

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted : 05/30/2008	
PROJ ID : P078996		Appraisal	Actual
Project Name :	Poverty Reduction Support Credit (6)	Project Costs (US\$M):	60.00
Country:	Burkina Faso	Loan/Credit (US\$M):	60.00
Sector Board :	PO	Cofinancing (US\$M):	
Sector(s):	General public administration sector (35%) Health (20%) General agriculture fishing and forestry sector (15%) Primary education (15%) Other industry (15%)		
Theme(s):	Poverty strategy analysis and monitoring (29% - P) Public expenditure financial management and procurement (29% - P) Decentralization (14% - S) Administrative and civil service reform (14% - S) State enterprise/bank restructuring and privatization (14% - S)		
L/C Number:	C4194		
		Board Approval Date :	06/20/2006
Partners involved :		Closing Date :	06/30/2007
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-V. The three reviews should be read preferably in sequence .

PRSC-VI was the third 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: reforms in the rural, telecom, and energy sectors as well as in the investment climate (labor market, regulatory framework) to lower factor costs, increase productivity and favor new investments;
- 2) Human resources development: policies in education, health, social protection, and water infrastructure to lower the cost of service, increase access, improve service quality, and reinforce M&E;
- 3) Good governance: policies to strengthen budget formulation, budget execution, procurement, budget management and ex-post control, public sector reform and decentralization, and environmental management .

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

The Credit of US\$60.00 million was in support of the 2006 budget, covering part of the residual financing requirements. Although there was no cofinancing, budget support was also provided by multi - and bilateral donors (AfDB, EU, Denmark, France, Germany, Netherlands, Sweden and Switzerland), debt relief, and disbursements under the PRGF for a grand total of about US\$ 190.00 million. The Credit was approved on June 20, 2006 and fully disbursed upon effectiveness on August 31, 2006. It was closed on June 30, 2007, the original date. The amount of the Credit represented 33 percent of the total assistance under the second PRSC series .

3. Relevance of Objectives & Design:

The assessment is the same as for PRSC-IV and PRSC-V. The reader is referred to the reviews of these operations.

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 real GDP growth of 5.2 percent and reduce poverty to 41 percent in 2006.

Macro-economic stability was maintained in 2006 and performance was satisfactory under the PRGF . In April 2007, the IMF approved a new PRGF arrangement covering 2007-10. Real GDP growth reached 6.5 percent in 2006 due to favorable rainfalls while activity was also good in the construction and service sectors . Inflation remained low at 2.4 percent. Revenues, at 12.4 percent of GDP, were lower than projected under the PRGF, mainly because of lower profit taxes from the cotton companies (see below). However, the fiscal deficit was contained due to higher grants for capital expenditures and lower total expenditures . Despite continuing high oil prices and low cotton prices, the current account deficit improved, mainly because of booming cotton exports encouraged by unsustainably high domestic producer prices . Poverty was reduced to 40.8 percent. **Substantial .**

PRSC-IV-PRSC-VI. Macro-economic stability was maintained throughout the medium-term program and performance was consistently satisfactory under the PRGF, a significant achievement . GOB showed steady commitment to the reforms and pursued prudent fiscal policies . However, fiscal revenues remained in the 10-11 percent to GDP range, a level insufficient to sustain a policy of poverty reduction in the absence of continued external assistance. This is the main challenge faced in macro-economic management. In turn, improving revenue mobilization depends largely on developing new sources of growth .

2) Promote growth and employment creation .

The immediate objectives were :

In private sector development: (i) adopt and implement the action plan drawn from the Trade Diagnostic Study, including assessing and addressing the issue of VAT refunds for exporters within the existing regulatory framework; (ii) improve business climate by implementing GOB's action plan based on the "Doing Business Report"; and (iii) pursue implementation of the pilot land tenure security program in targeted and approve the strategy for land tenure security in rural areas as a critical step toward the adoption of the framework law on rural land tenure .

Outputs. In the *rural sector*, there were no specific actions envisaged under PRSC -VI for the cotton sector. Despite the good macro-economic performance in 2006, financial difficulties emerged in the cotton industry under the combined effect of low cotton prices on the world market in 2004-05 and the large increase in production over the preceding years due to the high producer prices (the 2006-07 harvest declined by 12.6 percent). As a result, the three cotton ginning companies experienced serious financial difficulties, which prompted GOB and the profession to revise the producer price mechanism to align it better to the international market and initiate the financial restructuring of the three ginning companies . The process was still ongoing by mid-2007, when PRSC-VII was approved. In March 2007, GOB launched a study on the long-term sustainability of the sector, including the possibility of adopting transgenic cotton .

In the *telecom sector*, the privatization of ONATEL was completed at the end of 2006. However, some implementation texts for the functioning of the regulatory authority, ARTEL, had still not been adopted by mid -2007. In the *energy sector*, no progress was made: private participation in the electricity sector and privatization of the petroleum company were further delayed .

In private sector development, there were three triggers to move to PRSC-VII and they were fulfilled; they aimed at improving the business climate: (i) a transitory VAT arrears reimbursement mechanism was established to accelerate the refunds due to exporters; (ii) a law was enacted in December 2006 simplifying property registration procedures and reducing the cost of transferring property; and (iii) implementation of a pilot land tenure security program was pursued in 26 provinces and a draft strategy for land tenure security in rural areas was prepared; consultations with all stakeholders were held prior to drafting the law (*Loi d'orientation sur le foncier en milieu rural*), but the drafting had not been completed by mid-2007. In addition to improving the business climate in general, these measures aimed more specifically at diversifying agricultural production and facilitating agricultural exports .

Outcome. The growth objective was achieved largely due to favorable rainfalls . The privatization of ONATEL was completed; according to the ICR, the average cost of a telephone call decreased by about 10 percent between 2005 and 2006 and the number of subscribers to mobile phones increased by 61 percent. There was no progress in the liberalization of the energy sector, a key factor in reducing costs and improving competitiveness . With time, the deterioration in the financial situation of the cotton ginning companies is likely to have a negative impact on income and employment in rural areas. As of completion of the second PRSC series, it is too early to assess this impact fully. As in the case of the previous operations, there is no evidence that the measures taken outside of the cotton sector had any impact on growth and employment, on reducing inequality, or on greater opportunities for the poor, whether in rural or in urban areas. Progress in privatization, in agricultural diversification, and in the business climate was too slow to have a measurable impact. On the basis of a mixed performance in reaching the objectives, **the rating is Modest.**

PRSC-IV-PRSC-VI. Overall performance under the objective of raising growth and employment was mixed . The liberalization of the cotton sector was a success and must have helped raise income in rural areas . Burkina Faso is now the first producer in West Africa. This was to be expected in that the sector is fairly well organized in terms of delivery of inputs, trade, transport, and export outlets . This is not the case in the other agricultural sub-sectors, where results were - and are - much more difficult to achieve as a multitude of obstacles to productivity and trade have to be overcome. In privatization, progress was slow as political consensus had to be built and, in PSD, many bureaucratic impediments need to be removed to attract investors, a time consuming process .

3) Promote human resources development .

The immediate objectives were :

In education and health: effective transfer of responsibilities and resources to municipalities and regions, as evidenced by (i) the allocation of resources to regions and communities; (ii) the setting up of institutional mechanisms for the transfer of financial resources to urban communities, including the establishment of the Investment Fund for Local Governments, the clarification of the transfer of mandates and responsibilities to regions and urban municipalities, and the adoption of a legal framework for the transfer of human resources .

In water: effective implementation of the activities of the roadmap established by GOB to reach the MDG targets for water and sanitation, including adequate funding for the program budget of the General Directorate of Water and Sanitation and for the expansion of the hygiene and sanitation promotion program of the urban water public utility (ONEA) to four new towns.

Outputs. In *education*, actual expenditures were estimated to have stabilized at 2.9 percent of GDP in 2007. Neither the PD for PRSC-VII nor the ICR provides information on measures/actions implemented during the execution of PRSC-VI after its approval. In particular, there is no information on whether the various measures and /or actions initiated under PRSC-V were pursued, completed, or still delayed .

In *health*, actual expenditures were estimated to have increased substantially in 2007 to 2.8 percent of GDP from 2.1 percent in 2006. The PD for PRSC-VII provides no information on actions monitored by benchmarks during PRSC -VI execution, but the ICR indicates that the revised fee structure and service contracts (mentioned in the ICR review for PRSC-V) helped widen access to essential health services at acceptable costs, thereby implying that the new structure became applicable under PRSC -VI.

In *water infrastructure*, the trigger for PRSC-VII was fulfilled: GOB started implementing its national plan to reach the MDGs, including allocating additional resources for the expansion of ONEA 's hygiene and sanitation program to four cities, and increasing the budget of the General Directorate of Water and Sanitation in support of its water and sanitation program.

Outcome. According to Annex 1 of the ICR, all indicators for education improved by several percentage points between 2005 and 2006 (gross enrollment increased from 60.7 percent to 66.5 percent - for girls: from 55 to 61 percent). In health, there is no information on child and maternal mortality or on life expectancy (the next demographic and health survey is due in 2008); the vaccination indicators show a mixed picture, some declining and some improving. For both education and health, there is insufficient information to assess whether, in addition to access, there was also improvement in the quality of social services . Access to potable water increased in both rural and urban areas. **On balance, the rating is Modest.**

PRSC-IV-PRSC-VI. The ICR reports on the evolution of actual expenditures for education over the period covered by the medium-term program: they increased from 12.1 percent of total expenditures in 2004 to 12.2 percent in 2005, and to 12.4 in 2006, but were estimated to have declined to 10.8 percent in 2007. In percentage of GDP, the corresponding figures were 2.6 for 2004, 2.7 for 2005, 2.9 for 2006, and 2.9 for 2007. For health, expenditures increased from 7.4 percent of total expenditures in 2004, declined to 7.1 percent in 2005, and increased again to 8.0 percent in 2006 and to 9.4 percent in 2007. On a GDP basis, the figures were 2.0 percent for 2004, 1.9 for 2005, 2.1 for 2006, and 2.8 for 2007.

The steady increase in budgetary allocations and expenditures in the priority sectors, together with the policies of bringing services closer to the people, have produced good results in terms of access, as illustrated by most indicators. However, the picture is not as clear in terms of quality of service : in education, the primary completion rate has increased only from 31.3 percent in 2003 to 36.4 percent in 2006; also, no progress was achieved in raising the number of teaching hours from about 660 to a target of 800-900. The 2008 demographic and health survey should provide needed information on child and maternal mortality rates and on life expectancy to assess better the impact of the reforms in the health sector and whether the country is making progress towards reaching the MDGs .

4) Promote good governance .

The immediate objectives were :

In budget and financial management: (i) adopt the draft budget for 2007 on the basis of the 2007-09 MTEF and in line with the priorities of the PRSP; (ii) implement the functional budget classification with a marker for poverty -spending so as to allow tracking those expenditures; (iii) implement the action plan drawn from the 2005 CPAR as evidenced by the adoption of a decree creating a Regulatory Agency for Public Procurement (ARMP) and by the revision of the attribution, composition and functioning of the General Directorate for Public Procurement (DGMP); and (iv) strengthen the capacity of audit institutions for public financial management .

In decentralization: prepare city contracts for the six main cities .

Outputs. *Budget formulation.* The trigger for PRSC-VII was fulfilled: the 2007 draft budget was adopted on the basis of the sectoral ceilings of the 2007-09 MTEF and was in line with the priorities of the PRSP . Allocations for non-wage recurrent expenditures were increased for priority sectors . In *budget execution*, the trigger for PRSC-VII required the implementation of the functional and social budget classifications with a marker for poverty spending so as to allow tracking of that type of expenditure . The trigger was fulfilled.

Procurement. The trigger for PRSC-VII required implementing the action plan drawn from the 2005 CPAR. It was fulfilled by the adoption of two decrees : one creating a regulatory agency for public procurement (*Autorité de Régulation des Marchés Publics*), and the other providing for the establishment of a department in charge of procurement (*Direction Générale des Marchés Publics*) within a reorganized Ministry of Finance and Budget . In *budget management and ex-post control*, the trigger for PRSC-VII required strengthening the capacity of the audit institutions for public financial management . Capacity was increased at the Ministry of Finance Inspectorate (*Inspection Générale des Finances -IGF*), which audited 24 procurement bids and 14 projects in 2006.

Decentralization. Substantial progress was achieved : there were two triggers for PRSC-VII and both were fulfilled. The first required the effective transfer of responsibilities and resources to municipalities and regions . Several actions were taken in that respect: (i) the 2007 budget included CFA Francs 6.8 billion for the regions and local governments; (ii) institutions were established to transfer financial resources to the urban communes and an Investment Fund for Local Governments (*Fonds Permanent pour le Développement des Collectivités Territoriales*) was created by decree; (iii) the responsibilities transferred to urban communes were clarified; and (iv) a law was enacted creating the local civil service . The second trigger required the preparation of City Contracts (*Contrats de Ville*) for the six main cities. The draft contracts were prepared and were expected to be entered into in 2007.

Outcome. Continued progress was made in the different areas of budget and financial management, where several measures referred to as "reforms" at the beginning of the decade have become "routine" functions. Substantial progress was made in decentralization by creating institutions and structures empowering local governments, notably in urban communes, by transferring resources to them, and by creating a local civil service, all actions necessary to deliver public services at the local level in a more efficient and equitable way . **The rating is Substantial.**

PRSC-IV-PRSC-VI. Annex 1 of the ICR lists several areas where improvement in governance was achieved during the medium-term program: budget allocations were increased for the social sectors, but budget execution rates stagnated; the absorption rate of external assistance increased substantially; the number of ministries receiving delegated credit increased from 4 in 2003 to 7 in 2006; budget execution reports and accounting statements were submitted on time to the oversight authorities; personnel management was increasingly transferred to line ministries; and the software for an integrated accounting system for local communities was operational in 10 regions out of 13. These were significant achievements and illustrate the fact that GOB increasingly assumed responsibility for the management of its public resources, an implicit objective underpinning the PRSC as aid instrument .

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-VI alone, Bank and other donors included, was about US\$ 250 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:

Annex 1 of the ICR reports that the poverty headcount was estimated to have declined from 42.7 percent in 2005 to 40.8 percent in 2006, a two percentage point decline in one year, the yearly target of the PRSC series (the next survey is scheduled for 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** .

Macro-economic stability was maintained and performance was satisfactory under the PRGF, ensuring continued support from the IMF with a new PRGF arrangement . The comments made in the reviews for PRSC-IV and V are generally applicable for PRSC-VI. A new element was the serious deterioration in the financial situation of the cotton sector which led GOB to have to raise its participation in SOFITEX to avoid bankruptcy . This raises questions about the late reaction of GOB and the Bank to the inconsistency between the domestic producer price mechanism and the international price.

The steady - albeit slow - progress made by GOB under the 2004-06 program is commendable. However, it leaves two major challenges to be tackled more forcefully by the authorities to achieve the PRSP objectives : one is the negative impact of delays on implementation due to institutional weaknesses and capacity constraints, which retard the benefits of the reforms; the other - linked to the first one to a large extent - is to develop new sources of growth and raise productivity to generate the necessary higher public resources to finance poverty reduction programs and thereby reduce dependence on foreign assistance .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The assessment is the same as for PRSCs IV and V . The reader is referred to those reviews .

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

The assessment is the same as for PRSCs-IV and V. The reader is referred to these reviews .

However, the question arises as to whether developments in the world market for cotton over the previous years were significant enough for the Bank to take an early lead in advising GOB on the measures likely to avoid the financial difficulties encountered by the sector . This issue is to be further addressed in the PPAR under preparation.

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 PRSCs IV and V . The reader is referred to these reviews .

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 PRSCs - IV and V. The reader is referred to these reviews .

a. M&E Quality Rating : Modest

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

No

Ratings	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:			

PRSC-IV	Satisfactory	Mod. satisfactory.	
PRSC-V	Satisfactory	Mod. satisfactory.	
PRSC-VI	Satisfactory	Mod. satisfactory	
Risk to Development Outcome:			
PRSC-IV	Moderate	Moderate	
PRSC-V	Moderate	Moderate	
PRSC-VI	Moderate	Moderate	
Bank Performance :			
PRSC-IV	Satisfactory	Mod. satisfactory	
PRSC-V	Satisfactory	Mod. satisfactory	
PRSC-VI	Satisfactory	Mod. satisfactory	
Borrower Performance :			
PRSC-IV	Satisfactory	Satisfactory	
PRSC-V	Satisfactory	Satisfactory	
PRSC-VI	Satisfactory	Satisfactory	
ICR Quality :			
PRSC-IV		Satisfactory	
PRSC-V		Satisfactory	
PRSC-VI		Satisfactory	

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

14. Assessment Recommended? Yes No
Why? The present PRSC is part of an ongoing PPAR covering both programmatic series .

15. Comments on Quality of ICR:
See ICR review of PRSC-IV.
a. Quality of ICR Rating : Satisfactory

