy papers have further elaborated the Government strategy for higher growth and reduced poverty. The Poverty Reduction Strategy Paper (PRSP) builds on these efforts and on related analytical work to offer a comprehensive strategy for poverty reduction

2. The Joint Staff Assessment summarizes staff's views on the poverty challenges facing Burkina Faso, the proposed strategy to address them, and the participatory process that underlies the PRSP. Section II of this Joint Staff Assessment provides an assessment of the PRSP and presents the background of the PRSP and the analytical macroeconomic and sectoral work that led to its finalization, while Section III sets out staff's conclusions.

3. The PRSP presents a clear statement of the poverty reduction goals set by the Government based on a good understanding of the nature and locus of poverty in Burkina Faso. It acknowledges that lasting poverty reduction requires not only rapid growth, but also better access to economic opportunity by the poor; growth that is environmentally sound; and good governance, to ensure a transparent and fair distribution of the benefits of growth. The PRSP sets the priorities and outlines the elements of the Government's approach to poverty reduction goals, consisting of well-developed interventions in four broad areas: accelerating growth based on equity; ensuring that the poor have access to basic social services; expanding opportunities for employment and income-generating activities for the poor; and promoting good governance. In each of these areas, the document describes the specific actions that the Government intends to pursue over the medium term. The action plan focuses on three priority sectors (education, health, and rural development) where public interventions have the highest payoff in terms of economic growth, employment opportunities, and the quality of life.

II. ASSESSMENT OF THE PRSP

4. This section presents the staff's assessment of Burkina Faso's PRSP along eight dimensions.

Government commitment and ownership.

5. Immediately after the Bank/Fund Annual Meetings in October 1999, the Government took full ownership of the PRSP process. It established in November 1999 an inter-ministerial

committee to review existing poverty reduction plans, identify data gaps, clarify macroeconomic and sectoral links to poverty outcomes, set out the agenda for the process of formulating the strategy. The process has been under the direct leadership of the Minister of Economy and Finance throughout, with participation by experts from the ministries of Basic Education, Health, Agriculture, Livestock, Environment and Water. The first draft of the strategy was presented to the donors in February 2000. After rounds of consultations with civil society and various stakeholders, a second draft was prepared and released in April. Bank and Fund staff visited Ouagadougou in April-May to advise the Government team about presentation of the PRSP document. The Government plans to update it annually to take into account the lessons learned from the implementation of the policies adopted in the document, the findings of complementary studies carried out by various institutions to gain a better grasp of the poverty phenomenon, and the evolving resource framework.

Poverty analysis and monitoring.

6. Burkina Faso's strategy draws upon a strong diagnostic base. In 1996 and 2000, the Government issued poverty profiles using results of priority surveys conducted in 1994 and 1998. Burkina Faso is currently one of the very few countries in francophone West Africa to have produced two major and consistent surveys that can be used for analyzing poverty trends over a five-year period. The availability of these data has made it possible to measure poverty outcomes and to understand the nature of poverty and its determinants. The relationships between poverty and geography, family composition, gender, occupation and other key determinants are well understood.

7. The monitoring and evaluation system put in place by the Government is appropriate. Medium- and long-term goals for poverty reduction are well defined, using a range of outcome-related indicators for monitoring progress and for ensuring that policies in the priority sectors (education, health, rural development and water) are well designed and effectively implemented. In setting targets, the strategy draws upon the experience of Burkina Faso's pilot initiative on Reformulated Conditionality, under which the authorities and donors have agreed on specified outcomes as the measure of progress under adjustment operations. The targets set by the authorities reflect the OECD/DAC International Development Goals, although the target dates for universal enrollment in primary education and eliminating gender disparity in education have been appropriately extended in line with the low base from which Burkina starts and its limited implementation capacity. The PRSP also describes the framework and mechanisms for monitoring implementation, including the planned development of participatory processes designed to enhance transparency, accountability, and efficiency. The PRSP acknowledges data deficiencies that hamper analysis and timely monitoring of performance, and outlines the steps being taken to improve the quality, coverage and timeliness of data needed to track performance.

Growth and macroeconomic framework for the strategy

8. In consultation with the Bretton Woods Institutions, the Government has embarked upon a new economic program for 2000-03, which aims to achieve real GDP growth averaging 7 percent per year, inflation of less than 3 percent, and a current account deficit in the balance of payments, excluding grants, of about 13 percent of GDP. These targets are expected to allow per capita income to increase by at least 3 percent per year, along with an improvement in living conditions and the development of human resources.

9. There has been considerable analysis and open debate about the country's growth prospects. In 1999, the Government commissioned a comprehensive analysis of economic competitiveness and long-term sources of growth in Burkina Faso. The findings served as the

basis of a workshop in Ouagadougou in May 1999 with the participation of the Government, the Bank, donors, the private sector and civil society and, later, of a special cabinet meeting convened by the Head of State. The final version of the study, *Burkina Faso: Compétitivité et Croissance Economique – Orientations, Stratégies et Actions*, was completed in early 2000 and the Government intends to publish it shortly. The study identified four major constraints on growth: (i) a large social deficit, low labor productivity, and high unemployment; (ii) poor economic infrastructure, high input costs, and limited size of the modern private sector; (iii) weak institutional capacity; and (iv) a relatively closed economy exporting labor. The Government decided to focus the PRSP, selectively, on the first of these, because developing human capital is the most sustainable way to increase productivity in rural areas, ensure continued economic growth, and fight poverty. The other constraints will be addressed sequentially in sectoral reform programs to be supported by the donor community. In the framework of the preparation of the forthcoming CAS, the Bank will work with the authorities to design a program of assistance supporting PRSP priorities.

10. The PRSP acknowledges that the ongoing process of regional integration through the West African Economic and Monetary Union (WAEMU), despite its potential transitional economic and social costs, is key to opening the economy and therefore to growth. Membership to the WAEMU customs union poses some short-term challenges to Burkina Faso. The decrease in external tariffs implemented in January 2000 will initially lead to slower growth of public revenues. Moreover, because Burkina Faso's productivity rates across the board are currently lower than its main competitors in the region, the Union will inevitably lead to significant economic restructuring, which should eventually lead to higher exports where Burkina Faso has a comparative advantage—especially in agriculture and some services. While the potential economic gains are extremely difficult to quantify, the ambitious integration objectives would in the long run assist a poor, landlocked and relatively arid country like Burkina Faso, whose major engine of growth will continue to be its participation in the stronger economies on the coast, especially Côte d'Ivoire, where over 3 million Burkinabè already live and work.

Action plans in three priority sectors.

11. The action plan in the PRSP focuses on health, education, and rural development. This emphasis is consistent with the finding of the competitiveness study that human capital and rural productivity are key constraints to growth. In preparing the PRSP, the authorities have benefited from high quality background analytical work, and related consultations, on development plans for the priority sectors (education, health, and rural development). The PRSP offers a general view of the full set of policy and funding measures in place in the education, health, and rural development sectors, which is presented in more detail in the HIPC paper. The staffs consider the proposed action plans in the PRSP to be appropriate and consistent.

Education. The government's ten-year basic education program aims to increase the gross primary enrollment ratio from 41% in 2000 to 70% in 2010. This ambitious but realistic program supported by nineteen donors will generate in ten years the same increase in the enrollment ratio achieved during the previous forty years. The incremental expenditures proposed in the PRSP document are consistent with this objective because they focus on improved facilities and supplies for primary schools in areas with lowest enrollment rates. In addition, in the context of the HIPC Initiative, the Government intends to increase the share of education in the budget from 21.6% in 2000 to 26% in 2010, with 60% devoted to basic education. Complementary policy changes, notably a reduction in average teacher salaries, will be taken to improve the efficiency of resource use.

Health. The Government is in the process of revising its national health sector policy (*Politique Sanitaire Nationale - PSN*) and preparing a 10-year sector development program (*Plan National de Développement Sanitaire - PNDS*). This ongoing process is participatory, eliciting the inputs of national stakeholders and donors. The PSN/PNDS will support the critical interventions articulated in the Government's PRSP document: (a) priority focus on health problems afflicting the poor; (b) reducing financial barriers to service access of the poor and (c) support for effective and equitable participation of communities in the planning, management and implementation of local level health activities. Key complementary policy directions in the health sector include continued decentralization, consolidation of performance-based management, and enhanced partnership with communities. Continued PER work will be required both to establish baseline data and to set viable targets with regard to the allocation and use of public resources and will become all the more critical for ensuring effective budgeting and utilization of incremental resources generated from the HIPC initiatives. The PRSP action plan includes appropriate incremental financing for the campaign against AIDS/HIV. The Government strategy on this issue has been evolving in light of experience and lessons of the past decade. Critical components include cost-effective preventive interventions, increasing emphasis on the treatment of the disease, and counseling. Burkina Faso's new AIDS/HIV strategy is increasingly based on a multi-sectoral, decentralized approach, with strengthened partnership with civil society.

Rural Development. The government's rural development strategy is set out in its 1998 Strategic Orientation Document (SOD) which aims at achieving sustainable growth in the livestock and agriculture sectors through the year 2010. The action plan in the PRSP, which is derived from this strategy, focuses on rural roads and on research, credit, and extension services targeted at small farmers and rural enterprise. Although the interventions themselves are appropriate, the government's larger strategy for growth and poverty reduction in the agricultural sector is not fully presented in the paper. As laid out in the 1999 operational plan for the SOD, the rural strategy aims at strengthening production in the cotton sector while diversifying the export base, ensuring broad access to income-generating activities, enhancing food security, and preserving the environment. Because it focuses on the three-year action plan, the PRSP does not present the medium- and long-term programs in the SOD.

Public Expenditure and Budgeting Processes.

12. The authorities have greatly improved their budgeting and expenditure practices over the past five years. A comprehensive public expenditure review in 1995, and a public expenditure incidence analysis in the education, health, and water sectors in 1996 and 1997 contributed to the understanding of equity issues, although not of the rationale and efficiency of expenditures in those sectors. Following the adoption by the Boards of the Bank and the Fund of the HIPC Decision Point document of the original HIPC Initiative in November 1997, the Government defined budgetary monitoring indicators; adopted a program for regular consultations between the Bank and the authorities on all budgetary issues; and established a multi-year program to enhance staff capabilities on PER-related matters. An interministerial committee was set up to coordinate the subsequent work on the public expenditure management.

13. As a result of these efforts, the 1999 and 2000 budget guidelines were significantly improved: in conformity with the HIPC social targets, the share of actual public expenditure for health and education in the budget has increased; a shift to performance budgeting was made for six key ministries (Health, Finance, Interior, Defense, Basic Education, and Secondary/Technical education), with outcome indicators to monitor efficiency, and increased accountability for line

managers. A Medium-term Expenditure Framework for 2001-2003 is currently under preparation. It will be presented to Parliament in October 2000 with the 2001 budget bill.

14. Considerably more work is needed to analyze the reasons for Burkina's inefficiency of public spending in relation to comparable poor countries. The PRSP contains almost no exploration of why service quality is low, unit costs high and outcomes disappointing. The Government recognizes this weakness and has just completed a series of PER studies in social sectors and expects to use the findings to answer these questions in next year's update progress report of the PRSP. The Participatory Poverty Assessment (PPA) should also be designed to shed light on issues of expenditure efficiency from the beneficiaries' point of view.

Costing and Financing.

15. The costing of the PRSP action plan is considered reliable because it draws upon the long-term strategies under finalization in priority sectors, described above, and on the preliminary work done, in co-operation with Bank staff, on the 2001-2003 MTEF. New spending priorities are consistent with Burkina's limited implementation capacity and with the non-inflationary finance. The PRSP considers the scope for reallocation of spending, increasing its efficiency and raising new revenue in a non-distortionary manner, as well as the scope for more external assistance. The use of HIPC resources is clearly presented. However, there is no discussion of the sources of funding for the remaining financing gap after taking into account the resources expected from the HIPC.

Consultation and participation.

16. The preparation of the PRSP itself involved numerous participatory events and processes, as noted in para. 5 above, and described in detail in the paper. Moreover, the PRSP has been considered and approved by both chambers of the parliament of Burkina (the National Assembly and the House of Representatives) and the economic committee of the Economic and Social Council before being transmitted to the international financial institutions.

17. Substantial consultation has also been involved, over the past five years, in the analytical building blocks of the PRSP. Stakeholders such as Ministers, civil servants, parliamentarians, civil society groups, representatives of the media, and donors have had opportunities to contribute to discussions and decisions on sectoral strategies, the study on growth and competitiveness and public expenditure reviews. A key missing element, however, has been systematic consultation directly with the poor. This is to be completed through the preparation of the PPA, with technical assistance from the Bank, in 2000-01.

18. The PRSP document lacks a summary of the main issues raised in the consultations and the views of participants. There is also no discussion of the role of organizations representing the poor in the future monitoring of implementation. The authorities are conscious that broad-based participation of civil society in the adoption and monitoring of the PRSP will enhance its sustained implementation. An interministerial committee will be asked to prepare an action plan to clarify the role and foster participation of stakeholders in the implementation, monitoring, and evaluation of the strategy; and formalize a process for systematic consultation with the poor.

Risk Assessment.

19. The two key risks that the poverty reduction strategy faces are:

(i) *Lower Export Revenues.* The PRSP targets a real GDP growth rate of 7 percent on average for 2001-2003. The medium-term balance of payment projections for Burkina Faso which will largely determine Burkina Faso's rate of economic growth are subject to substantial uncertainties regarding traditional export volumes and the outlook for cotton and gold, as reflected in recent changes in production levels and fluctuations in the international price of these two products. The PRSP acknowledges that Burkina Faso's poverty reduction strategy is fairly ambitious, and that its success will depend on external factors (demand for cotton, world prices, the dollar/CFA exchange rate), and on the Government's ability to fully implement the structural reform agenda in a timely fashion.

(ii) *Implementation.* The medium-term reform agenda presented in the PRSP, especially in the social sectors, constitutes a weighty agenda for the next three years. Its implementation will require full commitment from the authorities and strong mobilization of civil society groups. Given the spectrum of the action plan to be undertaken and the difficulties to reach some targets in the education and health sectors in the past, there is a risk that the reform program could falter because of pressures from vested interests and persistent institutional weaknesses. However, the risk here is mitigated by the Government's commitment to decentralization and to ensuring full participation of all key segments of the Burkinabè society in the implementation and the monitoring process.

III. CONCLUSION

20. In the staff's view, the Burkina Faso Government's PRSP fully meets the requirements for linking debt relief and poverty reduction set out in "*Poverty Reduction Strategy Papers---Operational Issues*" (joint Bank-Fund paper, R99-241 and SM/99/290, December 10, 1999); "*The Poverty Reduction and Growth Facility---Operational Issues*" (Fund paper SM/99/293, December 13, 1999); and "*Poverty Reduction Strategy Papers---Internal Guidance Note*" (Bank paper, R99-239, December 10, 1999, revised as R99-239/1, January 19, 2000). It presents clear objectives, which are set within a coherent program of poverty reduction, and is grounded in a sound assessment of poverty characteristics and trends.

21. This strategy is consistent with Burkina Faso's ongoing macroeconomic, structural, and social policies. The Government is committed to regular monitoring and updating of its poverty strategy. In these ongoing processes, any weaknesses will be addressed. Specifically, the progress report on the PRSP in one year's time will report on achievement of the goals set out in the final HIPC document. By March 2001, that is, prior to the HIPC second completion point, expected achievements of the implementation of the PRSP include: increased vaccination coverage for children (BCG, DPT3, measles, and yellow fever); more fully staffed health centers and higher utilization rates by patients; lower costs of medical interventions in primary health centers; lower breakdown rates for essential drugs; higher enrollment rates, especially for girls, and in the 20 poorest provinces; and higher budget shares for the social sectors (see Table 17 in the PRSP). The 2001-2003 MTEF endorsed by Parliament in December 2000 will also be part of the progress report for the completion point.

22. Burkina Faso's solid track record, evidenced by the successful implementation of two ESAF-PRGF programs, attests to the government's commitment to meeting its ambitious goals of poverty reduction. The staffs of the Bank and Fund consider that this PRSP provides a sound basis for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the Bank and the Fund reach the same conclusion.

Key Events: March 2000 - June 2001

EVENT	BOARD DATE
Poverty Reduction Strategy Paper	June 2000
Completion Point Paper for the Original HIPC and Decision Point for the EHIPC	June 2000
PRGF first year mid-term review	June 2000
PRGF first year review	September 2000
MTEF for 2001-2003	September 2000
National Community based Rural Development program	September 2000
CAS Board Discussion	October 2000
PRGF second year mid-term review	February 2001
Structural Adjustment Credit IV	March 2001
Ouagadougou Water Supply Project (ZIGA)	March 2001
PRSP first annual report	March 2001
EHIPC completion point	June 2001
Operationalization of the Basic Education Ten-Year Plan	June 2001