



1. Project Data:		Date Posted : 05/30/2008		
PROJ ID : P078995			Appraisal	Actual
Project Name :	Poverty Reduction Support Credit (5)	Project Costs (US\$M):	60.00	60.00
Country:	Burkina Faso	Loan/Credit (US\$M):	60.00	60.00
Sector Board :	PO	Cofinancing (US\$M):		
Sector(s):	General public administration sector (35%) Health (20%) General agriculture fishing and forestry sector (15%) General education sector (15%) Agro-industry (15%)			
Theme(s):	Public expenditure financial management and procurement (33% - P) Administrative and civil service reform (17% - S) Regulation and competition policy (17% - S) Population and reproductive health (17% - S) Decentralization (16% - S)			
L/C Number:	C4053; CH158			
		Board Approval Date :		05/03/2005
Partners involved :		Closing Date :	06/30/2006	06/24/2006
Evaluator:	Panel Reviewer :	Group Manager :	Group:	
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## 2. Project Objectives and Components:

### a. Objectives:

This ICR review is to be read in conjunction with the ICR reviews for PRSC -IV and PRSC-VI. The three reviews should be read preferably in sequence.

PRSC-V was the second of a programmatic series of three operations in support of Burkina Faso's November 2004 poverty reduction strategy (PRSP-II) covering 2004-06. The first series of three operations, approved over 2001-03, was in support of the original PRSP (PRSP-I), issued in June 2000.

The overall objective of the project was to support implementation of PRSP -II, which was built on four pillars :

- (i) raising growth and equity in a stable macro-economic environment to reduce poverty;
- (ii) increasing access to and quality of basic social services;
- (iii) improving employment and income opportunities for the poor; and
- (iv) improving governance with a particular emphasis on public sector management and budget management reforms.

PRSP-II set out overarching medium-term goals: (i) increasing real GDP per capita by at least 4 percent p. a. beginning in 2004 (the assumed average real GDP growth rate was 7 percent p.a.); (ii) reducing poverty incidence from 46.4 percent (the 2003 observed ratio) to less than 35 percent by 2015; and (iii) raising life expectancy to at least 60 years by 2015 through reductions in infant, child, and maternal mortality .

**b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Components (or Key Conditions in the case of DPLs, as appropriate):**

There were three components, consistent with the four pillars of PRSP -II:

- 1) Growth and employment creation (rural sector; telecom sector; energy sector; and private sector development (PSD)
- 2) Human resources development (education; health; social protection; water infrastructure )
- 3) Good governance (budget formulation; budget execution; procurement; budget management and ex -post control; public sector reform and decentralization; and environment ).

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

The Credit of US\$46.1million and the Grant of US\$13.9 million were in support of the 2005 budget, covering part of the residual financing requirements . Although there was no cofinancing, budget support was also provided by several multi- and bilateral donors, including the EU, the AfDB, and the members of the Budget Support Group (France, Netherlands, Sweden, and Switzerland ) for a total of about US\$99.5 million. Support under the IMF PRGF was about US\$17.0 million. The Credit and the Grant were disbursed upon effectiveness on August 25, 2005. The share of PRSC-V in the series was 33 percent (US\$60/US\$180 million).

**3. Relevance of Objectives & Design:**

The objectives were relevant to country conditions and fully consistent with PRSP -II, as well as with the Bank strategy presented in the March 2003 CAS progress report (CAS-PR) and the May 2005 CAS covering FY06-09. The thrust of the Bank strategy is to support the implementation of the country's PRSP, and, since 2001, PRSCs have been the main instruments to do so . The objectives are also consistent with the present country conditions .

The design of the operation was similar to that of PRSC -IV. The reader is referred to the ICR review for PRSC -IV.

**4. Achievement of Objectives (Efficacy):**

Except for some sentences or short paragraphs, the ICR does not discuss systematically what was achieved under each operation, whether in terms of actual implementation of actions /measures/policies or in terms of achieving objectives. It does not offer a justification for each rating for each operation . For the present review, IEG assessed each operation by relying, in addition to the ICR, on the retrospective analysis contained in the program document of the next operation.

**1) Maintain macro -economic stability .**

**Specific targets :** (i) achieve a real GDP growth of 4.4 percent and (ii) reduce poverty to 43 percent in 2005.

Despite adverse external shocks in 2005, macro-economic stability was maintained and performance under the PRGF was satisfactory. Real GDP growth rebounded from 4.6 percent in 2004 to 7.1 percent on account of record cereal and cotton harvests. The strong growth performance more than offset the negative impact of the deterioration in the terms of trade. Inflation rose to 6.4 percent under the combined effect of higher oil prices and increased food prices during the first half of the year but inflationary pressures eased at the end of the year as a result of the good 2005-06 harvest. The 2005 fiscal deficit was smaller than projected under the PRGF, despite a revenue shortfall,

because many expenditure authorizations were not executed . The current account deficit (excluding official transfers) widened as a result of the higher oil prices . Poverty was reduced to 42.7 percent. **Substantial** .

## 2) Promote growth and employment creation .

### The immediate objectives were :

*In rural development* : (i) put in place the new interprofession for the cotton sector including the new operators for the new zones; (ii) adopt the text on the principles and rules of the execution of missions transferred or delegated to chambers of agriculture, professional organizations, interprofession, and the private sector; (iii) reduce the vulnerability of agricultural activity; (iv) improve access to rural roads; (v) elaborate an action plan to implement the recommendations of the institutional audit of the Ministry of Agriculture, Water and Fisheries, in consultation with stakeholders and the private sector, and begin its implementation; (vi) implement action plans for cereals, cowpeas, and oilseed; (vii) define standards and labels for oilseed products (sesame, cashew nut, shea) and cowpeas streams; (viii) support the emergence of professional exporters with the Oilseed Council of Burkina Faso and the actors of the cowpeas stream; (ix) begin implementation of the action plan for fruits and vegetables; and (x) adopt and initiate the implementation of an action plan for the promotion of poultry and meat exports (standards, label, conditioning and training of professional exporters) .

*In telecom and energy*: (i) modify the terms of the privatization and bring ONATEL to the point of sale and transfer its assets to the new operator; (ii) issue tender for the selection of a private operator for the management of the electricity sector; (iii) begin work on the power line Bobo-Dioulasso; and (iv) issue bidding documents for the private participation in the capital of SONABHY .

*In private sector development*: (i) implement the action plan for the change in labor regulations; (ii) adopt the revised texts for wholesale and external commerce; (iii) provide FASONORM and Trade-Point with logistics and financial resources; (iv) strengthen the Chambers of Commerce within the Higher Court ( *Tribunal de Grande Instance*); (v) reduce the time for completing the formalities for the creation of new businesses; (vi) enforce the new Mining Code, starting with the adoption of the implementation decrees; (vii) produce geographical maps; (viii) increase access to mining zones; (ix) adopt an innovative Artisans' Code; and support the Chamber of Craft Trades ( *Chambre des Métiers*).

**Outputs** . In the *rural sector*, the emphasis of the reform agenda shifted from the cotton sector to the promotion of agricultural diversification . In the cotton sector, the inter-professional association aimed at strengthening coordination in the sector, was established in February 2006. The trigger for PRSC-VI was fulfilled: standards and norms were approved for oleaginous (sesame, cashew nuts, shea butter) and cowpeas to promote trade and technology transfer . Other actions were taken to promote diversification : (i) the vulnerability of agricultural activities was reduced by continued construction of manure pits and of hydro -agricultural installations, and by improved access to rural roads and continued maintenance of departmental roads; (ii) the action plans for cereals, cowpeas, and oilseed started being implemented but progress was limited in providing support to exporters; (iii) the reorganization of the Ministry of Agriculture started being implemented; and (iv) an action plan for the promotion of poultry and meat exports and for the protection against animal diseases was adopted and started being implemented . However, the adoption of the texts organizing the principles and rules on the execution of missions transferred or delegated to chambers of commerce and other professional organizations was delayed .

In the *telecom sector*, the objective of bringing ONATEL to the point of sale and transferring its assets to a new private operator by the end of 2005 was not achieved because there were delays in the recruitment of a privatization advisor. In the *energy sector*, the law on the new regulatory and legal framework in the electricity sector was enacted allowing for the creation of a regulatory authority . But, there were delays in other areas of the energy sector : works on the power line between Ouagadougou and Bobo-Dioulasso were delayed because of the need for reliability tests; and the accounting and financial audits of the electricity and petroleum companies were not completed in time, causing delays in the issuance of the tender for the selection of a private operator for the management of the electricity company and of the bidding documents for the private participation in the capital of the petroleum company.

In *private sector development*, some measures were adopted to simplify the administrative requirements for private investors. However, in the all-important reform of the labor market, progress was mixed : (i) although a revised Labor Code had been enacted in September 2004, the implementation decrees had still not been adopted by mid -2006, partly because of resistance from unions; and (ii) a comparative study on labor laws and regulations in neighboring countries aimed at informing the labor market reform was not completed either .

**Outcome** . The growth objective was achieved on account of the good cotton and cereal harvests (cotton production increased by 17 percent in 2005-06). However, there is no evidence that the increase in cotton production had any

impact on employment in the sector or on reducing inequality, although presumably there must have been . Similarly, there is no evidence that measures adopted in the other areas had any impact on growth and /or employment, or on reducing inequality and factor costs . Agricultural diversification is the result of a myriad of factors and takes a long time to bear fruit. In the public utility sector and in PSD, progress was particularly slow reflecting the time necessary to arrive at a consensus on delicate reforms as well as capacity constraints . **The rating is Modest .**

### **3) Promote human resources development .**

**The immediate objectives were :**

*In education:* (i) strengthen the program budget for the sector and finalize the sectoral MTEF, including secondary education and including the resources to attain the PDDEB objectives and MDGs; (ii) update the PDDEB; (iii) introduce delegated credits for secondary education; (iv) continue the policy of subsidizing schooling in the 20 provinces with the lowest school enrolment rates; and (v) adopt and implement an action plan to increase teaching hours.

*In health:* (i) develop a monitoring system for the use of resources by hospitals, regions, districts, and health management committees (COGES); (ii) strengthen the program-based budgeting of the sector in line with the sectoral MTEF; (iii) implement a system of subsidies for obstetrical emergencies and reduce costs of assisted birth; (iv) implement a system of integrated subsidies for child diseases in 15 districts; (v) verify the implementation of the fee structure for physicians and hospital services; (vi) revise the texts for the subsidization of indigents and illnesses of public health interest (notably malaria) and implement pilots in several districts; (vii) effective implementation of the strategy for the fight against malaria, including subsidization of impregnated bed nets; (viii) continue the policy of free vaccination; (ix) implement the action plan for health worker distribution and motivation; (x) implement an efficient strategy for the distribution of vitamin A; (xi) the design a National Nutrition Policy and Program; (xii) create a multicultural consultation framework for nutrition and food security, including health, agriculture, education, economy and development; and (xiii) prepare a national strategy for social protection .

*In water:* (i) operate the new water concessions in 13 provinces; and (ii) implement a strategic sanitation plan for 10 urban communes.

**Outputs.** In *education*, actual expenditures increased from 2.7 percent of GDP in 2005 to 2.9 percent in 2006. The trigger for PRSC-VI was fulfilled: the sectoral MTEF for primary and lower secondary education was finalized taking into account the objectives of the ten-year basic education plan and of the MDGs; also, the 2006 program budget for primary education was strengthened in that, for the first time since 2001, it reflected personnel expenditures and linked the ten-year plan, the MDGs, and the MTEF in a consistent manner . In addition, the following was achieved : (i) access was promoted by continuing the policy of subsidizing schooling in the 20 provinces with the lowest school enrollment; (ii) the ten-year basic education plan was revised and updated for the second half of its implementation (2006-10) to reflect the lessons of the first half; and (iii) the system of delegation of credits to the local level was introduced for the lower secondary cycle in the 2006 budget. However, the preparation and implementation of an action plan to increase teaching hours were delayed .

In *health*, actual expenditures increased from 1.9 percent of GDP in 2005 to 2.1 percent in 2006. The trigger for PRSC-VI was fulfilled: a system of subsidies for obstetrical emergency care and reduced costs of assisted birth was approved and implemented starting with the 2006 budget year. However, progress was mixed in adopting and/or implementing other measures: (i) the sectoral MTEF was improved by strengthening its links with the objectives of the ten-year national health plan and of the MDGs; (ii) the implementation of an integrated management of childhood illnesses in 15 health districts proved to be effective and was to be extended to 15 additional districts in 2006; (iii) the policy of free vaccination, antenatal care, and vitamin A distribution was continued; (iv) despite increased flexibility in the use of the "cash advance" system, health districts continued experiencing difficulties in justifying expenses in time to receive subsequent tranches; (v) a study was launched to review the outdated fee structure for physicians and services in hospitals and model performance contracts between the Ministry of Health and hospitals were prepared, but no contracts were executed by mid-2006; (vi) the revision of the texts governing the functioning of the local health management committees and the implementation of the action plan to improve the distribution and motivation of health personnel were further delayed; and (vii) the establishment of an inter-sectoral coordination framework and action plan for malnutrition was also delayed .

In *water infrastructure*, (i) the planned operation of water concessions in 13 provinces was delayed because the draft strategy aimed at presenting options for sector management and maintenance policies in rural and semi -urban areas was to be revised (expected by mid-2006); and (ii) strategic sanitation plans were completed for 4 secondary cities instead of 10, the remaining 6 being delayed by weak capacity and inadequate funding . GOB and the Bank agreed to concentrate their efforts on implementing the plan for reaching the MDGs during the following PRSC series .

**Outcome.** According to Annex 1 of the ICR, all education indicators improved in 2005, contrary to 2004 (e.g., the gross enrollment rate increased from 56.8 percent in 2004 to 60.7 percent in 2005 and the rate for girls increased from 51 percent to 55 percent). However, there is little evidence of an improvement in the quality of education : the literacy rate, although higher than in 2004, was still below the 2003 rate. A key factor in raising quality is the increase in teaching hours, where no progress was made. For the health sector, the information in Annex 1 of the ICR is scanty, with no data on maternal and child mortality or life expectancy. The percentage of assisted births continued to improve, reaching 37.8 percent in 2005, and all vaccination rates continued to rise. The progress achieved in preparing sectoral MTEFs is noteworthy because they strengthen the link between budget allocations and sectoral strategies. **On balance, the rating is Modest.**

#### **4) Promote good governance.**

**The immediate objectives were :**

*In budget and financial management:* (i) adopt the draft budget for 2006 on the basis of sectoral ceilings of the 2006-08 MTEF and in line with the priorities of the PRSP; (ii) prepare an action plan to introduce delegated credits to the Ministry of Justice; (iii) implement the recommendations of the audit of HIPC resources carried out in 2004; (iv) improve monitoring of externally financed investment spending : design and implement an action plan for a complete information system based on the software SYGADE; customize SYGADE for the monitoring of external financing; develop interfaces between SYGADE, the computerized expenditure circuit (CID), and GOB's integrated accounting system (CIE); complete the training in the use of SYGADE; (v) develop CIR and put in place first modules; (vi) notify deconcentrated services of their budgets at the latest 10 weeks after putting in place the budget; (vii) adopt the action plan based on the recommendations of the 2005 CPAR; (viii) begin implementation of the software application to monitor the procurement process in the CID; (ix) continue the auditing of procurement contracts by IGF; (x) the accounting system for GOB's property is operational : the physical verification of property is completed; (xi) adopt the 2004 budget execution report; (xii) submit the 2004 final account statements to the Supreme Audit Court; and (xiii) reinforce the staff and budget of control services.

*In public sector and decentralization:* (i) continue the deployment of SIGASPE to government entities; (ii) deploy the CIEL software; and (iii) finalize the framework for the transfer of resources and competences to communes.

*In environment:* (i) continuous implementation of capacity building plan for EAs; (ii) control the application of national regulation for EAs; (iii) continue the supervision of IDA EMPs and of other donor -financed projects; and (iv) take stock of forestry resources and elaborate an investment program permitting a sustainable management.

**Outputs.** *Budget formulation.* The trigger for PRSC-VI was fulfilled: the draft 2006 budget was based on the sectoral ceilings of the 2006-08 MTEF and was in line with the priorities of the PRSP. Allocations for non-wage recurrent expenditures were increased for priority sectors. Budget deconcentration was extended by introducing the system of credit delegation to the Ministry of Justice. *In budget execution,* there was one trigger for PRSC-VI and it was partially fulfilled: the monitoring of externally financed investment spending was to be improved by designing and implementing an action plan for a complete information system based on the software SYGADE (this implied customizing SYGADE for the monitoring of external financing, developing the interface between SYGADE, CID (the computerized expenditure circuit), and CIE (GOB's computerized integrated accounting system), and training operators for the use of SYGADE). The action plan was designed but the customization of SYGADE and the development of the interface were delayed. There were also two areas where progress was expected, but the PD for PRSC-VI provides no information about the result: (i) to develop the CIR (the integrated revenue circuit) and put in place the first modules; and (ii) notify deconcentrated services of their budget at the latest 10 weeks after putting in place the budget.

*Procurement.* The trigger for PRSC-VI was fulfilled: an action plan was adopted based on the recommendations of the 2005 CPAR, with specific measures to be implemented over the third PRSC series. There were also two benchmarks to monitor progress in implementing the procurement reform, but there is no information in the documentation on results in these areas: (i) beginning implementing the software enabling the monitoring of the procurement process in the CID (the integrated expenditure circuit); and (ii) continuing the audit of contracts by the Ministry of Finance inspectorate (IGF). *In budget management and ex-post control,* there was one trigger for PRSC-VI. It was partially fulfilled: the accounting system for government property was to become operational and the physical verification completed. The latter was completed in 43 of the 45 provinces and in the commune of Ouagadougou but the design of an accounting system was not completed (a private firm was recruited to finalize the accounting system). The 2004 budget execution report was reviewed by the *Cour des Comptes* and the draft *Loi de Règlement* was submitted to Parliament in September 2005. The accounting statements for 2004 were submitted to the *Cour des Comptes*.

*Public sector reform and decentralization.* In civil service reform, the deployment of the budget payroll management

system (SYGASPE) to line ministries made little progress. In decentralization, the trigger for PRSC-VI was partially fulfilled. It required the finalization of the framework for the transfer of resources and competences to communes. Only some tasks were undertaken: (i) a draft law was adopted defining the resources and expenses of local governments as well as local taxes and tax sharing mechanisms with the Central Government (enactment of the law was expected for mid-2006); (ii) the accounting and financial regime for local governments, including budget and accounting classification, was defined; (iii) draft devolution decrees were adopted for the effective transfer of functions and assets to urban communes; and (iv) a priority action plan was adopted to assist the new regional councils and rural communes. Other actions in this area included the deployment of the software for an integrated accounting system for local communities in 8 regions; this is a key step in the decentralization process as it ensures an adequate fiduciary framework for public spending at the local level, including the production of accounting statements (*comptes de gestion*).

**Environment.** Capacity building for environmental assessment, the control of the application of the national regulations in environmental assessments, and the supervision of IDA and other donor -financed projects continued. A stock taking of the forestry resources and the formulation of an investment program permitting their sustainable management was planned.

**Outcome.** Further progress was achieved in budget and financial management, notably in producing sectoral MTEFs for the priority sectors of education and health, in further integrating several computerized systems in order to provide a better overview of the public finances, and in pursuing policies of transparency and accountability (the *Cour des Comptes* reviews the budget execution reports and Parliament debates the *Loi de Règlement* on a regular basis - a major achievement). Progress was slower in areas demanding high skills and therefore dependent on the recruitment of external expertise and in those where political consensus is necessary, such as in the deconcentration of budget execution. **On balance, the rating is Substantial.**

#### 5. Efficiency (not applicable to DPLs):

ERRs are not relevant for programmatic DPLs. The total cost of the three-year program (2004-06) is estimated to a minimum of US\$577 million, of which the Bank contribution was US\$ 180 million, or 31 percent. The total cost of PRSC-V alone, Bank and other donors included, was about US\$ 177 million.

#### a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

#### 6. Outcome:

According to Annex 1 of the ICR, the poverty headcount for 2005 was estimated at 42.7 percent, against an estimate of 44.4 percent for 2004 and an observed rate of 46.4 percent in the 2003 survey (the next survey is due to be carried out in 2008).

IEG rates outcome on the basis of three dimensions : relevance of objectives and design, efficiency, and efficacy. On the basis of the shortcomings in design and the mixed performance in efficacy, the rating of outcome is **Moderately Satisfactory**.

GOB showed ownership and determination in maintaining macro stability despite adverse exogenous factors and in making steady progress on many dimensions, although, in some areas, at a slower pace than expected due to institutional weaknesses and capacity constraints. The comments made in the review for PRSC-IV generally apply to PRSC-V. Except for cotton, progress under the growth and employment agenda continued to be modest with no evidence of impact on growth and employment, on reduction in inequality, or on increased opportunities for the poor. In the social sectors, progress was uneven, especially in health, with little information on improved quality in service delivery or indication on the prospect of reaching the MDGs. As in PRSC-IV, progress in budget and financial management was steadier, but, in the deconcentration/decentralization agenda, progress was also uneven reflecting the difficulty of overcoming both political and administrative obstacles.

#### a. Outcome Rating : Moderately Satisfactory

**7. Rationale for Risk to Development Outcome Rating:**

The assessment is the same as for PRSC-IV. The reader is referred to the PRSC-IV review.

**a. Risk to Development Outcome Rating** : Moderate

**8. Assessment of Bank Performance:**

The assessment is the same as for PRSC-IV. The reader is referred to the PRSC-IV review. However, the reference to the fact that the Bank team was well advised to appropriate the revisions being made to the original PRSP in preparing PRSC-IV does not apply to PRSC-V since the latter was fully based on PRSP-II.

**a. Ensuring Quality -at-Entry**:Moderately Satisfactory

**b. Quality of Supervision** :Satisfactory

**c. Overall Bank Performance** :Moderately Satisfactory

**9. Assessment of Borrower Performance:**

The assessment is the same as for PRSC-IV. The reader is referred to the PRSC-IV review.

**a. Government Performance** :Satisfactory

**b. Implementing Agency Performance** :Satisfactory

**c. Overall Borrower Performance** :Satisfactory

**10. M&E Design, Implementation, & Utilization:**

The assessment is the same as for PRSC-IV. The reader is referred to the PRSC-IV review.

**a. M&E Quality Rating** : Modest

**11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):**

No

<b>12. Ratings :</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	See section 6.
<b>Risk to Development Outcome:</b>	Moderate	Moderate	
<b>Bank Performance :</b>	Satisfactory	Moderately Satisfactory	See sections 3 and 8.
<b>Borrower Performance :</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

**13. Lessons:**

See review of PRSC-IV

**14. Assessment Recommended?** ☒ Yes ☐ No

**Why?** The project is part of an ongoing PPAR covering both programmatic series .

**15. Comments on Quality of ICR:**

See review of PRSC-IV.

**a.Quality of ICR Rating :** Satisfactory