

Evaluation of General Budget Support – Burkina Faso Country Report

**A Joint Evaluation
of General Budget
Support 1994-2004**



May 2006

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Vietnam

JOINT EVALUATION OF GENERAL BUDGET SUPPORT 1994–2004

Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam

International
Development
Department



Burkina Faso Country Report



May 2006



Piet Lanser

Catherine Dom

François Orivel

Jean-Pierre Ouédraogo



Development
Researchers'
Network



International Development Department
School of Public Policy
University of Birmingham
Edgbaston
Birmingham B15 2TT, U.K.
Tel: +44 (0) 121 414 5009
Fax: +44 (0) 121 414 7995
Website: www.idd.bham.ac.uk

Study contacts

Country Team Leader:

Piet Lanser – piet.lanser@ecorys.com

Study Coordinator:

Rebecca Carter – R.L.Carter@bham.ac.uk

PREFACE

The Joint Evaluation of General Budget Support (GBS) was commissioned by a consortium of donor agencies and 7 partner Governments* under the auspices of the DAC Network on Development Evaluation. The evaluation followed a DFID GBS Evaluability Study which established an Evaluation Framework for GBS. This framework was agreed with DAC Network members in 2003. A Steering Group (SG) and Management Group (MG), both chaired by DFID, were established to coordinate the evaluation. The study was carried out by a consortium of consultants led by the International Development Department, University of Birmingham (IDD).

The purpose of the evaluation was to assess to what extent, and under what circumstances, GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The evaluation identifies evidence, good practice, lessons learned and recommendations for future policies and operations.

This report is one of 7 country level evaluations (Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda and Vietnam). Fieldwork took place between October-December 2004 and May-July 2005.

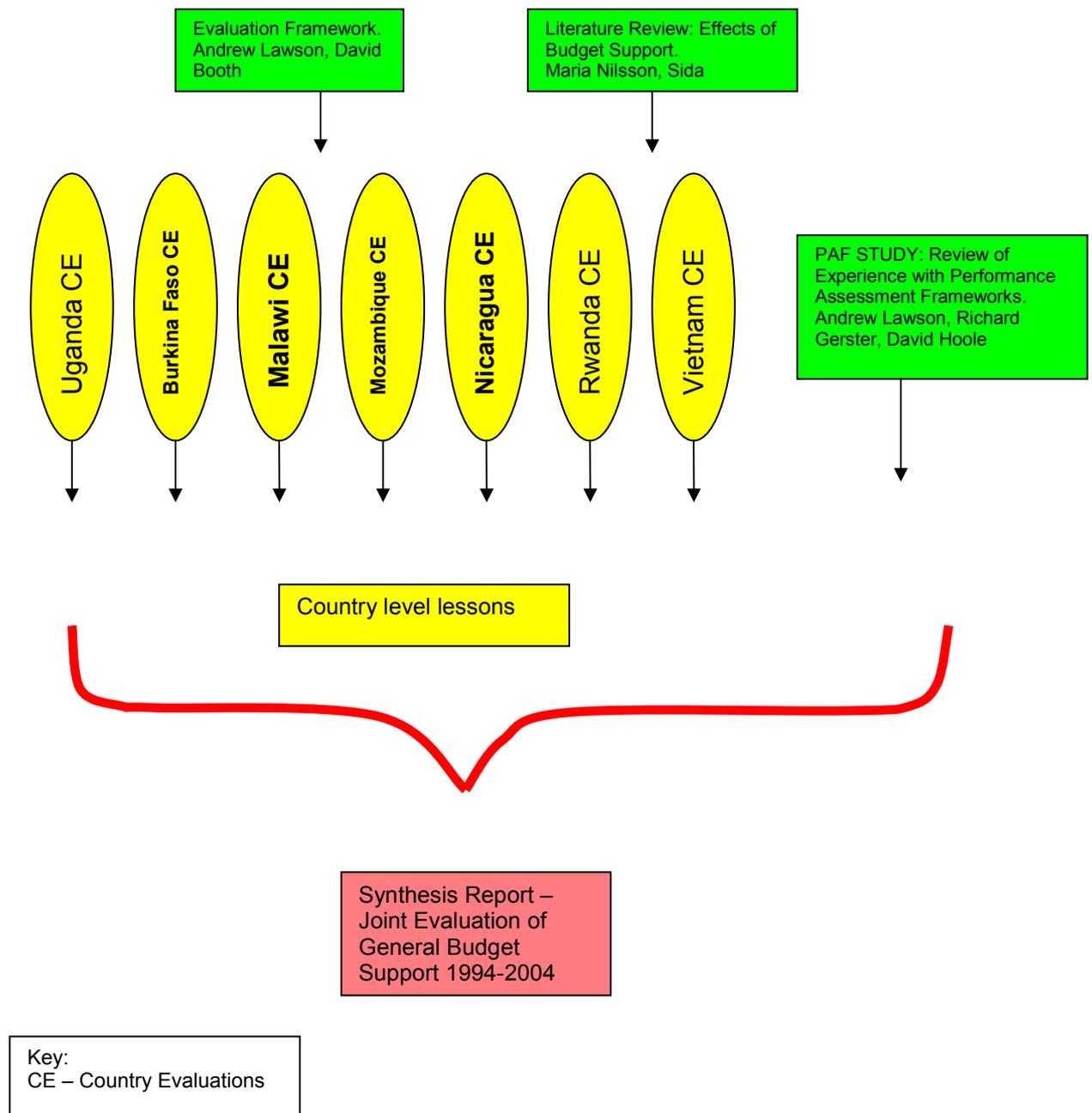
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*The consortium comprised the Governments of Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, The Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and USA, plus the European Commission (EC), the Japan Bank for International Cooperation (JBIC) and the Inter American Development Bank (IADB), the IMF, OECD/DAC and the World Bank. The evaluation was undertaken in collaboration with the Governments of Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam, who were also members of the SG. The study was designed to interact closely with aid agencies and with government and other stakeholders at country level. There were government and donor contact points in each country.

Joint Evaluation of General Budget Support 1994-2004

The Evaluation Framework, Literature Review and PAF Study were contracted separately. The remaining reports were authored by a consortium of consultants led by the International Development Department, University of Birmingham (IDD).

The diagram below shows how the reports in this series fit together:



A Management Group (MG) led the process:

Kate Tench, (Chair) DFID
Alexandra Chambel-Figueiredo, European Commission
Nele Degraeuwe, Belgian Technical Cooperation
Martin van der Linde, Consultant to the Netherlands Ministry of Foreign Affairs
Bob Napier, DFID

We are grateful for the contributions of former MG members:

True Schedvin, EuropeAid, European Commission
Susanna Lundstrom, Sida, Sweden
Fred van der Kraaij, IOB, Netherlands
Joe Reid, DFID

Any enquiries about this evaluation should be addressed to:

Publications Officer
Evaluation Department
Department for International Development
Abercrombie House
East Kilbride
Glasgow
G75 8EA

Email: ev-dept@dfid.gov.uk
Tel: +44(0)1355 843387
Fax: +44(0)1355 843642

Further reports can be obtained from the DFID website at :

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or from the OECD/DAC website at :

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Nick York
Head of DFID Evaluation Department and
Chair of Joint Evaluation of GBS Steering Group

Joint Evaluation of General Budget Support BURKINA FASO COUNTRY REPORT

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Abbreviations and Acronyms

AAP	Assessment and Action Plan (for HIPC countries)
ACBP	Administration Capacity Building Project
AFD	French Development Agency (Agence Française de Développement)
AfDB	African Development Bank
APR	Annual Progress Report
BCEAO	Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest)
BOP	balance of payments
BWI	Bretton Woods Institutions
CC	Court of Auditors (Cour des Comptes)
CFAA	Country Financial Accountability Assessment
CFAF	CFA franc
CGAB-CSLP	Framework for budget support to the PRSP (Cadre général d'organisation des appuis budgétaires en soutien à la mise en œuvre du cadre stratégique de lutte contre la pauvreté)
CGD	Centre for Democratic Governance
CID	Integrated Expenditure System (Circuit Intégré de la Dépense)
CIE	Comptabilité Intégrée de l'Etat
CIR	Integrated Revenue System (Circuit Intégré de la Recette)
CNDH	National Commission on Human Rights (Commission Nationale des Droits Humains)
CNLF	National Coordinating Body for the Fight against Fraud
CODEP	Comité de Suivi des Délais d'Exécution de la Dépense Publique-
CONEDD	National Council for the Environment and Sustainable Development
CPAR	Country Procurement Assessment Review
CSLP	Cadre Stratégique de Lutte contre la Pauvreté (Burkina Faso's Poverty Reduction Strategy Paper)
CSPS	Health Centre (Centre de Santé et de Promotion Sociale)
CWIQ	Core Welfare Indicator Questionnaire
DAC	Development Assistance Committee (OECD)
DAF	Directorate of Administration and Finance (in line ministries) (Direction de l'Administration et des Finances)
Danida	Danish International Development Agency
DCAS	Development Cooperation Analysis System
DCCF	Direction Centrale du Contrôle Financier (MFB)
DCMP	Direction Centrale des Marchés Publics (MFB)
DEP	Directorate of Studies and Planning (in all ministries) (Direction des Etudes et de la Planification)
DGB	Directorate of the Budget (Direction Générale du Budget) (MFB)
DGCOOP	Directorate General for International Cooperation (Direction Générale de la Coopération) (MFB)
DGEP	Directorate of Economy and Planning (Direction Générale de l'Economie et de la Planification) (MEDEV)
DGI	Direction Générale des Impôts
DGTCP	Directorate of the Treasury and Public Accountability (Direction Générale du Trésor et de la Comptabilité Publique) (MFB)
DREP	Regional Planning Directorate

DRH	Human Resources Directorate
EC	European Commission
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEF	Enhanced Evaluation Framework
EFA	Education for All
GBS	General Budget Support
GERDDES	Groupe d'Etudes et de Recherche sur la Démocratie et le Développement Economique et Social (in Burkina Faso)
GNI	gross national income
GNP	gross national product
HACLCC	High Authority for Coordinating the Fight Against Corruption (Haute Autorité de Coordination de la Lutte Contre la Corruption)
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immuno-deficiency Virus/ Acquired Immune Deficiency Syndrome
IDD	International Development Department (University of Birmingham)
IGE	Inspection Générale d'Etat
IGF	Inspection Générale des Finances
IMF	International Monetary Fund
INSD	National Institute for Statistics and Demography (Institut National de la Statistique et de la Démographie)
IP	international partner
JPAF	Joint Performance Assessment Matrix
LDC	least developed country
LF	Finance Act (Loi de Finances)
LM	line ministry
MDG	Millennium Development Goal
MEBA	Ministry of Primary Education and Literacy (Ministère de l'Enseignement de Base et de l'Alphabétisation)
MEDEV	Ministry of Economy and Development (Ministère de l'Economie et du Développement)
MFB	Ministry of Finance (Ministère des Finances et du Budget)
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	non-governmental organisation
NRG	National Reference Group
ODA	official development assistance
OECD	Organisation for Economic Cooperation and Development
PAN/LCD	National Programme to Combat Desertification
PAP	Priority Action Programme
PDDEB	Ten-year plan for the development of basic education (Plan décennal de développement de l'éducation de base)
PE	public expenditure
PEFA	Public Expenditure and Financial Accountability (Secretariat)
PER	Public Expenditure Review
PFM	public finance management
PGBS	Partnership General Budget Support
PIP	Public Investment Programme
PIP	Programme d'Investissements Publics

PNDS	National Health Development Programme (Programme National de Développement Sanitaire)
PPE	pro-poor expenditure
PRGB	Programme for Strengthening Budget Management (Plan d'Actions pour le Renforcement de la Gestion Budgétaire)
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
RDC	Report on Development Cooperation
REN-LAC	Burkinabé branch of Transparency International
ROSC	Report on the Observance of Standards and Codes
SAP	Structural Adjustment Programme
SBC-CSLP	Joint Budget Support for the Poverty Reduction Strategy Programme (Soutien Budgétaire Conjoint au Cadre Stratégique de Lutte contre la Pauvreté)
SOE	State-Owned Enterprise
SPA	Strategic Partnership with Africa
SP/CONEDD	Permanent Secretariat of the National Council for the Environment and Sustainable Development
SPONG	coordinating body for NGOs
SP-PPF	Permanent Secretariat for the Monitoring of Financial Policies and Programmes (Secrétariat Permanent pour le Suivi des Politiques et Programmes Financiers)
STC-PDES	Technical Coordination Secretariat – Economic and Social Development Programme (Secrétariat Technique pour la Coordination des Programmes de Développement Economique et Social)
TA	technical assistance
TOFE	Table of Financial Operations of the State (Tableau des Opérations Financières de l'Etat)
TOR	Terms of Reference
USD	United States Dollar
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

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Findings and opinions in this report are those of the evaluation team and should not be ascribed to any of the agencies that sponsored the study.

Currency, Exchange Rate and Fiscal Year

Currency	Communauté Financière Africaine franc (CFAF)
Exchange Rates	1 USD = CFAF 546.110 1 EUR = CFAF 655.957 (source: Financial Times 6 March 2006)
Fiscal Year	Calendar Year

EXECUTIVE SUMMARY

Part A: Context and Description of PGBS

Introduction and Conceptual Framework

S1. Burkina Faso is one of seven case studies in a Joint Evaluation of General Budget Support (GBS). Budget support is a form of programme aid in which Official Development Assistance (ODA) that is not linked to specific project activities is channelled directly to partner governments using their own allocation, procurement and accounting systems. General Budget Support is not earmarked to a particular sector or set of activities within the government budget. The flow of funds in GBS is usually accompanied by other inputs – a process of dialogue and conditions attached to the transfer, technical assistance (TA) and capacity building, and efforts at harmonisation and alignment by the GBS International Partners (IPs). Other forms of programme aid (including debt relief and other balance of payments support) may also be considered as budget support because they generate resources that can be used to finance the government budget, but this evaluation concentrates on so-called ‘new’ or ‘Partnership’ GBS (PGBS). This focuses explicitly on poverty reduction, and it attempts to support nationally developed strategies rather than imposing external policy prescriptions.

S2. Although the evaluation focuses on Partnership GBS, it covers the period from 1994–2004 in order to assess whether and how PGBS differs from other variants of budget support. The purpose of the evaluation is to assess to what extent, and under what circumstances, PGBS is efficient and effective for achieving sustainable impacts on poverty reduction and growth. The study in Burkina Faso followed the same methodology as the other country cases. This is fully set out in the Inception Report approved by the Steering Committee for the study, and involves working through ‘levels of analysis’ from the entry conditions at the point that PGBS was adopted, to the inputs made by PGBS, their immediate effects, outputs, outcomes and impacts on poverty reduction.

S3. The main benefits from PGBS are expected to derive from reinforcing countries’ ownership, enhancing the performance and accountability of partner governments’ PFM systems, minimising transaction costs and increasing the predictability of resources and reducing volatility (OECD DAC, 2005). This study examines these themes as well as assessing the extent to which other effects occur such as increased harmonisation and alignment, strengthening of policies and processes, supporting macroeconomic stability, increasing the efficiency and effectiveness of service delivery and, eventually, reduction of poverty.

The Context for Budget Support in Burkina Faso

S4. Burkina Faso has been receiving budget support under the structural adjustment programmes agreed with the Bretton Woods institutions since 1991. Throughout the same period, the European Commission (EC) has provided budget support under consecutive European Development Fund (EDF) agreements. During 1994 to 1996, Burkina Faso also received significant macroeconomic support to mitigate the CFA franc devaluation shock in 1994. The Netherlands and Switzerland have provided macroeconomic support almost annually since 1995 and 1994 respectively.

S5. Towards the mid-1990s, the Strategic Partnership with Africa (SPA) working group, which was looking at the issue of aid efficiency and effectiveness, suggested a number of conditionality reforms. It was decided, with the agreement of Burkina Faso, to organise a pilot on conditionality in order to check the appropriateness of planned reforms. The main elements of

the new conditionality consisted of improving the ownership of reforms being supported, predictability in disbursement of funds, and coordination and harmonisation of support from the IPs.

The Evolution of Partnership GBS in Burkina Faso

S6. Following the pilot on conditionality and subsequent discussions at national level, a number of IPs decided to provide budget support jointly according to the principles of the new conditionality for the PRSP (*Cadre Stratégique de Lutte contre la Pauvreté*), which was prepared in the context of the HIPC initiative. This was covered by a Memorandum of Understanding (MOU): the Protocol on Joint Budget Support for the PRSP (SBC-CSLP). The strategy was also supported by a (still-continuing) series of World Bank budget support credits which began in 2001. These operations, initiated in 2001 for the WB PRSC and 2002 for the programmes under the SBC MOU are the first ones to be considered as PGBS in this study.

S7. In 2005, the two processes converged: the MOU for Joint Budget Support was replaced by the general framework for budget support for the implementation of the PRSP known as CGAB-CSLP (*Cadre général d'organisation des appuis budgétaires en soutien à la mise en œuvre du cadre stratégique de lutte contre la pauvreté.*) which now brings together all the IPs providing budget support, including the EC and the World Bank. Under this agreement, the role of the government was strengthened and internal review mechanisms were greatly improved. The government and the IPs agreed on an annual calendar of joint activities, and a joint performance assessment matrix was approved by all the stakeholders in July 2005.

S8. This development occurred in the context of heavy dependence on international aid (ODA – Official Development Assistance – makes up around 50% of total public expenditure, although the exact figure is difficult to establish since a large part of project finance is still outside the government's information systems). Between 2001–2004, Burkina Faso received CFAF 338bn (approximately EUR 491m) in the form of budget support. This is a substantial increase compared with the CFAF 149bn (approximately EUR 227m) support provided in the previous four years. The available data, despite being incomplete, show that PGBS represents now more than a third of ODA accounted for by the government. Most of the main IPs use PGBS to support Burkina Faso, although the proportion given over to it varies greatly from one country's portfolio to another's.

Part B: Analysis of PGBS

Relevance of Partnership GBS

S9. There has never been any doubt of Burkina Faso's eligibility to receive the new form of budget support because of the developments noted here. The country is a model of stability as far as its relations with the IMF are concerned, and its leading role in establishing the PGBS paradigm (as the country where the new conditionality was tried out) made it an obvious candidate for PGBS. For the EC and some bilaterals, this was demonstrated by the country's progressive development, from its support programmes for structural adjustment concentrating particularly on the protection of social sectors, to very general programmes supporting the government's strategy for fighting poverty. For the World Bank this has led to a progressive expansion in the reform agenda supported by its Poverty Reduction Support Credits (PRSCs).

S10. PGBS is based on national policies which have been jointly endorsed by all IPs involved, in particular the PRSP. The first PRSP was drawn up in 2000 under the HIPC initiative in order to meet the completion point conditions to benefit from debt relief. This document has subsequently provided the policy basis for budget support. While the first PRSP was mainly the work of the government, with only limited participation from other stakeholders, the 2003 review of the PRSP was undertaken with a higher level of involvement from local authorities, civil

society, the private sector, parliament and IPs. The content of the second PRSP is in line with the first PRSP and aims at economic growth and poverty reduction through the following four main pillars:

- Accelerating growth based on equity.
- Guaranteeing access to basic social services and social protection for the poor.
- Enhancing opportunities for employment and income generating activities for the poor.
- Promoting good governance.

S11. As a consequence of these developments, PGBS takes quite good account of the strengths and weaknesses of the financial, economic, social, political and institutional context of the country. It is based on an agreement on cooperation between the government and IPs, in which the government's role has evolved over time so that the government now assumes leadership. The new partnership agreement represents a strong foundation for a genuine policy dialogue, as well as close harmonisation and alignment. PGBS supports the PRSP which includes all dimensions of poverty, although its current formulation seems to be more oriented towards poverty reduction in terms of living conditions, while activities focusing on income poverty and empowerment are less developed. It is therefore also the case that PGBS, as also the joint matrix for performance assessment recently adopted by the government and the IPs, covers the four main areas of the PRSP – even though the measures to be taken and the performance indicators remain more detailed for the social sectors and Public Finance Management (PFM) reform than is the case for the other sectors and spheres of the PRSP.

Effects on Harmonisation and Alignment

S12. PGBS has led to harmonisation and alignment of aid which is hard to envisage under other forms of assistance. Harmonisation and alignment is most visible in GBS itself, but these developments have effects which extend also to other forms of assistance, notably sector support. Joint financing arrangements through common baskets already existed, but they were often characterised by specific procedures that were parallel to national procedures. Sector financing now tends increasingly to adopt national procedures in the manner of PGBS.

Effects on Public Expenditure

S13. Between 2000 and 2004, total public expenditure rose, particularly due to the increase in the government's own resources. PGBS funds, although significant, have had comparatively less importance in causing this increase.

S14. PGBS funds did not influence on their own the level and proportion of pro-poor expenditures. Budget support is used in proportion to budget shares of government own funding to increase available resources for the social sectors. Data suggest that these shares did not increase significantly over the PGBS period, though a slight trend upward is visible for education. But the difference as far as pro-poor expenditure is concerned comes mainly from HIPC funds (narrowly targeted on the social sectors). Untargeted PGBS funding makes this full deployment of HIPC resources toward pro-poor expenditures (PPE) possible through playing a stabilising role for all government's essential expenditures. It should be noted that the definition of pro-poor expenditure is not entirely clear cut.

S15. Predictability of GBS funds has improved but is not yet perfect. Incorporation of aid in the budget has increased, but the same applies for aid in general (that is to say that IPs, particularly those involved in PGBS, are making an effort to ensure that their project support is also reflected in the government budget). As it is difficult to estimate the total amount of aid which is

not listed on-budget, it is not possible to state whether, in the final analysis, the total proportion of listed aid has increased.

S16. Making a judgement on the overall efficiency of public expenditures is not easy given weaknesses in terms of budget comprehensiveness (off-budget ODA), lack of clarity in definitions of PPE and the lack of consistent data series. Overall, allocative efficiency has improved in so far as there is a shift toward policy priorities in government overall spending, though intra-sectoral patterns do not confirm this unequivocally. Trends with regard to the balance between recurrent and capital funding are unclear due to the role of external project financing. PGBS had a moderate influence on the efficiency of government spending and in particular it does not appear to have succeeded in reducing the recourse to regulatory mechanisms for within-year budget releases (in line with cash available) which hamper operational spending efficiency.

Effects on Planning and Budgeting Systems

S17. PGBS has a strong effect on modernisation of public finance management, although this fits in with the ongoing reform efforts (and IP support for those reforms) which began long before PGBS was instituted (including in the framework of the strategy of regional integration being followed by Burkina Faso). However, the Programme for Strengthening Budget Management (PRGB – *Plan d'Actions pour le Renforcement de la Gestion Budgétaire*) brought these efforts together, and represents one of the key elements of the budget support agreements. The PRGB is, on the one hand, a prerequisite for PGBS in the sense that it guarantees to IPs that the government is committed to improving the PFM system through which PGBS operates. On the other hand, PGBS strongly supports PRGB implementation, as much through policy dialogue, the conditionality framework and associated institutional support as through a direct effect of strengthening the importance of national PFM systems just by using them in preference to parallel management modalities.

S18. PGBS has had more influence in terms of strengthening government ownership of the PFM reforms (especially within the Ministry of Finance and Budget) than it has had in terms of strengthening accountability for public expenditures. Reforms in this area are taking place, supported by PGBS IPs' conditionality, policy dialogue and associated TA and institutional strengthening initiatives, but progress is slower than IPs would wish. In terms of capacity development and sustainability, the PFM reform process is strongly established and a number of reformed systems and processes are also well embedded. PGBS has influenced this through its support to the PRGB. The main constraint is the more limited outreach of the PRGB toward sector ministries and de-concentrated and decentralised structures.

Effects on Policies and Policy Processes

S19. IPs are closely involved in the discussions relating to the preparation and implementation of the PRSP. The PRSP results are reviewed annually, on the basis of reports prepared by the government according to a calendar which has been jointly agreed. The CGAB-CSLP is also reviewed periodically to enable a deepening of the dialogue between parties involved in the agreement and the adjustment of arrangements as necessary. The new agreement is the result of intensive negotiations and discussions between government and the IPs, taking into account strengths and weaknesses of the previous MOU. Besides elements from the annual PRSP progress reviews, PGBS reviews also include a dialogue on the macroeconomic framework (entirely based on the dialogue between the government and the IMF) and a performance review of PFM reform.

S20. The major macroeconomic orientations, as well as sectoral policies in some priority sectors, were established well before the emergence of PGBS. PGBS has nevertheless contributed to reinforcing the existing trends in sectoral policies for education and health. PGBS

was a stimulus among others prompting the government to promote the participation of various sections of society in the preparation of PRSP-2. However, policies and action plans relating to productive sectors are poorly developed and PGBS has only a limited effect on them, which limits the chances of achieving a desirable impact in terms of income poverty reduction.

S21. There are also recent indications that a combination of factors (including existing policies such as user charges, patterns of intra-sectoral resource allocations, and weak demand from the poorest groups) leads to spending patterns that are not pro-poor in the social sectors (for which policies are more developed). Arguably, PGBS may have prompted such analyses to be conducted, which is a first step in the process of addressing these policy issues. On the other hand, it has been recognised that previous analyses such as the regular Public Expenditure Reviews (PERs) conducted over the PGBS period have not been fully taken up and used in the government policy-making process.

Effects on Macroeconomic Performance

S22. Macroeconomic policy is mainly decided in other contexts, notably within the West African Economic and Monetary Union (WAEMU) for regional economic integration, as well as during half-yearly discussions with the IMF, whose leading role is acknowledged by all the IPs. Although macroeconomic stability existed before PGBS, PGBS plays an important role in maintaining this stability through the importance which it implicitly attaches to it.

S23. PGBS has strengthened the financial position of the State. Budget support is treated as part of the State's own resources. It does not directly serve to increase the proportion of pro-poor expenditures in the national budget. It contributes to securing the entirety of priority expenditures, pro-poor and other, and in this way, it releases other resources (e.g. HIPC funds) which can be fully used in PRSP priority sectors. PGBS has also had an indirect but important effect in assisting the strengthening of revenue mobilisation and generally modernising the revenue side of PFM through its support to the PRGB.

Effects on Public Services

S24. Service delivery has been improved mainly through an increase in supply, whereas institutional changes are difficult to perceive. As a result, access indicators have improved but the picture is mixed with regard to qualitative aspects and pro-poor responsiveness. Local accountability mechanisms are not fully developed. Budget support has played a significant role in allowing increased resources to be allocated to education and health: as noted in ¶S14 it has facilitated the full deployment of HIPC resources to pro-poor expenditure/ priority sectors among which education and health were utmost priorities and, in the case of education, also through an increasing share of government own resources. This has enabled schools and health centres to be better staffed and better equipped but there remain significant challenges even in the distribution of these inputs across the country. Other PGBS inputs have not had an effect on public service delivery.

Effects on Poverty Reduction

S25. The evaluation notes an impact of PGBS on poverty reduction relating to living conditions through the improvement in the delivery of essential services. The overall impact on income poverty is modest and mainly indirect through general economic growth and macroeconomic policy. Impact on empowerment and social inclusion is still not very visible.

The Sustainability of PGBS

S26. Coordination and harmonisation between the government and IPs has been strengthened through PGBS, which has raised the policy dialogue to a higher level than that in relation to projects and sector interventions. This has also given it a more integrated and holistic character. Under the new agreement, the cooperation framework has been improved compared with the previous MOU by establishing more balanced roles between the government and the IPs and by recognising that leadership belongs to the government.

S27. Feedback loops linked to PGBS implementation are generally in place and effective through the respective annual reviews, especially as far as public finance management and the macroeconomic level are concerned. Feedback loops are weaker with regard to policy, owing to the more complex nature of the dialogue (with the Ministry of Economy and Development leading the PRSP process while the PGBS process is led by MFB on the government side). Limitations in data collection and analytical capacity as well as the lack of clear mechanisms for analyses to be taken into account, as noted above (¶S21), are also constraints to policy adjustment.

Part C: Cross-Cutting Issues

Policy CCIs

S28. All four policy CCIs – gender, HIV/AIDS, environment, and democracy and human rights – are addressed in the PRSP and hence in PGBS. Democracy and human rights are closely related to good governance which is at the heart of PGBS. Reporting on other cross-cutting issues related to PGBS takes place through the PRSP. As far as gender and HIV/AIDS are concerned, the joint performance assessment matrix includes measures and actions for the formulation of national policies and strategies. The environment is not specifically mentioned and is supposed to be taken into account in the strategies for rural development and the private sector.

Public and Private Sector Issues

S29. Public and private sector issues are part of macroeconomic reform programmes, monitored by the Bretton Woods Institutions (BWI), and special projects. PGBS as such does not play a direct role in this area, but these operations are indirectly part of the policy dialogue, just as macroeconomic progress is part of the disbursement criteria. In addition, policy dialogue through the CGAB-CSLP supports the government in the preparation of sector policies. Indirectly the developments are monitored through the PRSP review as private sector development is part of the first pillar. However, the corresponding strategy is not yet well developed.

Government Capacity and Capacity Building

S30. Government capacity is generally weak but several initiatives are currently taking place to improve this situation. Capacity building relating to PFM issues is at the heart of PGBS. The implementation of the PRGB is one of the three cornerstones of PGBS. The transformation of the PRGB into a fully-fledged sector strategy for PFM, reaching out more actively towards all government agencies, will be a significant step forward. It should also enable better alignment of IPs' support to PFM reforms with the PRGB/PMF strategy priorities. More generally, capacity building has been addressed through inputs at sectoral level which have generally not fully met government and IPs' expectations. Among other aspects, capacity development initiatives appear to have been poorly coordinated and in particular, there are poor linkages between sectoral and cross-sectoral activities. Further efforts are planned through the WB-financed Administration Capacity Building Project (ACBP) which started in 2005 (which, as well as general institution-building aspects, includes a number of PFM elements). However, it is not

clear as yet whether and how the project might help to improve coordination of TA/institutional support across government reforms.

S31. A special concern is the process of decentralisation, which is currently being put in place. However, capacity and resources of decentralised structures are weak. PGBS donors are willing to provide support but are waiting for government initiatives in this area in an attempt to stimulate the Burkinabé government into showing more leadership.

Quality of Partnership

S32. The first MOU on GBS mainly resulted from the work of the IPs carried out with the government's approval. Following proposals to review this MOU, the initiative was taken over by the government which mandated a genuine evaluation to be conducted before signing took place. The discussions have led to the new CGAB-CSLP agreement for which the government has assumed leadership. Government and IPs agree on the high importance of ownership, which the pilot on conditionality also emphasised. During the PGBS process there has been growing convergence on most of the issues between government and IPs, which resulted in the commonly agreed joint performance assessment matrix.

S33. A discussion is under way concerning the role of sector support instruments and their articulation with PGBS. There are different views on this among government and PGBS IPs and it will be important to reach a mutually acceptable position which further strengthens the positive effect of PGBS on government ownership and leadership.

Political Governance and Corruption

S34. Burkina Faso has a multi-party, democratic system with general elections. Government, parliament and civil society institutions responsible for issues of transparency and accountability are often recently established and lacking necessary capacity, but are in the process of being strengthened, often with support of the donors. However, as noted above (¶S18), there are diverging views as to whether the pace of progress is as steady as it should be. Access to justice is often limited, especially for the poor, but government is conscious of this and a large number of initiatives are currently being implemented to redress this situation, although it is clear that this will still take several years to bear tangible results.

S35. Corruption is one of the few areas in which the opinions of government and donors diverge. Burkina Faso has an impressive set of institutions in the area of accountability and the fight against corruption. However, the donors consider the effectiveness of these institutions as being too low and encourage the government to demonstrate more tangible results and concrete commitment to combat this plague.

Part D: Synthesis – Overall Conclusions and Recommendations

Overall Assessment of PGBS in Burkina Faso

S36. PGBS is a process which has developed over time. It combines two major shifts: development from structural adjustment programmes to general poverty reduction efforts and the gradual evolution from project and programme aid to greater harmonisation and alignment.

S37. PGBS effects were found in relation to all the three main flows, namely funds, policies and institutions. Effects are most pronounced in flow of funds followed by policies, while there was a strong effect on core PFM institutions but only to a lesser degree on other institutions.

S38. Three particularly positive aspects in the development and influence of PGBS in Burkina Faso are:

- The gradual convergence of PGBS IPs' approaches which have led to the establishment of a common and strong partnership framework through the CGAB-CSLP and its operational provisions (calendar, joint reviews, joint performance assessment matrix).
- The strong complementarity between HIPC (targeted funding) and PGBS (untargeted funding), which resulted in significantly increased volumes of resources allocated to the social sectors.
- The continuous and steady support to PFM reforms, including support to government recognition of the need for a more comprehensive and strategic approach in the future.

S39. Points of weakness include:

- The PGBS policy dialogue has focused particularly on budget support and PFM but with regard to poverty reduction PGBS is closely linked to the PRSP agenda, with many policies already in place before PGBS. Until now, PGBS has not provided significant added value in the policy dialogue with regard to sector policies and institutional reform.
- While the advantages of PGBS are recognised by all partners, there appears to be little spill-over to other sectors outside the Ministry of Finance and to other aid modalities.

S40. In terms of the Evaluation Framework, there were strong effects at Levels 1 to 3 but less so at Levels 4 and 5. At Level 4 there were links to more service delivery, which should lead to further impact on non-income poverty reduction at Level 5, but developments are too recent to have been positively measured yet. Links towards a more appropriate productive environment and improved administration of justice are less visible.

PGBS in Burkina Faso – Future Prospects

S41. PGBS has increased ownership, predictability and policy dialogue at central level. It is based on three pillars: macroeconomic stability, strengthening of PFM, and poverty reduction. Of these three PFM is a direct concern of PGBS through the PRGB programme. Much has been accomplished but the agenda has not yet been completed and much remains to be done. This concerns particularly the strengthening of ministerial departments and the implementation of decentralisation.

S42. Although the discussion on harmonisation and alignment had already commenced in the mid 1990s and Burkina Faso had served as a pilot on new conditionality, it was not until 2005 that the government and IPs succeeded in agreeing on a joint performance assessment matrix. For the coming years the challenge will be to implement and improve this matrix, and for each IP to tailor its PGBS instrument to the operational provisions of the CGAB-CSLP.

S43. There is a tendency to extend experience with harmonisation and alignment in GBS to other aid modalities, especially sector-wide approaches. This might ultimately lead to genuine sector budget support. However, administrative and managerial capacity at sector level is often limited and needs to be strengthened. Furthermore, there needs to be greater clarity about the way in which PGBS and sector support instruments can best complement each other in supporting sector strategies.

S44. PGBS has certainly played a role in the expansion of public services. The expansion of these services is a central point of the PRSP. However, it is unclear whether these services do indeed reach the poorest sections of the population. Analytical capacity in design and implementation of policies needs to be strengthened to enable better targeting of these efforts.

S45. While structural adjustment policies gave too little attention to the social sectors, the PRSP appears to do the opposite. At present productive sector policies are relatively weak. In order to achieve sustainable development, the next PRSP needs to establish a better balance between its four pillars.

S46. A process of decentralisation was launched more than a decade ago. It is progressing slowly and was due to result in administrative and political decentralisation towards the end of 2005, with the election of representative bodies for rural communities. Regional authorities will soon be able to exercise fully their decentralised responsibilities. PGBS funds will also be decentralised by the government to regional authorities. The first question to address is how these authorities will be made fully accountable for the implementation of national strategies with sectoral objectives set at the central level. The second question relates to whether PGBS can contribute to the development of local authorities while supporting the government in achieving the desired level of overall sector performance (monitored under PGBS through associated performance indicators).

S47. Sub-regional economic integration is carried out under the WAEMU which is a customs union with a common market, common external tariff and macroeconomic convergence policy. PGBS, like the PRSP, does not yet have a regional dimension, although some individual IPs, such as the EC, have sometimes linked their budget support to progress in regional economic integration. PGBS is a mechanism which works mainly at the national level but whose modalities and effects should take account of the commitments for regional integration entered into by Burkina Faso.

Recommendations

S48. Based on the assessment of PGBS, the report makes the following recommendations (this list is neither exhaustive nor in order of priority):

- R1 Pursue the preparation of productive sector strategies alongside the social sector strategies already in place.
- R2 Define more employment and income-generating policies and strategies in non-agricultural sectors.
- R3 Further develop a national strategy and action plans to promote SMEs and trade.
- R4 Define sector policies clearly as frameworks for aligning all aid including project aid, and for strengthening PGBS alignment at more operational levels.
- R5 Undertake further policy analysis (e.g. incidence of current policies and patterns in use of government resources) with a view to strengthening the pro-poor orientation of policies and, through strengthened links with the MTEF/budget, ensuring better pro-poor targeting of public services. This would include following up on the findings of the WB poverty assessment (2005) and on this basis, exploring the scope for a fundamental rebalancing of policies and strategies in relation to the respective importance of basic vs. tertiary services in the government budget.
- R6 As part of/following the above analysis, identify and implement measures aimed at improving the quality of services according to the needs of (poor) beneficiaries.
- R7 Analyse existing user-fee policies and explore the scope for changes including budgetary implications.
- R8 Streamline/clarify the role of the various prioritisation mechanisms in use (PRSP PAP, HIPC, MTEF, PIP) and further strengthen the budget classification to allow for pro-poor budgeting and expenditure monitoring/tracking.
- R9 Strengthen national monitoring, evaluation and audit institutions

- R10 Continue to pay attention to strengthening the role and capacities of national stakeholders calling for further transparency and accountability.
- R11 Continue actively to support the government PFM reform programme (the PRGB) and in particular, its transformation into a fully-fledged sector strategy for PFM reforms.
- R12 Ensure full alignment of IPs' technical assistance and support to PFM reforms behind the PRGB and the emerging PFM reform sector strategic framework.
- R13 As part of this, explore the implications for support to PFM reforms at sectoral and decentralised levels.
- R14 Reform/decentralise institutions to cope with higher levels of service delivery.
- R15 Explore the scope for mechanisms enhancing coordination of capacity development initiatives across the board, encompassing the various dimensions noted in this report (policy formulation, PFM, service delivery, monitoring and evaluation) and the various agents in and outside of government – and in particular, clarify the expectations from, and role and limits of, the WB ACBP.
- R16 Ensure full consistency of the design of individual IP's PGBS programmes with the CGAB-CSLP provisions including the agreed joint performance assessment matrix and review mechanism.
- R17 Design new PGBS operations with a view to satisfying the CGAB-CSLP call for multi-annual commitments as soon as/to the extent possible.
- R18 Review the necessity of targeted modalities for HIPC.
- R19 Generally, analyse the scope for targeted support versus PGBS.
- R20 Establish an all-inclusive forum/mechanism for regular discussion/consultation embracing all aid modalities and instruments.

PART A: CONTEXT/DESCRIPTION

A1. Introduction and Conceptual Framework

Introduction

A1.1 Burkina Faso is one of seven case studies in a Joint Evaluation of General Budget Support (GBS). Each country study has contributed to the Synthesis Report of the evaluation, but is also intended to be a free-standing report of value to country stakeholders. This chapter explains the background to the evaluation, its methodology and the process that has been followed in Burkina Faso. Annex 1A to this report is a concise summary of the study methodology. Full details of the background and methodology for the multi-country evaluation are in the Inception Report (IDD & Associates 2005).

Objectives and Approach to the Evaluation

What is General Budget Support?

A1.2 Budget support is a form of programme aid in which Official Development Assistance (ODA) that is not linked to specific project activities is channelled directly to partner governments using their own allocation, procurement and accounting systems. General Budget Support (in contrast to Sector Budget Support) is not earmarked to a particular sector or set of activities within the government budget. The foreign exchange in GBS is usually accompanied by other inputs – a process of dialogue and conditions attached to the transfer, technical assistance (TA) and capacity building, and efforts at harmonisation and alignment by the international partners (IPs) providing GBS. Other forms of programme aid (including debt relief and other balance of payments support) may also generate resources that can be used to finance the government budget; therefore they could also be considered as budget support. However, the present evaluation focuses on a particular form of budget support that has recently become prominent.

A1.3 A new rationale for General Budget Support emerged in the late 1990s, closely linked to the development of Poverty Reduction Strategies. So-called "new" or "Partnership" General Budget Support focuses explicitly on poverty reduction, and it attempts to support nationally developed strategies rather than imposing external policy prescriptions. The range of expected effects from Partnership GBS is very wide. The Terms of Reference (TOR)¹ for this study draw attention to:

- Improved *coordination* and *harmonisation* among IPs and *alignment* with partner country systems (including budget systems and result systems) and policies.
- *Lower transaction costs*.
- *Higher allocative efficiency of public expenditures*.
- *Greater predictability* of funding (to avoid earlier "stop and go" problems of programme aid).
- *Increased effectiveness of the state and public administration* as GBS is aligned with and uses government allocation and financial management systems.
- *Improved domestic accountability* through increased focus on the government's own accountability channels.

¹ The full Terms of Reference are annexed to the Inception Report (IDD & Associates 2005).

Purpose and Focus of the Evaluation

A1.4 As summarised in the Terms of Reference:

The purpose of the evaluation is to evaluate to what extent, and under what circumstances (in what country contexts), GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The evaluation should be forward looking and focused on providing lessons learned while also addressing joint donor accountability at the country level.

A1.5 Although the evaluation focuses on more recent Partnership GBS (PGBS), it covers the period from 1994–2004 in order to assess whether and how PGBS differs from other variants of budget support. It is not a comparative evaluation of different aid modalities, although the assessment of PGBS requires examination of its interactions with project aid and other forms of programme aid. The joint donor approach to evaluation recognises that PGBS has to be evaluated as a whole, since it is not possible to separate out the effects of different IPs' financial contributions. However, there is a special interest in comparing various different approaches to the design and management of PGBS.

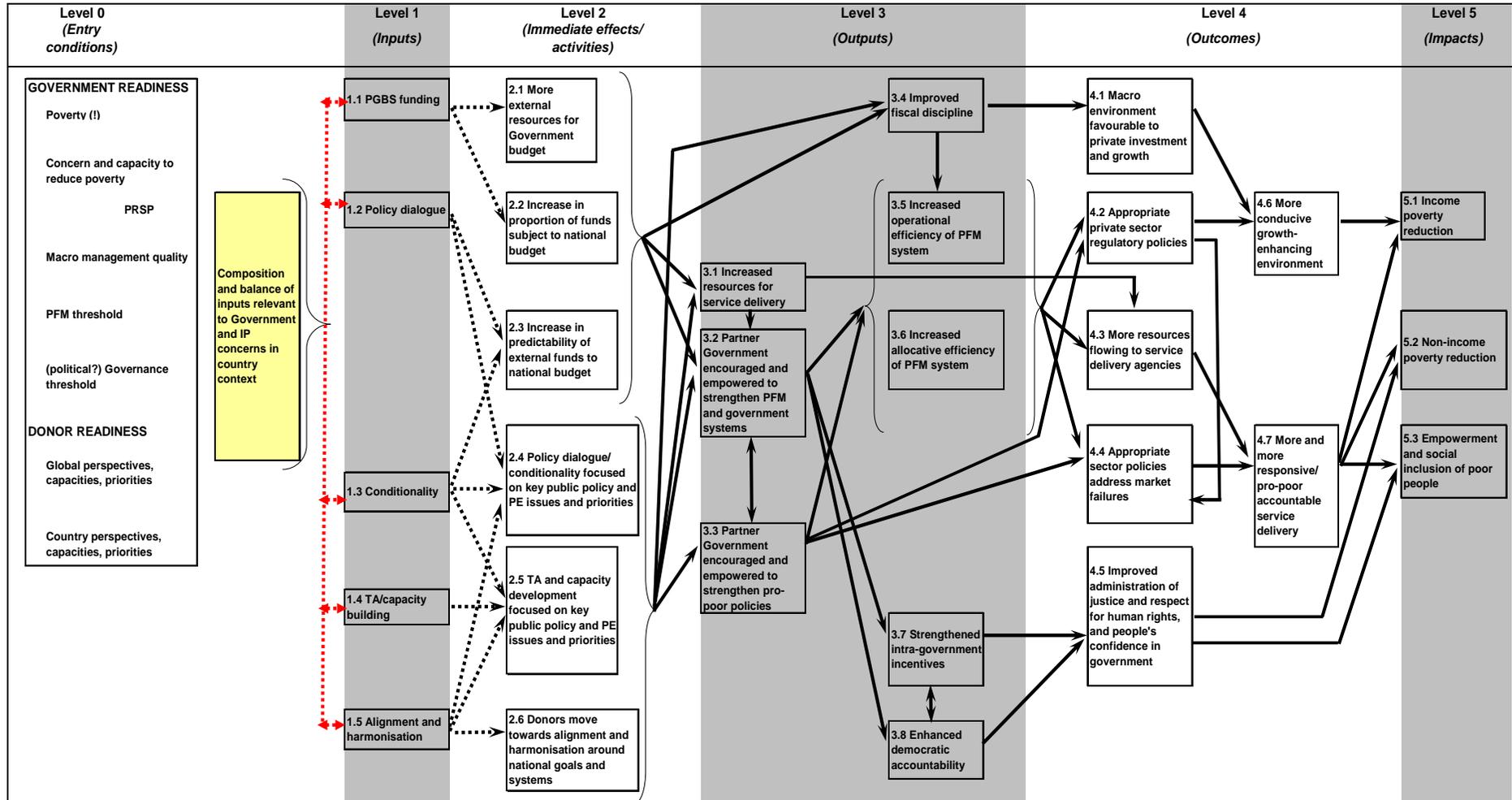
Evaluation Methodology

A1.6 The evaluation is based on a specially developed methodology which has been further refined during the inception phase of the study. The Enhanced Evaluation Framework (EEF) has the following key elements:

- It applies the five standard evaluation criteria of the OECD's Development Assistance Committee (DAC) – relevance, effectiveness, efficiency, impact and sustainability.
- A logical framework depicts the possible sequence of effects of PGBS and allows them to be systematically tested. There are five main levels:
 - Level 1: the inputs (funds, plus dialogue and conditionality, harmonisation and alignment, TA and capacity building)
 - Level 2: the immediate effects (activities)
 - Level 3: outputs
 - Level 4: outcomes
 - Level 5: impacts.
- The entry conditions for GBSPGBS (i.e. the circumstances in which PGBS is introduced) are conceived as "Level 0" of the logical framework.
- PGBS is conceived as having three main types of effect: flow-of-funds effects, institutional effects and policy effects. These effects overlap and interact with each other.
- There is particular attention to monitoring and feedback effects at all levels of the framework.
- The framework allows for the disaggregation of PGBS inputs, and notes their interaction with non-PGBS inputs.
- Similarly, it allows for the disaggregation of the poverty impacts of PGBS (income poverty, non-income dimensions reflected in the Millennium Development Goals, and empowerment of the poor).

A1.7 Annex 1A sets out these elements of the EEF more fully. From them, a Causality Map has been developed (Figure A1.1 below), which depicts the main cause-and-effect links to be tested by the evaluation.

Figure A1.1: Causality Map for the Enhanced Evaluation Framework



Country Report Structure and Purpose

A1.8 The methodology ensures a standard approach to the evaluation across the seven case-study countries, and all seven country reports follow the same structure based on the same overarching evaluation questions. To enhance consistency across the country studies, a simple rating system is used in addressing the evaluation questions posed in Part B of the report; this is explained in Annex 1A. The TOR require special attention to gender, environment, HIV/AIDS, and democracy and human rights. These and a number of other cross-cutting themes are addressed in an additional section (Part C). A final section (Part D) presents the analytical chapter, within the overall assessment and recommendations for Burkina Faso. The report structure is summarised in Box A1.1. The final section of this chapter describes the study process in Burkina Faso.

Box A1.1: Structure of the Country Report

Executive Summary

Part A: Context/Description

- A1. Introduction and Conceptual Framework
- A2. The Context for Budget Support in Burkina Faso
- A3. The Evolution of Partnership GBS in Burkina Faso

Part B: Evaluation Questions: Analysis and Main Findings

- B1. The Relevance of Partnership GBS
- B2. The Effects of Partnership GBS on Harmonisation and Alignment
- B3. The Effects of Partnership GBS on Performance of Public Expenditures
- B4. The Effects of Partnership GBS on Planning and Budgeting Systems
- B5. The Effects of Partnership GBS on Policies and Policy Processes
- B6. The Effects of Partnership GBS on Macroeconomic Performance
- B7. The Effects of Partnership GBS on the Delivery of Public Services
- B8. The Effects of Partnership GBS on Poverty Reduction
- B9. The Sustainability of Partnership GBS and its Effects

Part C: Cross-Cutting Issues

- C1. Cross-Cutting Policy Issues (gender, environment, HIV/AIDS, democracy and human rights)
- C2. Public and Private Sector Issues
- C3. Government Capacity and Capacity Building
- C4. Quality of Partnership
- C5. Political Governance and Corruption

Part D: Synthesis – Overall Conclusions and Recommendations

- D1. Overall Assessment of PGBS in Burkina Faso
- D2. PGBS in Burkina Faso – Future Prospects
- D3. Summary of Conclusions and Recommendations

Bibliography

Annexes

- 1. Approach and Methods
- 2. Country Background
- 3. Aid to Burkina Faso
- 4. Public Finance Management
- 5. Summary of Causality Findings

Burkina Faso Evaluation

A1.9 The evaluation was carried out by means of two field trips by a team of five people in total of whom three took part in both trips. The first trip, an inception visit, took place in November/December 2004, the second in June 2005. The purpose of the first trip was to introduce the evaluation to the stakeholders and to test the evaluation methods by means of five specific analyses incorporating general evaluation questions covering the period 1994–2004. Following the visit, an interim report was produced for Burkina Faso, as a contribution to the overall inception report for the whole study. Based on this overall report and discussions with the study's steering group, methods were revised and the evaluation framework improved. The purpose of the second trip to Burkina Faso was to deal with the evaluation questions in more detail in relation to PGBS and to identify and confirm (or negate) the causal links suggested by the Enhanced Evaluation Framework.

A1.10 The work involved the collection and review of existing documentation in order to familiarise the team with the history of Official Development Assistance (ODA) and more precisely with the history of GBS, and in order to obtain the data necessary to answer the evaluation questions (see the Bibliography at the end of this report for documentation consulted). The information was collected by means of interviews with members of parliament and representatives of the IPs, the private sector and civil society. (See Annex 1B for the list of interviewees).

A1.11 The PGBS study in Burkina Faso was coordinated at a national level by a committee comprising the Permanent Secretariat for the Monitoring of Financial Policies and Programmes (SP-PPF) of the Ministry of Finance, the Dutch Embassy and the European Commission (EC) delegation to Burkina Faso. A National Reference Group (NRG) was created, comprising members of parliament and representatives of the IPs, the private sector, civil society and academia. The study's aims and methods were outlined to the NRG at the beginning of the first trip. At the end of the second visit a workshop was organised with the active participation of the NRG members in order to present the Enhanced Evaluation Framework and to discuss the causal links anticipated in light of the visit's early findings. In October 2005 a presentation took place of the draft country report to the NRG. The comments made during this meeting and other written comments received from members of the NRG are addressed in the final version of the country report together with the comments of the client.

A2. The Context for Budget Support in Burkina Faso

Local Background

A2.1 Burkina Faso is a landlocked West African country south of the Sahara with a Sudan-type climate in the south and an arid climate in the north. The country has few natural resources, although recently three mining companies invested in gold mining. The population of around 13 million is 70% rural and survives mainly by subsistence farming, which is largely dependent on rainfall levels. Agriculture accounts for about a third of GDP. The principal export product is cotton, which accounts for about 60% of export revenue.

Poverty and Strategies for Poverty Reduction

A2.2 Burkina Faso is classed among the Least Developed Countries (LDCs). Data published by the Department of Economics and Planning show that per capita GDP in constant CFA francs (1985) rose from CFAF 98,442 in 1994 to CFAF 136,236 in 2004, which constitutes an increase of 38.4% over 11 years. Between 2000 and 2004, the increase was 11.5%. Per capita GDP in constant US dollars (1985) rose from USD 271.8 in 2000 to USD 303.1 in 2004. Thus despite the improvement recorded, the average Burkina resident lives on less than a dollar a day. On the other hand, based on current dollar values, the per capita GDP was USD 386.9 in 2004.

A2.3 Since 1994, the government has conducted three surveys on household living conditions, in 1994, 1998 and 2003. Unfortunately, the results are not comparable as the methodology improved from one survey to another (see Annex 2D for an overview of the methodological issues). Based on the most recent methodology a comparable welfare indicator can be constructed for 1998 and 2003. The results show that poverty declined from 54.6% in 1998 to 46.4% in 2003.

A2.4 The figure of 46.4% conceals some regional disparities (INSD, 2003): six regions have poverty levels above 55%. Boucle du Mouhoun, a major producer of cereals and cotton, is one of these regions. In addition, poverty is much more prevalent in rural than in urban areas, although it has declined more in rural than in urban areas since 1998 (World Bank, 2005). With regard to gender disparities, the 2003 survey indicates that poverty affects 45.7% of men and 47.1% of women, although 46.9% of households headed by men are affected as opposed to 36.5% of households headed by women.

A2.5 The problem of combating poverty had already been broached in 1995 in the Letter of Intent for a Sustainable Human Development Policy. This Letter was based on the concept of "human security". For the authorities, human security is made up of economic security (access to education and employment), security in health, food security, environmental security and individual and political security. Quantifiable goals which the government set itself in the Letter include the acceleration of growth in GDP per capita by 5% from 2003, a reduction in the incidence of poverty from 45% to 30% by 2015, and an increase in life expectancy of at least 10 years.

A2.6 In 1999 Burkina Faso prepared its first Poverty Reduction Strategy Paper (Cadre Stratégique de Lutte contre la Pauvreté – CSLP) for the period 2000–2003, which was structured around four main pillars:

- Acceleration of growth based on equity;
- Guaranteed access to basic social services for the poor;
- Enhancing opportunities for employment and income-generating activities for the poor;
- Promoting good governance.

A2.7 In 2004, the PRSP was revised and improved to yield PRSP-2 2004–2006. Stakeholder participation, relatively limited at the time of PRSP-1, was strengthened. PRSP-2 is based on the same pillars but incorporates a larger number of interventions and of priority sectors as well as improvements in the system of monitoring and evaluation. The PRSP also includes a cost estimate of priority interventions and modes of financing, in particular the proportions of the programme to be financed by internal and external resources.

A2.8 In its poverty reduction strategy, the government refers to the Millennium Development Goals. However, the capacity for Burkina Faso to achieve the MDGs is constrained, which is why the government has set its own goals, generally less ambitious than the MDGs (see Annex 2C).

Macroeconomic Management

A2.9 Since the launch of structural adjustment programmes in 1991 with the first structural adjustment credit, Burkina Faso has instituted a series of macroeconomic reforms. This has led to civil service reforms, price liberalisation, the dismantling of various State businesses and monopolies, the reform and rationalisation of the banking system, and to closer control of public expenditure accompanied by improvements in revenue collection. In general, the IMF, which is responsible for assessing the macroeconomic situation, is satisfied with the results obtained by Burkina Faso, which is generally considered to be ‘on track’. However, the schedule of reforms is not yet complete and the Poverty Reduction and Growth Facility (PRGF) 2003–2006 anticipates further reforms, namely: the maintenance of the budget deficit at an acceptable level while protecting social sectors; the improvement of fiscal revenue collection; the promotion of the private sector and of rural development including the privatisation of part of the cotton sector; and good governance.

A2.10 There is close regional cooperation on economic policy. Burkina Faso is a founding member of the West African Economic and Monetary Union (WAEMU), for which the treaty was signed in 1994. Since 2000, WAEMU’s eight members² have instituted a customs union with a common external tariff. Since the colonial era, the member states of WAEMU have maintained close cooperation with France as regards their financial programmes. They have a joint central bank, the Central Bank of West African States (BCEAO) and a common currency, the CFA franc, which was pegged originally to the French franc, then to the Euro. In the commercial field, Burkina Faso is a member of the World Trade Organization (WTO).

A2.11 Since signing the WAEMU treaty, Burkina Faso has pursued an active policy of economic and monetary integration. This policy requires a healthy macroeconomic framework and a stable currency. One of the benefits of WAEMU membership was the effective implementation of a common external tariff in 2000 and a revision of internal tariffs with the aim

² The member states are: Benin, Burkina Faso, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

of increasing competitiveness and opening up wider external opportunities. Within this framework Burkina Faso, like all WAEMU members, has committed itself to the pursuit of a number of convergence criteria, including amongst others maintaining the ratio of budget deficit to GDP, inflation levels and non-accumulation of arrears.

Management of Public Finances

A2.12 Burkina Faso possesses an institutional set-up sufficient for adequate execution. The expenditure system was computerised in 1999–2000 by means of a computerised expenditure database (CID). Based on studies such as CPAR (2000), HIPC-AAP (2001) and CFAA (2002), in 2002 the Council of Ministers adopted an action plan to strengthen budget administration (PRGB) which is supported by the IPs. This plan prioritises certain reforms in budget administration with the central aim of sustainable improvements in transparency, reliability and efficiency in the administration of budgetary expenditure. The PRGB benefits from the support of the IPs, notably the EC, and its most important interventions have often been incorporated into the PRSC framework, the EC conditionality framework and, since July 2005, the jointly agreed performance assessment matrix.

Governance

Administrative and Political System

A2.13 The June 1991 constitution marked the end of exceptional government (following the coups of the 1980s) and the return to multi-party democracy. The Constitution provides for the separation of powers: executive power is in the hands of Burkina Faso's President and government, legislative power is held by the National Assembly, while judicial power is entrusted to the judges.

A2.14 Since the 1991 Constitution established the Fourth Republic, the formation and activity of political parties has been allowed. Legislative elections were held in 1992, 1997 and 2002. The last of these was notable for a sizeable increase in the parliamentary representation of the opposition and therefore a reduction in the majority party's hegemony. The latter saw its representation reduced from 101 deputies to 57, out of a total of 111. The current legislature's remaining deputies variously represent 19 different political parties. The opposition, faced with a ruling party of such political weight, is scattered and seems unable to regroup. The National Assembly votes on laws but also controls government. Deputies have a five-year mandate.

A2.15 Under the Fourth Republic presidential elections have taken place in 1991, 1998 and 2005, all of which returned President Compaoré, the incumbent since 1987, to power. With the last elections, which were held in November 2005 and gave the President a majority of 80% of the votes, the presidential mandate is changing from seven to five years with the possibility of being re-elected once.

The Decentralisation Process

A2.16 The public administration includes at the central level the Presidency, the Prime Minister and ministerial departments, and at the deconcentrated levels the following administrative entities: region, province, department and village.

A2.17 The decentralisation process set in train more than ten years ago has been quite slow. The regions and urban communes have been in place for some time, but the demarcation of the rural communes is just being completed. Elections to renew the urban community councils and the first elections for the rural communes have been set for February 2006. As for the regional

councils, they will be established from the commune councils, with two representatives for each commune.

A2.18 The General Code for territorial bodies envisages a transfer of responsibilities from the State to these bodies, accompanied by the necessary means and resources for the normal exercise of these responsibilities: "The resources necessary for the territorial bodies for the exercise of their responsibilities are devolved to them, whether by the transfer of fiscal power, or by grants, or both." The sectors considered during the course of the GBS evaluation – health, education and water – will be affected by the process of the transfer of responsibilities to the territorial bodies. The programme of priority actions for the implementation of the PRSP (2004–2006) includes as point 4.3 the strengthening of local governance.

Human Rights

A2.19 In its Letter of Intent regarding a policy of sustainable human development (1995–2005), the government laid emphasis on guaranteeing "human security" (see ¶A2.5). Among the different kinds of security set out in the Letter is individual and political security, which covers human rights.

A2.20 The government includes a Ministry for the Promotion of Human Rights which is responsible, amongst other things, for:

- Informing and educating citizens about their rights and raising awareness of those rights.
- The dissemination of texts and documents that relate to human rights.
- Support for civil society with regard to the promotion and protection of human rights.
- The implementation of international treaties on the promotion and protection of human rights.
- The implementation of all possible measures to ensure the best possible protection by the state of individual and collective rights.

A2.21 Two pillars define state intervention on human rights: the protection of human rights and the promotion of those rights. Burkina Faso has signed up to most of the international treaties which deal with the protection of human rights.

A2.22 A national organisation, the National Commission on Human Rights (CNDH), was set up in 2000. CNDH is a consultative body, a "national framework aimed at creating a dialogue between public officials concerned with human rights issues on the one hand, and on the other, representatives of associations, movements and NGOs which deal with the protection and promotion of human rights". CNDH advises the authorities on questions of human rights and can, if it considers appropriate, interrogate public authorities on human rights violations in Burkina Faso and suggest initiatives aimed at putting a stop to those violations.

A2.23 The programme of priority interventions instituted by the PRSP (2004–2006) takes into account (points 4.1.3 and 4.1.4 of the PRSP) the protection of human rights and the fight against insecurity.

A2.24 Burkina Faso possesses a large number of institutions aimed at halting corruption, such as the Inspection Générale de Etat (IGE), the Court of Auditors (Cour des Comptes, CC), the National Coordinating Body for the Fight against Fraud (CNLF), and the High Authority for the

Coordination of the Fight against Corruption (HACLCC). See Appendix 2E for a summary of these different organisations and institutions.

Summary of Aid Flows

Data Collection

A2.25 Data on aid comes from several sources. The General Direction of the Budget has the most accurate data, but these data are far from complete as only aid inscribed in the budget is registered. Two other sources that also comprise extra budgetary aid are the OECD DAC database and the General Directorate for Cooperation (DGCOOP) of Burkina Faso in cooperation with UNDP. The latter source produces the highest figures in most of the cases as it not only includes budgetary and extra budgetary aid, but it also uses gross figures for credits, where OECD uses net figures, and it includes grants from non-OECD countries such as Taiwan as well. This section uses the figures from DGCOOP as being the most comprehensive database.

A2.26 Data on development aid to Burkina Faso are collected and processed with support from UNDP in the DCAS database (see Box A2.1) and have been published annually in the Report on Development Cooperation since 1994. Collection started at the beginning of the 1990s but the data for the years 1991 to 1994 are incomplete and cannot be compared with later data, while data from the period before the introduction of DCAS have not been collected because of lack of resources.

Box A2.1: Collection and processing of data on ODA under the UNDP system

In 1991 UNDP launched its Development Cooperation Analysis System (DCAS) as part of its support to developing countries in management of aid. This system was based on newly available information and communication technology and aimed at improving the collection, processing and dissemination of data on aid as well as the coordination of ODA.

With help of the DCAS the national offices of UNDP have assisted several countries in writing a Report on Development Cooperation (RDC). These reports have assisted some forty countries to acquire know-how and experience in collecting and processing ODA statistics in a coordinated and standardised way. The collection of data is based on questionnaires completed by donors and their subsequent recording in the database.

In 2000 UNDP decided to abandon the DCAS as an obligatory activity of its offices and only a limited number of countries continue publishing RDCs. The decision of UNDP was based on the heavy resources of personnel and consultants necessary for the checking and processing of the questionnaires filled in by the donors using a procedure requiring several meetings with the donors before arriving at a final report acceptable to everyone.

After the withdrawal of UNDP, some national governments decided to continue the publication of RDCs. However, the DCAS software has been criticised because of its inflexible structure since changes can only be made by UNDP Headquarters.

A2.27 The currently available data cover the period 1995 to 2002 while data for 2003 are in the process of being finalised. However, even after publication DGCOOP continues to modify figures when missing data from donors or governmental resources become available. As a consequence figures may differ from one annual report to another although differences are generally small.

Presentation of Data

A2.28 Burkina Faso is greatly dependent on aid. Between 1997 and 2002, aid rose from USD 393m to USD 500m. Aid represents on average about 15% of GDP. ODA per inhabitant rose from USD 38 in 1997 to USD 42 in 2002.

Table A2.1: Development of ODA in relation to GDP 1995–2003

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Aid (USD million)	445	429	393	433	422	387	469	500	426
GDP (USD million)	2.666	2.883	2.719	3.094	2.978	2.574	2.824	3.231	4.231
Aid/GDP (%)	17%	15%	14%	14%	14%	15%	17%	15%	10%
Aid/inhabitant (USD)	45.3	42.5	37.9	40.6	38.5	34.3	40.3	41.6	34.3

Source: Ministry of Finance/DGCOOP.

A2.29 About 60% of total aid consists of bilateral aid. France is traditionally the largest donor, followed by the Netherlands, Germany and Denmark, although French aid, unlike the others, is mainly debt relief instead of cash. These four countries have provided almost two-thirds of Burkina Faso's bilateral aid over the last ten years. Multilateral aid provides the remainder. By far the largest donors are the EC and the World Bank, each of which has provided more than 34% of the total multilateral aid figure over the last ten years. With the exception of EC inputs, which are grants, most multilateral aid comes in the form of credits.

A2.30 In 2002, which is the most recent year for which DGCOOP is able to provide definitive figures for the sector-based break down of aid, the Economic Management sector was the biggest beneficiary. This sector, which includes budget support, is by far the largest. Second largest is the Development Administration sector. The distinction between the two is somewhat unclear, especially given that the latter incorporates the sub-sector Public Management and Administration. Within this sector there is a line representing programme/budget aid or support to the balance of payments, which represents more than a third of aid to this sector.

A2.31 Next come transport, and human resources, which incorporates education as a sub-sector. The health sector is placed seventh after agriculture and regional development, which is very important in the context of WAEMU regional integration. The Social Development sector, which includes drinking water and sanitation, is classed only ninth; aid to this sector has diminished considerably since the completion, in 1998, of major urban water provision works.

Table A2.2: Evolution of development aid by sector 1998–2002 (million USD)

Sector	1998	1999	2000	2001	2002
Economic Management	77.7	72.3	50.7	150.3	139.5
Development Administration	32.0	34.0	43.0	30.9	54.3
Transport	46.8	38.8	20.9	42.3	53.0
Human Resources	33.0	34.0	36.8	50.6	49.5
Agriculture, Forestry and	43.8	42.0	43.7	37.9	44.3
Regional Development	34.7	32.8	37.6	32.0	42.5
Health	34.6	43.3	37.4	33.5	37.0
Natural Resources	42.0	45.8	36.4	31.5	33.6
Social Development	35.0	26.1	30.6	17.4	12.7
Others	55.4	55.6	50.7	37.1	62.4
Total	435.0	424.7	387.8	463.5	487.8

Source: Ministry of Finance and Budget/DGCOOP and UNDP: Aid procedure and take-up capacity in Burkina Faso. Report 2002. Ouagadougou, May 2005.

Note: small differences with Table A2.1 are due to permanent updating of data, Table A2.1 being the more recent.

A3. The Evolution of Partnership GBS in Burkina Faso

Evolution of Aid Flows

A3.1 Aid levels fluctuate from year to year. In 1995 the total amount of aid received was USD 444.7m. This figure was only equalled in 2001 and 2002. Between 2000 and 2002, the figure rose by 29%. Over the last nine years, the average amount of aid per year has been USD 433.6m.

Table A3.1: Evolution of aid between 1995 and 2003 (million USD)

Type of assistance	1995	1996	1997	1998	1999	2000	2001	2002	2003 prov.
Investment projects	182.6	182.3	240.2	268.9	273.9	279.1	258.4	306.2	279.8
Programme/budget aid or BoP aid*	147.3	94.8	44.0	76.3	70.5	49.9	149.6	138.7	114.3
Freestanding technical cooperation	61.6	62.2	78.6	70.2	62.3	46.0	44.5	45.0	25.3
Technical cooperation linked to investment projects	44.1	77.8	6.0	4.9	7.6	4.7	12.0	8.3	4.5
Emergency aid and food aid	9.1	11.8	24.0	12.8	7.5	7.2	5.4	2.0	1.8
Total	444.7	428.9	392.8	433.1	421.7	386.9	469.9	500.2	425.7

Source: Ministry of Finance and Budget (MFB)/DGCOOP: *Report on development cooperation; update July 2005.*

* This category includes PGBS but also other general economic support, balance of payment support and debt relief (HIPC).

A3.2 A significant drop in overall aid levels is discernible in 1997, 2000 and 2003, resulting from the 1997 reduction (of more than 90%) in aid intended for technical cooperation linked to investment projects and a reduction of more than 50% of programme aid and budget support. This decline is due to the termination of aid that was granted to Burkina Faso in order to mitigate the impact of the devaluation in 1994. In 2000, all forms of technical cooperation as well as investment projects declined substantially due to policy disagreements between the government and the IPs. Between 2002 and 2003 there was an overall drop of 15% while autonomous technical cooperation and technical cooperation linked to investment projects decreased by more than 40%.

A3.3 Substantial rises were recorded in 1998, 2001 and 2002. They were the result of a significant increase in both programme aid and budget support. Between 2000 and 2001, these increases reached 120%.

A3.4 GBS has fluctuated during the period 1994–2004 both in volume and in the proportion of resources available for the government budget (see Table 3A.1 in Annex 3A and ¶A3.2 above for the reasons for these fluctuations). As regards PGBS, after a timid start in 2000, between 2001 and 2004 it moved towards a fairly stable increase (and this trend is continuing), and has represented a level of additional resources equivalent to 25–30% of the government's annual own resources. This proportion had been at a similar level in the years following the devaluation but with very different objectives.

A3.5 Overall, there is a discernible drop in aid provided for free-standing technical cooperation and technical cooperation linked to investment projects while aid for investment projects has remained more or less stable since the sharp rise in 1997. This latter form of aid is employed

more than any other and represented around two-thirds of total aid up to 2000, nearing 50% in 2002. By contrast, since 2001 official development assistance has moved towards programme and budget support. This support represented around 16% or 17% of aid received from 1998 onwards; since 2001, however, it has represented around a third of aid received; in 2002 it even reached 37%.

A3.6 The drop in food aid during the period 1995–2003 is notable, with the only exception being 1997. This development is consistent with agricultural statistics which show increasing agricultural production and the emergence of grain surpluses in Burkina Faso. Food aid became negligible in 2003; only the figure in the emergency aid column rose significantly that year as a result of events in Ivory Coast.

A3.7 Examining each donor's statistics in detail would help to refine the explanations for these developments. Certain variations can also be ascribed to various political, economic or international events.

A3.8 Figures from DGCOOP and SP-PPF do not always converge. In particular, the decline in budget support between 2002 and 2003 is not reflected in MFB figures which might be due to problems of registration or classification, while exchange rate fluctuations may play some role as well. With regard to budget support this evaluation is based on the figures from MFB which are considered the most accurate.

Table A3.2: Budget support 1994–2004 (disbursements in billions of CFAF)

Donor	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>Loans</i>											
IMF	13.9	13.3	5.0	10.6	10.4	10.4	5.2	15.7	10.1	2.8	2.7
World Bank	29.0	21.6	4.4	–	13.3	16.1	–	33.1	24.5	–	32.5
AfBD	–	1.7	–	–	–	–	–	–	21.5	12.1	7.7
<i>Grants</i>											
EC	15.0	14.9	11.4	12.7	13.4	12.5	20.3	9.9	16.0	24.8	24.7
World Bank	–	–	–	–	–	–	–	–	–	29.1	–
France	14.0	14.0	5.0	–	–	–	–	–	–	2.0	3.4
Denmark	–	–	4.4	–	1.7	1.8	–	–	–	–	–
Netherlands	–	6.2	6.5	1.9	2.0	7.0	–	11.9	8.4	6.1	12.7
Belgium	1.7	–	–	–	–	–	–	–	–	3.3	–
Switzerland	3.1	1.0	–	2.2	2.7	2.4	2.6	2.6	2.7	3.4	3.4
Sweden	6.2	0.7	–	–	–	–	–	2.7	2.9	2.9	2.9
Total	82.8	73.3	36.7	274	43.5	50.1	28.1	75.9	86.0	86.4	89.9

Source: MFB/SP-PPF, June 2005.

Note: Budget support prior to 2001 consisted of macro-economic support, general and sector structural adjustment support and balance of payments support. PGBS started from 2001 onwards.

The Development of Cooperation Relations

A3.9 Because Burkina Faso is classed among the least developed countries, the country has benefited from a significant influx of ODA over the last ten years. The adoption (in 1991) of a democratic political regime and a market economy helped to smooth out the difficulties in cooperation that the country had encountered during the period when a revolutionary regime held sway.

A3.10 At the beginning of the 1990s Burkina Faso, beset by financial and economic difficulties, accepted a programme of structural economic reforms. The structural adjustment programmes, which started in 1991, were part of the first generation of those programmes. They were characterised by an emphasis on economic and budgetary reforms with little attention to social aspects. This deficiency was (partly) remedied by the second generation of programmes 'with a human face', an important concern for the donors in Burkina Faso especially after the devaluation, which made it still more urgent to protect the social sectors against the possible negative impacts of measures which were economically inevitable. Nevertheless, it was only with the PRSP that social and poverty aspects really did become key issues.

A3.11 The differences in conditionalities complicated the efficient implementation of these reform programmes. With regard to the situation as it prevailed in the 1990s, an MFB report notes (MFB 2004): "a financing agreement was put in place for each IP's budget aid, comprising specific clauses regarding conditions of disbursement, monitoring and control of the employment of funds."³ Numerous reports and studies have underlined the problems linked to 'traditional' conditionalities, notably:

- Lack of coordination among donors and differences in their respective modes of intervention;
- Inadequacies in, or even lack of, predictability of financial aid;
- The excessive formality and sheer number of payment conditionalities, which aggravate difficulties in predictability;
- The lack of continuity ('stop and go') in financing which makes it harder to carry out reforms;
- Insufficient ownership of reforms by the government which is obliged to consider and to prioritise only those reforms which will best 'satisfy' the different IPs.⁴

A3.12 Faced with these criticisms, the development partners, grouped together as the Special Programme for Africa, now the Strategic Partnership for Africa (SPA) decided to initiate an in-depth global reform of support systems for national programmes. This reform, proposed in 1995/96, was based on the following principles as outlined by the EC:

- Strengthening of ownership of programmes: IPs must avoid taking the initiative when it comes to outlining policy and must encourage governments to devise and develop their own reform programmes.
- The implementation of the following four interventions which together will improve the long-term sustainability of reforms:
 - ◇ Distinguishing three areas of reform (i) macro-economic stabilisation, (ii) budget management and (iii) balanced growth compatible with human development and poverty reduction.
 - ◇ Introducing the concept of 'programme conditionality' which would base the performance evaluation of the beneficiary country both on that country's reform efforts and on the results achieved, taking into account external factors affecting the implementation of those interventions.
 - ◇ Defining a performance-based support mechanism for the programme which would allow levels of external aid to be adjusted according to results obtained but which would also reduce the possibility of aid being completely suspended.

³ Ministry of Finance: methods of efficient partnership to support the strategic framework for the fight against poverty. Burkina Faso experience relating to conditionality reform and New Proposals. Ouagadougou, April 2004 p5.

⁴ MFB, op. cit., p6/7.

- ◇ Support capacity building in the area of economic management by financing projects.
- The improvement of IP coordination based on joint evaluations.⁵

A3.13 Once they had defined the new principles which would apply to programme aid, the SPA decided to test their suitability before putting them into practice. Accordingly, a conditionality pilot was devised in Burkina Faso in tandem with the country's authorities, who were supporting this initiative. This pilot was carried out between 1998 and 2000. Concerning the feasibility of the new conditionality, the pilot was conclusive; however, certain questions about the assessment of results were not yet answered satisfactorily, notably in relation to:

- The link between the evaluation of policy implementation and measurement of results;
- The choice of indicators;
- The mechanism linking the measurement of results to disbursement of budget support.⁶

A3.14 Discussing and reflecting on these conditionalities has had an important influence on cooperative relationships over the last ten years. Carrying out the pilot on conditionality reform contributed to the research for a form of conditionality which would answer both to the government's and to the donors' needs.

A3.15 The advent of the PRSP, part of the 2000 HIPC initiative, has had an influence on the development of cooperation relationships. As in many other countries, the PRSP laid heavy emphasis on the social sectors. However, in Burkina Faso this served principally to confirm a trend that the current programme aid already manifested, partly as a response to the social consequences of the macro-economic upheavals resulting from the 1994 devaluation. The PRSP and the HIPC initiative helped to further strengthen this tendency.

A3.16 The PRSP is increasingly the main instrument for the conception and implementation of a national development strategy principally aimed at fighting poverty. The government tries hard to apply a participative approach in the development and implementation of the PRSP. The principal IPs take the PRSP and its programme of priority interventions into account when drawing up their programmes of cooperation and development aid.

A3.17 Parallel to these reflections on conditionality, it is important to highlight a development that has taken place in the system of disbursing development aid. The traditional system of project aid has begun to lose ground to programme aid. Project aid is considered as being costly and overly focused on a narrow area and failing to take closely related issues sufficiently into account. Accordingly, since the mid-1990s, many donors have moved towards a programme approach which has the advantage of being able to take a sector (or sub-sector) into account as a whole entity. This approach requires advance planning by the sector as well as the coordination of different contributors' support under the leadership of the government, if convincing results are to be achieved. In Burkina Faso, this is particularly the case in the basic education and health sectors. Medium-term and long-term strategies for both these sectors were developed towards the end of the 1990s.

A3.18 The largest donors go beyond a programme approach, moving towards macro-economic support through General Budget Support. Since France and Germany joined the PGBS group, all the largest multilateral and bilateral IPs except Japan have fallen into line on the issue of

⁵ MFB, op. cit., p7

⁶ MFB, op. cit., p11

budget support. This system is based on the direct disbursement of aid through the state budget and the alignment of donors' procedures to those of the beneficiary state.

A3.19 The thinking about a more efficient development aid process is about to enter a new stage. Cooperation relationships which were previously characterised by a relationship just between a donor (bilateral or multilateral) and the government would have to change, in order to become a real partnership, under the influence of four factors:

- the need to integrate two new partners into the dialogue between donor and government (particularly in the PRSP process), namely the private sector and civil society;
- the increasingly close links between the process of drawing up and implementing the PRSP and that of drawing up the budget;
- the progressive adoption of non-targeted or General Budget Support as a mechanism of aid disbursement;
- the consensual adoption of performance indicators as the basis for the release of programmed aid.

First Steps Towards Partnership GBS

A3.20 For Burkina Faso, the conditionality reform pilot, which was carried out under the leadership of the European Commission at the end of the 1990s, has permitted some careful thought about the implementation of an aid system which will take into account the experience related to the structural adjustment programme, to the balance of payments support and to the existing bilateral systems.

A3.21 The pilot contributed to the advent of budget support in 2001, in so far as the PRSP has provided the opportunity to formalise the approach to results-based management accompanied by performance criteria. It is an ongoing process. The performance criteria have not replaced the traditional conditionality measures but they have given a new perspective to partners wishing to support Burkina Faso's implementation of its poverty reduction strategy.

A3.22 Burkina Faso, a poor, Sahelian country, has a long tradition of partnership with donor countries. Food crises have often led to the formation of a donor coalition, in order to aid the country. The process of democratisation instituted once the period of exceptional rule ended and the government's efforts to institute good governance have helped to strengthen the partnership between the government and the donors. It is, however, a demanding partnership: after the assassination of the journalist Norbert Zongo in 1998, several donors chose a variety of methods to express their disapproval.

A3.23 Traditional conditionality measures have also favoured the advent of Partnership GBS in so far as they have favoured the implementation of structural economic reforms which have improved the management of public finances and the external supervision of that management: parliamentary supervision (finance law and settlement law) and jurisdictional supervision by the Court of Auditors (CC).

PART B: EVALUATION QUESTIONS: ANALYSIS AND MAIN FINDINGS

B1. The Relevance of Partnership GBS

How does the evolving PGBS design respond to the specific conditions, strengths and weaknesses of the country, to government priorities and to the priorities and principles of the international partners?

Introduction

B1.1 This chapter relates to Levels 0 and 1 concerning the relationship between entry conditions and corresponding inputs. Fundamental questions concern the relevance of interventions and the various elements and contributions (namely financing, policy dialogue, conditionalities, technical assistance and capacity building, alignment and harmonisation). This chapter focuses on the Memorandum of Understanding of the Joint Donor Group on Budget Support for the PRSP (Groupe de Soutien Budgétaire Conjoint au Cadre Stratégique de Lutte contre la Pauvreté, SBC-CSLP) as a starting point for Partnership Budget Support, including the genesis, development and prospects for the future of GBS.

Relevant Facts

PGBS Objectives

B1.2 Following the results of the conditionality pilot, six partners, namely Belgium, the European Commission, Denmark, Netherlands, Sweden and Switzerland, concluded a Memorandum of Understanding (MOU) for joint budget support in order to strengthen their coordination. The World Bank, which is the largest provider of budget support, did not join in the MOU but attended the working sessions as an observer. The same applied to France which was not providing budget support at the time. Although the MOU was signed in April 2002, it is generally considered that the effective date for the launch of PGBS was in 2001 with the World Bank's PRSC-1 approval.

B1.3 According to the MOU, the main objectives of PRSP support through budget support are:

- greater ownership by the government regarding the design and implementation of the poverty reduction strategy;
- improved effectiveness of government policy and external aid through the use of performance monitoring indicators in the sectors most involved in the fight against poverty;
- improved predictability and regularity of budgetary support;
- strengthened coordination between partners through joint evaluations.

B1.4 In 2004, the IPs drew up a new document based on their own experiences, which they submitted to the Minister of Finance for endorsement. For his part, the Minister launched an assessment on partnership. Results of this assessment are described in the report *Modalities of an effective partnership to support the poverty reduction strategy. Burkina Faso's experience on conditionality reforms and new proposals.*⁷ This study demonstrates an increased interest in partnership and a higher level of government ownership of the new budget support system.

⁷ *Les modalités d'un partenariat efficient pour le soutien au cadre stratégique de lutte contre la pauvreté. Expérience du Burkina Faso en matière de réforme de la conditionnalité et Propositions Nouvelles.*

B1.5 The results of the evaluation and subsequent discussions between the government and IPs led to a new agreement entitled General Framework for Organising Budget Support for the PRSP (CGAB-CSLP) which was signed in January 2005.

B1.6 The group of permanent partner members expanded to include the World Bank, AfDB and France. On the other hand, Belgium withdrew given that Burkina Faso was no longer part of its focus group of development assistance countries and therefore did not qualify for Belgium's budget support. This agreement is more balanced than the first one in terms of duties and responsibilities of both parties. Leadership falls to the government by right. The agreement is coupled with a jointly approved matrix of measures and indicators which forms one of the bases for budget support disbursement (other bases are the IMF and PRGB periodic reviews), as well as a set of internal rules and regulations and a timetable for implementation of agreed actions.

B1.7 The new agreement sets out the partnership's general objectives and principles. The CGAB-CSLP general objective is to support PRSP implementation through unearmarked budget support whilst improving its effectiveness and reducing its management costs. Specific objectives are to:

- Contribute to increased government ownership of the poverty reduction strategy preparation and implementation;
- Improve dialogue between the government and the Partners through the establishment of a genuine partnership, placing emphasis on the effectiveness of government policy;
- Improve medium-term predictability of resources and ensure disbursement in line with the budget cycle;
- Improve harmonisation of Partners' practices relating to the implementation of budget support and the definition of conditionalities for disbursement;
- Improve Partners' coordination through missions, studies, and audits as well as joint and coordinated assessments;
- Support capacity building on both sides (Partners and government).

On general principles, government and partners have agreed on the following:

- Leadership is undertaken by the government as far as budget support coordination and CGAB direction are concerned;
- CGAB forms the common basis for defining and implementing budget support which is provided to implement PAP-PRSP (the PRSP Priority Action Programme);
- PRSP, PAP-PRSP and annual PAP-PRSP progress reports are the source for all budget support elements, ranging from policy measures and result-indicators, to the programme to strengthen budget management (PRGB) and its annual progress reports;
- Budget support is disbursed in the form of unearmarked support. It is used to finance expenditures listed in the Annual Finance Act and respects current national procedures.

PGBS Amounts and Modalities

B1.8 2001 is regarded as the beginning of PGBS with the first World Bank Poverty Reduction Support Credit (PRSC-1) and the first Swedish budget support. Between 2001 and 2004, the total amount received by Burkina Faso in the form of budget support was CFAF 338bn (around EUR 491m), of which CFAF 176bn were provided as grants and CFAF 163bn as credit.

B1.9 World Bank and IMF support are extensions of previous structural adjustment support, which take place under a new perspective, and for larger amounts as far as the World Bank is concerned. Traditionally a provider of credits, the Bank has provided PRSC-3 in the form of a grant, whereas the most recent PRSC-5 has a mixed character. The African Development Bank (AfDB) joined this group in 2002, with amounts reaching CFAF 31bn over three years.

B1.10 Traditional IPs disbursing in the form of a grant are the European Commission, the Netherlands and Switzerland. These IPs already regularly provided macroeconomic or balance of payment support during the 1990s. Since 2001, Sweden has also been providing budget support and France has been doing so since 2003. Denmark and Germany are in the process of budget support approval. Since 2003, only Belgium has withdrawn from the initial IP group which was providing support to the PRSP. This was for internal political reasons.

Conditionalities and Policy Dialogue

B1.11 Budget support disbursement takes place in one or several tranches, on the basis of progress assessments relating to the macroeconomic framework, the fight against poverty and public finance management. As far as macroeconomic aspects are concerned, disbursement criteria are based on the results of half-yearly IMF missions. Disbursement criteria related to poverty reduction strategy and public finance management are set on the basis of Priority Action Programmes (PAPs) and their annual updating.

B1.12 Assessment of the progress of the various programmes under the SBC-CSLP MOU was based on annual reviews. In terms of conditionality, development partners had to refer in their bilateral agreements to indicators defined under the PRGF and the PRSP. However, there was no common reference framework. Under the new CGAB-CSLP, the disbursement criteria based on progress in fighting poverty and public finance management are jointly agreed upon and brought together in a joint performance assessment matrix which is updated annually.

B1.13 The matrix for 2005–2007 was approved during the first CGAB-CSLP ordinary session which took place in July 2005. It follows the four PRSP pillars (see ¶A2.6). Public finance management is part of the fourth PRSP pillar which relates to good governance. However, the PRGB progress indicators are not listed as such in the approved matrix except for the implementation rate of the PRGB budget line. Instead, the matrix refers to a separate PRGB matrix to be drawn up during 2005. The adoption of this matrix as well as a public finance sector strategy is part of the joint PGBS matrix, while the implementation of the PRGB matrix itself and the public finance sector strategy are handled at a lower level.

B1.14 According to CGAB-CSLP, the text of the agreement is an appendix to the bilateral agreements or the country strategy documents. IPs can add criteria according to their own requirements, but should limit them to a strict minimum.

B1.15 Policy dialogue is regarded as a crucial element of sound CGAB-CSLP implementation. In this matter, the new agreement plans ordinary and extraordinary sessions. CGAB-CSLP monitoring and implementation are the subject of half-yearly sessions planned for February and September. Review of the approved performance matrix is the subject of an annual session, preferably as part of the annual PRSP review session. Extraordinary sessions can be called according to need.

B1.16 The CGAB-CSLP is managed under the responsibility of a Committee composed of the Minister of Finance and the leader of the group of IPs. The Minister of Finance undertakes the CGAB-CSLP presidency, coordinating all of its activities. The IPs' leader is the representative and voice of CGAB-CSLP signatory IPs. The latter appoint him in a consensual fashion, for a tenure of six months which is renewable. He supports the President in the coordination of

CGAB-CSLP activities and leads IPs' joint action and consultation when necessary. The Committee has a Technical Secretariat composed of government representatives and two IP representatives. Coordination of the Secretariat is undertaken by the Permanent Secretariat for policy and financial programme monitoring (SP-PPF). Ad hoc technical groups can be established if necessary.

B1.17 As for dialogue concerning the fight against poverty, IPs are part of the government – development partners' consultation framework, which include IPs as well as private sector and civil society organisations. This consultative body provides a framework for assessing results and the mobilisation of resources. IPs are also invited to join Sector and Thematic Working Groups which together with the consultation framework and decentralised regional structures, are part of the institutional PRSP monitoring setting (Burkina Faso, PRSP, July 2004). The working groups are in charge of, on the one hand, assessing sectoral policies and monitoring and evaluation systems and, on the other hand, reviewing the implementation of various policies, programmes and projects. However, these working groups have not been very active recently, and it would be worth improving the way they work.

Harmonisation and Alignment

B1.18 CGAB-CSLP has been concluded with the explicit intent of achieving better harmonisation and alignment. In that respect, the agreement states that:

CGAB-CSLP has been prepared based on the recognition of the established fact that the diversity in Partners' procedures and the lack of harmonisation regarding conditionalities and alignment of programmes with budget and PRSP cycles lead to severe constraints on the Government. This notably reduces the efficiency of budget support.

The agreement refers to information on SBC-CSLP implementation, on SPA and OECD DAC work in this area as well as the Rome Declaration on Harmonisation, 25th February 2003.

TA and Capacity Building

B1.19 There are no specific capacity building projects as such in the CGAB-CSLP, but a chapter is devoted to intentions in this area. Thus, the agreement mentions possible support in *strengthening institutional capacities of pilot and management structures of the ministries and institutions which are involved in the PRSP and the budget management strengthening programme*. In addition, IPs are committed to using national experts to conduct studies in the joint framework. Finally, the agreement also plans to strengthen capacities of IPs' staff *with a view to supporting a similar understanding of issues at stake in budget support, as well as of objectives and actions to be carried out under the current agreement*.

Assessment against Evaluation Criteria

Relevance to the Context

The extent to which the strengths and weaknesses of the financial, economic, social, political and institutional context are taken into account in the evolving PGBS design.		
Level: **	Trend: +	Confidence: ***

Financial context

B1.20 PGBS is provided to support implementation of the PRSP. The PRSP is coupled with Priority Action Plans and a financial budget that shows a large deficit. Budget support is essential to Burkina Faso in the hope of reaching PRSP objectives and, in the long run, the Millennium Development Goals (MDGs).

B1.21 The budget deficit is not a purely exogenous factor. Expected budget support (already committed or estimated) is taken into account in the draft budget. According to the comment of a resource person, budget support does not cover the budget deficit, but rather defines it. Unexpected reduction of budget support would lead the government into a financial crisis.

B1.22 Burkina Faso's financial balance is very fragile. The economy depends to a large extent on world prices for cotton and oil, as well as US dollar exchange rate fluctuations in relation to the Euro. The recent conflict in the Ivory Coast had a negative impact on the financial situation, due to the significant reduction of monetary transfers from the citizens of Burkina Faso working there⁸ as well as the resettlement costs of Burkina Faso nationals forced to return home. Budget aid acts like a buffer to partly absorb the negative effects of these exogenous events.

B1.23 In terms of financial management, CGAB-CSLP asserts that the flow of budget support (which has been increasing since 2000), requires an adjustment of management instruments and a greater accountability of the government for the use of resources. Consequently, these elements are taken into account in PGBS.

B1.24 PGBS started after Burkina Faso had adopted its PRSP and reached the HIPC completion point. PGBS and HIPC are highly complementary. Moreover, IMF monitoring is part of the reporting conditions of PGBS. Therefore PGBS is constantly synchronised with financial developments.

Economic context

B1.25 Since the beginning of the structural adjustment programmes in 1991 with the first structural adjustment credit, Burkina Faso has undertaken a series of macroeconomic reforms. These have included reforms within the public service, price liberalisation and the dismantling of a number of monopolies and State enterprises. In addition, they have led to reform and rationalisation of the banking system and a greater control of public expenditures coupled with improvement in revenue collection. In general, the IMF (leader in the assessment of the macroeconomic situation) is satisfied with the results achieved in Burkina Faso. However, the reform schedule is not yet completed and the 2003–2006 Poverty Reduction and Growth Facility (PRGF) plans further reforms. These planned reforms involve keeping budget deficits to an acceptable level whilst protecting social sectors, improving collection of revenues from taxation, as well as the promotion of the private sector and rural development, including the privatisation of part of the cotton sector and good governance. Pursuing these economic objectives requires significant financial resources. Through the macroeconomic monitoring and the links with the PRSP that are built into the design, PGBS closely follows developments in the economic situation and policies.

B1.26 Since the signing of the treaty of the West Africa Economic and Monetary Union (WAEMU) Burkina Faso has worked towards an active policy of economic and monetary integration. This policy requires a sound macroeconomic framework and a stable currency. Since 2000, one of the achievements of the WAEMU has been the effective establishment of a customs union with a common external tariff and adjustment of internal tariffs with the objective of greater competitiveness and greater openness. Consolidating these achievements as well as the restructuring and equipment of institutions necessary to capture full benefits still requires significant political and financial effort.

⁸ These are transfers registered through the BCEAO. Part of the reduction of remittances may be compensated for by a change in the traditional money transfer mechanism to other mechanisms, especially Western Union, that are not captured by the BCEAO.

Social and political context

B1.27 According to the United Nations Human Development Index, Burkina Faso is ranked 175 out of a total of 177 countries,⁹ thus being one of the poorest countries on earth. With the process of adoption and implementation of the PRSP, the country continues an active policy to improve the situation of the poor and achieve the MDGs. However, it is clear that the country lacks adequate means to achieve this on its own, and that budget support is essential to finance not only new investments, but also recurrent staff and operating costs to improve social service delivery.

B1.28 Burkina Faso has been a parliamentary republic since the establishment of the Fourth Republic based on the 1991 Constitution. Presidential elections were held in November 2005 that resulted in the re-election of the President. These elections took place in a rather tense regional political context, characterised by political and military unrest in the Ivory Coast and political crises in Togo and Niger. In this context, it is important to maintain a stable economic and financial framework to avoid contributing to further political and social imbalances.

Institutional context

B1.29 In 2001, the government prepared a Programme to Strengthen Public Finance Management (PRGB) on the basis of internal and external studies such as the Country Financial Accountability Assessment (CFAA) and the Report on the Observance of Standards and Codes (ROSC). This was followed in 2002 by an Action Plan aimed at addressing important reforms in the public finance management system. This programme takes place concurrently with budget support and its continuation is a prerequisite for disbursement, as well as a requirement to improve sound public finance management.

B1.30 An effective fight against poverty requires more participation from the population groups and local communities concerned. The transfer of necessary responsibilities was launched more than a decade ago. To date, 49 urban municipalities have emerged whilst the establishment of local authorities is in process. Once the transfer of responsibilities has been completed, transfer of resources must be addressed to enable local communities to be sustainable and financially autonomous. This process, which is supported by donors, still requires additional reforms of the public finance system and, without any doubt, supplementary financial and human resources.

B1.31 The PRSP has put in place an institutional framework, which strengthens ownership and participation of stakeholders at all levels of society and allows for close monitoring and evaluation. Through its links with the PRSP this system is well reflected in the PGBS design.

Dialogue, Conditionality and Ownership

The extent to which PGBS policy dialogue and conditionalities are consistent with high levels of ownership by government and sensitivity to country constraints.

Level: ***	Trend: +	Confidence: **
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B1.32 The first PRSP was prepared with a view to complying with the eligibility criteria of the HIPC initiative. Preparation of the PRSP was mainly carried out by the government with limited participation of other stakeholders. Following this initiative, a group of donors decided to provide General Budget Support to implement the PRSP. They united as partners in the joint PRSP-budget support group. The first MOU was entirely the work of the donors.

⁹ UNDP: *Human Development Report 2004*. UNDP, New York, 2004. p. 142

B1.33 Government ownership of the PRSP and the budget support process has gradually increased over the years. Government requested and obtained a more equal position and the role of coordinator in the new MOU. It is now a member of the partners' group, of which it holds the presidency. The Permanent Secretariat for the monitoring of policy and financial programmes (SP-PPF) has been designated as a national body which is part of the Technical Secretariat permanently in charge of its coordination.

B1.34 Rather than financing project support, commonly referred to as "cold money", budget support is considered as a part of the government's own resources or "hot money". In the course of this process, the government became more aware of its role, which led to increased ownership and more intensive policy dialogue. In the opinion of a participant in the workshop organised by the evaluation mission, policy dialogue and ownership are mutually reinforcing to the extent that, as government realised that its discretionary power had increased, it was encouraged to intensify the dialogue in the PGBS framework. However, this strong ownership exists mainly within the Ministry of Finance, but has not yet reached the same level in other ministries.

B1.35 At government level, ownership seems to be quite strong and consistent with policy dialogue. Therefore the level is rated as high. Nevertheless, improvements are still possible to extend ownership to other levels of society. PRSP-2 has been discussed with an audience larger than the first one, including regional authorities, the private sector and civil society. At this stage, ownership appears to be only partial. Some NGOs still regard the PRSP as a structural adjustment programme in disguise rather than a genuine strategy to fight poverty. Stakeholder participation in the monitoring process remains limited. Nevertheless, sustained dialogue around the progress of the PRSP between the government and its partners leads progressively to the intensification of the PRSP preparation and monitoring process as well as greater participation by stakeholders.

Poverty Orientation

The extent to which the PGBS design reflects objectives and strategies related to all the dimensions of poverty reduction.		
Level: **	Trend: +	Confidence: ***

B1.36 The PRSP is the follow-up of the Letter of Intent on Sustainable Human Development Policy published in the mid 1990s. In this respect, it represents a vision of development. Four main pillars are included in the PRSP, namely accelerated growth based on equity, ensuring that poor people have access to basic social services, increasing employment opportunities and income generating activities for the poor, and promoting good governance. The PRSP provides an overview of poverty which includes all its dimensions.

B1.37 The development of strategies varies between pillars and within pillars. The aspects related to "access to social services by the poor" and "good governance promotion" seem to have been drawn up quite well. On the other hand, strategies to achieve growth and create employment and income generating opportunities are far less clear. If structural adjustment programmes were focusing too much on economic aspects, it seems that with the current PRSP there is too much emphasis towards social sectors. However, this deficiency is not a shortcoming of the PGBS design, but a problem of the underlying PRSP, which was partly addressed, albeit modestly, by PRSP-2.

Coherence and Consistency of the Design

Coherence and consistency of the PGBS design, taking into account the extent to which the different partners (various IPs and government) show differences in expectations and approaches related to PGBS or some of its components.

Level: **	Trend: +	Confidence: ***
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B1.38 In the first MOU (SBC-CSLP), there was a particular focus on procedures. In the new agreement (CGAB-CSLP), more emphasis is placed on dialogue and issues of harmonisation and alignment. One crucial difference is the more active role played by the government, which henceforth assumes leadership. A real increase in government ownership is reflected in the agreement. There is also increased emphasis on capacity building necessary to implement the agreement and, more generally, to implement government policies. The explicit listing of capacity building in the agreement allows the hope of more coherence and consistency in providing institutional support related to PGBS in the future.

B1.39 The agreement is generally coherent and consistent. One of the most difficult problems to tackle was the definition of a joint performance assessment matrix. As noted above (and as is also the case in other countries), IPs do not all have exactly the same views on conditionality. The EC advocates a performance indicator framework with a medium-term to long-term perspective, whereas the World Bank favours a system of measures to be achieved in the short term. Other IPs often take an intermediate position. The result is a three-yearly approved matrix to be updated annually, which is considered by the partners as a fair compromise. As it has only recently been adopted, in July 2005, it is still too early to assess its effectiveness. However, agreement of all relevant partners concerning a joint matrix is already an important improvement compared to the earlier MOU in which conditionalities were defined bilaterally, with the World Bank having only a limited role as an observer.

B1.40 An area in which there still remain divergences lies in the achievement of better alignment of PGBS disbursement with the government budget. Whereas some donors are convinced by the approach suggested in CGAB (assessment of the disbursement conditions during year N based on the performance of year N-1 for disbursement in year N+1), others do not agree (mainly the World Bank for which the evaluation in year N of the conditions to be fulfilled in order to disburse the planned support for year N represents an incentive that the government could otherwise not feel so strongly about).

Response to Previous Weaknesses in Aid Management

The extent to which the PGBS design responds to analyses of previous weaknesses in aid management systems and processes.

Level: ***	Trend: +	Confidence: ***
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B1.41 Following the pilot on conditionality, bilateral and multilateral IPs interested in General Budget Support prepared the MOU of the joint budget support group as described under ¶B1.2 and ¶B1.3. In 2004, the MOU was revised in the CGAB-CSLP agreement, taking into account lessons learned in the SBC-CSLP and current practices in this area in other countries (see ¶B1.4 – ¶B1.6). Thus, they have responded to stated concerns about previous weaknesses by trying to address outstanding issues throughout the entire process.

Principal Causality Chains

B1.42 This chapter is not about hypothesis testing, but rather assessing the extent to which the entry conditions at Level 0 of the EEF are reflected in PGBS design. In Burkina Faso the following entry conditions can be distinguished in the PGBS design:

- stable macroeconomic environment and satisfactory macroeconomic policy;
- agreement with the IMF in the context of the PRGF;
- existence and satisfactory implementation of a PRSP, for which additional funding is needed;
- existence and satisfactory implementation of the PFM reform programme;
- willingness of donors and government to harmonise and align; the pilot on new conditionality can be considered as a positive sign of this willingness from both sides and a favourable factor in the development of the subsequent PGBS agreements;
- absence of significant political disputes. The political disagreements of 2000 indicate that foreign political issues can play a role in donor pledges. This is not specific to GBS but can concern other aid modalities as well.

B1.43 The PGBS design responds to the national context by focusing on poverty reduction in the context of a stable macroeconomic situation. It is relevant as Burkina Faso has definite financial needs to reduce its poverty in the framework of a well defined poverty strategy. Government ownership of the PRSP and PGBS process has gradually increased, to the extent that it now assumes leadership in an explicit and carefully thought out way. Strengths and weaknesses of the public finance management system are taken into account, including good governance, by planning to strengthen capacities at government as well as at IP level. The PGBS design is consistent with international initiatives regarding harmonisation and alignment, as well as with the lessons learned from the pilot on conditionality in Burkina Faso and the implementation of the first MOU.

Counterfactual

B1.44 Given that PGBS design is to a large extent based on the conditionality pilot, PGBS can be regarded as a response to the established dysfunctionality and constraints in other forms of aid and previous budget support. Government ownership, harmonisation and alignment achieved in the framework of PGBS are closely linked to the results of this pilot as well as to international statements regarding this issue. It is hard to imagine that other aid modalities could have had similar effects as far as ownership and policy dialogue are concerned.

B2. The Effects of Partnership GBS on Harmonisation and Alignment

Has PGBS contributed to greater harmonisation and alignment of the aid process?

Introduction

B2.1 Harmonisation and alignment are part of Level 1 of the EEF and are expected to have an impact on the causal link which runs from Level 1.5 'harmonisation and alignment' to Level 2.6. 'Donors move towards alignment and harmonisation around national goals and systems.'

Relevant Facts

B2.2 Since the beginning of the 1990s, the problematic issues linked to harmonisation of objectives and of IPs' procedures amongst themselves, as well as alignment of these objectives and procedures with those of the government, have been at the heart of the debate on aid effectiveness in Burkina Faso. Moreover, this is what raised the authorities' interest in taking part in the pilot on new conditionality. Also, despite the fact that Burkina Faso was not among the countries which were formally piloting the Comprehensive Development Framework promoted by the World Bank, an assessment of the manner in which the country had de facto been using this framework was carried out in 2003.

B2.3 Implementation of the SBC-CSLP MOU led to a genuine policy dialogue, in which other non-signatory IPs were also interested. It also demonstrated the feasibility of PGBS, which persuaded other IPs such as France and Germany to provide this form of assistance and join the new CGAB-CSLP agreement which was proposed in 2004 and signed in January 2005. The World Bank and AfDB which were observers under the MOU have also decided to join the CGAB-CSLP as permanent members, providing to this agreement the function of a genuine platform for coordination of budget support.

B2.4 Budget support funds are disbursed according to national procedures. Justification of the use of funds takes place through reports from national bodies, namely the Court of Auditors and the National Assembly. Monitoring of policy is carried out according to procedures and reports agreed on a common basis under government leadership.

B2.5 As for ODA in general, the government budget only captures this very partially: authorities' estimates, corroborated by our own estimates (see Annex 3C) show that between 25% and 45% of ODA is not included in the budget. (As the extra-budgetary ODA escapes all of the public expenditure mechanisms and the government public finance management system, and because of the inherent weaknesses in the process by which ODA data that are not included in the budget are collected, the data are not very reliable. That is why these data are removed from the analysis.)

B2.6 Since 2002, Burkina Faso has undertaken a large programme of budget management reform (PRGB) with the support of its partners. Significant progress has been achieved. The IP joint evaluation report mentions in particular the reduction in delays regarding the production of budget execution laws, general balances of the Treasury account and the administrative accounts of the public accountants, the adoption of a new regulation on public procurement, incorporation of WAEMU directives into national law, continuing deconcentration of orders to

pay, and the process of establishment of a computerised revenue information system¹⁰ (CIR; complementary to the computerised expenditure information system, CID).

B2.7 Activities planned in the PRGB programme for 2004–2005 are: strengthening the system of control for budget management, improving the quality of the Finance Act, in particular the registration of external aid in the budget, capacity building of bodies in charge of budget management, strengthening monitoring of budget execution and the respect of end of financial year requirements, as well as deepening budgetary deconcentration. This list highlights both existing gaps and government willingness to fill them with IP support.

B2.8 The PRGB is an integral part of CGAB-CSLP. Progress of this on-going programme is monitored annually. In the past few years, assessment of administrative and structural reforms has generally been satisfactory.

Assessment against Evaluation Criteria

Policy Alignment

The extent to which PGBS has contributed to increased IP alignment with government policies at national and sectoral levels through:

(a) aligning aid objectives and conditions with government objectives and targets

General Situation:	Level: **	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B2.9 Since the early 1990s, the government has pursued a policy of sustainable human development which logically resulted in the PRSP. This policy coincided with increased attention to the overarching objective of poverty eradication at the level of international forums. In Burkina Faso, policy dialogue between the government and the IPs converges in the fight against poverty.

B2.10 The PRSP reflects the overall objectives of the government, namely economic growth and poverty reduction. IP members of the CGAB-CSLP group and other like-minded IPs have come together around these objectives. Conditions for disbursement are linked to the progress noted in macroeconomic stability, the fight against poverty and public finance management.

B2.11 However, alignment remains partial. Overall, IPs carry out a vast range of programmes and projects which are very diverse and not all of them fit into priority actions. This is also manifested in the multiform character of the national budget and MTEF. The government has other tasks and preoccupations (like security or road infrastructure) which are not included in the PAP. Thus, in its budget for current expenditures the government allocates available funds between priority and non-priority activities, whereas for the investment budget emphasis is given to priority actions. Well-formulated sector programmes only exist in some sectors like education, health, water and, to some extent, agriculture. In other sectors, these programmes are less developed or even absent, and provide few details concerning goals and objectives. In these cases, it seems difficult to talk of alignment. Therefore the general situation is only rated moderate with a positive trend thanks to the influence of the policy discussions promoted through PGBS.

¹⁰ Partner Group SBC-PRSP: *Appréciation conjointe sur la mise en oeuvre du protocole d'intention SBC-CLSP en 2003 et perspectives pour 2004-2006*. Ouagadougou, Novembre 2004

Government Leadership

(b) increasingly relying on government aid coordination, analytic work, TA management			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B2.12 Since the signing of the CGAB-CSLP framework, the government has explicitly assumed leadership of budget support coordination with the approval of the IPs which are members of the group. This increasing sense of ownership is an important effect of PGBS. In relation to studies to be carried out, the agreement plans to favour national expertise, but it is too early to assess its results or to conclude on an increase of confidence. Regarding TA, notably at the PRGB level, management is undertaken by the government. However, allocation of management to the national entity is more a reflection of disappointment with the results of previous TA, notably at the level of skill transfer, than the expression of an increased trust in government management capacity, which remains to be demonstrated.

B2.13 GBS is only one aid modality amongst others. The most significant modality still remains project aid. The same IP members of CGAB-CSLP continue to use other modalities for which they also try to coordinate with each other without advocating total alignment with national procedures. Many IPs, including OECD members such as the USA or Japan, do not seem to be inclined to have a greater harmonisation and alignment of their aid. The difficulties of the government effectively coordinating aid are reflected in the problems of getting timely and accurate information on spending of off-budget aid as described in Box A2.1.

Alignment with Government Systems

Government planning and budget cycles

The extent to which PGBS has contributed to increased IP alignment with government systems at national and sectoral levels through:			
(a) aligning fund commitment and disbursement with government planning and budget cycles			
General Situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B2.14 One major objective of harmonisation and alignment is to improve predictability of commitments and disbursements. First, regarding commitments, it would be ideal if budget support pledges were made with a medium-term perspective so as to enable the MTEF to take them into account. For annual budgets, the amount of aid should be determined at the latest by September, in order to be registered in the Finance Act of the following year.

B2.15 Once registration in the budget is complete, it is important for the government to have better knowledge of the timing of disbursement in order to be able to plan expenditures throughout the year.

B2.16 Predictability of commitments is only partial. Registration of financing in the budget and the MTEF would require rolling three-yearly commitments. The Netherlands is the only partner which uses such plans covering several years. The EC has three-yearly projections, but they are not rolling. Denmark has suggested such a system. Switzerland and AfDB have a non-rolling biannual system. Other IPs have an annual or case-by-case system. The World Bank makes commitments on a four-year basis according to its Country Assistance Strategy, which indicates the possible annual disbursements following the annual reviews. In principle, indications are given early enough to enable their registration in the budget.

B2.17 As far as medium-term planning is concerned, predictability is still limited. Regarding annual budgeting, predictability fluctuates between 50% and 80%, according to the cycle of non-rolling programming. However, estimates are often possible on the basis of proposals which are in preparation.

B2.18 Except for the World Bank, predictability seems to have improved only slightly in relation to the situation in which the MOU was prepared. In practice, the ability to pledge or make commitments does not depend on local representatives but on procedures in force in their respective head offices.

B2.19 Cash flow planning and management have improved in recent years. In 2002 and 2003, more than 50% of disbursements took place after October of the current year. In 2004, the percentage of disbursed funds by the end of July was above 80%, especially thanks to the World Bank transfer, which from now on intends to disburse at the beginning of the third quarter.

B2.20 Some disbursements are made so late that they are paid in the year following the one in which they are due. IP procedures may cause these delays without any existing immediate remedies. Nevertheless, to the extent that these lags are more or less systematic, there is a basic predictability. On the other hand, part of disbursement is conditional on reports or prior actions on the part of Burkina Faso. Delays in these lead to unpredictable lags. Thus, responsibility for delays is shared and the government also has its part. This has been the case for PRSP progress reports, such as the 2003 report which only appeared in November 2004. The government is trying to bring forward this report, preferably towards April or May, in order to enable IPs to approve the disbursement of tranches linked to PRSP execution.

B2.21 Apart from PGBS, there are few indications of a greater alignment with planning and budget cycles. The degree of alignment in the education and health sectors is increasing, but this tendency had already started some time ago. However, it may be that PGBS played a catalytic role. Few changes can be noted in the majority of other aid modalities. Indeed, a very large part of aid, in particular bilateral grants, is not registered in the budget and available figures (see ¶B2.5 above and Annex 3C) do not indicate any significant improvement in this situation. The same applies to predictability of expenditures given that the execution rate fluctuates around 70% (DGCOOP/UNDP, 2005). Therefore the general level is considered weak with a slightly upward trend.

Government implementation systems

(b) increasingly relying on government cash management, procurement, implementation, monitoring, reporting and auditing.			
General Situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B2.22 Under the new agreement on GBS with IPs, the government has strengthened its coordinating role. This demonstrates a gradual commitment to budget support management on the part of the government, which contributed to IPs' satisfaction. This satisfaction is reflected in the confirmation of the World Bank and France as full members and the AfDB and Germany as new members of the group of partners.

B2.23 PFM reforms, which started before PGBS, were strongly supported under PGBS. Although the system is not yet perfect, and there are some persisting fiduciary risks, its development is regarded as positive: it enables the extension of GBS in terms of amounts and new members of the CGAB-CSLP, as well as supporting a transition towards the alignment of basic education (PDDEB) support with national procedures.

B2.24 Some doubts remain concerning the process of coordination between budget support and PRSP monitoring. The division of the Ministry of Economy and Finance into the Ministry of Finance and Budget (MFB) and the Ministry of Economy and Development (MEDEV) has separated budget support management and PRSP coordination. According to the World Bank, the new division of responsibilities between these ministries has had a negative effect on overall programme coordination.¹¹ This resulted in a significant delay of the annual PRSP review which was held only in November 2004 for 2003. In turn, budget support tranches linked to this review were deferred, and, consequently, aid predictability was also affected. The government took note of that and in 2005 the 2004 implementation report was available during the month of April. However, this was not yet the case for the update of the PAP, supervised by MEDEV.

B2.25 While there is full alignment with cash management, procurement and implementation, it is only partial with monitoring, reporting and auditing since CGAB-CSLP still needs special reporting arrangements on top of or in place of reporting and auditing by government institutions. Therefore effectiveness is rated moderate. Efficiency is high since PGBS uses existing systems wherever possible.

Harmonisation among Donors and Modalities

The extent to which PGBS has contributed to improving overall coordination and complementarities of IPs' programmes.			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: ***	Efficiency: **	Confidence: ***

B2.26 A large number of sector coordination groups has always existed in Burkina Faso. However, global policy dialogue has been restricted for a long time mainly to a dialogue between the government and the Bretton Woods institutions. PGBS has enabled other IPs to join this dialogue, and improve the dialogue which some IPs had successfully established at sector level by connecting it to the national level, as well as better aligning their interventions with the PRSP.

B2.27 There is close coordination with the PRSP in the education and health sectors as well as in good governance. In the education sector, the great majority of IPs provide support through a common basket, while a similar system is in preparation for the health sector. Although the EC is not taking part in the common basket, it is planning an education component in its next programme and participates in all coordination activities.

B2.28 It is likely that PGBS has played a catalytic role in bringing together IPs involved in the education sector around financing modalities, notably the possibilities of transforming financing through a common basket towards genuine sector budget support. Although joint financial support in this sector had already started before PGBS, the latter has certainly enriched discussions.

B2.29 Coordination among the like-minded group of IPs is good. Most of them are already united around GBS, and have been joined by some others such as Canada and Belgium. Improvement in terms of coordination and complementarities of overall IP programmes still lacks visibility outside this group. China and the USA, for example, mainly follow their own procedures and policies.

¹¹ World Bank: *Burkina Faso: Fifth Poverty Reduction Support Operation*. April 2005. p.15

The extent to which there have been specific complementarities between PGBS and other forms of aid.			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: ***

B2.30 GBS is one aid modality among others. Nearly all IPs involved in GBS also apply other forms of aid, such as programme support, project support or technical assistance not tied to projects. Many programmes or projects are directly or indirectly linked to GBS, namely interventions in public finance management, strengthening the accountability system or PRSP institutional support. At this level, other like-minded donors, who do not provide GBS for technical or political reasons, also participate, e.g. Canada. Therefore some complementarities between PGBS and TA provided through project support exist, as is the case for PRGB and PRSP monitoring.

B2.31 There are also some complementarities between PGBS and large sector programmes such as PDDEB (education) and PNDS (health), which are all in line with the PRSP objectives. However, these programmes already existed or were in preparation before PGBS. Thus one can observe some complementarities without there being a causal link. Nevertheless, there is a strong mutual link as both PGBS and sector wide approaches were developed during the same period and were based on the same principles.

B2.32 A large part of aid in the form of grants is off-budget. It is estimated by the General Directorate of Cooperation that these grants amount to 60% of the total (see Annex 3C). This support is not always coordinated. Each donor can offer its own projects and procedures, sometimes contrary to the principles accepted within the harmonisation framework. It seems that Burkina Faso does not feel in a position to be able to refuse this kind of assistance.

Principal Causality Chains

B2.33 The causal link in this chapter is from Level 1.5 to Level 2.6. It is obviously a strong link. Clear progress has been noted in alignment and harmonisation between the coming into effect of the SBC-CSLP MOU and the new CGAB-CSLP agreement. A demonstration effect also appears through new memberships. This link is not restricted to GBS only, but also extends to programme and sector budget support through the establishment of a common basket in the basic education and health sectors.

Counterfactual

B2.34 Harmonisation and alignment are part of conditionality reforms proposed by the SPA group. Efforts in harmonisation are recognised by the OECD Rome Declaration as potentially contributing to the success of development projects and programmes. A number of initiatives undertaken by OECD DAC have thus contributed to creating a basis for harmonisation and alignment.¹² In other words, in the absence of PGBS, various international processes could have contributed to greater assistance alignment and harmonisation in aid in Burkina Faso.

B2.35 However, in the light of Burkina Faso's experience, harmonisation and alignment tend to be mostly a local process. It is at this level that IPs agree on desirable and feasible progress in this area. Their headquarters are committed on the principle of harmonisation through pronouncements such as the Rome Declaration, but only PGBS has enabled this harmonisation and alignment to come into practice.

¹² See e.g. OECD: Aid Harmonisation to Reinforce its Efficiency – *Harmoniser l'aide pour renforcer son efficacité*. OECD, Paris 2003

B2.36 Another alternative might have been project support. It is unlikely that this could have produced the same effects. In reality, initiatives (from which PGBS resulted) and international efforts towards harmonisation and alignment emerged following the established fact of difficulties and inefficiencies linked to standard aid modalities.

B2.37 Some sector support might have had some positive effects, but not to the same extent. It would have been more difficult to bring together all significant actors involved in budget support and the overall effect would certainly have been less significant.

B3. The Effects of Partnership GBS on Performance of Public Expenditures

How efficient, effective and sustainable has been the contribution of PGBS to the performance of public expenditures?

Introduction

B3.1 The evaluation question addressed in this chapter is: how efficient, effective and sustainable has been the contribution of PGBS to the performance of public expenditures. This chapter focuses on the relationship between Level 2 (immediate effects) and Level 3 (outputs) of the EEF. The chapter investigates two causality chains which hypothesise that:

- i) An increase in the proportion of resources subject to the national budget and more predictable (2.2/2.3) encourages and empowers government to improve the Public Financial Management (PFM) system (3.2), leading to greater allocative and operational efficiency of public expenditure (3.5/3.6).
- ii) The focusing of PGBS dialogue, conditionality, institutional support and technical assistance on key policy questions and PFM (2.4/2.5) leads to more resources being directed towards essential (pro-poor) public services (3.1).

Relevant Facts

B3.2 Over the period concerned public expenditure (“on budget”) more than doubled. Over the same period domestic revenues increased even faster, explaining 60% of the increased public spending. The remaining 40% is due to an increase in on-budget ODA (including programme aid) (see Table B3.1, and Annex 3C for further details). However, this is only a part of the picture. According to our estimates, off-budget ODA represents between 25% and 45% of total ODA (see Table 3C.3 in Annex 3C).

Table B3.1: Trends in public expenditure and resources

<i>Billions FCFA</i>	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Annex 3
PE (excl. debt service)		235	266	305	375	361	365	392	473	527	579	Table 3C.13
Current revenue (actual)	114	137	161	182	199	214	219	228	259	301	345	Table 3A.1
HIPC (outturn)								7	28	30	44	Table 3C.5
(P)GBS (actual)	69	59	32	17	33	40	23	60	76	84	87	Table 3A.1
<i>Grants</i>	40	36	28	17	20	24	23	27	30	72	47	Table 3A.1
<i>Loans (excl. IMF)</i>	29	23	4	0	13	16	0	33	46	12	40	Table 3A.1

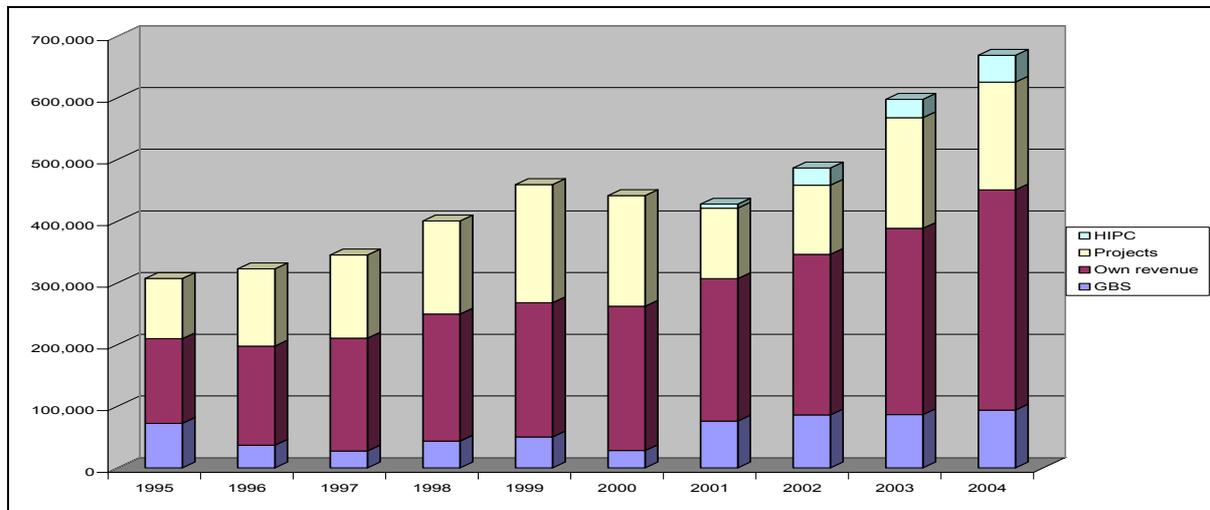
Source: SP-PPF; MFB.

B3.3 An important development was the setting up of a mechanism for the funds “saved” through the HIPC initiative to finance government budget. HIPC contribution to public spending is not enormous (between 1.6% and 6.2% of government total budget including external financing over the period 2000–2004). The key feature is that these funds are targeted on agreed government priority programmes (see Box B3.1). Although technically HIPC funds are treated separately in various ways (see Annex 3C, ¶26) since 2003 they have been fully taken into account in the MTEF and annual budget process.

B3.4 Table B3.1 indicates that General Budget Support has fluctuated over the period of study, both in volume and as a share of government budget. Figure B3.1 shows the relative

contributions of (P)GBS and other sources noted above to public expenditure in Burkina Faso over the period 1995–2004 (in volume, hence in CFAF millions).

Figure B3.1: Contributions to public expenditure (CFAF millions; actual)



B3.5 The definition and tracking of pro-poor expenditure is not straightforward in Burkina Faso, as outlined in Box B3.1.

B3.6 Against this background, this chapter focuses particularly on expenditure shares and levels of basic education and health as represented by allocations to and expenditures of the Ministry of Basic Education and the Ministry of Health including HIPC allocations to and expenditures on education and health programmes. These (relatively readily available) data are taken as a proxy for trends in priority expenditures as a whole. Unfortunately while there are a number of analyses of public expenditure (e.g. for the most recent, PRSP APRs and WB PER 2004), none of these provides a consistent time series for the whole duration of the study. Following the suggestion made by the government we have therefore established our own data. A fuller analysis of the data can be found in Annex 3C (¶32–43).

Box B3.1: Definition and tracking of Pro-Poor Expenditure in Burkina Faso

The term "pro-poor expenditure" is not used as such in Burkina Faso; the focus is on "priority sectors"/"domains"/programmes, which should be favoured in allocation and protected from budget cuts.

In the pre-HIPC period, WB and EC programme aid operations were usually linked to targets for social sector spending (seen as a safeguard during structural adjustment). Since 1998, there have been more explicit measures to link HIPC debt relief funds to public spending in priority areas for poverty reduction, and since 2003 HIPC-funded programmes have been shown as a separate annex to the budget. Categories of HIPC programme (and year first included) are:

- Basic Education (e.g. classroom construction, recruitment of contract teachers, scholarships and textbooks in 20 most disadvantaged provinces – 2000/01).
- Basic health care (e.g. recruitment of contract health workers, equipment and drugs to meet national operating standards – 2000/01).
- Other (promotion of women, employment, work and youth, information, social action – 2003; justice, mines, quarries and energy, economy and development – 2004).

PRSP-1 (2000–2003/04) identified three priority sectors: education, health and rural development. Priority areas in those sectors are: basic education, primary health care, and agriculture, livestock, water provision and rural roads.

The MTEF (commenced 2000) is intended to link resource allocation to PRSP priorities. (Since 2002/03 the MTEF has also incorporated HIPC resources.)

PRSP-2 (2004–2006) expanded the priority sectors to include sanitation, environment, fight against desertification, rural electrification, promotion of small-scale mining, and promotion of small and medium-scale industries and enterprises. At the same time the HIPC scheme was further enlarged as noted above. Moreover, a Priority Action Programme (PAP) has been identified to operationalise PRSP-2, using three key criteria: (i) conformity with PRSP priorities; (ii) relevance to poverty reduction; and (iii) absorptive capacities of implementing agency. The PAP includes over 30 sub-programmes around PRSP strategic pillars. PAP funding is supposed to be allocated as follows: 40% for access to basic social services; 37% invested in productive sectors; 18% for actions more specifically targeted in favour of the poor (e.g. income-generating activities); and 5% for "governance" actions (judicial reform, security, decentralisation, CB).

Since 2000 there have therefore been two inter-linked but not identical definitions of "priorities": (i) the PRSP priorities, which remain quite broad and for which specific poverty reduction expenditure cannot be identified in the current budget classification (see Annex 4A – indicators PI-5 and PI-6); and (ii) the HIPC programmes that are narrower in scope and are monitorable, but through a mechanism which separates them from the regular national budget. The PAP (2004) can be understood as a mechanism to allow more precise identification and tracking of PRSP priorities. However, in the absence of changes in budget classification this is not linked to government PFM systems. PAP sub-programmes are also meant to attract external financing, which is generally poorly reported on. Thus overall, monitoring of priority spending is fragmented and incomplete.

As an indication of the scale of priority expenditures (there is no unique way of doing this):

- PRSP priority sectors (broad definition as above): expenditure share from 49.1% in 2000 to 56.6% in 2002 (incl. HIPC and external financing) (actual).
- PAP sub-programmes supposed to be 70% of total budget in 2004. No PRSP-2 progress report available at the time of the second mission in country.
- HIPC total envelope between 3.2% and 10% of total (own resources + HIPC) budget envelope; between 1.6% and 6.2% of total budget including external financing, over period 2000–2004.

Assessment against Evaluation Criteria

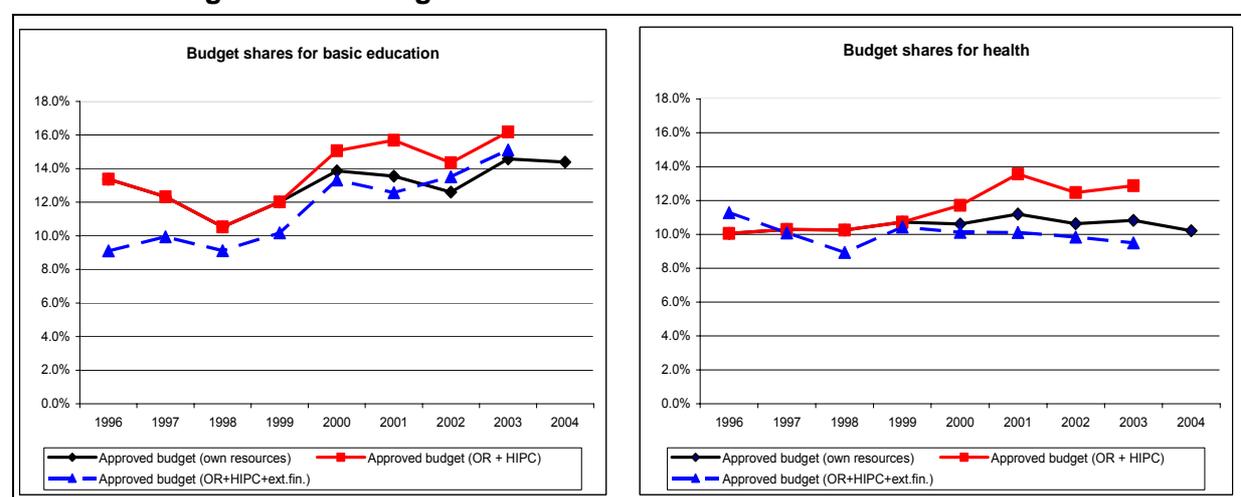
Influence on Expenditure Allocation

The influence of PGBS funds on the levels and shares of pro-poor expenditures.			
General Situation:	Level: **	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B3.7 The period 1996–2004 saw a considerable increase in the volume of government own resources allocated to health and basic education (see Table 3C.6 in Annex 3C). This includes programme aid/PGBS but not HIPC funding. The share for basic education, with fluctuations within the period, increased slightly between 1996 and 2004. It remained fairly constant for health. The real difference comes with HIPC funding. As can be seen in Table 3C.8 in Annex 3C the HIPC scheme contributes a significant volume of funding for health and basic education. It also increases their shares of the corresponding total envelope, especially for health. In contrast, the effect of external financing (on-budget project aid) is not clear cut. It contributes to further raising the basic education share of the corresponding total envelope while in the case of health it reduces it, as on-budget project financing for health has decreased over the last few years (see Table 3C.10 in Annex 3C). Overall, basic education was 3.75 times better financed in 2004 than in 1996, while for health the equivalent was less than two times.

B3.8 This analysis is illustrated in Figure B3.2. Our conclusion is that, judged on basic education and health as proxies for pro-poor expenditures (PPEs), levels and shares have increased, but unevenly in various ways. The situation with regard to health has probably evolved as there was a WB PRSC conditionality to redress the apparent imbalance between the respective trends in the two sectors (hence our rating of an upward trend). The difficulties in defining pro-poor expenditures justify a moderate level of confidence.

Figure B3.2: Budget shares for healthcare and basic education



B3.9 The PGBS effect on these trends is assessed as moderate for several reasons:

- First, before the emergence of Partnership GBS programme aid was already important in providing discretionary resources for pro-poor and/or priority expenditure identified as early as 1996 (even though quite vaguely). The PGBS effect is therefore only the continuation of that of previous forms of GBS.
- Further, as noted in the WB PER (2004), the PGBS effect is shared with that of other processes: “The PRSP process and the availability of HIPC funds have led to a substantial

increase of expenditure in priority areas...” It also notes that “large amounts of expenditure are incurred by NGOs in the social and other priority sectors”.

Our analysis (¶B3.7 and Figure B3.2) suggests that in Burkina Faso, PGBS is not used directly to increase the resources available for the social sectors. Rather, PGBS is an important support mechanism for redeploying public expenditures (through allocation of less flexible resources, including HIPC, to priority expenditures) through stabilising government total spending and helping to finance all other essential functions of the government.

B3.10 The cost of deploying HIPC resources on PPEs, measured by PGBS volume spent to allow this, has been in the proportion of 1:2 since 2002 (see Table B3.1). PGBS influence through dialogue on the budget has been constrained by (i) general weaknesses in financial data and analytical and PFM capacities; (ii) uncertainty surrounding the concept of PPEs; and (iii) lack of information to PGBS IPs. The first two points are being addressed through PGBS-supported PFM and other reform processes (see next chapters), while the issue of information has been addressed, in principle, under the CGAB-CSLP framework. PGBS dialogue is further supported by conditionality (e.g. EC and WB PRSC on health and education financing; see Annex 4C). In conclusion, we judge that PGBS efficiency in supporting the further orientation of public expenditure toward PPEs has been moderate.

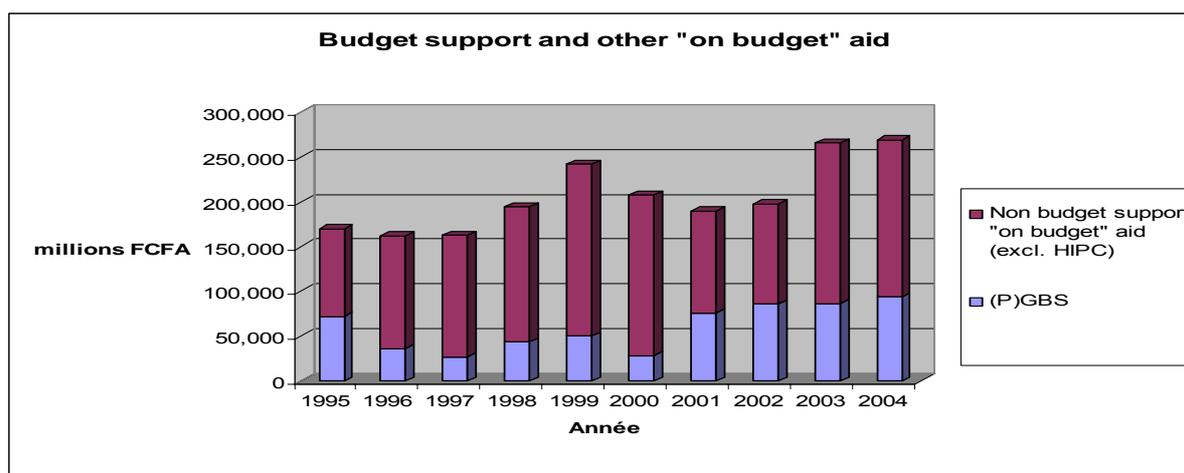
Discretionary Expenditure

The extent to which the PGBS funds have contributed to the increase in the proportion of external funds subject to the national budget			
General Situation:	Level: *	Trend: =	Confidence: **
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: **

B3.11 Neither the situation nor the trend with regard to the proportion of funds subject to the national budget is clear-cut (hence a moderate level of confidence in rating). As a proportion of total ODA, off-budget ODA appeared to be rising in 2001–02 (see Table 3C.4 in Annex 3C). A number of PGBS IPs reported that over the last three years much of their aid had been brought on-budget (e.g. EC) but we do not have data enabling us to assess how much this has improved the situation. With regard to on-budget resources, our data (Table 3C.4 in Annex 3C) show that project aid was financing 32% of public spending in 1995 and 40% in 2000 against only 26% in 2004. This would signal an improvement, as on-budget project aid is only a half-way solution: it remains allocated through mechanisms separated from the mainstream MTEF/ annual budget process. However, Figure B3.1 shows that trends are not clear-cut over the whole period, as further analysed in Annex 3C.

B3.12 In our judgement, the PGBS effect on this mixed situation has been moderate: on the whole PGBS has not substituted markedly for project aid (even if this is the case for individual PGBS IPs such as EC, Netherlands and WB). Even when looking at on-budget aid only, there is no clear trend of PGBS substituting for on-budget project aid as shown in Figure B3.3 below. While the volume of resources subject to the national budget has undeniably increased due to PGBS, as stated by the Minister of MFB in a debate on aid (IMF quarterly magazine Sep 2005) “there is scope for boosting budget support as a proportion of total external support”.

Figure B3.3: Budget support and other on-budget aid



B3.13 PGBS is strongly efficient in increasing the proportion of external funding subject to the national budget, by its own nature. Moreover, PGBS also supports the general move towards bringing ODA on-budget (i.e. more of it being recorded in the annual Finance Act and allocated through mechanisms closer to the budget such as basket funding). It does this through its (non-funding inputs) support to the PRGB, which emphasises the need to improve transparency and effectiveness in managing external funding (see Chapter B4). The PGBS process also has a more general effect of making IPs aware of the importance of the integrity of the Finance Act and generally the importance of the integrity of government PFM.

Predictability

The extent to which the scheduling and delivery of PGBS funds have contributed to the overall predictability of aid flows and public expenditures.			
General Situation:	Level: **	Trend: =	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: **	Confidence: ***

B3.14 The introduction of the MTEF and the development of sector strategies and of the PRSP demonstrate government concern for improving the predictability of public expenditure over the medium term. Revenue reforms are another factor in this direction. In principle, at an aggregate level the predictability of public expenditures should have improved due to more realistic macroeconomic and fiscal forecasts, noted e.g. in the WB PER (2004) and Poverty Assessment (PA) (2005). However, whether these factors (further discussed in other chapters) are effective or not depends on a range of yet other factors. As noted in the WB PER (2004):

The country has remained highly vulnerable to external shocks. These shocks include a) rainfall conditions in the Sahel zone; b) international cotton price developments; c) political instability in neighboring countries; and d) lack of predictability of donor resources. To the extent that they influence budget execution in mid-course, these factors are susceptible to interrupting spending programs and can result in cut-backs in expenditure allocations, notably for spending on materials and services and investments financed with domestic resources.

B3.15 Our data show that ODA has fluctuated throughout the period of study in a way that does not make it a very predictable resource over the medium term. In its early years the HIPC mechanism also faced difficulties in mobilising funds in a timely manner, although this appears to be mainly resolved now (see Table 3C.5 in Annex 3C).

B3.16 Short-term predictability of aid flows and public expenditure is moderate on the whole. With regard to government budget, the WB PER notes that "beneficiaries perceive little

connection between their budget requests, budget allocations, and resources eventually made available". This is presumably linked to government disciplined use of within-year regulatory mechanisms limiting budget releases to the level of available resources. With regard to HIPC funding, the erratic and generally low execution rate stems from limited implementation capacity rather than unpredictability (see Annex 3C for a fuller explanation). The same explanation is given for project aid by DGCOOP (2005).

B3.17 With regard to pro-poor expenditure and predictability, Tables 3C.6 to 3C.10 in Annex 3C show that trends for actual expenditures on health and basic education are more erratic than for the total of allocated resources. However, government commitment to protect priority sectors during budget execution is notable. This is evidenced by comparatively high budget execution rates as shown in the same tables and also noted in the WB PER 2004.

B3.18 Thus, overall predictability of aid flows and public expenditure is rather low and the trend is not definite. While the CGAB-CSLP stresses that one of the objectives of PGBS in Burkina Faso is to improve this, in practice the effect of PGBS has been moderate. This is related to the moderate size of PGBS in relation to total aid flows and budget (post-2000, PGBS has fluctuated in terms of share of total government budget; as a share of total ODA it appears to have increased but this may be due to incomplete data on ODA disbursements in the year 2003 – see Table 3C.4 in Annex 3C), combined with limitations in its own efficiency as a mechanism for channelling aid predictably in Burkina Faso. Indeed, for reasons explained below, PGBS efficiency in enhancing predictability of aid and public expenditure has also been moderate.

B3.19 With regard to medium-term predictability, generally PGBS programmes do not match the rolling three-year period of the MTEF (the Netherlands has a rolling programme but annual instalments must each be approved by Parliament). Another factor of uncertainty is related to the composition of PGBS in terms of grant and loan components, arising from the IDA 14 system for assessing countries' eligibility for grant funding from the WB (see Box 3C.1 in Annex 3C). Predictability in terms of the ensuring next year's budget financing appears not to have been sufficient for government to record PGBS on the revenue side in the annual Finance Act. As PGBS funding is taken into account in the expenditure estimates, the NA therefore approves a budget with a "financing gap". The situation is regularised in the course of the year once government is more certain of the PGBS disbursements for the year. More transparent solutions are being discussed between the government and the IPs.

B3.20 Short-term (within-year) predictability measured by the relationship between forecasts and disbursements within one year and by the timeliness of releases in the course of the year has been moderate, as showed in the summary Table B3.2 below (a fuller set of data and analysis is at Annex 3C). PGBS disbursement rates are higher than those for project aid (see Tables 3C.15 and 3C.16 in Annex 3C) but delayed PGBS releases affect the whole budget in contrast to the much more circumscribed effect of delayed project aid releases. Indeed we were told that the recourse to budget release regulatory mechanisms had not really diminished with the emergence of PGBS. Reasons for postponed or late disbursement result from weaknesses on government's side (late PRSP reviews, late reporting) and unforeseen circumstances affecting the PRGF schedule, hence the PGBS release schedule for a number of PGBS IPs.

B3.21 The trend towards improvement in 2004 is to be noted. Full implementation of the CGAB should assist in further enhancing PGBS predictability, as is currently being explored by a number of IPs (e.g. France examining the possibility of adopting a system similar to that of the Netherlands, WB bringing PRSC pre-appraisal and appraisal missions in line with the CGAB meeting schedule, and the EC intention of adopting the CGAB "ideal" calendar for their new programme [see Annex 3C, ¶9]).

Table B3.2: Short term predictability: PGBS disbursement within-year

GBS disbursement	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cumul. (bn FCFA)	21.5	36.5	41.1	86.0	3.3	22.6	37.0	86.4	9.3	26.3	77.0	89.9
Percentage	23%	40%	45%	93%	3%	20%	32%	76%	10%	28%	82%	96%

Source: SP-PPF.

Efficiency of Expenditure

The extent to which the scheduling and delivery of PGBS funds have contributed to the overall efficiency of public expenditures and aid flows.			
General Situation:	Level: **	Trend: =	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B3.22 Making a judgement on the overall efficiency of public expenditures is hazardous (hence our moderate level of confidence) given weaknesses noted above in the budget comprehensiveness (off-budget ODA), lack of clarity in definitions (e.g. PPE) and the lack of consistent data series (excluding/including HIPC funding; excluding/including external financing; excluding/including off-budget ODA estimates, etc.). Allocative efficiency with regard to (a subset of) PPEs is analysed in ¶B3.7 and following paragraphs. Overall, the PRSP APRs and other documents report an increase in funding of priority spending as noted in Box B3.1. However, the WB PER (2004) stresses that “the availability of only partial information for government decision-makers renders the task of overall resource allocation and planning difficult”. This is illustrated by the case of the National Assembly reallocating (government own) resources away from the social sectors that they think are “over-favoured” by IPs while this is not really the case (see Annex 3C, Table 3C.12 and Figure 3C.9).

B3.23 With regard to the economic composition of public spending, trends are unclear (presumably partly due to data issues). The WB PER (2004) notes that “Almost the whole increase in priority sector spending over 2000–2002 is due to increases in development/ investment spending, with only very small increases in recurrent spending” whereas the WB Poverty Assessment (2005, Table 62) seems to indicate that aggregate recurrent spending increased between 1998 and 2003 as a share of total (domestic and externally financed) spending. Our own data set shows that there has been an increase in investment financed by government own resources and HIPC funding (Tables 3C.13 and 3C.14 in Annex 3C).

B3.24 There is a growing concern for equity in public spending (e.g. PRSP APRs calling for a balanced distribution of education and health staff) but limited ways of addressing this through the budget. One example is the targeting of HIPC funding to the 20 poorest provinces to provide specific support to basic education initiatives. Among the priority sectors, as has been noted by the 2004 PER (WB):

The intra-sectoral prioritisation of budgetary funds has been more marked in the teaching sector than in the healthcare and rural development sectors. While the primary school sector received 80% of the total increase in expenditure in the education sector, only a half of the increase for the healthcare sector went to primary healthcare (and has entirely resulted from targeted HIPC resources).

Even so, the WB Poverty Assessment (2005) concludes that, owing to a combination of intra-sectoral resource allocation patterns, limited administrative capacity to expand services faster and demand-side issues, “the total subsidy to education is unquestionably pro-rich” and “the tendency for public health services is to benefit higher-income groups”.

B3.25 PGBS influence on the allocative efficiency of public expenditures is moderate at most in terms of both effectiveness and efficiency. This is for the same reasons as those noted in ¶B3.9 and ¶B3.10 above in relation to the PPEs. Moreover, it is generally recognised that further analytical work on the composition of the budget is warranted, including a thorough review of its pro-poor nature (WB PA 2005). There is also a need for better use of available analytical work (this has often been repeated in relation to the PERs). PGBS non-funding inputs appear to have had a real but limited influence in this respect up to now mainly through the recourse to specific conditionality on social sector financing (e.g. limited discussion of PE issues in PGBS IPs' annual assessment 2004). We note in ¶B3.20 that PGBS did not succeed in avoiding recourse to regulatory mechanisms which are undermining budget operational efficiency at the level of service delivery agencies.

Transaction Costs

The influence of PGBS on the transaction costs of the budget process and utilising aid.			
General Situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: **	Confidence: ***

B3.26 Transaction costs may fall in terms of acquiring resources for the budget and/or of managing them. In a country like Burkina Faso which depends on external financing for up to about 40% of public expenditure and 75% of public investment (PER 2004), transaction costs are likely to be high. There are signs that some of these costs are decreasing. For instance, DGCOOP (2005) mentions that 94 agreements averaging EUR 4.5m were signed in 2002. While we do not have any overall equivalent data for 2004, IPs such as the Netherlands and the EC are steadily reducing the number of transactions through moving towards sector/budget support modalities for a larger part of their portfolio. The EC reports that while there were 150 financing agreements under the 7th EDF, this number fell to around ten under the (ongoing) 9th EDF. Against this positive trend, the division of the former Ministry of Economics and Finance into two ministries generates additional transaction costs, especially in relation to the acquisition and management of ODA, including PGBS.

B3.27 In management terms, in general transaction costs associated with aid remain high, including the effects of fragmentation in planning and budgeting as analysed in Chapter B4. However, the centralised nature of government budget execution and other factors such as the regulatory mechanism referred to above means that spending agencies, especially at decentralised levels, also perceive high management costs for government budget resources.

B3.28 Overall, starting from a situation of high transaction costs the trend is positive, that is, showing signs of reduction.

B3.29 PGBS has definitely contributed to decreasing these costs. This effect is moderate due to its relatively moderate share of total ODA. Moreover, its influence is shared with that of a broader quest for more effective aid modalities, in Burkina Faso and internationally. PGBS has also been moderately efficient owing to the high costs associated with the setting up of the SBC and CGAB-CSLP to manage it. On the positive side PGBS IPs underline the “federating nature” of PGBS which allows “strengthening three sectors through one operation” (EC: PFM, health and education). Some officials in government perceive high costs arising from the reporting associated with the PGBS performance assessment mechanism but as noted in an EC study, there is no requirement over and above what government should in principle do to comply with its own systems and procedures. Further reduction in (medium-term and annual resource acquisition) transaction costs will depend on the actual implementation of the CGAB measures (e.g. annual calendar, better scheduling of PGBS commitments and releases, common assessment matrix).

B3.30 The costs of managing PGBS resources are undoubtedly less than for other aid modalities and for HIPC funds. This is illustrated in Table B3.3 below and further analysed in Annex 3C (Tables 3C.15 to 3C.17).

Table B3.3: Absorption rates for PGBS and project aid

	1998	1999	2000	2001	2002	2003	2004
Budget execution rate (OR)	102.1%	96.5%	96.8%	94.2%	93.8%	93.1%	
PGBS disbursement rate	101.0%	109.8%	70.2%	86.1%	93.5%	75.8%	95.8%
HIPC execution rate				18.0%	85.2%	91.2%	89.3%
Project aid absorption rate	65.1%	69.7%	64.1%	74.3%	74.1%		

Principal Causality Chains

B3.31 In conclusion, performance of public expenditures in Burkina Faso is moderately good and on the whole improving, and the effect of PGBS on this is present but also moderate. There is a perception that on the whole there is more flexible funding to finance the budget (2.2) and even though predictability is not very high (2.3) the incentive effect of PGBS funding is present (3.2). PGBS non-funding inputs focus on public expenditure performance (2.4/2.5). As a result, PGBS, jointly with other factors (chiefly HIPC funding), helps improve allocative and operational efficiency and provides for a better focus on priority services, though moderately.

Counterfactual

B3.32 Bearing in mind the lack of control over aid projects it does not seem likely that a simple increase in the volume of ODA using this modality would have led to the results shown in this chapter in terms of improvements in public expenditure performance. Better managed projects and projects that are better aligned with the PRSP priority sectors would continue to generate transaction costs greater than those of PGBS. The deployment of public expenditures on PPEs, apparently more associated with HIPC funds, would not have been possible in the same way without the stabilising effect of PGBS funds. Sector support would not have been able to provide the same broad-range stabilising effect and would have been narrower in the budget dialogue and conditionality.

B4. The Effects of Partnership GBS on Planning and Budgeting Systems

How efficient, effective and sustainable has been the contribution of PGBS to improving government ownership, planning and management capacity, and accountability of the budgetary process?

Introduction

B4.1 The question addressed in this chapter focuses on the influence of PGBS on planning and budgeting systems. It relates to Levels 2 and 3 of the EEF. To answer it, we follow the causality chain hypothesising that: PGBS leads to a reorientation towards the core issues related to development policy and public finance management (2.4/2.5/2.6). This reorientation leads to enhanced government ownership of public expenditure and PFM (3.2), which in turn results in greater democratic accountability (3.8), and a strengthening of the culture and mechanisms of accountability and better administrative performance (3.7).

Relevant Facts

B4.2 Burkina Faso has a long history of pre-PGBS PFM reforms, prompted by factors specific to the country in addition to the more “classical” HIPC and PRSP processes and effects. The devaluation in 1994 gave a strong impetus to early macroeconomic and PFM reforms. The pilot on the new conditionality between 1997/98 and 2000 also played a key role in drawing attention to public finance management. Another important and specific factor is the West African regional integration process which encourages government to undertake the reforms necessary to comply with the WAEMU convergence criteria and standards. This has implications for the judgements we make in this chapter.

B4.3 According to the (April 2005) general HIPC AAP update, Burkina Faso belongs to the middle group of 5 countries (among 26) requiring some upgrading of their PFM systems.¹³ In-country stakeholders have divergent views on the extent of progress between the HIPC AAP exercises of 2001 and 2004: some stress the lack of “actual results” in the form of improved PFM systems and outputs (IMF comments) while others underline the continued positive trajectory of changes (Burkina Faso met one more benchmark in 2004 compared to 2001). Against this background, in this section we briefly outline the main strengths and weaknesses of the PFM system in Burkina Faso to date (a fuller analysis is at Annex 4A). We highlight the conditionality and support provided in relation to PFM (more information is at Annex 4C and Annex 4D). Finally we introduce the government programme for strengthening budget management (PRGB) (further details are provided in Annex 4B).

Strengths and Weaknesses of the PFM System in Burkina Faso

B4.4 Revenue forecasts have tended to be too optimistic, resulting in problems in budget execution, but they are now more closely aligned to that of the programmes agreed with the IMF. Overall, progress has been mixed with at time significant delays in key areas, but never sufficient to stall the IMF programmes. Revenue reform has been brought onto the PRGB agenda, and it is also an area of focus for EC conditionality. TA has been provided mainly by the IMF, France and Denmark.

¹³ A much larger group of 19 countries requires significant upgrading.

B4.5 The roles of the executive, legislative and judiciary branches of government in PFM are well defined. The budget system is highly centralised and involves expenditure control *ex ante* (in the French tradition) and *ex post*. The main recent reform of the *ex post* control system has been the elevation of the “Chambre des Comptes” to the status of “Cour des Comptes” (CC) (in 2000), making it a fully independent body advising the legislature in relation to financial performance of the executive. The CC is currently tackling a major backlog in the production of audited financial reports. Further reform and streamlining of the control and audit functions is at the core of the PRGB. It is also a focal area for IPs’ support and in the IMF and PGBS IPs’ conditionality.

B4.6 There is evidence that Parliament is gradually strengthening its oversight role. However, this has remained largely confined to the annual budget process: Parliament does not scrutinise the MTEF and it is not officially involved in the PRSP. There are several other obstacles to government accountability in relation to public financial management. The budget documentation is not comprehensive nor is it user-friendly, which hinders monitoring by civil society at large. The budget classification also impedes greater transparency, as it does not yet allow for a consistent and transparent identification and tracking of pro-poor expenditure (as noted in Box B3.1). The budget classification is not linked to the programme budget frameworks that have been – rather weakly – implemented in some ministries, which defeats the objective of strengthening the results orientation of the budget as it is not possible to monitor budget execution against programmes. Accountability mechanisms at service delivery level (e.g. in education and health) lack an institutional framework. This limits their effectiveness and may result in their “capture” for other interests (GERDDES, 2005).

B4.7 Centralised systems have resulted in orderly, if cumbersome, budget execution. Mechanisms to regulate expenditure are in place as noted in Chapter B3. Computerisation is fairly advanced and systems are able to produce various regular financial documents (e.g. monthly TOFE (Table of Financial Operations of the State), monthly treasury balance sheets, quarterly budget execution reports to Cabinet). Since 2003, there has also been a greater effort to close the fiscal exercise and prepare the final accounts within the period allowed by the regulations. Measures to de-concentrate the budget have been initiated with a view to enhancing operational efficiency through timelier budget execution. Progress has been mixed. This is a central focus of the PRGB and of PGBS IPs’ conditionality framework (WB and EC in particular).

B4.8 Management of public procurement is another key element of the PFM reform. Major progress has been achieved in the legal and regulatory framework but implementation is lagging behind. More generally, and despite the establishment of a Supreme Authority to coordinate the fight against corruption (HACLCC), there is a widespread feeling among donors that the mechanisms for monitoring the transparency of public finances lack teeth.

B4.9 Progress with regard to budget formulation has also been mixed. Two key strengths are the well established budget calendar and the overall government MTEF in place since 2000 which has prompted enhanced strategic dialogue between the Ministry of Finance and line ministries ahead of the annual budget preparation. However, developments at sectoral level have been uneven and even in the most advanced sectors a lot more work is needed (and is under way in a few sectors). In particular, the various analytical, planning and budgeting tools in use (e.g. PERs, sectoral and overall MTEF, budget programmes, PIP) are weakly articulated, which creates confusion and frustration. Further developments in budget formulation and in particular, the linking of MTEFs and budgets with sector strategies and the PRSP, are also a focus for PGBS IPs’ support and conditionality (e.g. WB and EC).

B4.10 As noted in Chapter B3, the management of external funding is a major issue in terms of constraints on the comprehensiveness and transparency of the budget, hence impeding allocative efficiency (off-budget aid). The separate allocation process for on-budget aid adds to the confusion noted above in relation to budget formulation. Reporting on externally financed activities is particularly weak.

Government Programme for Strengthening Budget Management (PRGB)

B4.11 Cabinet adopted government's programme to strengthen budget management (*Plan d'Actions pour le Renforcement de la Gestion Budgétaire* – PRGB) in July 2002. The PRGB builds upon earlier reforms as noted in ¶B4.2. It is based on a diagnostic study carried out by government and complemented by a number of other external assessments. Since December 2004 it has embraced both revenue and expenditure management reforms. A more effective mechanism was also established in the course of 2004 to monitor PRGB implementation (including the development of a Priority Action Programme and the definition of progress indicators and targets), as an element of the PGBS performance assessment framework. The recently agreed common matrix under the CGAB refers to specific indicators defined in the PRGB PAP. The PRGB implementation is also monitored as a key element of the good governance pillar of the PRSP. Box B4.1 below presents the main objectives of the PRGB in its current phase. With IPs' support, MFB has now undertaken to transform the PRGB into an overall sector strategy for PFM reform which inter alia would aim at better reaching out to all structures concerned in government.

Box B4.1: PRGB Objectives

- Strengthen the capacity of the structures dealing with budgetary management
- Improve the legal framework pertaining to budgetary management and its implementation
- Improve the quality and transparency of the budget law
- Strengthen the monitoring of budgetary execution and the implementation of the obligations at the end of the process
- Deepen budgetary decentralisation
- Improve the quality of specific expenditure (personnel, foreign aid, debt)
- Improve the quality and sustainability of the computerisation process within the Ministry of Finance and the Ministry of Economy and Development.
- Strengthen the audit of budgetary management
- Improve government's revenues, both tax and non-tax revenues

Assessment against Evaluation Criteria

Systemic Effects on the Budget Process

Ownership

The extent to which an increase in predictable and discretionary resources has helped to increase ownership of the budget process and commitment to improved budgeting.			
General Situation:	Level: **	Trend: +	Confidence: ***
PGBS Influence:	Effect: ***	Efficiency: **	Confidence: ***

B4.12 Chapter B3 indicated an increase in discretionary and relatively predictable resources through a combination of factors, including the availability of PGBS funding. It is also unanimously agreed that government ownership of the budget process has increased over the PGBS period. The MTEF process is an effective vehicle for government agencies' greater commitment to improved budgeting. This commitment is more evident in MFB than in line

ministries and spending agencies, and other difficulties have been noted, e.g. in ¶B4.9. However, they have been identified and are expected to be addressed through the implementation of the PRGB. It is also clear that greater ownership and commitment to improved budgeting has been facilitated by the increasing budget envelope (see Figure B3.1 in Chapter B3) and the sense (especially in MFB) that government is more in control of the resources available.

B4.13 Hence the link (funding – ownership of the budget process and commitment to better budgeting) hypothesised in this section is present. The formulation and implementation of the PRGB provided an additional incentive to better budgeting by locating this reform within a broader framework. To the extent that PGBS has contributed to the increasing resource envelope as outlined in Chapter B3, it has had a definite effect on government ownership of and commitment to improving the budget. The nature of PGBS funding has been an important factor in this: that is, PGBS funding strengthens ownership of the budget process as it passes transparently through it and gives full control over resources to government. The PGBS effect is also strong through the strong support of PGBS IPs to the PRGB through policy dialogue, conditionality and TA inputs identified in the previous section.

B4.14 Other factors were important. In particular, the current trend builds on a long tradition of attention to better budgeting specifically for poverty reduction/sustainable development, which the HIPC initiative was instrumental in starting to formalise and which the PRSP continued to foster. Thus PGBS has shared its influence with these processes. However, PGBS has been important in its own right and it continues to gain in importance through the more formalised and better harmonised CGAB framework. Hence overall, we judge that the PGBS effect has been strong.

B4.15 PGBS has only been moderately efficient in broadening the sense of ownership. PFM reform and sector reforms have up to now remained weakly linked even though a number of PGBS programmes embrace both (e.g. WB and EC focus on PFM and on education and health in particular). PGBS has also been moderately efficient in linking more tightly the PRSP to the MTEF and annual budget (e.g. continued lack of clarity over the role of the PAP of the PRSP and of the PIP). It is also worth noting that, as regards ownership outside of government, civil society appears to “own” the HIPC process and to appreciate its clearer (though not comprehensive) accountability framework more than is the case for the government budget as a whole. PGBS has not really addressed this issue.

Accountability

The extent to which the increased use of government systems and processes helped to improve the accountability of public expenditures.			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: *	Confidence: **

B4.16 Progress and constraints in the area of public expenditure control, audit and broader accountability mechanisms have been analysed in ¶B4.5 and ¶B4.6 above. As a result our assessment with regard to accountability of public expenditures is of a positive trend, but somewhat fragile and starting from a low base. The scope of accountability systems and processes has definitely broadened, but their quality is still low in most cases. This is noted by PGBS IPs in their assessment report in 2004, which also highlights the importance of political will to support stronger reforms toward accountability of public expenditure (“Groupe SBC-CSLP et la BM”, Nov 2004):

Ex post control and expenditure audits have to this date not attracted the same level of attention and political will as other aspects of PFM reform and the HACLCC remains a paper tiger.

B4.17 In relation to PE accountability, PGBS has built on an earlier focus on expenditure control and audit which resulted from the emphasis on monitoring results of the pilot on the new conditionality and which was reinforced by the HIPC initiative. PGBS shares its influence with the PRSP insistence on accountability for PE under the “good governance” pillar. Moreover, our informants in Burkina Faso emphasised that donor support (through PGBS and other means, e.g. support to Parliament and civil society) had mainly added momentum to a process which was largely endogenous. They noted that the origins of the process lay in civil society demands for greater transparency following the events of 1998 and in government’s pledge to respond to this demand. The electoral success of the opposition parties in the legislative elections of 2002 strengthened reformers within Parliament and thus added extra weight to the demands of civil society. In turn, this has resulted in a situation where donor support to both government and civil society was more easily acceptable.

B4.18 Thus overall, the PGBS effect has been present but moderate as there were a number of other equally important processes.

B4.19 PGBS has only been weakly efficient in strengthening accountability for public expenditures. By its nature PGBS funding strengthens government accountability systems and procedures by not circumventing them. But other PGBS inputs appear not to have been used to their full extent. In particular, PGBS has not succeeded in ensuring that broader issues of governance and corruption, regularly noted in IPs’ discussions and reports, are addressed at the level required. This is in spite of recurrent conditionality on accountability issues in all major PGBS programmes (continuing the tradition of the pre-PGBS operations), and despite a quite large range of support initiatives to the bodies supposed to help enforce financial accountability. Another weakness has been the limited attention paid by the PGBS dialogue to the trade-offs and risks to financial accountability arising from government commitment (with IPs’ support) to de-concentrating budget execution, in a context where financial management capacities are weak, especially at sub-national levels. There has been even less action in this area (the WB Administrative Capacity Building Project [ACBP] being in its infant stage).

Durability

The extent to which PGBS supports government in internalising such improvements (ensuring the sustainability of the whole process).			
General Situation:	Level: **	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B4.20 With regard to content, a number of PFM reforms seem quite well established, e.g. the overall MTEF and the computerisation of government budget transaction systems. It is less evident that these earlier reforms evolve easily (e.g. lack of progress until recently in the development of sector MTEFs). The more recently established importance of accounting to Parliament also seems quite well rooted. At a broader level, given the in-country pressure for reforms it is unlikely that the government would retract from its political commitment to improve transparency and accountability for public expenditures. But reforms could easily remain confined to the technocratic sphere and could altogether remain largely cosmetic, as donors have sometimes already deplored. Moreover, there are “pockets of resistance” as evidenced by areas in which progress has consistently been slow. This includes public procurement, budget execution (delegation and de-concentration reforms in particular) and management of external

financing. All three are areas in which vested interests to maintain the status quo combine with the administration's natural aversion to the risk brought by reform.

B4.21 The reform process builds on one major asset, i.e., the recognition of the PRGB as a quite well established government tool. The inclusion of the revenue dimension, the development of a more adequate monitoring mechanism and the intention of developing a PFM sector strategy clearly indicate government will to establish the PFM reform process on durable bases. The dynamic of the reform process thus seems well established at this level.

B4.22 The main limitation to durability arises from the limited outreach of the PFM reforms thus far. Line ministries, provincial administrations and even the Ministry of Economy and Development and some Departments in MFB are more marginally involved in the reform process. Their awareness and understanding of the reforms is often limited and fragmented, which in turn prevents fuller support on their side. This is evolving (e.g. joint MFB/line ministry (LM) work on sector MTEFs; MFB plan to develop an all-embracing PFM sector strategy) but these recent moves have yet to produce results in terms of tangible greater involvement in (and ownership of) the reforms by all stakeholders.

B4.23 Overall, the prospects for durability of the improvements in planning and budgeting systems noted in earlier sections are moderately good and the trend is positive. Our level of confidence is limited given the limited interaction we were able to have with LMs, provincial administrations and other stakeholders in relation to PFM reform issues.

B4.24 PGBS has directly supported durable improvements in PFM in several ways: through its own resilience in providing funding and hence generating the ownership/empowerment and accountability effects noted in the previous two sections; through continuity in providing TA support to specific reforms (see Relevant Facts above and Annex 4D); and through PGBS IPs' support to the establishment of a more durable framework for PRGB management and monitoring (e.g. EC assistance to the PRGB Secretariat, IPs' endorsement of MFB undertaking to develop a PFM "sector strategy"). Moreover, PGBS policy dialogue and conditionality have had two main incentive effects orientated toward durability: (i) the necessity for government to formulate a medium-term action plan to improve PFM has been one of the preconditions for IPs (in particular for the EC); (ii) the monitoring of the PRGB is also one of the main bases for the permanent dialogue linked to PGBS. The importance of the durability of this dialogue is fully recognised by the Burkina Faso authorities, as illustrated by a recent statement of the Minister of MFB who appreciates the signature of the CGAB as a "major breakthrough in aid management" in a context where the country "will rely on significant increase in external aid flows over the medium term" (IMF Finance & Development, September 2005) .

B4.25 Thus PGBS has had a definite effect on establishing the durability of the PFM reform process. However, this effect is shared with the broader effect of the PRSP focus on good governance already noted above. Another major factor in terms of durability is the process of alignment of Burkina Faso's PFM systems with the regional standards set out by the WAEMU. Thus overall, we judge that the PGBS effect is moderate as both the PRSP and the WAEMU factors are important and resilient.

B4.26 PGBS has also been moderately efficient in its influence on durability. Contrasting with PGBS resilience which contributes to greater efficiency through a "repeat effect", there have been weaknesses in addressing the major constraint to internalisation noted above, i.e. the lack of bridges between MFB and other stakeholders. Moreover, there has been a lack of consistency and coordination in PGBS support to the PRGB, only recently being addressed

through the PAP – and even this mechanism has yet to prove its effectiveness in federating and coordinating more responsive IPs' support.

Capacity development

The extent to which PGBS is supporting capacity development in PFM.			
General Situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: ***	Efficiency: **	Confidence: ***

B4.27 PFM capacities are generally still weak across government agencies. This has been recognised as a major obstacle to using government systems to implement developmental activities. Weak capacities at sector level have been the reason why HIPC funds were managed directly by MFB until 2004. The split between MFB and MEDEV has weakened a previously stronger central agency. The causes for this low capacity level are multiple and mutually reinforcing. Lack of incentives due to low or perceived low pay, brain drain of qualified personnel lost to donor agencies or projects, unreformed civil service administration and antiquated human resource management systems all contribute. The persistent variety of aid management procedures and IPs' requirements make it difficult to develop capacities as there continue to be different systems for planning, allocating, using, reporting and accounting for resources. This is the case even in basic education which is considered as advanced in comparison to others in some respects (see Annex 4E for a fuller description of the still fragmented support at sector level and the implications in terms of PFM capacity).

B4.28 Capacity development in PFM has indeed been uneven. The WB PER 2004 notes, for instance: "Further improvement is warranted regarding the technical and institutional capacity for monitoring and evaluation and for enhancing the capacity and incentives of ministries to make use of results". This is after some five years of use of programme budgeting in education and a wide range of institutional strengthening support provided to MEBA in the context of developing and implementing the PDDEB. Weak links between PFM and sector reform processes (¶B4.15) probably contribute to explaining the limited effectiveness of sectoral TA in this respect. However, TA effectiveness (and coordination) is also a more general issue (e.g. DGCOOP, 2005), in spite of the encouraging trend of IPs moving away from "self-serving" TA and becoming more clearly engaged in strengthening government core functions since the end of the 1990s.

B4.29 Assessing PGBS influence on PFM capacity and capacity building is made more complex by the fact that little TA is actually provided directly under the PGBS programmes, with the exception of the EC programmes. The first task is therefore to identify "PGBS associated TA" provided through other means. This can be very broad, e.g. including analytical work such as the WB PER and recent PA; PFM assessments such as the CFAA, CPAR, etc.; training and more generic support to financial management which is going to be a focus of the WB ACBP; various short-term and long-term TA, provided by PGBS IPs or others; and support to critical functions and institutions (e.g. for the establishment of the CC). Annex 4D is an attempt at capturing major PFM-related institutional support initiatives provided in the context of PGBS. It indicates that on the whole, major PGBS IPs have also been major providers of PFM TA and institutional support.

B4.30 This tends to support the judgement that PGBS must have had a strong effect in strengthening PFM capacities up to the level at which they are now. Given the still relatively weak level of these capacities, our judgement would also be that PGBS has only been moderately efficient in this. There are several potential reasons for this:

- First, the TA/support itself may have been moderately effective (as has been noted by DGCOOP in general, see ¶B4.28).
- Second, while the PRGB has played a key role in pulling together all IPs' support to PFM, this is a relatively recent phenomenon and the matching of donor support with (better articulated) government needs has been limited. As a subset of this issue, there has been no mechanism for smaller IPs to provide support and on the whole, administrative management of the TA/support provided to PFM reforms has been cumbersome and time-consuming for both government and IPs.
- Third, even when it has effectively focused on PRGB requirements, PGBS-associated TA/support has been provided in the absence of an overall strategic vision for building government capacity. This is related to a significant weakness (referred to above) arising from the lack of linkage between PFM and sector reforms, but also with wider reforms such as decentralisation, civil service reform and human resource management. PGBS effects will not be fully deployed with a strong PFM system in an otherwise weak environment, and it is doubtful that PFM systems can be significantly improved without tackling these other weaknesses. However, it is only recently that PGBS has turned its attention to this broader capacity development agenda, and this is quite tentative at this stage (mainly through the WB ACBP).
- Fourth and as a subset of this broader issue of strengthening administrative capacity of government as a whole, PGBS has not adequately tackled the brain drain issue.
- Finally, it has not been actively involved in, nor did it link up with, initiatives aimed at strengthening capacity on PFM issues by other stakeholders (civil society, Parliament) other than through the fact that PGBS IPs may provide such support too.

Principal Causality Chains

B4.31 The logical chain tested in this chapter is moderately substantiated by evidence in Burkina Faso (concentration on key strategic and PFM issues → enhanced government ownership of PE and PFM → improved democratic accountability → enhanced coherence between strategy, budget and expenditure). The weakest link is the one passing through accountability. Factors underpinning this weakness include: weak auditing and monitoring, weak link between PFM reform, sector reforms and broader cross-cutting reforms, and relatively low effectiveness of the TA/ institutional support provided thus far in the PFM/ sector reform areas (for various reasons not all related to the TA itself).

Counterfactual

B4.32 Three counterfactual scenarios may be envisaged with regard to the causality chain tested in this chapter. First, a continuation of the macroeconomic and debt servicing support of the 1990s: by its nature, this type of support did not hamper PFM government systems, and therefore could have resulted in the same beneficial 'ownership' effects as PGBS. It is true that enhanced ownership of the budget and of the PFM reform effort occurred before the emergence of PGBS, although it only became strong in the late 1990s, with programmes that were less macro in their main focus and which brought an additional focus on poverty reduction as a rationale for better PFM systems. Moreover, pre-PGBS operations did not claim to be durable over the medium to long term in the same way as PGBS does.

B4.33 Second, an exclusive use of project support could not have led to the same focus on strengthening government systems and capacity. Third, sector support and other earmarked budget support such as HIPC have a double-edged sword effect on the strengthening of PFM. While they help further focus on a sector/priority programmes, they also contribute to maintaining mechanisms imperfectly aligned with government planning and budgeting systems.

This further undermines confidence in those systems; it diverts attention and human and financial resources away from reforming those systems; and it makes capacity building for PFM more complicated.

B5. The Effects of Partnership GBS on Policies and Policy Processes

How efficient, effective and sustainable has been the contribution of PGBS to improving public policy processes and policies?

Introduction

B5.1 This chapter deals with the hypothesised link between PGBS and the improvement of policies and policy processes. In terms of the EEF, it relates to the causality chains from Level 2 to Level 4. The specific questions are whether GBS has resulted in:

- i) A dialogue/conditionality centred on the key questions and priorities with regard to policies and public expenditures (2.4);
- ii) Technical support (TA) and capacity building centred on the key questions with regard to policies and public expenditures (2.5);
- iii) A movement of the IPs towards alignment and harmonisation around national objectives and systems (2.6);
- iv) Pro-poor policies and interventions (3.3) which in turn lead to appropriate policies for regulation of the private sector (4.2) and appropriate sectoral policies to address market failures (4.4).

Relevant Facts

B5.2 One of the first consequences of the PRSP process was the division of the Ministry of Economy and Finance into two separate ministries, namely the Ministry of Finance and the Budget and the Ministry of Economy and Development. The goal of this division was linked to the need to place specific emphasis on the management, monitoring and evaluation of the implementation of the PRSP, a mission assigned to the Ministry of Economy and Development, through its structure known as the STC-PDES (Technical Coordination Secretariat – Economic and Social Development Programme) which is wholly responsible for the updating and monitoring of the PRSP. The intentions were perfectly legitimate, but the division created tensions between the two ministries, because the distribution of staff, buildings and equipment resulted in frustration on both sides. Consequently, the amount and quality of cooperation between the two ministries have not reached the desired level.

B5.3 The ministries of education and health have prepared their ten-year plans in accordance with HIPC requirements. During the past decade, the two ministries did not have much direct involvement in the development of their sectors. Healthcare and school infrastructure were created by means of projects financed by donors and implemented through ad hoc projects. These practices impaired the ability of the two ministries to implement new development programmes. The financing provided by HIPC funds was received with surprise by the two ministries. At the Ministry of Education, administrative capacity was so limited that HIPC funds intended for new construction were directly managed by the Ministry of Finance and the Budget.

B5.4 In the health sector, it is the Ministry of Health itself which has used the HIPC funds, because these funds have been dedicated in particular to improving the functioning of the existing structures. For example, they permitted the recruitment of more than 1000 health workers (nurses, midwives, healthcare assistants, etc.) to serve in rural areas with staff shortages. They also permitted larger quantities of vaccines to be obtained, which led to the

expansion of immunisation coverage, and also allowed the procurement of essential drugs to meet a number of priority needs in the health field.

B5.5 Regarding education, it is generally believed that the capacity of the Ministry for Primary Education and Literacy (MEBA) is still well below the level required for the implementation of the ten-year plan providing for the construction of several thousand new classrooms each year. The assistance of donors is always based on projects, and coordinated by a project structure outside of MEBA. In 2002, a study was financed to create a new MEBA structure which has recommended significant changes in MEBA's current organisation and the strengthening of the directorates responsible for implementing the ten-year plan. These changes have taken a long time to become concrete, but it seemed that they would eventually be set in motion during 2005.

Development of the Consultation Process with the IPs

B5.6 The PRSP has become a central instrument for organising the dialogue between the government and the IPs, in particular those which are active in GBS. The first version of the PRSP adopted in 2000 was still broadly inspired by the common framework drawn up under the auspices of the World Bank for the HIPC countries. It has been noted that this document did not have the level of national ownership which had been anticipated.

B5.7 The second version, drawn up in 2004, is generally perceived as being the result of a real national consensus in which all the participants were closely involved. In order to achieve a higher level of ownership, the government set up six committees (working groups) supervised by a type of steering committee presided over by the Prime Minister, which brings together all the ministers as members, as well as the chairs and vice-chairs of the six working groups. This steering committee, known as the Inter-ministerial Organisation Committee, is to convene two times a year, in January and June. The thematic committees deal with six themes, namely rural development, the social sectors (including education and health), economic infrastructure, competitiveness and promotion of the private sector, the decentralisation of governance and institutional reforms, and finally public finance and the allocation of resources. Each of these six committees includes members of the administration, representatives of civil society and NGOs, representatives of the IPs and ad hoc qualified members. They must also meet twice a year, and they each have an office consisting of a chair, two vice-chairs and three recording secretaries. Furthermore, the PRSP has been reorganised since 2004. The 13 regions have established their own branch of the PRSP and were expected to produce their preliminary edition in 2005. The IPs participate in it in a concerted manner. They meet independently before the sessions, nominate their representatives on the six working groups and share their experiences and comments.

B5.8 During the revision of the PRSP in 2004, Parliament publicly raised the question of the legal status of the PRSP. The government attended a parliamentary session in order to learn about matters of concern to Parliament, and this dialogue was then followed by the approval of the process by the national representatives who made a commitment to respect the principles of the PRSP in the discussion and adoption of future finance laws.

B5.9 Every year, the PRSP is subjected to a comprehensive review process. The Secretariat (STP-PDES) prepares a questionnaire which is sent to all the ministries concerned to gather data on the progress of the goals of the PRSP in their respective fields. After receiving the completed questionnaires, the Secretariat produces a summary document which is presented to a large number of stakeholders, including the donors, for discussion and comment. In 2004, this review meeting was held on 19 November, a date which some donors found too late, because the release of (part of) their Budget Support depended on it. For future years, the Secretariat intends to finalise the review report sooner. Thus the report on the achievements of the PRSP in

2004 was presented in April 2005, permitting several donors to disburse their budget support in the first half of the year. However, the PRSP review was not accompanied by the annual update of the PAP, which remained delayed.

B5.10 In 2002, the IPs active in General Budget Support adopted a Memorandum of Understanding (MOU) describing the terms of the dialogue the members would like to have with the government. This MOU establishes a list of documents and data necessary for the monitoring and evaluation of the PRSP process from their point of view. The MOU sets out the conditions that must be fulfilled to ensure a soundly based development of General Budget Support, principally: (i) an annual joint evaluation of the results of the PRSP; (ii) a permanent dialogue and regular dissemination of relevant information on the implementation of the PRSP; (iii) an appropriate and improved monitoring of the management of public finances; (iv) improved predictability of the release of tranches for General Budget Support; and (v) a strengthening of the capacity to implement the PRSP, thanks to a special fund for support to institutional development.

B5.11 The IMF participates in General Budget Support via its Poverty Reduction and Growth Facility (PRGF). This concessionary credit is granted on the basis of two tranches per year, released after the half-yearly IMF assessments. These assessments emphasise the macro indicators of the Burkinabé economy to ensure that the development of these indicators follows its normal course.

B5.12 The IMF is involved in the PRSP with the World Bank through the Joint Staff Assessments of the annual progress reports.

The Establishment of the Control Bodies

B5.13 In December 2003, the parliamentary committee for the budget launched an initiative to evaluate the implementation of certain sector activities in the field. It set up an ad hoc committee responsible for verifying how certain specific projects included in the PRSP have been implemented in practice. This committee, composed of six representatives, half of whom belong to the majority and the other half to the opposition parties, visited three of the 13 regions. The members examined the implementation of procurement procedures, the execution of programmed investments, the coordination of activities between different participants at the regional level, and so forth. They identified numerous weaknesses, principally due to the lack of capacity at the local level, and also the lack of coordination between services. They produced a parliamentary report which has been presented to the office of the Assembly and which will become public when the Assembly discusses it.

Civil Society Participation

B5.14 Burkina Faso is a society in which two types of social structures coexist; a traditional structure based on tribal traditions and a modern structure which is progressively adopting international practices, as described in in the institutional development in progress.

B5.15 Between the modern administrative/political sphere and the population, there remain many organisations which may be perceived as an expression of civil society. The most widespread categories of intermediate association are the NGOs which are managed at both the local and external levels. The majority of these NGOs have specific goals and they manage projects which aim to improve the living conditions of the population. The majority of NGOs work autonomously and are not highly coordinated.

B5.16 In recent years, there has been a development of associations increasingly active in the process of poverty reduction, which are also invited to contribute to the implementation of the PRSP process. Particularly worthy of mention among them are Diakonia, an organisation dedicated to the training of civil society activists for budget analysis, the priorities of the PRSP, advocacy of the poor, the decentralisation and monitoring of the PRSP at central and local levels; RECIF, which is active in promoting the interests of women and has a network of 50 branches at local level; CGD (Centre for Democratic Governance), created in 2000, which has as its primary goal the promotion of transparency in governance; REN-LAC, the Burkinabé branch of Transparency International an organisation committed to the fight against corruption in the country; and ABAD, which campaigns for the cancellation of debts. All of these organisations are members of the National Reference Group for the Evaluation of General Budget Support in Burkina Faso.

Assessment against Evaluation Criteria

Influence on Reform Process

Ownership and effectiveness

The extent to which PGBS (allowing for the time lags of its operations) has helped (is helping) to establish/maintain a comprehensive, coherent and effective pro-poor reform process, owned by the government.			
General Situation:	Level: **	Trend: +	Confidence: *
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B5.17 At the macroeconomic level, the major reforms were initiated in the 1990s. PGBS, including the Poverty Reduction Support Credits (PRSCs) of the World Bank, is built on the experience of the reform policy. The PRSC still contains a number of measures aimed at completing the reforms started at this time, but in general terms the policy with regard to macroeconomic reforms principally appears to be the subject of discussion between the government and the IMF. PGBS supports the process but does not play a major role in taking it further. In fact, PGBS is based on a PRSP emphasising the social sectors which were more or less neglected by previous structural adjustment programmes.

B5.18 The reforms in progress are principally aimed at improving governance and improving the provision of public services to excluded populations, notably in the fields of basic education (primary schooling and adult literacy), basic healthcare, access to drinking water, etc. For governance, the public control institutions are strengthened, notably by the creation of the Court of Auditors, while the role of Parliament in monitoring the execution of the budget has improved (catching up from delays on the voting in of laws relating to the execution of the Finance Acts, inquiry into the use of decentralised expenditures in different regions). In addition, the government is pursuing the implementation of decentralisation with the creation of local authorities and regional councils. However, this process is a long way from completion, and it will still be several years before its accomplishments are seen. The role of Partnership GBS in these reforms is difficult to distinguish from that of the PRSP process, which is itself closely linked to the HIPC process. To a certain extent, it can be said that the HIPC initiative was at the root of the actual reform process and that PGBS is taking it further, notably through the dialogue between the government and the IPs concerning PRSP monitoring.

B5.19 The different reform processes started well before HIPC and PGBS and the government has shown its commitment to a sustainable human development policy since the publication of its Letter of Intent. This concern has been reinforced with the introduction of the PRSP. Therefore the level of the general situation is rated moderate with an upward trend. Within the timeframe of this evaluation it was not possible to investigate whether the general intentions

have materialised in comprehensive and coherent pro-poor sector reforms. In particular, the difficulties in defining and tracking pro-poor expenditures as explained in Box B3.1 leave doubts about effectiveness. Therefore the confidence rating is low.

Participation

...in which, an appropriate range of stakeholders is involved in policy formulation and review			
General Situation:	Level: *	Trend: +	Confidence: *
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B5.20 The first PRSP was prepared in a very short time. The main goal was to arrive at the HIPC completion point. The process was highly centralised and under the responsibility of an inter-ministerial committee. Other participants outside government were informed of the process and results at a series of consultative meetings. The time and prior notification of the other parties from the private sector and civil society were too limited to allow them to participate in a real and effective manner.

B5.21 During the preparation of PRSP-2, there were many more opportunities for stakeholders to participate effectively in its formulation. The PRSP project was discussed on several occasions with participants from civil society, the private sector, the National Assembly and the IPs. These discussions were also organised at the regional level in 10 regions by the Regional Planning Directorates (DREPs). They dealt with the evaluation of the results of PRSP-1 and with documents of the regional strategies to combat poverty, prepared by the respective DREPs. The participation of civil society alongside the regional administration was notable. However, the time granted to the discussions was still too limited to permit relevant methodological or conceptual contributions. Moreover, it transpired that the majority of civil society organisations did not have the necessary technical competence to be able to modify the proposals, while the private sector showed little interest in the process.

B5.22 With the second version of the PRSP adopted in 2004, the process of stakeholder participation was considerably enhanced, at the level of civil society, the regions and the IPs. It is likely that the process of updating the PRSP at this time has been influenced by PGBS, since the government felt obliged to open up the PRSP process under pressure from the IPs participating in GBS. In this respect there is a positive effect of PGBS, which is rated as moderate as it went along with endogenous developments within government and society.

Learning

...in which, policy processes encourage both government and IPs to learn from experience and adapt policies to country circumstances			
General Situation:	Level: **	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B5.23 The structural adjustment programmes (SAPs) of the 1990s helped to restructure the macroeconomic environment and government finances. This led to a modest increase in economic growth, but the SAPs did not sufficiently address social aspects and problems of poverty. Moreover, popular support was limited as SAPs, which included numerous painful measures, were mainly seen as externally imposed programmes. The PRSP aimed to address the problems not dealt with by the SAPs while increasing popular support for these programmes in order to raise their effectiveness and sustainability. The processes of extending stakeholder participation and learning from experience have continued since the adoption of PRSP-1 with active support of PGBS.

B5.24 The design of PGBS itself is also the outcome of a learning process. It started from dissatisfaction with the effectiveness of aid in the mid-1990s followed by the pilot on new conditionalities (see ¶A3.11-A3.14). The conclusions of the pilot were built into the PGBS design. The renewal of the first convention led to a new round of evaluations of the cooperation, the results of which are incorporated in the new CGAB-CSLP.

B5.25 Learning from experience and adaptation to country circumstances does not always take place. For example, in the implementation of the ten-year plan for basic education, the IPs, by means of their Fast Track Initiative, have attempted to influence government policy on several issues which differed from the Fast Track standards. We can discuss the respective merits of the Burkinabé choices and the Fast Track standards, but quite clearly the Burkinabé authorities remain convinced that the Fast Track standards are too far from the existing national standards, hence their reluctance to implement them.

Influence on Policy Content

Public and private sectors

...in which, policies address major market failures, the regulatory environment and the appropriate balance between public and private sectors			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: *	Efficiency: *	Confidence: **

B5.26 Two of the four pillars of the PRSP concern the market, the regulatory environment and the private sector. The first pillar is the acceleration of growth and its foundation on equity. The third pillar is the expansion of employment opportunities and income-generating activities for the poor. These pillars are the same in both PRSPs, but the second PRSP deals with aspects of promoting small and medium-sized enterprises and the regulatory environment in more depth.

B5.27 The PRSP does not set out very clearly how growth and the creation of jobs and income will be achieved. The first pillar deals with the problems of competitiveness and the high price of factors of production in Burkina Faso. The third pillar places particular emphasis on activities in the agricultural sector. In relation to this, the PRSP states:

Agriculture remains the dominant sector of economic activity in Burkina Faso, contributing an average of 35% to GDP, providing jobs and income for around 89% of the population, bringing in more than 60% of export revenue and absorbing an average of 30% to 35% of the public investment programme.¹⁴

B5.28 While recognising the important role of agriculture in the Burkinabé economy, the PRSP devotes relatively little attention to the phenomenon of urbanisation, the need for diversification not only in agricultural production but in the entire economy, and the specific problems of both large investors and small and medium-sized enterprises, which still often operate informally.

B5.29 PGBS is based on the PRSP and thus reflects its shortcomings. However, it should be realised that the PRSP is an answer to problems left by the earlier SAPs and to the challenge of the MDGs. As such, it reflects the national priorities to achieve these goals. The low rating on this evaluation question should be seen merely as a momentary finding bearing in mind that comprehensive development is a gradual process and that the trend, shown in PRSP-2, is clearly upward.

¹⁴Ministry of Economy and Development, July 2004, p71.

B5.30 The issue of enterprise development has not been totally neglected. Several regulatory measures have been taken or are envisaged. The government is in the process of implementing a large Project for the Development of Competitiveness and Enterprise with the aid of the World Bank and other IPs. However, it lacks an overall strategy for developing the private sector and trade. The government's initiatives to promote free enterprise are still very deficient. It has concentrated its efforts on the public sphere, but the ministries in charge of the private sector, such as the Ministry of Trade, have very limited resources.¹⁵

Sector policies

.. .in which, appropriate sector policies complement public expenditures			
General Situation:	Level: *	Trend: +	Confidence: *
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B5.31 Before the preparation of the first PRSP, policies had already been defined, for example with regard to devolution and decentralisation, and letters of intent adopted on policies concerning the education and health sectors among others. The first PRSP was built around elements that already existed and enabled them to be integrated into a single framework by basing them on the overarching goal of poverty reduction.

B5.32 The most advanced sector policies relate to education and health. Yet again, these policies have been implemented by creating ten-year plans which were not linked to GBS, but rather to the HIPC initiative. These ten-year plans were then integrated into the PRSP process, but they would doubtless have been put in place in the same way without GBS. It transpires that for education (and also for health), GBS has been a major factor in the implementation process, notably due to the increased budget possibilities for recruiting new teachers. There are sector policies for agriculture and local development as well but less developed with regard to the public expenditure framework. For the other sectors, no national policies yet exist, which is particularly regrettable for services such as access to drinking water or the development of rural roads.

Principal Causality Chains

B5.33 The chain consists of two parts. The first link connects Level 2 to Level 3, and the second link connects Level 3 to Level 4. The chain assumes that the dialogue on the conditionalities centred on the key policies and the questions and priorities of public expenditure (2.4), technical support and capacity building centred on key policies and priority questions of public expenditure (2.5), and the movement of the IPs towards harmonisation and alignment around national objectives and systems (2.6) led to the strengthening of pro-poor policies (3.3) and then to appropriate private-sector regulation policies (4.2) and sector policies which take market failures into account (4.4).

B5.34 PGBS and the PRSP have contributed to the formulation or elaboration of pro-poor sector policies. There is a strong link between the effects of Level 2 and the Level 3 outcomes. However, these policies principally relate to the social sectors, and the market plays hardly any role in these policies. There are no well-defined and operational policies relating to the development of the private sector. Thus, the link between output 3.3 and results 4.2 and 4.4 is weak, while there is a moderate link between output 3.3 and result 4.3 (not depicted in Figure A1.1).

¹⁵ The priority programme "Support for the promotion of trade, industry and handicrafts" included in the first pillar of PRSP-2 allows for an amount of CFAF 0.42bn for 2004-2006 out of a total of CFAF 1394.6bn, i.e. only 0.03%. Op. cit., p.110

Counterfactual

B5.35 It is not the volume of aid that is decisive for influencing policies, but the willingness to enter into dialogue. The policy dialogue in the context of PGBS and the PRSP appears to touch little on questions of market failure and the private sector which are more often dealt with by projects and programmes focusing on this sector.

B5.36 Structural adjustment support principally relates to the macroeconomic framework. This defines the general framework within which the private sector operates, but does not directly deal with the operational issues of market failures and the development of the private sector, which come into play more at the meso level. This is why it cannot have the same effect on this level as PGBS could have if it took an interest in this matter.

B5.37 Sectoral aid does not seem to be appropriate in the absence of a clear and operational sector strategy. In this case, project aid seems to be the most appropriate while awaiting the formulation of such a strategy. In fact, several projects are now being implemented, financed by France, the EC and the World Bank. In principle, sector programmes could have more powerful effects on policy dialogue in the sector concerned, but in their absence, PGBS could serve as a lever to initiate the desired discussions.

B6. The Effects of Partnership GBS on Macroeconomic Performance

How efficient, effective and sustainable has been the contribution of PGBS to macroeconomic performance?

Introduction

B6.1 This chapter deals with relationships between Level 2 (immediate effects) and Level 4 (outcomes). It combines two flows of immediate effects linked to PGBS (namely the reports on all the immediate effects through the improvement of fiscal discipline and the strengthening of policies with a macroeconomic environment which is more favourable to growth) as postulated in the framework.

B6.2 The principal causal hypotheses of the EEF dealt with in this chapter are that:

- i) The increase in external resources for the government budget (2.1), the increase in the proportion of funds recorded in the national budget (2.2) and the improvement in the predictability of external resources available in the national budget (2.3) have resulted in improved fiscal discipline (3.4) and consequently a macroeconomic environment more favourable to investment and private growth (4.1) and a more favourable environment for economic growth (4.6).
- ii) The dialogue and conditionalities centred on the key policy orientations and on the questions and priorities of public spending (2.4), technical assistance and the strengthening of the capabilities centred on the key policy orientations and the questions and priorities of public spending (2.5) and the movement of the IPs towards harmonisation and alignment around national objectives and systems (2.6) have led to an improved fiscal discipline (3.4) and consequently to a macroeconomic environment more favourable to investment and private sector growth (4.1) and an overall environment more conducive to economic growth (4.6).

B6.3 This chapter first describes the macroeconomic performance of Burkina Faso and then considers the evaluation of PGBS according to the evaluation criteria.

Relevant Facts

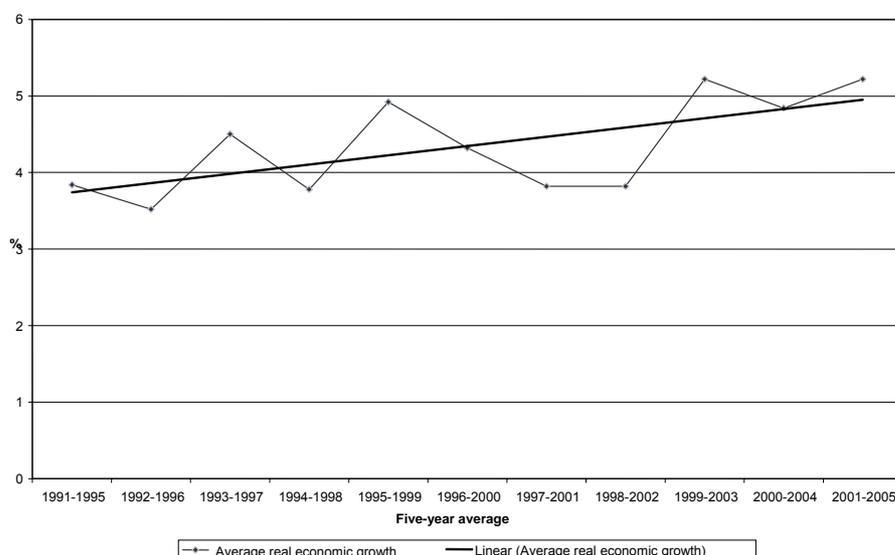
Macroeconomic Framework

B6.4 Burkina Faso enjoys a relatively stable macroeconomic context. Since 1991, the country has undertaken a series of structural reform programmes supported by the IMF and the World Bank. The economic recovery of the country in the 1990s resulted from major economic and institutional reforms, including (a) the liberalisation of trade (domestic and international), particularly as regards agricultural products; (b) sector reforms in public enterprises (including an effective reform of the banking sector); and (c) tax reforms which introduced VAT and brought about other reforms in the drawing up of budgets and execution procedures.

B6.5 Since 1991, the real growth of GDP has been 4.5% on average per year, fluctuating between 1% and 8.7%. The general trend is upwards. The fluctuations are explained above all by the effects of agricultural production, which is highly dependent on rainfall.

B6.6 By analysing the growth of GDP per period, we note an average annual growth of 3.4% for the period between 1981 and 1990, with a strong decline towards the end of this period, 3.8% in the period 1991–1995, 4.3% in the period 1996–2000 and 5.2% in the period 2001–2005.

Figure B6.1: Trend of GDP growth 1991–2005 (in 5-year averages)



Source: IMF

B6.7 For the last period, the annual growth rate for the years 2003, 2004 and 2005 is based on the IMF estimates of March 2005. These estimates have been revised downwards in relation to the previous year due to the continuing fall in the world price of seed cotton, the principal export of Burkina Faso, the increase in the oil price, the crisis in Ivory Coast and agricultural production lower than that of the previous year due to lower rainfall and locust damage. This shows the vulnerability of the economy in relation to exogenous factors.

B6.8 The volume of GBS represents around 3.5% of GDP. This is about 1% higher than during the pre-PGBS period. Although part of it leaks away because of imports of goods and services, local content of GBS is higher than for other aid modalities since it can be spent on all budget items, including salaries and operating costs. Assuming a local content of 70% and a multiplier of 1.5, it can be stated that the effect of the increase of GBS is comparable to the registered increase in economic growth. Therefore it can readily be assumed that GBS has a positive effect on the economy by generating business opportunities, but there are no econometric data to evaluate this effect.

B6.9 The balance of payments has improved due to GBS. In fact, official transfers represent an amount corresponding to a percentage of the current account deficit which fluctuates between 20% and 30%. However, the net effect is less because a non-negligible portion of ODA is spent on imported capital goods and operating equipment.

B6.10 PGBS is linked to the HIPC initiative. HIPC permitted a debt reduction which is expressed in the balance of payments as a reduction in debt servicing and in the TOFE as a reduction in interest due. While PGBS, due to its fungibility, is used for the budget in general,

HIPC funds are specifically used to strengthen and protect the social expenditure planned in the PRSP.

Private Sector

B6.11 Apart from the cotton and mining sectors, Burkina Faso attracts few major investors. The economy is characterised by a large number of small and medium-sized enterprises, the majority of which operate informally. These enterprises are confronted by a technology vacuum and have practically no access to markets and new technologies. The economic strategy of the government has emphasised the liberalisation of the economic environment, but the development of the private sector has not yet led to a significant increase in private investment. The institutional capacity for promoting investment is low, but it is particularly important to note that the institutional environment does not yet provide the necessary guarantees demanded by potential investors, who for their part seem to have little inclination to take risks.

B6.12 The PRSP contains few concrete measures to stimulate the economic climate for investors. Moreover, the private sector is distrustful of the PRSP. The structural adjustment programmes (SAPs) permitted the improvement of public finances, but generated few benefits for the private sector. Many entrepreneurs consider the PRSP to be the logical successor of the former SAPs. Their professional organisations have participated in the preparation of PRSP-2, but there seem to have been few internal debates which might have led to improvements and the internalisation of this policy. With financing from the World Bank and other IPs, the government is executing a programme to promote the private sector known as "la maison d'entrepreneur" (the home of the entrepreneur). The links to the PRSP are at best indirect.

B6.13 The development of the sector depends on certain inherent constraints – particularly the lack of a general national strategy and an economic and legal environment which provides little encouragement. Another notable problem is the lack of vocational training. There are not enough training bodies and many entrepreneurs are not qualified for management. The same applies to qualified labour. The Burkinabé education system prepares pupils for secondary school and then university, but an absolutely vital system of vocational training is lacking.

B6.14 In terms of financing, it is difficult to have access to bank loans, although the banking sector of the country is financially sound. (The two main banks permanently have excess liquidity.) However, these financial institutions pay great attention to risks, and for them, investment in the international market is much more profitable than the deployment of efforts in the small enterprise sector. Consequently, small businesses are obliged to seek loans from other institutions or through certain specific projects specialising in microfinance and training.

Assessment against Evaluation Criteria

Macroeconomic Effects

Fiscal discipline and macroeconomic stability

The extent to which PGBS has contributed to fiscal discipline and macroeconomic stability.			
General Situation:	Level: ***	Trend: =	Confidence: ***
PGBS Influence:	Effect: na	Efficiency: **	Confidence: **

B6.15 Economic stability and fiscal discipline are typical elements of economic policy as defined in concert with the IMF and World Bank since the inception of the structural adjustment programmes. PGBS is the logical successor of the budget aid of the 1990s. Its greater predictability permits more precise budgeting and planning of spending and a higher level of spending, but for a long time it has not caused significant changes to existing budget discipline. The macroeconomic situation is discussed with the IMF twice a year and spending modifications are introduced according to revenues, including GBS.

B6.16 According to a resource person in Burkina Faso, the budget deficit is not really an independent variable. This deficit does not automatically result from the calculation of expenses and revenues, but is itself defined according to the estimates of probable financing. GBS therefore does not reduce the level of internal financing of the budget deficit, but permits a proportional increase in the level of spending and consequently the budget deficit, while respecting budgetary discipline.

B6.17 Burkina Faso is a member of the WAEMU and the obligations imposed by this organisation include the maintenance of fiscal discipline and economic stability in order to preserve the monetary union. These rules precede PGBS and in general are quite well monitored by the members of the Union.

B6.18 The monitoring of macroeconomic stability is entrusted to the IMF and the disbursement of tranches of GBS depending on macroeconomic performance is based on IMF reports. Indirectly, the transfer of funds contributes to budget discipline by expanding the capital base of the government, allowing it to cope more easily with fluctuations in spending and revenue during the year. Since macroeconomic stability has been satisfactory over the years, the general situation is rated as strong. Since this is independent of PGBS, a rating on effect is not applicable. The efficiency rating is based on the fact that PGBS helps to maintain fiscal discipline and macroeconomic stability. In this respect the link was mentioned between the policy dialogue around PGBS and other donor programmes, especially the EC programmes of support to regional economic integration (PARI). Since PGBS is not included as revenue in the initial budget (see ¶B3.19) and policy dialogue is part of a number of other interventions, the rating is only moderate.

Cost of budget finance

The extent to which PGBS funding has reduced the cost of budget financing.			
General Situation:	Level: **	Trend: =	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: ***

B6.19 The government appears to have had relatively good control over the costs of financing the budget from the period before the advent of PGBS – among other things because of the commitment to observance of the WAEMU's convergence criteria (including a criterion relating to non-accumulation of internal and external payment arrears). Recourse to internal payment

arrears to finance the budget has been monitored as part of the IMF's programmes. PGBS acts to support this, as this parameter is also adopted within the framework of the PGBS conditionality of the EC (monitoring the time period between settlement and payment in the expenditure process).

B6.20 In order to avoid liquidity problems and interest charges accruing over the year, the government has traditionally had recourse to mechanisms for controlling expenditure in line with receipts (the general legislation in the Finance Acts authorises the Ministry of Finance to carry out such controls) and these mechanisms continue when PGBS payments are late. Despite the delays each year, according to the Burkina Faso government, PGBS funds have contributed to improving the government's financial situation; the Treasury accounts have been more positive, reducing costs of mobilising funds in the market or even sometimes generating additional income since these accounts are interest-bearing.

B6.21 Some deliberation took place on the level of debt owed to other countries before the arrival of the PGBS system. This deliberation proceeded within this framework with the close involvement of PGBS IPs in the macroeconomic dialogue between the government and the IMF. This is why the World Bank plans to provide a greater part of its PGBS funds in the form of grants in the future.

Private investment

The extent to which PGBS funding of public expenditures has adversely affected private investment.			
General Situation:	Level: **	Trend: =	Confidence: **
PGBS Influence:	Effect: null	Efficiency: null	Confidence: **

B6.22 As indicated in the Relevant Facts section above, the private sector in Burkina Faso is underdeveloped. PGBS and the PRSP have not (yet) led to a notable improvement in the investment climate. On the other hand, there are no indications that PGBS poses any threat to private investment, since it principally intervenes in the public sector.

B6.23 In the cotton sector, privatisations and investment are under way, but this process had already been initiated under the former structural adjustment programmes. PGBS contributes to improving economic competitiveness and expanding revenue-generating opportunities through the PRSP. Performance indicators in these areas are in the joint performance assessment matrix, but at present their implementation depends more on the application of measures and the formulation of associated policies than on financing.

Domestic revenue

The extent to which PGBS funding of public expenditure has adversely affected domestic revenue collection.			
General Situation:	Level: **	Trend: +	Confidence: ***
PGBS Influence:	Effect: nf	Efficiency: na	Confidence: *

B6.24 In the context of the negotiations with the IMF and the WAEMU agreements, Burkina Faso has committed to a policy of improving the tax base. The WAEMU convergence criteria recommend a revenue ratio of at least 17% of GDP. Burkina Faso is well below this, with 11.9% in 2004 (compared with 10.6% in 2002). The pursuit of the convergence criteria results

from the regional economic integration policy and the discussions with the IMF rather than from GBS.

B6.25 PGBS contributes to improving tax revenue through the PRGB which currently includes an objective for strengthening of own resources (see Box B4.1). The MFB is also currently implementing an Integrated Revenue Information System (CIR) similar to the Integrated Expenditure Information System (CID). Measures and activities are included in the discussions with the IMF and are recorded in the annual programmes of the PRGB, the reviews of which are subject to the approval of the CGAB-CSLP. The improvement of tax revenues is included among the indicators of the variable tranche in the new support of the EC.

B6.26 Payment of user fees, even modest, appears to prevent the poorest people from using essential social services. Therefore, several accompanying measures of the PAP concern reduction or abolition of user fees, either in general or for specific groups. This negatively affects domestic revenues. However, there are no comprehensive data to estimate the extent of the effects.

Facilitating Institutional Change

The extent to which such improvement has been stable over the years and has allowed changes in institutional behaviour (private sector investment, central bank decisions, etc.).			
General Situation:	Level: ***	Trend: =	Confidence: ***
PGBS Influence:	Effect: *	Efficiency: *	Confidence: **

B6.27 Since 1991, Burkina Faso has always been 'on track', in the language of the IMF. The programmes implemented with the Bretton Woods institutions have led to a number of institutional changes such as the abolition of state monopolies and the privatisation of a range of state enterprises. However, these reforms could be considered to be a preliminary to GBS rather than a consequence.

B6.28 Initiatives to promote the private sector and trade are under way. Some actions are also included in the joint performance assessment matrix. However, except for the major changes in sectors such as cotton and communications, the developments are slow and results are still not very tangible.

B6.29 In the case of Burkina Faso, the central bank is not a national institution, but rather a regional institution responsible for the monetary policy of the West African states. As a supranational institution, it defines its policy independently of the member states. GBS as such does not play any role in this. However, budgetary aid has bolstered the State's treasury, which permitted the BCEAO to discontinue the statutory advances.

Principal Causality Chains

B6.30 The two causality chains of the EEF remain weak. They assume a link between the Level 2 elements, the immediate effects or activities and the results (4.1) "a macro-economic environment more conducive to private investment and growth" and (4.6) "a more favourable environment for economic growth" by means of (3.4) "improved fiscal discipline". In fact, fiscal discipline is fairly good, but this is more due to the rigour of traditional management and agreements at regional level in the context of the BCEAO and the WAEMU. GBS facilitates the maintenance of fiscal discipline, but it is not decisive and cannot be considered to be one of the causes. If there was an improvement in the environment conducive to investment and

economic growth, it would mostly pass through the policy level, with budgetary discipline principally playing a preliminary role.

Counterfactual

B6.31 PGBS has enabled the widening of the policy dialogue on the macroeconomic context and the environment conducive to investment and economic growth to a broader group of partners. PGBS thus helps in creating the anticipated effects, even if the contribution is relatively minor. Projects and programmes could have similar effects in terms of policies and actions, but certainly less at the level of budget discipline, given the large volume of project aid not recorded in the budget. The WAEMU works in the same direction as PGBS, but places less emphasis on the integration of economic policy into social policies aiming to reduce poverty.

B7. The Effects of Partnership GBS on the Delivery of Public Services

How efficient, effective and sustainable has been the contribution of PGBS to improving government performance in public service delivery?

Introduction

B7.1 This chapter studies the transition from Level 3 (outputs) to Level 4 (results) of the EEF. The analysis relates to three hypotheses, which are that:

- i) PGBS has contributed to meeting the needs of the poor in terms of essential public services, both quantitatively and qualitatively (4.7), via additional resources effectively allocated to essential public services (4.3), following the increase in available resources for these services (3.1);
- ii) PGBS has contributed to meeting the needs of the poor in terms of essential public services, both quantitatively and qualitatively (4.7), by encouraging the government and strengthening its ability to intensify its pro-poor policies (3.3) and by the formulation of sector policies that address market failures (4.4);
- iii) PGBS has contributed to meeting the needs of the poor in terms of essential public services, both quantitatively and qualitatively (4.7), through additional resources effectively allocated to essential public services (4.3) and by formulating sector policies that address market failures (4.4) following the improvement of the operational and allocative efficiency of the public finance management system (3.5/3.6).

B7.2 The time allocated to this study did not permit an exhaustive inventory of all public service provision. Two essential services in the fight against poverty which at the same time are essential for achieving the MDGs have been considered, namely basic education and public health.

Relevant Facts

Access to Basic Education

B7.3 Burkina Faso is one of the countries with the lowest levels of access to basic education in the world. Its system of primary schooling developed slowly until the end of the 1980s, when it was confronted by the constraints of the structural adjustment programme intended to re-establish the macroeconomic equilibrium which had been severely disrupted, notably in relation to the public spending deficit. During the following ten years (from the end of 1989 to the end of the 1990s), the gross level of school enrolment stagnated at around 40%, a net rate of around 30% allowing for the practice of repeating school years, which is widespread in the system. Thus, fewer than one in three Burkinabé are literate when they start their working life.

B7.4 The main cause of this stagnation is the shortage of supply, since many villages do not have schools, and secondarily it is a question of demand, though effective demand is quickly demonstrated when two essential characteristics of supply are combined: freeness and proximity. Purely cultural resistance does not seem to be predominant, as may be the case in Mali or Niger.

The National Policy on Basic Education

Primary schooling

B7.5 After the structural adjustment phase which occurred during the first half of the 1990s, the government undertook an active policy of developing basic education. The latter consists of two parts, on the one hand the development of primary schooling for children of school age, and on the other hand the elimination of adult illiteracy, since the majority of adults (68%) are illiterate. The start of this policy can be linked to the HIPC initiative of 1996, which was immediately joined by Burkina Faso. In 1997, Burkina Faso reached the decision point which made it eligible for the initiative. The completion point was reached on 11 July 2000, and the first HIPC credits became available in 2001.

B7.6 The education strategy of the government was drawn up in 1998–1999 with the support of IPs, and gave rise to the Ten-Year Plan for Basic Education Development (PDDEB), approved by the National Assembly in 1999 and covering 2001–2010. The PDDEB therefore preceded the creation of the PRSP, but the latter is aligned with it.

B7.7 Likewise, the PDDEB precedes the initiatives that resulted from the Dakar World Conference in April 2000 which laid down the MDGs relating to Education for All (EFA) by 2015, and the process of the Fast Track Initiative which determined the new terms of intervention of the IPs in the financing of the EFA objective. Nevertheless, we can consider that the PDDEB represents the first step towards the achievement of EFA, since it aims for a gross level of primary schooling of 70% and a rate of adult literacy of 40% by 2010.

B7.8 The first results of the implementation of the PDDEB are encouraging. They brought an end to 10 years of stagnation, and the progress made on the schooling front is remarkable. In fact, the gross level of schooling rose from 44.4% in 2000–2001 to 52.2% in 2003–2004, i.e. an advance of 8% during the three first years of implementation of the plan. The system is therefore resulting in an increase of 2.7% per year. Over 10 years, that corresponds to 27%, and if the rate of progress continues, the target of 70% set for the year 2010 will be reached.

Informal education

B7.9 Informal basic education is based on two types of institutions, namely the Permanent Literacy and Training Centres (CPAFs), and the Informal Basic Education Centres (CEBNFs). The former work part time with illiterate adults, for 300 to 350 hours a year, while the latter receive adolescents on a full-time basis. Over the past decade, the number of registered students has fluctuated widely, but on average there have been slightly more than 100,000 adults per year involved in these training schemes, with strong growth since the start-up of the PDDEB: in fact, numbers rose from 106,640 students in 2001 to 182,323 by 2003–2004. Women are slightly in the majority on these training schemes, notably due to the fact that certain NGOs only accept women in their centres.

Access to Healthcare

Summary description of the system

B7.10 The healthcare system in Burkina Faso is based on three types of structures: regional hospitals which constitute the reference level for each region of the country, medical centres with a field surgical team (CMAs) in each of the 45 health districts, and peripheral first-aid centres, adapted to the primary healthcare needs, known as the CSPSs (Health and Social Promotion Centres). The latter are set up to cover the primary healthcare needs of geographical areas with around 10,000 inhabitants. A standard CSPS consists of two departments, a reception structure for the sick and a maternity ward for pregnant women,

where they are received for prenatal consultations, deliveries and postnatal consultations. In principle, each CSPS must have three employees, a nurse, a midwife and a mobile healthcare assistant to provide vaccinations. In order to reduce costs, vaccinations are performed in groups so as to make it possible to use vaccines packaged in vials of 20 doses. The CSPSs do not have doctors. The latter practise in the CMAs and hospitals.

B7.11 Each CSPS is close to a point of sale of essential medicines, managed by a COGES (management committee) consisting of representatives of the population. This medicine store must stock 45 generic drugs provided at the most favourable price by the Generic Medicines Central Purchasing Agency (CAMEG), a national wholesaler which imports the essential medicines required by the country. There are around 1,000 CSPSs in the country, implying an average of around 25 in each health district. A health district is most often located in a city which assumes the role of provincial capital. However, a small number of provinces possess two health districts (as a result of their larger than average size).

B7.12 Basic health care is not free of charge. First, the patients pay a contribution when they visit the CSPS. This is usually fixed at CFAF 100, and enables the CSPS to cover certain expenses, notably the costs of running the refrigerator which preserves the cold chain for vaccines. Further, CAMEG resells the drugs including a modest margin to cover the salary of the manager and sometimes the guard. A system of cost-recovery therefore exists which works reasonably well and is low-cost in comparison with costs in developed countries, but which still remains costly for the poor. For example, an individual affected by a single bout of malaria must pay CFAF 100 for the visit and CFAF 200 for the generic medicines, a total of CFAF 300. This remains a deterrent for many poor people, despite the fact that some individuals classified as destitute are exempt from the charges.

The national healthcare policy

B7.13 As for education, the national healthcare policy was drawn up in the late 1990s in the context of the HIPC initiative. Basic health is one of the sectors eligible for the use of the credits made available by this initiative, and it was important for the government to specify the uses it expected to make of these credits. Consequently, the National Healthcare Development Plan (PNDS) was drawn up, which, like the PDDEB, covers a period of 10 years (2001–2010). This plan was approved by the IPs at a round-table conference held in Ouagadougou in 2003.

B7.14 The PRSP took up the orientations of the PNDS which are organised around eight pillars:

- Increasing healthcare coverage, notably at the level of the CSPSs.
- Improving the quality of services and provisions.
- Intensifying the fight against transmissible and non-transmissible diseases.
- Reducing the transmission of HIV/AIDS and improving the care of HIV-positive patients.
- Developing human resources in healthcare.
- Improving financial accessibility to the population.
- Increasing financing and rationalisation of cost-recovery.
- Strengthening the institutional capacities of the Ministry of Health.

B7.15 These goals are then stated as indicators of the improvement of the health of populations on the basis of three-year programmes. For the period 2004–2006, twelve indicators were adopted, relating to the reduction of pregnancy-related mortality, infant mortality, child mortality, infant-child mortality, the prevalence of HIV/AIDS; the expansion of

health coverage, the expansion of the prevalence of the use of contraception, the improvement of immunisation coverage, the increase in the proportion of assisted deliveries, the increase in the proportion of the population living within a 10 kilometre radius of a healthcare facility, the reduction of the financial burden on families, and a greater involvement of people in healthcare decisions.

B7.16 Some of these indicators target the population in general without income discrimination, but others are more specifically oriented towards the most underprivileged population groups, notably as regards the expansion of health coverage (populations far from health centres are more vulnerable on average), the expansion of immunisation coverage, and the reduction of healthcare costs paid by the most destitute families.

B7.17 Use of health care by the poor is low. The proportion of inhabitants depending on a CPCS who visit it at least once a year has always been relatively low in Burkina Faso, at around one patient per five inhabitants (i.e. one consultation on average per inhabitant every 5 years), but a certain upward trend has been noticed during this decade. In 2004, the rate of visits increased to 0.33 (one consultation per three inhabitants). The confidence of the population in the health centres is therefore on the rise, both because the quality of services is improving and because the average distance is decreasing. However, marked differences are observed from one region to another, with the visit indicator varying from 0.15 in the Sahel to 0.67 in the capital region.

B7.18 The expansion of immunisation coverage is on the rise. On this point, progress has been constant since the mid-1990s, and the goals set are being achieved, as shown in the table below.

Table B7.1: Immunisation coverage

	2003	2004	
	achievement	Target	achievement
BCG	86.3%	91%	110.5%
DTCP3*	78.3%	80%	88.4%
Measles	71.1%	80%	78.3%
Yellow fever	66.3%	80%	76.0%

Source: Ministry for Economy and Development: *Strategic Framework to Combat Poverty: Implementation Report, Fifth Edition, 2004*. Ouagadougou, April 2005.

* Diphtheria, tetanus, whooping cough and polio.

B7.19 We note that for five diseases – tuberculosis, diphtheria, tetanus, whooping cough and polio – the targets have been exceeded, while for two others, measles and yellow fever, we are very close to the target set.

B7.20 Burkina Faso can soon be proud to have completely eradicated an incapacitating disease, dracunculiasis or Guinea worm disease, the prevalence of which has been tending towards zero for the past 5 years. It must be remembered that this disease principally affects very deprived social groups.

B7.21 Malaria remains the principal cause of morbidity in Burkina Faso. One out of three consultations results from this disease. The strategic plan in the fight against malaria has been set as the goal of reducing the prevalence of the disease by 15% between 2000 and 2005. Significant efforts have been expended to make free medicines available to pregnant women

and young children, and a campaign to promote the use of mosquito nets treated with insecticides has been organised. According to the third Demographic and Health Survey (EDS3),¹⁶ 40% of households possess at least one mosquito net and 14.7% possess at least one mosquito net which has been treated. These figures are clearly higher than the results obtained in previous surveys, namely 12% and 5% respectively in the WHO survey in 2000. This progress nevertheless remains inadequate. The EDS3 survey established that 40% of infants had had a bout of fever within 15 days prior to the survey, which is a considerable proportion. The annual epidemiological data do not allow us to determine whether the prevalence of malaria is on the decline or not, and do not allow us to say whether the mortality rate of this disease is increasing or decreasing. In fact, a statistical increase in identified cases may be linked to the increased frequency of visits to health centres, while being associated with a reduction of the actual prevalence.

B7.22 As regards the prevalence of HIV/AIDS, the Burkinabé situation also seems to be improving. From the 4–5% prevalence observed at the start of this decade in the (non-representative) sentinel sites, a much more rigorous estimate was produced in 2003 in the context of the EDS3 survey, which established that the prevalence of this disease amounts to 1.9% for men aged 15 to 59 years and 1.8% for women aged 15 to 49 years. This does not mean that prevention efforts should be relaxed, but rather that the progress of the disease has probably been stopped.

Assessment against Evaluation Criteria

Pro-poor Public Service Delivery

The extent to which PGBS has contributed to increasing the efficiency and effectiveness of pro-poor public service delivery and improving the access of poor people.			
General Situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: ***	Confidence: **

Access to basic education

B7.23 Basic education in Burkina Faso is financed from three sources: the general budget, HIPC funds and external financing. The latter are broken down into two major categories, those recorded in the budget and those not recorded in the budget. Until the end of the 1990s, the general budget of the State was not very actively used in financing development activities in the education system. The majority of investments have been financed by IPs, predominantly in the form of projects. The sector-wide approach was created with the advent of the HIPC initiative, which led to the drawing up of the PDDEB. From this moment onwards, a number of IPs decided to coordinate their interventions better by resorting to a single project office. Until December 2004, there were two education project offices, the common office and the office of the European Commission. In parallel, HIPC funds have ensured the financing of a significant amount of new school infrastructure. The procedure used was a delegated procedure, with the special HIPC fund financing the services of a specific executive agency, Faso Bara. The services of the MEBA, in particular the DAF and the DEP, have remained largely outside the system development process. Since the number of IPs wishing to become involved in the creation of the PDDEB is increasing, the idea of a common basket, with a special Treasury appropriation account, has gradually imposed itself. However, the question remains of who will administer this common basket: the project office or the MEBA departments? It was finally decided, in 2004, that it would be the MEBA departments which, as it happens, required significant strengthening themselves. The transfer between the former project office and the

¹⁶ INSD and ORC Macro: *Demographic and Health Survey in Burkina Faso 2003*. NSD and ORC Macro, Calverton, Maryland, USA, 2004

directorates of the MEBA did not occur without difficulties. 2005 was a year of transition during which the project office was supposed to perform interim work with the expectation that the DAF and the DEP would be technically capable of succeeding it. It was expected that, in September 2005, these two directorates would be operational, and the common basket would be used by the IPs from January 1, 2006.

B7.24 This year of transition has not been without its negative effects. The pace of construction has slowed down. Certain construction projects have not been able to be completed due to lack of financing.¹⁷ The staff of the project office have seen the reform as an attack on their status, and have expressed their concern through inertia in carrying out their work. This is one of the well-known detrimental consequences of external aid projects based on project offices independent of the existing administrative structures, in which staff are remunerated much more attractively than the public servants in situ. This system demotivates the civil servants, yet its suppression demotivates the staff of the former project offices who must return to the common status of civil servants or resign. Whatever form it takes, this development is inevitable and eventually positive, because it restores the essential purpose to the existing administrative structures. It can be said that it is a necessary condition for the success of the GBS approach.

B7.25 The first four years of the implementation of the PDDEB (2001–2004) saw public resources made available for basic education increase considerably (Table B7.2).

Table B7.2: Composition of appropriations to MEBA
(in millions of current CFA francs)

Title	Indicators	2001	2002	2003	2004	Average yearly growth rate
II	Personnel expenses	21 734	22 260	29 052	33 351	15.34%
III	Operational expenses	2 932	3 199	2 984	4 299	13.61%
IV	Current transfers	2 061	2 296	3 358	4 089	25.65%
V	Equipment, investment and transfer of capital	12 487	25 891	32 448	39 716	47.06%
	<i>Of which: Government</i>	3 088	4 216	4 693	5 347	20.08%
	<i>Grants</i>	8 934	21 112	20 084	17 592	25.34%
	<i>Loans</i>	465	563	7 670	16 776	230.43%
	Total	39 214	53 645	67 842	81 455	27.59%
	% of current budget	68.16%	51.74%	52.17%	51.24%	

Source: MFB.

B7.26 We observe in particular that the rate of construction has accelerated spectacularly (+47% per year on average), and the budget allocated to investment has exceeded that allocated to staff. This phenomenon is exceptional in the history of educational systems, where the average investment expenses do not exceed 10% of staff expenses. Certainly, these investment expenses are still executed in the context of classic projects, or even in the context of a sector wide approach common to a certain number of IPs, and from this perspective, GBS is not directly the cause of development of the system. However, GBS nevertheless remains the key to success in creating the PDDEB, because these new schools could not work if, at the same time, the general budget of the State was not able to assume responsibility for the remuneration of thousands of new teachers who have had to be recruited to respond to the expansion in pupil numbers. The payroll has in fact grown by 15.3% per year, which could never have been achieved with the domestic resources of the Burkinabé budget alone.

¹⁷ During its visit to the Manga region, the mission noted that the 12 school complexes under construction had seen their works interrupted by the contractors, who had not been paid by the due date.

Moreover, we know that it is highly improbable that either the projects or the classic sector approaches could assume responsibility for these salary costs, because the costs are permanent by definition, and always exceed the time horizon of the projects. In fact the increase is still more important since HIPC funds are not included in Table B7.2 (see Annex 3C, Table 3C.10 which shows an increase excluding foreign aid from CFAF 41.4bn to CFAF 55.9bn).

Access to healthcare

B7.27 The government's efforts in basic healthcare have certainly enabled a significant improvement in access to healthcare services, even for the poorest segment of the population (vaccinations), although there is still enormous progress to be made. The resources available for basic healthcare have increased, but according to those responsible for the sector, the main credit is attributable to the HIPC initiative. In contrast to the basic education sector, the HIPC credits have also been used to recruit staff (more than one thousand), and this recruitment has permitted a significant reduction in the proportion of CSPs which were not up to standard. The HIPC credits also permitted the financing of a large portion of the health coverage expansion, as well as the vaccines which led to the expansion of immunisation coverage. They permitted the purchasing of vaccines against meningitis, preventive medicines for certain epidemics, contraceptives, tuberculosis drugs, and malaria drugs for pregnant women and young children. They permitted free prenatal care and the acquisition of syringes, thermometers and reagents. In brief, they contributed significantly to the improvement of operating conditions and access to medical centres.

B7.28 As regards the government's general budget for the operation of healthcare services, the information gathered by the mission on visits to the decentralised services (health districts) tends to show that the operating budgets of the districts are supplied by two different channels: the first is the classical channel of delegation of central credits, which for the year in progress has remained non-functional.¹⁸ The second is supplied by external financing (notably coming from the Netherlands) which passes through an ad-hoc management unit which reports to the DEP of the Ministry of Health. The latter functions satisfactorily, and the district supervisors confirm that, without this aid, they would be incapable of making their services work. This does not mean that GBS has no effect on the workings of the health services. Some of the staff are recruited as public servants in the context of the general government budget, and thus it can be said that GBS contributes indirectly to their financing, but it is not a question of a phenomenon of the same scope as that observed with basic education. However, GBS and HIPC are considered as being highly complementary and part of government's own resources. Allocations of large HIPC resources were possible as GBS helped ensure the coverage of other essential government expenditures.

Capacity and Responsiveness of Service Delivery Institutions

The extent to which PGBS has contributed towards developing the sustainable capacity of service delivery institutions.			
General Situation:	Level: *	Trend: =	Confidence: **
PGBS Influence:	Effect: *	Efficiency: *	Confidence: **

B7.29 In basic education, GBS has permitted the financing of the recruitment of new teachers, but the implementation of the PDDEB owes nothing to technical assistance, to the extent that,

¹⁸ In June 2005, the health districts were informed that they could commit one sixth of the credits recorded in the general budget for the whole of 2005. The second sixth will be released when all the supporting documents relating to the use of the first sixth have been returned to the central agency. Under such conditions, it is unlikely that the health districts can spend more than 30% of the 2005 credits.

until now, implementation has passed either through the project offices or through a private executive agency for HIPC investment credits, namely Faso Bara. The process of capacity building intended to enable the DAF and the DEP to take the place of these bodies is in progress, and has not been tested. We can expect difficulties on this point, because the conditions for a successful replacement have not all been met.

B7.30 In the healthcare field, extension of service delivery mainly took place through existing channels. The capacity building, necessary to cope in a sustainable way with a significantly higher level of expenditures, still broadly remains to be developed.

The extent to which PGBS has contributed towards service delivery institutions becoming more responsive to beneficiaries.			
General Situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B7.31 The improvement is more linked to the expansion of the supply of services in zones where the poor are in the majority than the strengthening of institutional capacities. The latter are still to be built, and without the more classical aid approaches, the results would not be so visible.

Principal Causality Chains

B7.32 It is difficult to speak here of a causality chain, in so far as the impact is not very visible, but nevertheless we can say that the GBS process is not unconnected with the fact that the basic education sector has finally decided to stop resorting to project offices external to the administration and to restore the role to the latter. We can perhaps criticise the IPs for being insufficiently concerned with the success of the transition, and for not strengthening technical assistance at this level, at least temporarily.

B7.33 Available resources for essential public services increased through a combination of HIPC, sector programmes and budget support including PGBS. Additional resources have effectively been allocated to the priority sectors leading to expansion of services. As at least part of this expansion took place in poor rural areas, it can be assumed that needs of the poor are better met but exact data are lacking (see Box B3.1 on definition and tracking of pro-poor expenditures). Quality improvement, however, remained limited.

B7.34 Sector policies were in the process of being defined before the start of PGBS. Nevertheless, PGBS has contributed to developing these policies further both through policy dialogue (see Chapter B5) and through the availability of funds making the policies feasible.

Counterfactual

B7.35 More resources have been allocated to the education and basic healthcare services, but the same result would have been expected without GBS in the healthcare sector, with the classical aid approaches. The case of basic education is different, because GBS has played a central role in the capacity for implementation at the level of teacher recruitment. The two sectors have a quite different cost structure when it comes to improving coverage and functioning. In the education sector, around 70% of the required financing is consumed by the pay of new teachers, and project or programme aid has never been capable of covering this type of expense. In healthcare, without disregarding the role of staff, the improvements noted are much more linked to the financing of the non-salary expenses of the CSPSs than to the financing of new staff, to the extent that, as we have shown, they are more often than not under-utilised.

B8. The Effects of Partnership GBS on Poverty Reduction

How far has PGBS strengthened government impact on poverty?

Introduction

B8.1 This chapter relates to the transition from Level 4 (outcomes) to Level 5 (impact) of the EEF. It covers the three PGBS inputs (i.e. funds, policy dialogue and TA/capacity building) listed in this framework. However, the focus is on policy effects. The four causal hypotheses examined in this chapter are that PGBS has:

- i) enabled the empowerment and social integration of poor people (5.3) through an improvement in the quantity and the quality of public services (4.7);
- ii) reduced income poverty (5.1) through a more favourable climate for investment and growth (4.6);
- iii) reduced non-income poverty (5.2/5.3) through improved administration of justice and respect for human rights and the population's confidence in the government (4.5) which has been as a result of strengthened intra-governmental incentives (3.7) and strengthening government's capacity to improve PFM and the government system (3.2);
- iv) reduced non-income poverty (5.2/5.3) through improved administration of justice and respect for human rights and the population's confidence in the government (4.5) which has been a result of enhanced democratic accountability (3.8) and the partner government's being empowered to strengthen their systems (3.2).

B8.2 This chapter first presents the results of surveys conducted by the National Institute for Statistics and Demography (INSD) into household living conditions and the controversy which arose over the interpretation and comparability of these results. The assessment of the development of the poverty situation varies according to the position taken in this debate. The subsequent paragraphs will then be concerned with issues related to the main hypotheses enumerated above.

Relevant Facts

B8.3 Under the responsibility of the Ministry for the Economy and Development, the National Institute for Statistics and Demography (NISD) is the body responsible for providing statistical information on economic and social life in Burkina Faso.

B8.4 The INSD has conducted three surveys into household living conditions, in 1994, 1998 and 2003 respectively. According to the results published by INSD, the proportion of the population living below the poverty threshold has increased from 44.5% in 1994 to 45.3% in 1998 and 46.4% in 2003 (see ¶A2.3). These figures caused surprise and have been the subject of a number of counter-arguments (see Annex 2D). The general conclusion is that the figure for 2003 is correct but that the figure for 1998 would have been higher if the same methodology had been used as in 2003. As a result, if all the data had been collected on a comparable basis, they would show poverty falling from 54.6% in 1998 to 46.4% in 2003 (World Bank, June 2005, p. viii). The 1994 results cannot be used to analyse the trend in poverty as methodological differences in data collection do not permit their processing in such a way that they can be validly compared to the 1998 and 2003 outcomes.

Assessment against Evaluation Criteria

Basic Services for the Poor

The extent to which PGBS (allowing for the time lags of its operations) has strengthened — or is strengthening — the impact of government on the different dimensions of poverty reduction, including:

(a) the use of health, education and other basic services by poor groups.

General situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B8.5 As was shown in Chapter B7, access by the population to basic health and education services has risen, while the quality of certain services, especially health services, has been improving. GBS has indirectly contributed to this by allowing the budget to assume the recurrent costs incurred by these improvements.

B8.6 Have these improvements affected the poorest categories of the population? It is necessary to put impact into context in regard to this point, as a low overall access level to these services is characteristic of Burkina Faso. The percentage of children in primary education has risen from 42% to 52%, and it is likely that the additional 10% are on average poorer than the initial 42%. However, in so far as 48% of school-age children still do not attend school, this indicates that a very large number of poor people remain excluded from this service. The same is true of adult literacy, which is increasing by 1.3% per year, but which does not affect the illiterate population (68%) in the short term. Are new beneficiaries from the poorest groups? This is doubtful. It is most likely that they belong to the most dynamic part of the rural population, but it would be unfair to criticise the Burkina Faso authorities for this. This is an ongoing process, which will take many years and which shows that the GBS process will continue in Burkina Faso for a long time.

B8.7 There are two areas where the poorest people are perhaps seeing improvements in their living conditions: access to vaccinations, which protect them from certain diseases, and access to drinking water, which benefits everyone when a new well is installed.

Income Poverty

The extent to which PGBS (allowing for the time lags of its operations) has strengthened —or is strengthening— the impact of government on the different dimensions of poverty reduction, including:

(b) the improvement of the macroeconomic environment leading to increased incomes and economic opportunities for the poor.

General situation:	Level: *	Trend: +	Confidence: ***
PGBS Influence:	Effect: **	Efficiency: **	Confidence: **

B8.8 The authors of this report agree that poverty has probably been falling for the last ten years. Naturally, they also agree that the current level of poverty, which affects nearly half the population, remains extremely high. These two opinions are not incompatible. In regard to the problem of ascertaining whether this reduction is linked to GBS, this is not easy to prove, as the economic development of Burkina Faso has been the result of many factors. Nevertheless, it is observed that since 1994 the country has experienced both sustained structural economic growth (in the order of 4–5% per year) and the macroeconomic context continues to have fairly healthy foundations: low inflation, controlled deficits, and exchange cover allowing it to cope with imports. True, double figure growth has not been seen, but who could claim that in the context

of Burkina Faso, which does not possess any of the necessary ingredients for rapid growth, there would be a magic formula allowing poverty to be eliminated overnight?

B8.9 The return to a balanced macroeconomic environment from 1994 coincides with two events: encouraging results attributable to the structural adjustment programme and the devaluation of the CFA franc. Among the ingredients which have contributed to the relative success of the structural adjustment programme, the role of budget support provided by IPs then, well before the PGBS approach, cannot be neglected. It is likely that a strong link exists on the one hand between pre-GBS programme aid and the return to equilibrium, and on the other hand between the success of initial budget support and the inception of PGBS. Consequently, PGBS can be assessed as one of the means of ensuring the continuity of a macroeconomic climate favourable for sustained growth, however modest, and, in so far as this growth takes place at a constant level of income distribution (stable Gini index), it plays a role in poverty reduction.

Empowerment

The extent to which PGBS (allowing for the time lags of its operations) has strengthened—or is strengthening—the impact of government on the different dimensions of poverty reduction, including:			
(c) the empowerment of poor people because of improvements in the accountability of government, greater participation in processes of decision making, or improvements in the administration of justice.			
General situation:	Level: *	Trend: +	Confidence: **
PGBS Influence:	Effect: *	Efficiency: *	Confidence: **

B8.10 It is true that GBS obliges the government to be more accountable. Parliament is playing a better role in monitoring budgetary performance, the Court of Auditors can denounce abuses and civil society and the media have access to public documents. In short, transparency is increasing and is forcing the government to make efforts towards better governance. Furthermore, GBS is becoming an inescapable necessity in making public institutions work, which gives it a certain influence when it comes to suggesting (or demanding) improvements in transparency and governance. For example, when the assassination of the journalist, Zongo, occurred, the temporary and partial withdrawal of some IPs rapidly convinced the government that it was important to respect human rights if it wanted to maintain good relations with the IPs and have sufficient budgetary revenue to ensure the continuation of public institutions and services. From now on government survival in terms of its capacity to finance public activities expected by the population depends on it.

B8.11 The awakening of civil society has indisputably been stimulated in recent years with the creation or support of the NGOs mentioned in Chapter B5 (Diakonia, REN-LAC, etc.). The emergence of these counter-powers is not the direct doing of GBS, as they are not financed by the government budget, but by classic projects. A link, however, does exist. The decision of certain IPs to strengthen civil society stems in part from their desire to enter into the GBS process by giving themselves some tools to ensure the success of this in the long term through the empowerment of civil society.

B8.12 It is, however, too early to speak of the empowerment of the poorest categories of the population. While they are illiterate, unorganised, without leaders and without elected representatives at the local level their weight in society remains marginal. Here too the process needs time and GBS is too recent to have enabled this kind of results to have been achieved. It

will only be when the institutions created by decentralisation are functioning that it will be possible to determine the impact of GBS at this level.

Principal Causality Chains

B8.13 The links between Level 3 elements and those of Levels 4 and 5 are weak. There has been some reduction of poverty in terms of an improvement in living conditions following the improvement of basic service provision. Poverty reduction through economic improvement is at best indirect through structural adjustment programmes, which have been implemented since 1991, and of which PGBS is in some ways the successor. In terms of performance reporting, justice and human rights, there are positive developments, but these are processes that need time and GBS is too recent to have allowed results in terms of empowerment and social inclusion to have been achieved.

Counterfactual

B8.14 During mission visits to the regions, several interviewees expressed their regret at the disappearance of certain projects implemented by IPs and their fears that the government would not be able to replace them. It remains the case that poverty reduction objectives can also be pursued by a project approach, and that this can lead to just as positive results as budget support. The project approach is probably more expensive, but this is not the principal drawback. With classic projects national ownership and management capacity are not stimulated and the processes of learning, autonomy and independence are relegated to an uncertain future.

B9. The Sustainability of Partnership GBS and Its Effects

Is the PGBS process itself sustainable?

Introduction

B9.1 This chapter addresses the evaluation question: “Is the PGBS process itself sustainable”. In this respect, the chapter refers to the feedback loops specified in the EEF.

Relevant Facts

B9.2 The first SBC-CSLP MOU was largely based on the conclusions of the pilot conditionality reform. Thus, it can already be considered a feedback effect.

B9.3 In the MOU, three joint annual reviews were planned. The first was the IMF PRGF review on macroeconomic aspects. The second was the annual PRSP review based on the monitoring mechanism set up by the government. The third was related to the progress achieved in improving public finance management to be carried out by external expertise, financed by IPs.

B9.4 A quarterly schedule of meetings was established by the MOU and joint annual assessments of the SBC-CSLP operation were established concomitantly with the annual PRSP review.

B9.5 In 2004, IP members of the SBC-CSLP suggested a new MOU on the basis of internal evaluations. Before signing the document, the Minister of Finance had initiated a general assessment of cooperation with IPs in order to prepare a reference framework for budget support aimed at government and IPs. These two initiatives resulted in an agreement named General Framework for Organising Budget Support for the PRSP (CGAB-CSLP; see ¶B1.5 and ¶B1.6). The CGAB-CSLP has the same annual reviews as the first MOU, but also includes an article devoted to the CGAB monitoring and evaluation process itself, stressing the importance of a regular dialogue between the parties. It therefore effectively plans half-yearly meetings to “jointly monitor and evaluate the execution and degree of achievement of the CGAB objectives as well as the degree of fulfilment of commitments by the CGAB-CSLP involved parties”. The results of these evaluations should “enable a deepening of the dialogue among themselves [the parties] and, if necessary, develop/adjust some arrangements of the current agreement”.

B9.6 Coordination of the PRSP implementation, including monitoring and evaluation, is the responsibility of the STC-PDES in the Ministry of Economy and Development. Overall, the annual PRSP-1 reviews were satisfactory, yet they also indicated a number of information gaps. First, they were based on compilations of existing data in the ministerial departments or by the INSD. These compilations did not include all the indicators necessary to capture the results of all of the implementation strategies. Secondly, the institutional mechanism has not worked as planned, due to a lack of effective coordination on the one hand, and a lack of human and financial resources on the other.

B9.7 With the adoption of the new 2004–2006 Poverty Reduction Strategy Paper (PRSP-2) the authorities have planned to strengthen the monitoring and evaluation system on the basis of three fundamental components, namely: institutionalisation and operationalisation of the new

PRSP monitoring mechanism, consolidation of evaluation systems, and carrying out specific activities to prepare for the PRSP review.

B9.8 The institutional mechanism includes a Ministerial Committee for Guidance and Monitoring, sector and thematic working groups (currently six) in charge of assessing monitoring and evaluation systems and assessing the results of various policies, programmes and project implementation processes, a consultation framework between the government, IPs and civil society, and decentralised structures at the regional level. This mechanism is not yet fully operational, notably at the level of sector and thematic working groups. In terms of the latter, IPs noted during the CGAB-CSLP July 2005 session that it was necessary to improve the functioning and ownership of the PRSP process.

B9.9 Strengthening of the evaluation system is based on the concern to use sector policies as a reference framework for monitoring performance, to formulate and adopt indicators and to build capacities for PRSP monitoring and evaluation. In relation to monitoring and evaluation, the capacity building programme under the 2004–2008 Statistics Development Plan should be noted. This includes three components: generating statistics, strengthening the organisational framework, and improving human resources. Capacity building covers the entirety of the national statistics system, both within the Directorates for Study and Planning (DEP) of the various ministerial departments and within INSD. This programme is implemented with the support of the World Bank (through the STATCAP project), as well as with AfDB and EC support. These are all members of the CGAB-CSLP.

B9.10 As far as specific actions for the PRSP review are concerned, it can be noted that a light annual survey of the "CWIQ" (Core Welfare Indicator Questionnaire) type has been conducted, and studies on the impact of public policies on the living conditions of the population as well as specific surveys on the informal sector have been carried out.

B9.11 As far as PRSP monitoring is concerned, a mission of investigation on PRSP indicators appointed by the government in June/July 2003 identified a list of 47 indicators, of which 23 cover the ten dimensions of human poverty, 5 are related to sector performance to take into consideration the recommendation on the representation of different sectors of activities as a factor of synergy and efficiency, and 19 are indicators stemming from the sectoral approach which do not cover the various dimensions of human poverty.

B9.12 In mid-July 2005, the CGAB-CSLP adopted its joint performance assessment matrix for 2005–2007. It consists of four general evaluation criteria concerning the three main pillars of the CGAB-CSLP, i.e. macro-economic stability, the poverty reduction strategy and the strengthening of PFM, and the implementation of the CGAB-CSLP agreement itself. At a more detailed level the matrix specifies 41 measures and actions to be assessed with the help of 36 benchmarked indicators. The GBS evaluation mission was not in a position to confirm compatibility between this matrix and the list of indicators mentioned above. However, during the CGAB-CSLP session, the national side expressed its concern in relation to the high number of measures and indicators in the matrix. Indeed, the persistent quest for monitoring and evaluation indicators comprises a double risk. First, there is the risk of creating a system which is parallel to the statistics system in place. Second, too much focus on the reports of results indicators agreed between the government and IPs can transform these reports into ends in themselves. This would serve IPs in justifying disbursement decisions and authorities in avoiding a potential decrease of aid, which is applicable according to the system of variable tranches, whereas information on performance should mainly enable improved decision-making. In all cases, the adoption of the matrix nevertheless represents a step forward in the harmonisation process, though it is still too early to assess its impact.

Assessment against Evaluation Criteria

Shared Learning between Government and Donors

The extent to which PGBS allows a shared learning process between government and IPs with flexible mechanisms for adjusting to experience (including adjustment to maximise the complementarities among different forms of aid).

Level: ***	Trend: +	Confidence: ***
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B9.13 PGBS is the continuation of the pilot on the conditionality reform and the SPA group's initiatives. As such, it can be considered itself as the result of a learning process.

B9.14 The first MOU provided for annual joint assessments of the functioning of the SBC-CSLP concomitant with the annual PRSP review. This has been improved through the new agreement which underlines the importance of a steady dialogue between parties, as described above (¶B9.5). Thus, it can be argued that the CGAB-CSLP has institutionalised an internal mechanism for learning and reflection about its own experience which cumulated in the new agreement and the joint performance assessment matrix to which all donors and government adhere.

B9.15 IPs brought together in the budget support partners' group also collaborate at the sector and project level. The harmonisation and alignment principles to which they adhere, coupled with experiences gathered in the context of PGBS, are also useful for programme financing in the form of a common basket in the health and education sectors. Experience gained with the use of funds according to national procedures, strengthening of the public expenditure management system and improvements in the process of accountability in the context of budget support have demonstrated the feasibility of this approach. This provides a strong justification to IPs for adopting the principles of this approach to establish sector budget support. Nevertheless, it has to be noted that the effects are strongest within the PGBS systems with positive but limited spill-over to other aid modalities.

B9.16 The signatories of the CGAB-CSLP agreement on behalf of the IPs are ambassadors and resident representatives in Burkina Faso, with the exception of the African Development Bank whose signatory is the Vice President in charge of Centre and West operations. The agreement has not been co-signed by their headquarters. One can assume that the ambassadors and representatives have consulted their headquarters and that the latter have given their approval. As such, the attachment of the CGAB-CSLP agreement to the financing agreements makes it legally binding. However, the risk is that headquarters do not feel bound by the agreement when they define their policies and refrain from renewing commitments of budget support as did Belgium. In the case of any changes, local representatives are compelled to go along with them in spite of the signing of the agreement.

Comprehensive and Effective Review and Adjustment

The extent to which such a process encompasses all the three main flows of PGBS (funds, institutions and policies) with adjustments related to actual results at all stages in the chains of causality (from quality of inputs to overall poverty impact).

Level: **	Trend: +	Confidence: **
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B9.17 PGBS in Burkina Faso includes the following three main components: flows of funds, institutions, and policies. There are feedback mechanisms at all levels and for all these components, yet their effectiveness varies. The most effective feedback mechanisms are related

to effects linked to the flows of funds and to institutional changes linked to PGBS, but mainly in the area of PFM. Other aspects of institutional change are less clear and less documented. It is fair to say that little feedback has been provided in these other areas (e.g. institutional change in service delivery, see Chapter B7). Feedback loops are less effective as far as effects on government policies are concerned, but these processes are also more complicated and take longer to substantiate.

B9.18 As far as flows of funds are concerned, feedback is linked to the obligation of the government to provide IPs access to macroeconomic and budget documents, as well as discussions between the government and IPs which result from these. However, there are reasons to note that the real effectiveness of this feedback mechanism remains to be tested: government's obligations were less clearly specified in the first MOU and, in the view of IPs, their access to budget documents was not optimal. Therefore, government has reconfirmed its obligations in this respect under the new MOU, in which IPs also have duties as far as giving timely notice of the volume of their support is concerned. Nevertheless, feedback effectiveness in relation to the flow of funds remains limited due to weaknesses at the financial report level, such as the present classification, which, except for specific arrangements such as HIPC, does not make it possible to track pro-poor expenditures or monitor programme budgets (see ¶B4.6). There is also a regular feedback loop around the PRGB implementation. Effectiveness of this feedback has undoubtedly increased with the operationalisation of government mechanisms for PRGB monitoring (as noted under ¶B4.11).

B9.19 Feedback mechanisms in relation to policies are less effective. They are mostly linked to annual PRSP reviews. IPs provide estimates on these reports and take part in meetings which are organised for this purpose. However, discussions are not very profound and it seems that IPs are rather adopting an observer role at the moment. Feedback in relation to policies is not as much anchored in the PGBS process as is the case for the two other components. It is legitimate to think that this is mainly due to the weakness of the mechanism (of annual PRSP review) itself (weak activity on the part of thematic and sectoral working groups, difficulties in coordination of MFB and MEDEV, etc.).

Feedback to Stakeholders

The extent to which the process provides appropriate and timely feedback to all stakeholders so as to ensure the continuity and durability of PGBS.		
Level: **	Trend: +	Confidence: ***

B9.20 The extent to which stakeholders receive feedback is variable. The new agreement between the government and IPs is well set out as far as duties in reporting and reviewing are concerned. Under the new MOU, some weakening regarding the availability of reports at the specified dates took place, with negative consequences on the pace of disbursement and the predictability of PGBS financing. The new agreement specifies duties in terms of reports and calendars to be respected in a better way. In 2005, the government made a particular effort to bring forward annual PRSP report preparation and make it available as agreed under the new agreement.

B9.21 Regarding monitoring of PRSP-2 at the national level, the six sector and thematic working groups which are supposed to operationalise monitoring should in principle bring together all stakeholders in order to sustain the participatory process that started with the preparation of PRSP-2. As already noted many times in the report, up to now the working groups have not been very active and have not played a significant role in the preparation of the annual 2004 PRSP report.

B9.22 Thus, feedback loops are mainly related to government and IPs and relate less to national stakeholders, such as the National Assembly, civil society and the private sector.

Principal Causality Chains

B9.23 In the EEF there are some feedback loops covering the whole framework between Level 5 and Level 0 and between different levels. Through PRSP monitoring and evaluation systems, notably PRSP indicators and partly the joint performance assessment matrix, data are collected which could be useful to the review of general and sectoral policies, reviews of the budget, etc. These systems exist but they are not yet always effective as is the case with the current budget which does not enable the tracking of pro-poor expenditures.

B9.24 At the level of PGBS, the CGAB-CSLP plans a monitoring and evaluation process of itself, thereby institutionalising its self-evaluation. Effectively, the CGAB-CSLP agreement itself is based on lessons drawn from the conditionality test and the first MOU, which demonstrates the functionality of the feedback circuit at the PGBS level.

Counterfactual

B9.25 It is hard to imagine a counterfactual. PGBS is the only form of assistance proposing a holistic approach, including dialogue on the bases of policy and the possibility of initiating institutional reforms. The only other type of assistance which comes close is structural adjustment programmes (SAP) but they stop at the level of macroeconomics and public finances. One of the "raisons d'être" of PGBS was to fill the gap which was left by SAPs in relation to social aspects.

PART C: CROSS-CUTTING ISSUES

C1. Cross-Cutting Policy Issues

Introduction

C1.1 Among the four policy cross-cutting issues – gender, environment, HIV/AIDS, and democracy and human rights – only the latter has a direct link with PGBS. Indeed, the sensible use of funds, democratic procedures of adopting the corresponding laws, including the budget, and complying with accountability requirements are prerequisites to any budget support. Reporting on other cross-cutting issues related to PGBS takes place through the PRSP. As far as gender and HIV/AIDS are concerned, the joint performance assessment matrix includes measures and actions for the formulation of national policies and strategies. The environment is not specifically mentioned and is supposed to be taken into account in the strategies for rural development and the private sector.

Gender

C1.2 Gender has been dealt with in the PRSP. The term does not limit itself to issues related to the situation of women, but also includes other unprivileged groups. Regarding this issue, it is noted in PRSP-2:

The Government and other social actors are largely convinced that women, just like men, are a vector of dissemination for economic and social well-being within society. Consequently, no development strategy with a focus on human beings should ignore this reality.

Appropriate planning according to gender in order to guarantee equitable results both for women and men, and especially for unprivileged groups, is therefore necessary. Given the broad nature of this approach, this matter requires the formulation of a consensual national strategy.¹⁹

C1.3 The Priority Action Programme lists a number of activities for women and youth that the government must undertake. However, performance indicators are defined only for a limited number of interventions, with emphasis on equity in education and access to microfinance as well as equitable participation in representative structures.

C1.4 According to the PRSP, the gender issue is handled by all ministerial departments and the various other development bodies by including it systematically in all development actions to be implemented.²⁰ However, actions are focused on social sectors and activities to promote women. Activities related to gender which are recommended to take place within the productive sectors remain limited, while the formulation of a national gender strategy as was mentioned in the PRSP awaits completion.

HIV/AIDS Pandemic

C1.5 Burkina Faso is at an international crossroads and has six borders, with Benin, Ivory Coast, Ghana, Mali, Niger and Togo. Its population is mainly rural, with a low level of literacy and school attendance and more than 45% of the rural population living below the poverty line. These are factors which encourage the spread of HIV/AIDS. This disease is a relatively recent recorded phenomenon in Burkina Faso given that the first cases were recorded in 1986.

¹⁹ MEDEV: *Cadre Stratégique de Lutte contre la Pauvreté*. Ouagadougou, July 2004. p. 65

²⁰ Op.cit., p.116

C1.6 From 1997 to 2003, the prevalence has evolved as follows:

Table C1.1: Evolution of HIV/AIDS prevalence between 1997 and 2003

1997	1998	1999	2000	2001	2003
7.1%	7.1%	6.3%	5.4%	4.8%	1.9%

Source: INSD et ORC Maroc: EDS3.

C1.7 The decrease which has been registered amounts to 5.2% in six years (1997–2003). For reasons of caution, the health services speak of a stabilisation of the pandemic. HIV/AIDS will have an impact on demographic growth in Burkina Faso. Without HIV/AIDS, the population could increase from 10.3 million in 1996 to 18.8 million inhabitants in 2015. In practice, it will amount to only 16.8 million, or two million fewer people. If the epidemic is not controlled, life expectancy could fall from 53 years in 1996 to 45.7 years in 2015 (instead of 61.5 years projected in the case of a more optimistic scenario of control of this disease).

C1.8 The fight against HIV/AIDS is an important priority for the government for which it receives important support from the international community. The funds which are collected to fight AIDS are managed by the National Council for the Fight against AIDS which is located in the Burkina Faso Presidency. The Priority Action Programme to implement the 2002–2006 PRSP plans (point 2.4) to strengthen the fight against AIDS, and the adoption of a strategic framework for the fight against HIV/AIDS is part of the joint performance assessment matrix.

C1.9 Although the fight against HIV/AIDS is an important priority, it should be realised that in Burkina Faso other endemic diseases are much more widespread and damaging and that the emphasis on HIV/AIDS is partly donor-driven. The significant resources granted to the fight against HIV/AIDS and the support provided to people living with the AIDS virus carry the risk of being detrimental to the fight previously carried out against other dangerous diseases such as malaria, which is the cause of more morbidity and mortality.

Environment

C1.10 By far the most important environmental risk in Burkina Faso is the problem of desertification. The strategy for combating desertification in Burkina Faso rests on the United Nations Convention to Combat Desertification which was signed in October 1994 and the National Action Programme to Combat Desertification (PAN/LCD), which was finalised in 1999. The general objective of the PAN/LCD is to contribute to sustainable development and ensure the population's active participation in the fight against desertification. PAN/LCD is intended as an overarching document for all projects and programmes engaged in the fight against desertification. It is implemented by a national coordinating body: the Permanent Secretariat of the National Council for the Environment and Sustainable Development (SP/CONEDD).

C1.11 The priority areas of the PAN/LCD were not included as such in PRSP-1 but were built into the four PRSP strategic pillars in the course of the 2003 review. CONEDD estimates that this strategy should make it possible to find the necessary funds to implement PAN/LCD more easily than under the previous PRSP.

C1.12 The aim of environmental policy is sustainable development, notably for the agriculture sector (the other productive sectors are not well developed in the PRSP). The integration of environmental aspects in the PRSP is significant, but not always obvious. Indeed, economic growth, one of the main objectives of the PRSP, and environmental protection are not always compatible, particularly in developing countries. Only a more thorough preparation of strategic development for the productive sectors would enable the identification of potential conflicts

between the strategy for economic growth and environmental protection in Burkina Faso. This is a theme which should be important to PGBS to the extent that IPs wish to support a more balanced development strategy, with more emphasis on productive sectors. However, it seems that IPs involved in PGBS have not yet devoted any particular attention to this theme.

Democracy and human rights

C1.13 1991 marked the beginning of a new era in Burkina Faso, with the approval through a referendum of the current Constitution (which has been amended several times since, but remains in force regarding its main articles) and the first presidential elections organised since the current president was elected in 1987. This was a quite fragile starting point, with a weak level of participation in these first elections and a de facto single party, with control by the dominant party reinforced by a fragmented opposition. Since then, and in spite of this fragile starting point, Burkina Faso has without any doubt achieved some progress as far as democracy and human rights are concerned. The best evidence is the massive entry of a more structured opposition into Parliament following the 2002 elections. This has not been achieved without disruption, and one could argue that it is these disruptions which have precipitated it: the most obvious case is illustrated by the popular reactions which were provoked by the impunity which seemed to follow the murder of the journalist Zongo in 1998.

C1.14 One can note in this evolution a gradually increasing importance of the role played by civil society, which has been led by the events of 1998–2000 to demand changes in governance in general, including political governance. One should also note that the government has responded positively to this pressure coming from civil society. In the view of the stakeholders themselves, IPs have supported such a development, whether at the level of policy dialogue and actions with the government (for example through their support for the preparation of the National Plan for Good Governance which was adopted in 1998, or in 2000 with the suspension of budget support due to various political problems) or through actions to strengthen the capacities of civil society.

C1.15 One can also note that democracy and human rights are included in the PRSP "good governance" pillar and that the annual PRSP implementation reports include a section relating to the progress achieved in this area. The 2003 report, issued at the end of 2004, lists a number of actions and results. These include the adoption of a charter and transparency mechanisms for financing political parties, the presence of more than 60 private radio stations, the setting up of national forgiveness days (related to the murder of the journalist Zongo), the adoption, in 2001, and the progress in implementing an action plan to reform the judicial sector, and the establishment of a National Commission for Human Rights in 2001 and the preparation of a national policy paper in this area.

C1.16 In this area, as in others in Burkina Faso, it has not been easy to assess the extent to which all these initiatives have been implemented in practice. However, one cannot deny that civil society plays an increasingly important part in the country's political life and that the Parliament has also become a body which is more able and willing to question the actions of the Executive.

C1.17 Since 2000, the PGBS role in this area seems to have been rather discreet. CGAB-CSLP is a technical document which does not refer to the issues of democracy and human rights. The joint evaluation of the last implementation year of the previous SBS-CSLP MOU also does not mention any of these aspects in the analysis of the progress achieved in PRSP implementation.

C1.18 We can therefore conclude that since the crisis of 1998–2000, the preferences of IPs and the government have overall been in line as far as strengthening democracy and human rights is concerned. This crisis was deeply felt by civil society and it seems that the IPs are also willing to support civil society in its willingness to challenge the government to improve its actions in terms of good political governance. However, PGBS seems to have taken a low profile regarding the dialogue on political governance, leaving it to the more general process of PRSP monitoring and bilateral processes between the government and the donors. Political governance, especially human rights, is in effect addressed indirectly through the joint performance assessment matrix in which these aspects are included.

C2. Public and Private Sector Issues

C2.1 The balance between the public and private sectors is not a primary concern of PGBS. Important institutional reforms were established through various structural adjustment programmes in the 1990s. Currently, trade has been liberalised and non-strategic state or quasi-state-owned enterprises continue to be dismantled. Current operations are related to privatisations in the cotton, telecommunications, and energy sectors.

C2.2 The monitoring process of these operations is carried out by the Bretton Woods institutions, as part of the half-yearly IMF reviews. The World Bank lists these operations in the PRSC matrix of actions, but they are not listed again in the joint performance assessment matrix. PGBS as such does not play any direct role in this matter. These operations are indirectly part of the policy dialogue, just as macroeconomic progress is part of the disbursement criteria. In addition, policy dialogue in the CGAB-CSLP framework supports the government in the preparation of sector policies. Indirectly the developments are monitored through the PRSP review as private sector development is part of the first pillar. However, the corresponding strategy is not yet very developed, as mentioned previously.

C3. Government Capacity and Capacity Building

Decentralisation

C3.1 Political and administrative decentralisation was launched more than ten years ago. The process is progressing slowly and is now being finalised; elections to renew the city councils and the first elections for rural municipalities were planned for February 2006.

C3.2 These elections mark the conclusion of the transfer of responsibilities to local authorities. However, the guidelines for financial decentralisation have not yet been drawn up and the transfer of resources remains to be carried out in order to enable local authorities to be financially autonomous and sustainable.

C3.3 Decentralisation is a component built into the PRSP. The regional nature of poverty is being recognised by the government. This is why decentralised local authorities are given a decisive role in the fight against poverty. Thus, strengthening decentralisation has been included in the 2004–2006 PRSP sector programme budgets.

C3.4 The decentralisation process is supported by the IPs, and is incorporated into the joint performance assessment matrix. However, they lament the fact that progress has been rather slow and weak over the past few years. After taking the lead by financing government programmes in this area, they are now stepping back. IPs have had an active role in the preparation of previous programmes. They are now adopting a more cautious wait-and-see position, with the aim of ensuring that the government will undertake greater leadership in the process. This is why they are refraining from undertaking initiatives and are awaiting new proposals from the government.

Capacity Building

C3.5 Like many other countries, Burkina Faso is facing not only a challenge relating to capacity building within government structures, but also of stabilising existing capacities. This second dimension of the problem has been recognised; however, it seems that discussions are still only at an early stage as far as developing a solution is concerned.

C3.6 As far as capacity building is concerned, a great number of initiatives have been undertaken during the period of research or are being undertaken (as is illustrated by the data related to TA in Annexes 3A and 4D). More generally, some positive trends have been noted, such as the fact that TA seems to be oriented towards strengthening basic government capacities, and no longer principally linked to the implementation of donor projects. A tendency towards better coordination of initiatives aiming at capacity building has also been noted, at least in some key areas (for example PFM linked to the government PRGB).

C3.7 However, this trend remains only partial, and the process of coordination which has been observed in some areas has not yet been generalised – in its 2005 report, DGCOOP continues to question the efficiency and effectiveness of TA. Even when an overall plan exists, coordination around this plan could be further strengthened. Finally, initiatives are still compartmentalised within areas (for example between the PFM and strengthening the capacities of the sector authorities: see ¶B4.28).

C3.8 This is clearly confirmed by the recent World Bank study in relation to the preparation of the project to strengthen capacities of the administration (approved in February 2005) (see ¶B4.29). This study identifies one major additional challenge as far as capacity building for public organisations is concerned, specifically the operationalisation of government decentralisation and deconcentration policies:

The "first generation" of public sector reforms has not targeted the entirety of the public management system... [In particular], civil service reform has not progressed... Reforms [of the PFM] remained partial and have not affected regional and provincial levels ... It could be concluded that the two parallel initiatives of decentralisation and deconcentration would have had a major impact on public sector organisation ... However... there is a gap between official views and reality as far as public sector reorganisation is concerned. (World Bank, 2005a)

C3.9 The most comprehensive initiative for institutional strengthening seems to be the above-mentioned World Bank project, which is also presented as direct support to the PGBS programme. One central feature of this project is the recognition of the prime role that the Ministry of Civil Service and State Reform should play in terms of leading the process of public sector restructuring. The challenge is to have a ministry, which seems to have stayed away from the reform tendencies brought about by the PRSP process, become more dynamic. The challenge is also in establishing efficient coordination mechanisms between this ministry and the MFB and MEDEV which have been leading this process to date (and between which the coordination process is not optimal either).

C3.10 Overall, PGBS has had a positive impact in terms of strengthening government capacities, with a direct contribution through initiatives related to PGBS implementation, but also in a more indirect way by placing emphasis on the importance of strengthening the structures and systems of the government in order to ensure a better use of all resources (including project aid). PGBS can also have a demonstration effect and promote the coordination of responses to capacity building needs as the most efficient means to proceed, in the same manner as PGBS funds represent a coordinated response to the government's financing needs and the good example provided through the increasing PRGB support coordination.

C3.11 Again, it can be concluded that IPs and the government converge overall in their analysis of institutional strengthening needs, as well as their concern to put in place more holistic and coordinated support.

C3.12 It appears that the emphasis put on the requirements related to capacity building needs at the overall level has come from the PRSP process, as is indicated by the annual 2004 implementation report (on 2003 performances):

In the years to come, it is important to increase the coherence and chances of success of PRSP implementation, which requires more emphasis on sectoral policy formulation, as well as the implementation of a national plan to build capacities within the central, decentralised and deconcentrated administrations as well as civil society.

PGBS has contributed to this process by starting to operationalise the various coordination initiatives and by providing an additional incentive for the implementation of a first large-scale initiative, namely the World Bank ACBP.

C4. Quality of Partnership

Ownership and Conditionality

C4.1 Since the mid 1990s, issues of conditionality have been at the heart of the debate on the efficiency of ODA. The pilot on conditionality (carried out in Burkina Faso as a pilot country) has created the basis for the PGBS initiatives and the first SBC-CSLP MOU. One of the key elements of this pilot is the issue of ownership.

C4.2 Over the years there has been increasing ownership of the aid process in Burkina Faso. The first PRSP is considered to have been mainly the responsibility of the government in response to the HIPC initiative entry requirements. Participation of other stakeholders was only formal and marginal. With the preparation of the second PRSP, the government has taken initiatives to improve the PRSP and its implementation. Stakeholder participation has been more active.

C4.3 The first MOU mainly resulted from the work of the IPs with the government's approval. Following proposals to review this MOU, the initiative was taken over by the government which mandated a genuine evaluation to be conducted before signing took place. The discussions have led to the new CGAB-CSLP agreement for which the government has assumed leadership. Government and IPs agree on the high importance of ownership which the pilot on conditionality also stressed. PGBS has helped in reinforcing this convergence. Conditionalities, harmonised in the recently agreed joint performance assessment matrix, are not perceived by central agencies in government as a constraint to ownership, though there have been concerns about the manageability of the conditionality framework.

C4.4 As far as flow of funds is concerned, the government has gradually committed itself to its management, including the specific character of funds which are completely fungible with its own resources.

C4.5 Ownership seems to be weaker as far as sectoral policies are concerned. Dialogue is often pushed by IPs and undertaken only when opportunities for assistance arise. One example is the case of decentralisation which progresses slowly and for which IPs have refrained from offering further support before receiving whole-hearted requests from the government

Transaction Costs

C4.6 Burkina Faso's transaction costs are related to the acquisition and negotiation of assistance, as well as the manifold requirements in terms of donors' procedures, and delays in the mobilisation of funds. The subject has been dealt with extensively in Chapter B3 (see ¶B3.26–¶B3.30).

C4.7 Overall, PGBS impact on transaction costs is regarded as positive. The current reforms in public finance management could also help to reduce these costs by simplifying national procedures.

C5. Political Governance and Corruption

Governance

C5.1 Capacity building to meet accountability requirements is part of public finance management reform. In this context, the former Chamber of Accounts which is part of the Supreme Court, was transformed into an independent Court of Auditors in 2000 and was strengthened in terms of human and financial resources. Efforts are geared towards catching up on delays in budget execution laws. The National Assembly is taking on an increasingly important role by carrying out its own auditing in terms of budget execution. Plenary discussions are open to the public and documents which are related to them are also made available to the public.

C5.2 Many NGOs, such as CGD, REN-LAC and CIFOEB, are becoming more and more involved in this area, although their know-how is still rather limited. They play a role in informing and educating the public on the one hand and checking government actions on the other. They force the government to be more transparent and accountable and thus reinforce the ongoing PFM reform programmes in these aspects. In principle, the government takes a constructive stand with regard to dialogue with civil society, but in practice there remain a large number of obstacles such as availability of documents and their accessibility to the public in terms of readability and presentation and the capacity of government institutions in terms of personnel and competence to effectively lead such a dialogue.

C5.3 Good governance is being enhanced by the ongoing public finance management reform. The decentralisation process will allow local communities to take part in the decision and execution process. The government itself strives for more transparency in the budget process. It has launched an information campaign on the national television where the different stages of the budget are explained and publicly debated.

C5.4 Political governance is based on two main elements: respect for dignity and fundamental human rights, and the strengthening of justice. The government is conscious of a multiplicity of failures in the functioning of legal institutions due to a severe lack of human, financial, material, technical and information resources. Access to justice is limited, especially for the poor, because of the limited coverage of the country by courts, the legal fees which, even though low, are often prohibitive for the poor, and pure ignorance on the part of many citizens of their rights. Several programmes are being implemented to improve this situation, in particular the Programme to Support Consolidation of the Democratic Process, the Rule of Law and Good Governance (PADEG), judicial reforms programmes (PARJ) and democratic governance programmes (PAGD).

C5.5 PGBS plays an important role in terms of policy dialogue and in supporting reforms within the PRGB framework. In addition, selective support is provided through specific projects and programmes as mentioned above, both by IP members of the CGAB-CSLP and by other IPs who are interested in good governance issues.

Fight Against Corruption

C5.6 According to the national reflection group on sustainable human development of UNDP in Burkina Faso "corruption is a world plague which strikes developing countries in particular... it can considerably jeopardise a country's efforts in establishing good governance and significantly reduce available resources in the fight against poverty" (UNDP 2003).

C5.7 The above-mentioned UNDP report introduces a mechanism to fight corruption comprising a number of organisations. These include the State General Inspection, technical inspections of the Department for Ministerial Services, the Court of Auditors, the National Coordination Group in the Fight against Fraud, the National Competition and Consumption Commission, the National Ethics Commission, and the High Authority for the Coordination of the Fight against Corruption, (see Annex 2E for a description of these organisations). For the most part they are little known to the public. They either do not publish reports or do so only rarely, or else have no power to make their reports public.

C5.8 The High Authority for the Coordination of the Fight against Corruption (HACLCC) was established by decree in 2001 and comes under the jurisdiction of the Prime Minister. This institution is the central element of the fight against corruption. It is responsible for coordinating the fight against corruption and assisting the government in preventing, exposing, and fighting against financial fraud and corruption within the administration. HACLCC submits its annual report to the Prime Minister, but it cannot make it public. In 2002 and 2003, reports were submitted. HACLCC is not well known to the public and suffers from a lack of resources to enable it fully to exercise its important coordinating role and its mission of fighting corruption. Finally, the impact of its activities is limited by the confidentiality of its annual report.

C5.9 Corruption is a major subject of concern to IPs and the joint performance assessment matrix plans for the national strategy to fight corruption to be finalised in 2005. As for the HACLCC, the IPs described it in their joint SBC-CSLP evaluation as a *"paper tiger which shows little readiness to fight and a lack of transparency in its actions"*. The IPs also request more tangible and concrete government commitment to fight this plague. This subject is one of the main areas where there is no full convergence between government and IPs.

C5.10 Besides the organisations mentioned above, it is important to note that other bodies participate in the fight against corruption. Indeed, it is possible for the National Assembly to create a commission of inquiry into a situation or a case when it feels it is necessary. This has been done several times over the past few years.

C5.11 Civil society, trade unions and the media also play a role in the fight against corruption. Civil society through REN-LAC (see Chapter B5 and Annex 2E) and the human rights movements and associations such as MBDHP (Mouvement Burkinabé des Droits de l'Homme et des Peuples) is directly and indirectly involved in the fight against corruption.

PART D: SYNTHESIS – OVERALL CONCLUSIONS AND RECOMMENDATIONS

D1. Overall Assessment of PGBS in Burkina Faso

Introduction

D1.1 This chapter provides an overall assessment of the findings and conclusions pertaining to the Evaluation Questions in Part B and Cross-Cutting Issues in Part C, based on an ex post review of the causal links set out in the Causality Map developed in the study Inception Report (Figure A1.1 in this report). In so doing this chapter summarises strengths and weaknesses of the PGBS process in Burkina Faso. Chapter D2 then highlights key issues that are likely to influence the applicability of PGBS in Burkina Faso in the future. In these two chapters recommendations emerge in relation to the application of PGBS in Burkina Faso in the future. Chapter D3 then links up findings, conclusions and recommendations arising from the overall assessment of PGBS in Burkina Faso.

D1.2 Overall the broad conclusion of the evaluation is that PGBS in Burkina Faso has been a process which developed successfully over time towards a more coherent and inclusive design. It represents the result of two major shifts: a development from structural adjustment programmes towards more comprehensive poverty reduction efforts on the one hand and on the other hand, the gradual evolution from project and sector-focused aid to a form of aid allowing deeper and wider harmonisation and alignment of aid around these more comprehensive efforts.

D1.3 PGBS effects were found from all the three main flows, namely flow of funds, policy, and institutional changes. Effects were found to be most pronounced in relation to flow of funds followed by policies while there was a strong effect on core PFM institutions but only to a lesser degree on other institutions. These points are discussed in more depth in the sections below.

Burkina Faso Ex Post Causality Map

D1.4 An overview of the effects of PGBS in Burkina Faso is shown in the Causality Map in Figure 5.1 and the associated Table 5.1 in Annex 5 (Summary of Findings on Causality in Burkina Faso). This indicates that the Level 1 inputs were all present although until the establishment of the CGAB-CSLP in 2004/05 they were not provided under one single framework for all PGBS IPs. TA/CB inputs were present but generally less well linked to the PGBS package than other inputs especially outside the PFM field. In the PFM field government's reform programme (the PRGB), closely associated with PGBS, has been instrumental in starting to federate TA/CB inputs of PGBS and non-PGBS IPs.

D1.5 Links were quite strong and there were strong or moderate effects of PGBS at levels 1 to 3, many of these shared with other important and mutually reinforcing processes such as the HIPC initiative, the broader PRSP dialogue, the WAEMU macroeconomic and regulatory alignment framework and the macroeconomic discussions with the IMF. Even at those levels the effects of PGBS were found to be concentrated at the centre of government and were more limited in sectoral and de-concentrated and decentralised agencies. Effects on intra-government incentives and democratic accountability were also found to be weak. Policy-making and policies have not yet been significantly affected by PGBS, due to the complex nature of the overall PRSP-level dialogue and relatively loose links between the PGBS dialogue and sector specific dialogues, although the new EC programme and the evolution of the WB PRSC series are in the process of developing this link.

D1.6 At Levels 4 and 5 both the links and the effects of PGBS were weaker. There were links from increased resource availability towards more service delivery, which should lead to further impact on non-income poverty reduction at Level 5. But developments are too recent to have been positively measured yet. Moreover, due to outstanding weaknesses in policies there remain issues of quality and pro-poor responsiveness of the services. Links towards a more appropriate productive environment and improved administration of justice are less visible. Policies have remained under-developed in these areas in comparison with the social sectors.

D1.7 The causality analysis indicates some of the most visibly positive outcomes of PGBS in Burkina Faso as follows.

An evolving design which built on local experience and became increasingly consistent, organised and comprehensive

D1.8 The current PGBS design is the result of an evolution over time and of building on strong foundations including the pilot on the new conditionality. This evolution has allowed a gradual strengthening of the leadership and ownership of the agency most concerned in government, that is, the Ministry of Finance and Budget. Moreover, there has been a gradually better convergence between PGBS IPs' approaches, eventually resulting in the establishment of a common and strong partnership framework with the CGAB-CSLP and its operational provisions (calendar, joint reviews, joint performance assessment matrix). The CGAB-CSLP closely espouses and reinforces the government macroeconomic, growth and poverty reduction and PFM-strengthening agendas. PGBS IPs have proved that they are willing to adapt their instruments to the national context and to each others' requirements, which augurs well in terms of sustainability. Strong feedback mechanisms are in place in principle. Negotiation and mobilisation transaction costs, which have been high during the development of the CGAB, are expected to diminish significantly now that the unified framework is in place.

Evidence of increased resources available for the social sectors

D1.9 There has been an instrumental complementarity between HIPC and other sector-specific earmarked funding on the one hand, and PGBS and domestic revenue un-earmarked funding on the other hand, the latter playing a stabilising role and allowing the full deployment of the former on the social sectors and other government priorities. This has resulted in significantly increased volumes of resources allocated to the social sectors. Moreover, PGBS disbursement rates and the rate of execution of government budget compare favourably with project absorption rates and progress has been made with regard to absorption of the HIPC funds. Altogether, these factors result in increased resources actually flowing to the social sectors and this, in turn, translates into better staffing and the provision of other inputs (e.g. drugs, textbooks) for service delivery units in the field.

A strong and continuous support to and progressive strengthening of the organisation of the PFM reforms

D1.10 There has been a continuous and steady support to strengthening public financial management. Such support had been initiated before the "PGBS era" but was given an even stronger impetus with the provision of untargeted budget support by the EC and the first PRSC of the WB. This and a willingness to harmonise and align (e.g. streamlining various diagnostic processes) has resulted in a progressively more comprehensive programme of PFM reforms owned and led by MFB in government (the PRGB), which also builds on non-PGBS incentives such as the WAEMU alignment process and the macroeconomic discussions with the IMF. The PRGB has begun to demonstrate that it is instrumental in aligning IPs' support to government priorities in PFM reforms, including initiatives from non-PGBS IPs. Government and PGBS IPs share the conviction that there is need now for a more strategic approach in the future. The intention of transforming the PRGB into a fully-fledged sector strategy for PFM, reaching out

better to sectoral and de-concentrated and decentralised agencies, is a strong sign of commitment to further PFM reforms.

D1.11 The same analysis also points at weaknesses in the causal links, which need attention. The most critical ones are briefly outlined as follows.

A relatively weak grip on the policy agenda

D1.12 PGBS has had thus far relatively limited effects on the policy agenda of government. PGBS has espoused the PRSP agenda but, while it became over time a well organised institutional set-up, PGBS does not appear to have succeeded in bringing added value to the policy dialogue. In the social sectors policies were in place prior to PGBS. Weaknesses in those policies have now become apparent (e.g. limited improvements in the quality of services, spending patterns that are not pro-poor). Arguably the analytical work underpinning this new evidence was prompted partly by PGBS, but it remains to be seen how PGBS IPs will now address what appears to have been a lack of linkage between the PGBS dialogue and sector specific dialogues in the social sectors. There are also issues of capacity in policy formulation and monitoring and evaluation, and analytical capacity, which need to be tackled more squarely.

D1.13 PGBS has not been proactive in assisting government to balance its policy agenda and pay attention to the productive sectors and growth-related policies. PGBS has also not been very strongly engaged with policies related to social inclusion and empowerment of the poor. The exception is the emphasis of PGBS IPs on transparency and accountability. However, in those areas achievements have remained somewhat limited on the one hand and on the other hand, PGBS effects are not very strong. It has been found that the formal scope of accountability and transparency mechanisms has increased significantly but qualitatively, results are still limited due to weak capacities, including on the demand side (civil society and Parliament). The effects of PGBS on government intra-incentives and democratic accountability have been found to be weak. The government budget as a whole is still seen as being rather opaque by civil society, and PGBS IPs and government do not share the same view over the extent of government political will and decisiveness in the field of corruption.

D1.14 Yet another element limiting PGBS effects on the policy agenda is the prevailing lack of clarity in the specification of operational policy priorities and their expression in the government budget. Several mechanisms are in existence (HIPC priority programmes, PRSP priority sectors and areas, PAP-CSLP programmes, MTEF and PIP) but as they are weakly coordinated the definition of priorities and in particular of pro-poor expenditures is not unequivocal. The PGBS dialogue has not, thus far, addressed this issue.

Limited outreach of PGBS or associated reforms

D1.15 In several areas PGBS has not reached out as far as might have been expected considering its scale in terms of number of IPs involved and financial magnitude.

D1.16 We say above that the PGBS design evolved toward ever greater harmonisation and alignment. Spill-over effects are visible in relation to other aid modalities used by the PGBS IPs, e.g. in supporting specific sectors. But this has not (yet?) reached out to non-PGBS IPs. It is unclear to what extent external project financing, as a whole, is aligned with government priorities. There are outstanding discussions as to whether all IPs and programmes should indeed finance government priorities and what would happen in relation to the rest of government functions (see the point above on the definition of priorities). There is also little progress with regard to reducing off-budget aid for non-PGBS IPs.

D1.17 There have also been limitations in the outreach of the PGBS-supported PFM reforms. At present, the empowerment effect of PGBS with regard to the PFM reforms is rather concentrated at the level of MFB. The effect at sector agency level is mixed, partly due to weak capacities in line agencies, partly due to a lack of clear communication emanating from MFB and the fact that reforms have not always been well sequenced (e.g. programme budgets in sectors, overall MTEF but little development in relation to sectoral MTEFs thus far). Moreover, the continuation/expansion of sector/earmarked support modalities (HIPC, basket funding in education) has an unclear effect on incentives and capacities at sector level. Decentralisation, which is at an infant stage, is going to add to the challenge of ensuring that PFM reforms reach all levels of the government administration. The successful transformation of the PRGB into a fully-fledged sector strategy is undeniably going to be critical in addressing this challenge.

D2. PGBS in Burkina Faso – Future Prospects

Introduction

D2.1 In the light of the key findings summarised in Chapter D1, this chapter outlines significant developments and issues in Burkina Faso that are likely to influence the applicability of PGBS in the future. The chapter analyses the implications of these developments and issues in terms of the role and design of PGBS, taking account of interplay with other modalities.

D2.2 Issues and implications for PGBS are grouped under three headings namely: (i) rebalancing and effective implementation of the government policy agenda; (ii) issues of government capacity and institutional development, including the challenge raised by the recently initiated stronger move towards decentralisation; and (iii) how to make further progress in strengthening the partnership between government and PGBS IPs. Recommendations emerging from this analysis are systematised and summarised in Chapter D3 which shows how findings, conclusions and recommendations are inter-linked.

Rebalancing and Effective Implementation of Government Policy Agenda

D2.3 In Chapter D1 we identify a number of weaknesses in relation to PGBS policy effects, some of which arise from gaps in the government policy agenda (lack of attention to growth-related areas) and others from weaknesses in existing, better developed policy frameworks (non pro-poor spending in the social sectors). Both types of weakness need to be addressed in order to further improve the chances for government action, involving PGBS, to make a significant impact on poverty reduction. In particular:

- Where structural adjustment policies gave too little attention to social sector policies, the PRSP appears to do the opposite. At the moment productive sector policies are relatively weak. In order to achieve sustainable development and in particular, address squarely the dimension of income poverty reduction, the next PRSP has to establish a better balance between its four pillars.
- PGBS has certainly played a role in the expansion of public services. The expansion of these services is a central point of the PRSP. However, it is unclear whether these services do indeed reach the poorest part of the population. Analytical capacity in design and implementation of policies has to be strengthened to better target these efforts, with a view to ensuring greater effectiveness in addressing the dimension of non-income poverty reduction.
- Existing policy and legal and regulatory frameworks related to transparency and accountability need to be made operational. This would assist in strengthening government action in favour of social inclusion and empowerment of citizens, and thereby help to address the third dimension of poverty reduction.

D2.4 Weaknesses in the policy dialogue and the policy-making process, which arguably contribute to weaknesses in policies themselves, were also identified in Chapter D1 and in previous parts of the report. These include: (i) a lack of systematic work organisation on the part of the thematic and sectoral working groups in charge of the dialogue around the PRSP and the PRSP annual review, and weak links between the work of these groups and the MTEF/ budget process; (ii) weaknesses in poverty monitoring, sectoral and financial data collection and analysis including a lack of coordination among various government agencies, resulting in most analytical work being led by donor agencies (e.g. WB poverty assessment, and previous WB

PER); and (iii) a lack of clear entry points for feedback loops and analytical work to inform policy-making.

D2.5 In order to strengthen the impact of the PRSP and through it, of PGBS, on economic growth and income poverty reduction it is suggested that reducing the current bias in favour of the social sectors should be considered during the next update of the PRSP and through the annual review processes until then. In particular, attention should be paid to:

- R1 Pursuing the preparation of productive sector strategies alongside the social sector strategies already in place.
- R2 Defining more employment and income-generating policies and strategies in non-agricultural sectors.
- R3 Further developing a national strategy and action plans to promote SMEs and trade.

D2.6 It is also important to improve social sector policies and in particular to ensure that they increasingly become genuinely pro-poor. To this effect the following actions are suggested:

- R4 To define sector policies clearly as frameworks for aligning all aid including project aid, and for strengthening PGBS alignment at more operational levels.
- R5 To undertake further policy analysis (e.g. incidence of current policies and patterns in use of government resources) with a view to strengthening the pro-poor orientation of policies and, through strengthened links with the MTEF/budget, ensuring better pro-poor targeting of public services. This would include following up on the findings of the WB poverty assessment (2005) and on this basis, exploring the scope for a fundamental rebalancing of policies and strategies in relation to the respective importance of basic vs. tertiary services in the government budget.
- R6 As part of/following the above analysis, to identify and implement measures aimed at improving the quality of services according to the needs of (poor) beneficiaries.
- R7 To analyse existing user-fee policies and explore the scope for changes including budgetary implications.
- R8 To streamline/clarify the role of the various prioritisation mechanisms in use (PRSP PAP, HIPC, MTEF, PIP) and further strengthen the budget classification to allow for pro-poor budgeting and expenditure monitoring/tracking.

D2.7 The PRSP-2 was drawn up with the participation of the regional authorities, civil society and the private sector. To maintain the momentum and with a view to improving policies through a more inclusive process, it is important to involve all of these stakeholders with the implementation and follow-up of the PRSP. It is thus advisable to (re-)activate and strengthen the functioning of the policy dialogue structures, especially the sectoral and thematic working groups, and to link their work better to the MTEF/budget formulation process. This requires, in turn, formal procedures for systematic coordination between MFB and MEDEV.

D2.8 In order to address the empowerment and social inclusion dimension of poverty reduction it is necessary to strengthen related policies and strategies. Among many other dimensions this calls for further progress in strengthening the major organs concerned with enhancing government transparency and accountability (e.g. Cour des Comptes, Haute Autorité de Coordination de Lutte contre la Corruption). Generally, there is a need to:

- R9 Strengthen national monitoring, evaluation and audit institutions
- R10 Continue to pay attention to strengthening the role and capacities of national stakeholders calling for further transparency and accountability.

These points are echoed in the next section which addresses issues of capacity and institutional development.

Capacity and Institutional Development Issues

D2.9 PGBS has increased ownership and policy dialogue at central government level and in particular within MFB, while simultaneously government has also affirmed its leadership in the PRSP process through empowering MEDEV. As noted above this split responsibility has its own problems. It has also been noted elsewhere in this report (inter alia ¶D1.17) that this process of empowerment – as a basis for capacity development – has been more limited at the level of sector and de-concentrated and decentralised agencies. Overall, PGBS and the PRSP, two ambitious initiatives with heavy demands on human resources, play out in a context characterised by a notorious lack of qualified staff. Furthermore, the opportunities for recruiting the additional staff required are limited in the context of maintaining economic stability and the State's balanced budget. This lack of qualified and experienced staff slows down the rate of implementation of the necessary institutional reforms.

D2.10 In that context, the further development of sector-wide approaches, while desirable in principle in order to complement PGBS and ensure the strengthening of sector policies and strategies (see above), represents also, initially, a strain on already stretched capacities. As noted in Chapter C3, measures taken thus far to support capacity development in sector agencies have had a relatively limited effect. This needs to be addressed more squarely than has been the case so far.

D2.11 Strengthening PFM systems and capacity is a direct concern of PGBS, and it is being addressed through the PRGB programme. In the area of PFM, much has been achieved as noted, e.g. in Chapter B4. However, much remains to be done. Management (general and budgetary) is still very centralised in Burkina Faso. The MTEF only exists at the national level. Currently, the preparation of sectoral MTEFs is in a trial phase in the first series of ministries. Devolution to the regions of more substantial spending powers is in progress, but it is rather slow and, moreover, only tackles one part of the problem (budget execution). Further progress is required on PFM reforms as a whole, and this now requires the strengthening, in particular, of ministerial departments, de-concentrated and decentralised authorities and the service delivery units themselves.

D2.12 A process of decentralisation was launched more than a decade ago. Though it has progressed rather slowly, the legal framework has recently been finalised. It spells out clearly government objectives in terms of administrative and political decentralisation, and it links up with the government agenda of empowerment of the poor which involves them taking control of their own development. The decentralisation process has taken a significant turn with the election of representative bodies for rural communities, scheduled to take place over 2005/06. However, fundamentally important operational provisions have yet to be developed including the establishment of principles of financial decentralisation. The progressive decentralisation of management of services and financial decentralisation will certainly be a major challenge for PGBS. The first question to address is finding out how these authorities will be made fully accountable in relation to the implementation of national strategies with sectoral objectives set at the central level. The second question consists of knowing whether PGBS can contribute to the development of local authorities while supporting the government in achieving the desired level of overall sector performance (monitored under PGBS through associated performance indicators).

D2.13 In response to these challenges, particular attention would be desirable relating to capacity building in all cases (central and sectoral) and at all levels of the administration. On the one hand, it is necessary to explore measures which would permit a mitigation of the brain drain which PGBS has not contributed to reducing. On the other hand, it is necessary to examine how inter-sectoral institutional strengthening (such as the strengthening of PFM) can be coordinated more effectively and practically with sectoral initiatives (strengthening of capacity to formulate sector policies and monitor and evaluate them) and with the initiatives to support decentralisation.

D2.14 We have noted the unifying effect of the PRGB and that this effect should increase if the government succeeds in transforming the PRGB into a sectoral strategy of reform of PFM. However, this does not yet cover the entire field to be occupied. It is not clear whether the Administration Capacity Building Project (ACBP) of the World Bank can easily acquire a status permitting it to play a high-level unifying role: this will depend to a large extent on the way in which government takes ownership of this project. It will also be necessary to address the way in which central agencies organise themselves in practice to implement this project successfully. This will require procedures of coordination involving newcomer key agencies, for example the Ministry of Public Service which so far seems to have had only a limited role to play in the field of the major state reforms.

D2.15 Hence, as part of an overall, necessary move toward a more strategic approach to capacity development, it is suggested that there is a need to:

- R11 Continue actively to support the government PFM reform programme (the PRGB) and in particular, its transformation into a fully-fledged sector strategy for PFM reforms.
- R12 Ensure full alignment of IPs' technical assistance and support to PFM reforms behind the PRGB and the emerging PFM reform sector strategic framework.
- R13 As part of this, explore the implications for support to PFM reforms at sectoral and decentralised levels.
- R14 Reform/decentralise institutions to cope with higher levels of service delivery.
- R15 Explore the scope for mechanisms enhancing coordination of capacity development initiatives across the board, encompassing the various dimensions noted in this report (policy formulation, PFM, service delivery, monitoring and evaluation) and the various agents in and outside of government – and in particular, clarify the expectations from, and role and limits of, the WB ACBP.

Partnership Issues

D2.16 Although the discussion on harmonisation and alignment had already started in the mid-1990s and Burkina Faso served as a pilot for new conditionality, it took until 2005 for the government and IPs to succeed in agreeing upon a joint performance assessment matrix for PGBS. For the coming years the challenge will be to implement and improve this matrix, and for each IP to tailor its PGBS instruments to the operational provisions of the CGAB-CSLP.

D2.17 The management of budgetary aid and the PRSP was initially carried out by the same ministry, the Ministry of Economy and Finance. In 2002, this ministry was split into two, the Ministry of Finance and the Budget (MFB) and the Ministry of Economy and Development (MEDEV). The management of budgetary aid was allocated to MFB, and the management of the PRSP was allocated to MEDEV. This gave rise to conflicts of responsibilities between the two ministries such that coordination proved to be sub-optimal. This contributed, in turn, to weaknesses in policy development themselves hampering the effectiveness of government

action (and of PGBS), as noted above, and it is therefore a partnership issue that needs to be addressed in the future.

D2.18 There is a tendency to expand the positive experience of PGBS in relation to harmonisation and alignment to other aid modalities, and in particular, there is a desire to further strengthen sector-wide approaches. While SWAPs have proved instrumental in enhancing harmonisation and alignment of all aid in other contexts, in the case of Burkina Faso, in addition to issues of capacity and capacity development raised above, there also needs to be more clarity about the way PGBS and sector support instruments can best complement each other in supporting sector strategies. Overall, it would be advisable to conduct a more integrated all-inclusive dialogue on flexible means of aid/financing of government priorities.

D2.19 As part of this dialogue it would be important to discuss explicitly the future of the HIPC initiative and carefully weigh options with regard to modalities that will be used for the future debt cancellation initiative. In particular, it is necessary to question the suitability of maintaining the special treatments to which HIPC funding is subject, to the extent that this has effects (fragmentation of the budget and perhaps delaying of certain overall reforms in budgetary execution) which weaken the PGBS logic of strengthening the regular national systems of public financial management.

D2.20 Likewise, advantages and disadvantages of sector-specific support modalities and instruments need to be discussed together with and in relation to an analysis of PGBS performance, advantages and shortcomings in Burkina Faso. It might be useful to establish an all-embracing consultation mechanism which would allow for "inter-modalities" discussions. This should include in the discussions PGBS and non-PGBS IPs and civil society in so far as they are closely involved and have rather firm opinions on the use of HIPC funds and the relevance of the separate treatment of HIPC funds.

D2.21 The following practical recommendations are made:

- R16 Ensure full consistency of the design of individual IP's PGBS programmes with the CGAB-CSLP provisions including the agreed joint performance assessment matrix and review mechanism.
- R17 Design new PGBS operations with a view to satisfying the CGAB-CSLP call for multi-annual commitments as soon as/to the extent possible.
- R18 Review the necessity of targeted modalities for HIPC.
- R19 Generally, analyse the scope for targeted support versus PGBS.
- R20 Establish an all-inclusive forum/mechanism for regular discussion/consultation embracing all aid modalities and instruments.

D2.22 Another issue concerns sub-regional economic integration. This is carried out under the WAEMU which is a customs union with a common market, external common tariff and macroeconomic convergence policy. PGBS, like the PRSP, does not yet have a regional dimension, although some individual partners, such as the EC, have sometimes linked their budget support to progress in regional economic integration. PGBS is a mechanism which works mainly at the national level but whose modalities and effects should take account of the commitments to regional integration entered into by Burkina Faso and the relevance of the separate treatment of HIPC funds.

D3. Summary of Conclusions and Recommendations

Introduction

D3.1 The main objective of this final Chapter D3 is to bring things together and in particular, to show how the study conclusions and recommendations drawn in Chapter D1 and Chapter D2 relates to the findings of Part B and Part C. This is done in the form of a matrix summarising findings, conclusions and recommendations.

Summary of Findings, Conclusions and Recommendations

D3.2 The Inception Report (IDS & Associates 2005, ¶3.3) noted the importance of distinguishing between:

“findings (facts), conclusions (interpretation of the facts, drawing on the judgement of the evaluators) and recommendations (reasoned advice based on the evaluation findings and conclusions).”

The matrix in Table D3.1 below is designed to summarise the recommendations of the Final Country Report in Burkina Faso, and in so doing to demonstrate the links from findings to conclusions to recommendations.

D3.3 The matrix covers sequentially all chapters in Part B and Part C of the report (these are the rows of the matrix). The first column presents for each chapter a brief summary of the findings. In the second column, conclusions are presented which have been referenced to the relevant paragraphs in the chapter reviewed. Recommendations, in the third column, have been referenced to the relevant prospective issue(s) raised in Chapter D2.

D3.4 The last column indicates who/which structure(s) should be responsible for implementation of the recommendations. The timeframe for this to happen is also suggested with the following key:

- I means for immediate action
- ST means for action in the short term, that is, within the next six months
- MT means for action in the medium term, that is, any time between six months and one year from now

In all cases it is recognised that implementing the recommendations may take time. In the case of Burkina Faso 2006, which is the first year during which all the provisions of the CGAB could be implemented now that the joint assessment matrix has been agreed upon, represents an important opportunity to implement a number of the recommendations made in this report.

Table D3.1: Standard Summary Table of Findings, Conclusions and Recommendations

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ1 Relevance of PGBS</p> <ul style="list-style-type: none"> Burkina Faso is a poor country which lacks the means significantly to reduce poverty and achieve the MDGs by itself; it has a clearly defined strategy to combat poverty and achieve the MDGs through the PRSP and the corresponding action plan; PGBS strongly reflects the objectives and strategies related to poverty reduction through its link with the PRSP. The former structural adjustment programmes gave little attention to social aspects; PRSP includes economic and social aspects as well as good governance, but productive sector strategies are relatively little developed, even if PRSP-2 already gives more attention to this than PRSP-1. Dissatisfaction with traditional forms of aid led government and IPs, through SPA, to carry out a pilot on new conditionality aiming at greater ownership, improved sustainability of aid and better donor coordination; PGBS is the continuation and extension of previous macroeconomic support programmes taking into account the shortcomings of the SAPs and a response to the stated previous weaknesses in aid. The IPs succeeded in overcoming their differences in conditionalities and measures by adopting the joint performance assessment matrix in July 2005. 	<ul style="list-style-type: none"> PGBS is not itself a PRS but a programme to support the PRSP. Discussions on the content of the PRSP are part of the policy dialogue between government, IPs and other stakeholders (¶B1.17). Social sectors are well developed in the PRSP, but there is imbalance between social and productive sectors leading to insufficient measures to reduce income poverty and the necessary funding for sustainable development. PGBS is an evolving concept based on previous experience and new insights, with in-built mechanisms for improvement through policy dialogue (¶B1.4–7; ¶B1.12; ¶B1.15). Ownership has clearly increased over time (¶B1.4; ¶B1.16). The joint performance assessment matrix, which is necessary for a real coordinated approach, is the first genuine attempt at a common results-based monitoring system. (¶B1.12–13). 	<ul style="list-style-type: none"> Strengthen the functioning of the policy dialogue structures, especially the Sector and Thematic Working Groups (¶D2.7). Continue development of productive sector strategies alongside the social sector strategies (¶D2.5, R1). Ensure full consistency in design of individual IPs' programmes with agreed matrix and performance assessment system (¶D2.21, R16). 	<ul style="list-style-type: none"> Government/MEDEV and all stakeholders (ST – over the year 2006 in relation to the first year of implementation of the CGAB-CSLP framework) Government/MEDEV/ Ministry of Trade, Enterprise Promotion and Handicraft (ST/MT) Each IP (1 and continuous)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ2 Harmonisation and alignment</p> <ul style="list-style-type: none"> Over the years cooperation among IPs has intensified, resulting in a growing number of IPs participating in GBS. There is only partial alignment with government planning and budgeting systems as few IPs can engage in rolling multi-annual commitments; this limits the increase of envisaged predictability. GBS is fully aligned with government implementation systems, but not yet with accountability systems. There is also increased coordination for other aid modalities, especially SWAps, among PGBS IPs. Notwithstanding increased harmonisation and alignment all donors continue financing a number of other programmes and projects. There seems to be little increased coordination with other donors outside the PGBS group and external financing is not clearly aligned with government priorities. 	<ul style="list-style-type: none"> PGBS has proven a feasible, attractive modality for effective aid coordination (¶B2.3). Local IPs can only make pledges based on their own national rules, which do not strive for alignment (¶B2.18). Accountability systems in place do not (yet) fulfil IPs' accountability requirements. PGBS can play a catalytic role in H&A for other aid modalities (¶B2.28) but there is scope for improving complementarity between PGBS and sector specific support. H&A is a gradual process, which is evolving over time. Some project aid will continue as national policies of some IPs are not compatible with H&A initiatives. 	<ul style="list-style-type: none"> Design new PGS operations with a view to satisfying CGAB call for multi-annual commitments as soon as/to the extent possible (¶D2.21, R17). Strengthen national monitoring, evaluation and audit institutions (¶D2.8, R9). Clearly define sector policies as framework for aligning project aid and strengthening PGBS alignment at more operational levels (¶D2.6, R4). 	<ul style="list-style-type: none"> IPs (I and over time) Government with help from IPs (MT) Government, ministries and implementing agencies (MT)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ3 Public Expenditures</p> <ul style="list-style-type: none"> • PGBS has to be studied in combination with HIPC since they are highly complementary. Together, HIPC targeted and PGBS untargeted resources, substituting partly for tied project resources, have significantly increased the volume of resources for the government budget (this was also accompanied by a substantial increase in domestic revenue). • As a result, the volume but also the share of all resources going to social sectors has increased but it is not necessarily targeted to the poor. This is a result of, among other things, lack of clarity in definition of pro-poor spending and the coexistence of several prioritisation mechanisms. • With PGBS there are more external funds on-budget, while several IPs report inscribing more other aid on-budget as well; however, overall a large part of bilateral ODA still remains off-budget. • Predictability of aid flows has increased only modestly. • Increase of overall efficiency is difficult to state given weaknesses in the budget system and is considered moderate at best. • PGBS is lowering transaction costs of using aid and of financing the budget. 	<ul style="list-style-type: none"> • Increased resources for the social sectors and a stronger focus on pro-poor priorities in the policy dialogue may not suffice to ensure pro-poor budgeting. This is a result of, among other things, lack of clarity in definition of pro-poor spending and the coexistence of several prioritisation mechanisms. The current Actual budget classification and weaknesses in lack of programme budgeting are also constraints and only partly permit real pro-poor budgeting. • Efficiency in budget execution depends on the predictability of funding (including PGBS) for government budget and on reforms in budget execution systems and practices. The former has improved but the latter remains a significant challenge to be addressed under the PRGB (de-concentration/ decentralisation of the budget). • Costs of managing PGBS resources are undoubtedly less than for other aid modalities. 	<ul style="list-style-type: none"> • Streamline/ clarify role of prioritisation mechanisms (PRSP PAP, HIPC, MTEF, PIP) and further strengthen budget classification to allow for pro-poor budgeting and expenditure monitoring/ tracking (¶D2.6, R8). • Continue actively to support government PFM reform programme (the PRGB) and in particular, the transformation into a fully-fledged sector strategy for PFM reforms (¶D2.15, R11). 	<ul style="list-style-type: none"> • Government/PRGB (ST/MT) • IPs (I and over time)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ4 Planning and Budgeting Systems</p> <ul style="list-style-type: none"> The increase of predictable and discretionary resources certainly has enhanced ownership. The use of government systems and processes linked to the PRGB has improved the overall accountability of PE but effective scope of accountability is still limited and quality low. PFM improvements including capacity building efforts are clear at central level (MFB) but less at departmental level, while decentralisation is only in its early stages. The durability of the reform process is well established (progressive strengthening of the PRGB as a government-led, federating framework) while the durability of specific reforms themselves (e.g. programme budgeting, MTEF) is less clear at this point in time. 	<ul style="list-style-type: none"> PGBS has contributed to the strengthening of PFM but the reform process is still far from complete, especially at departmental and decentralised levels. The early recognition of the PRGB as “the” framework for PFM reforms has been a strong asset. The transformation of the PRGB into a fully-fledged sector strategy for the PFM reforms is critical, including for with a view to further strengthening coordination of IPs’ support and reaching out more comprehensively to all government agencies and levels. National stakeholders’ demand for greater accountability can play a key role (¶B4.7). Similarly, broader regional frameworks such as that of WAEMU can also bring additional incentive/pressure to bear toward effective PFM reforms (¶B4.25). There may be scope for exploring how PGBS could more clearly reinforce those other incentive processes. 	<ul style="list-style-type: none"> Support transformation of PRGB into PFM sector strategy and ensure full alignment of IPs’ support to PFM behind it (¶D2.15, R12). As part of this, explore implications for support to PFM reforms at sectoral and decentralised levels (¶D2.15, R13). Continue to pay particular attention to strengthening accountability systems and mechanisms, including strengthening the role and capacities of national stakeholders (¶D2.8, R9 and R10). 	<ul style="list-style-type: none"> IPs (I/ST) Government, IPs and other stakeholders (ST/MT)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ5 Policies and Policy Processes</p> <ul style="list-style-type: none"> • Most current major policies were already in place or being prepared. However, few fundamental reorientations are visible and essential policies in the fields of productive services are still little developed. Activities in social sectors are mainly expansion of existing activities, where basic social services are used as a proxy for pro-poor services in the absence of a more appropriate classification. • Moreover, the lack of detailed intra-sectoral policy analysis resulting in overall non pro-poor spending through a combination of factors (including existing policies, e.g. user charges, patterns of intra-sectoral resource allocations, and weak demand from poorest groups) leads to spending patterns that are not pro-poor in the social sectors (for which policies are more developed). • The preparation of PRSP-1 was highly centralised but during implementation and the preparation of PRSP-2 more stakeholders were involved such as Parliament and civil society, with an attempt at regionalisation. The process is not yet deep-rooted and many stakeholders outside central government and the IPs lack technical competence to fully play their role. 	<ul style="list-style-type: none"> • PGBS has strengthened existing policies, but not (yet) contributed to major improvements or new policies, especially in non-agriculture productive sectors (¶B5.28, ¶B5.29). • PGBS has strengthened the overall policy processes but rather modestly considering its scale (number of IPs involved and financial volume). PGBS IPs have promoted a more inclusive process of policy formulation and review for the PRSP-2, but the functioning of the policy dialogue structures needs to be further strengthened for this to be effective. The division of roles and responsibilities between MFB and MEDEV has affected this functioning. 	<ul style="list-style-type: none"> • Define more employment and income- generating policies in non-agricultural sectors (¶D2.5, R2). • Undertake further policy analysis with a view to strengthening pro-poor orientations (including and/or following up on findings of WB poverty assessment 2005) and explore implications for more fundamental changes: re-balancing of policies and strategies in relation to basic vs tertiary services (¶D2.6, R5). • Improve the functioning of bodies responsible for the policy dialogue, especially the Sector and Thematic Working Groups (¶B1.17) (¶D2.7). 	<ul style="list-style-type: none"> • Relevant government agencies (ST) • Relevant government agencies with IPs (I/ST), including through sector specific dialogue linked to PGBS dialogue.

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ6 Macroeconomic Performance</p> <ul style="list-style-type: none"> • Macroeconomic stability and fiscal discipline are mainly achieved under agreements with IMF and in the framework of WAEMU arrangements, but they help maintain stability. Inflation is strictly controlled. Government strives to raise tax revenue. PGBS is helpful by modernising PFM system through PRGB. However, non-tax revenues for public service delivery diminish as user fees are lowered as part of pro-poor policies. There is no direct (negative) influence on private investment. 	<ul style="list-style-type: none"> • Direct effects of PGBS on macroeconomic performance are limited since other instruments are already in place. As such PGBS only plays a secondary role in this area (¶B6.17). • PGBS, through PRGB, helps improve the tax revenue system (¶B6.25). 		
<p>EQ7 Public Service Delivery</p> <ul style="list-style-type: none"> • PGBS, together with HIPC, has allowed expansion of supply of basic services in the field of education, health and rural water supply. As most expansion took place in rural areas where people are generally considered poor, this enhanced access to poor people. However, in some cases supply does not meet demand as user fees, even low, remain prohibitive. Expansion mainly took place within existing frameworks without institutional reforms to new scales of activities or the needs of new clients. 	<ul style="list-style-type: none"> • Combined flows of PGBS and HIPC resources have allowed increased supply of basic services (¶B7.33). • Capacity building to cope with higher levels of service delivery (¶B7.30) and to adapt existing services to become more responsive to the needs of new, poorer beneficiaries (¶B7.31) still needs to take place. 	<ul style="list-style-type: none"> • Reform/decentralise institutions to cope with higher level of service delivery (¶D2.15, R14). • Improve quality of services according to the needs of (poor) beneficiaries (¶D2.6, R6). • Analyse existing user fees and the (budgetary) possibilities of changes (¶D2.6, R7). 	<ul style="list-style-type: none"> • Ministerial departments (MT) • DEPs of line ministries (MT) • DEPs of line ministries, MFB (ST/MT)

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Findings	Conclusions	Recommendations	Implementation (who/when)
<p><i>EQ8 Poverty Reduction</i></p> <ul style="list-style-type: none"> PGBS, in combination with HIPC, has led to an expansion of health and education services and provision of potable water through increased social expenditures; however, these services are general and not specifically pro-poor. Income poverty has decreased, but more as a result of general economic growth than as a consequence of policies aimed at employment and income-generating activities. Empowerment is increasing, but slowly. There is a growing awareness/ empowerment of civil society and local government institutions but it is too early to conclude that there is effective empowerment of the poorest people. Policies involving local people and strengthening legal institutions are starting. 	<ul style="list-style-type: none"> PGBS has had the most tangible direct effect on public social service delivery (¶B8.5). The new beneficiaries are undoubtedly poor, but it is not certain that they belong to the poorest groups of society (¶B8.6). As seen above current spending patterns in education and health are demonstrably not pro-poor. In addition, issue raised above about current pattern not being pro-poor in education and health PGBS has only limited and mainly indirect effect on income poverty reduction (¶B8.9). PGBS effect on empowerment cannot yet be measured as those processes are mostly long-term (¶B8.12). 	<ul style="list-style-type: none"> Improve pro-poor targeting of public services (¶D2.6, R5). Further analyse the incidence of current policies and patterns in allocation/ use of government resources in terms of pro-poor orientation of the budget (¶D2.6, R5). Follow up on WB assessment (2005). Improve productive sector policies (¶D2.5, R1). 	<ul style="list-style-type: none"> Ministries (ST/MT) INSD, MEDEV, MFB (ST/MT) MEDEV, Ministry of Agriculture, Hydraulics and Fisheries, Ministry of Animal Husbandry, Ministry of Trade, Enterprise Promotion and Handicraft (ST/MT)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>EQ 9 Sustainability of PGBS</p> <ul style="list-style-type: none"> The new MOU on GBS (2004) has strengthened the institutional setting of steady dialogue and periodic reviews and feedback with clear rules for mutual reporting and review meetings. There is a mutually agreed performance assessment matrix (2005), which is binding for all parties and subject to periodic review if necessary. Through the MOU and the matrix all levels of the evaluation framework can be approached, but feedback loops are most effective in relation to flows of funds and PFM institutions, but less so in relation to policies because of the more complex character of the dialogue. PRSP-2 provides for a dialogue of the government with all development partners including IPs, civil society and the private sector through six sector and thematic working groups. 	<ul style="list-style-type: none"> PGBS has a good institutional structure for regular reviews and feedback (¶B9.14). PGBS feedback loops are most effective on flow-of-funds and PFM issues, which are directly related to disbursements (¶B9.17). Feedback loops on policies have been established but do not yet function smoothly (¶B9.19, ¶B9.22). Limitations in data collection and analytical capacity as well as the lack of clear mechanisms for analyses to be taken into account (“entry points” for feedback in policy-making) are also constraints to policy adjustment. 	<ul style="list-style-type: none"> Improve the working of the sector and thematic working groups (¶D2.7). 	<ul style="list-style-type: none"> STC-PDES (I)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>Chapter C1 – Policy CCIs</p> <ul style="list-style-type: none"> • CCIs have been addressed in different degrees in the PGBS process. While democracy and human rights can be considered to be part of good governance, this is a direct part of PGBS. The other issues are indirectly touched on through the PRSP. • Gender is dealt with in the PRSP but priority actions lag behind the theoretical analysis and remain mostly limited to classical interventions for girls and women, with little attention to productive services or empowerment; gender is present in the joint matrix. • HIV/AIDS takes an important place in the PRSP and the PAP. However, without denying its importance, HIV/AIDS gets disproportionate attention in the Burkinabé context in comparison with other endemic diseases with higher morbidity and mortality rates. HIV/AIDS is present in the joint matrix • Burkina Faso has an environmental strategy focused on desertification since well before PRSP-1. It was added as an element to PRSP-2 as funding activities became difficult outside this framework; environment does not figure in the joint matrix. • Democracy and Human Rights are included in the PRSP and are part of the processes of political dialogue with all development partners. Human rights figure in the joint matrix. 	<ul style="list-style-type: none"> • All CCIs figure in the PRSP but in different degrees of elaboration. • Adoption of a national gender policy (¶C1.14) and a national HIVAIDS strategy (¶C1.9) figure in the joint matrix as well as the promulgation of legal texts on human rights among law and order services (¶C1.18). No measure or action is included in the joint matrix with regard to environment. 		

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>Chapter C2 – Public and Private Sector Issues</p> <ul style="list-style-type: none"> Public and private sector issues are part of the first pillar of the PRSP. Privatisation of SOEs is dealt with by the BWI, but private sector issues for SMEs and trade are not very well translated into policies and actions. They are actually addressed by a number of donors through project aid. 	<ul style="list-style-type: none"> PGBS has had few links with public/private sector issues as private sector issues, including trade, are relatively less developed in the PRSP. 	<ul style="list-style-type: none"> Further develop a national strategy and action plans to promote SMEs and trade (¶D2.5, R3). 	<ul style="list-style-type: none"> Government/ Ministry of Trade, Enterprise Promotion, and Handicraft
<p>Chapter C3 – Government capacity and Capacity Building</p> <ul style="list-style-type: none"> Capacity in government is generally weak. PGBS has aimed at improved PFM through the PRGB project since its beginning. However, this is insufficient to meet all needs, while the decentralisation process will add new ones. More generally, capacity building has been addressed through inputs at sectoral level which have generally not fully met government and IPs' expectations. Capacity development initiatives appear to have been weakly coordinated, including with regard to sectoral and cross-sectoral activities. Further efforts are planned through the WB-financed Administration Capacity Building project which started in 2005 and will address a number of needs related to decentralisation. However, it is not clear as yet whether and how the project might help in better coordination of TA/institutional support across government reforms. 	<ul style="list-style-type: none"> Capacity building in the field of PFM is integrated within PGBS. (¶C3.6) The general problem of weak capacity is addressed by the government and IPs through the WB Administration Capacity Building Project (ACBP) (¶C3.12) 	<ul style="list-style-type: none"> Further strengthen coordination in the area of capacity development and in particular, explore options to strengthen coordination of intersectoral (e.g. PFM) and sectoral initiatives (including potential federating effect of WB project) (¶D2.15, R13 and R15). 	<ul style="list-style-type: none"> Government/ministries (continuous)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>Chapter C4 – Quality of Partnership</p> <ul style="list-style-type: none"> PGBS has evolved from the pilot on conditionality. Since the start of GBS ownership has increased and policy dialogue intensified. Government and partners converge on most issues and the partnership has proven attractive for other donors. Harmonisation and alignment have increased, although this is somewhat limited to the PGBS IPs and, while it covers the whole of their programme, the linkage between their PGBS and sector-focused supports is not always well specified. 	<ul style="list-style-type: none"> PGBS has improved government ownership and raised the quality of the partnership between government and PGBS IPs in line with the base laid down with the pilot on conditionality. However, this is somewhat limited to the PGBS IPs and has not included several important IPs that do not provide PGBS. A discussion is under way concerning the role of sector support instruments and their articulation with PGBS. There are different views on this among government and PGBS IPs and it is going to be important to reach a mutually agreeable position which further strengthens PGBS positive effects on government ownership and leadership. 	<ul style="list-style-type: none"> Review necessity of targeted modalities for HIPC and generally analyse scope for targeted support versus PGBS (¶D2.21, R19 and R20). 	<ul style="list-style-type: none"> Government with PGBS IPs and other sector stakeholders (ST/MT)

Findings	Conclusions	Recommendations	Implementation (who/when)
<p>Chapter C5: Political Governance and Corruption</p> <ul style="list-style-type: none"> • Governance is in the process of being enhanced on PFM and accountability issues. However, transparency and accountability in general are weak, mainly due to weak capacities. The legal system is generally weak and access to equitable justice for poor people is limited. Several projects improving this have been launched but results will only become visible in the medium term. • Corruption is a hot issue. Burkina has a large number of institutions involved in the fight against corruption but IPs consider them ineffective and ask for more political will from government side. 	<ul style="list-style-type: none"> • PGBS has led to convergence between government and IPs on most good governance issues and several activities of capacity building are under implementation. • Corruption is an issue on which the opinions of government and IPs diverge with regard to policies and effectiveness of actions. 		

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JOINT EVALUATION OF GENERAL BUDGET SUPPORT 1994–2004

Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam

Burkina Faso Country Report

ANNEXES

April 2006

Joint Evaluation of General Budget Support BURKINA FASO COUNTRY REPORT ANNEXES

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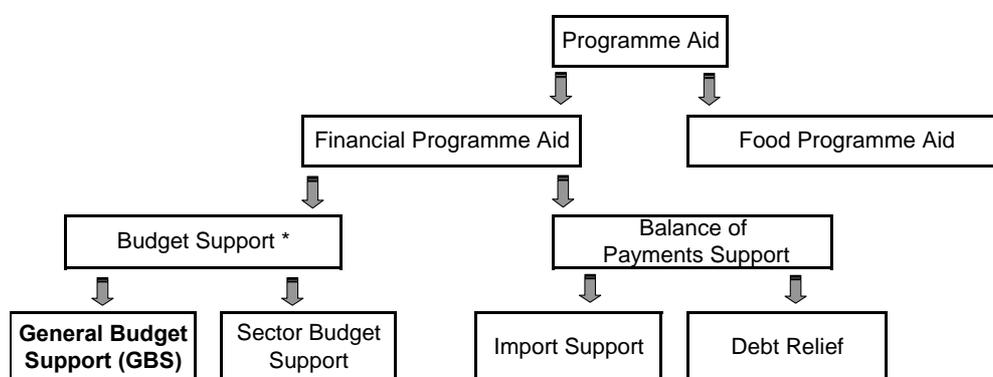
ANNEX 1: APPROACH AND METHODS

Annex 1A: Summary of the Evaluation Methodology

1. This Annex provides a short summary of the evaluation methodology. For full details please refer to the Inception Report (IDD & Associates 2005) (see also the Note on Approach and Methods which accompanies the Synthesis Report). Box 1A.1 shows how GBS relates to other forms of programme aid, while Box 1A.2 defines the DAC (Development Assistance Committee) evaluation criteria. Figure 1A.1 provides an overview of the Enhanced Evaluation Framework (EEF).

Box 1A.1: General Definition of Budget Support and GBS

As defined for the purpose of this evaluation, **programme aid** can be divided into food aid and financial programme aid. Financial programme aid includes both budget support and balance of payments support (such as debt relief and import support). Budget support in turn can be divided into sector budget support (SBS) and general budget support (GBS).



*Referred to as direct budget support in the *Evaluation Framework*

The general characteristics of **budget support** are that it is channelled directly to partner governments using their own allocation, procurement and accounting systems, and that it is not linked to specific project activities. All types of budget support include a lump sum transfer of foreign exchange; differences then arise on the extent of earmarking and on the levels and focus of the policy dialogue and conditionality.

Sector Budget Support is distinguished from **General Budget Support** by being earmarked to a discrete sector or sectors, with any conditionality relating to these sectors. Additional sector reporting may augment normal government accounting, although the means of disbursement is also based upon government procedures.

Source: IDD & Associates 2005: Box 2.1.

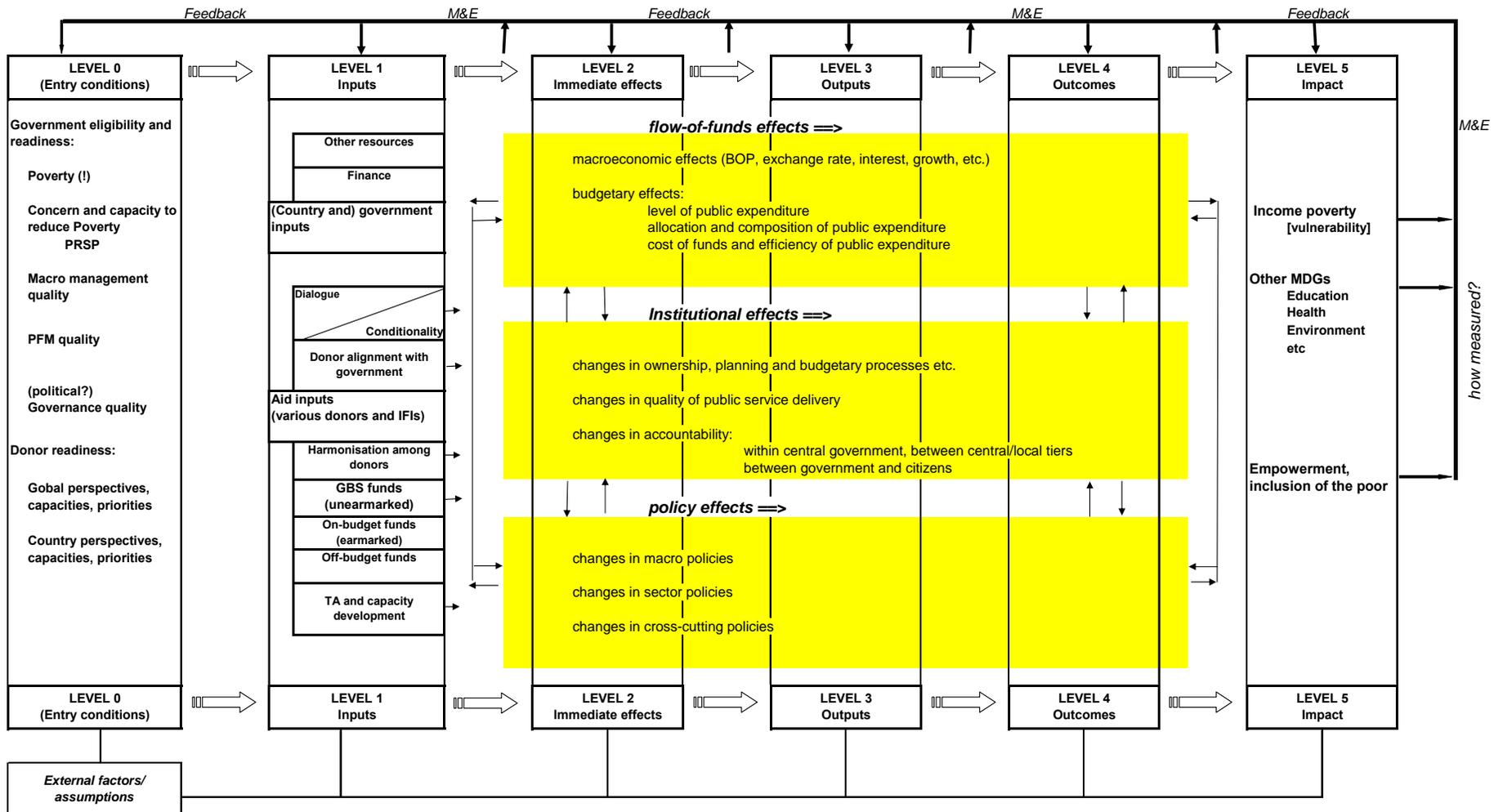
Box 1A.2: The DAC Evaluation Criteria

The five DAC evaluation criteria are:

- *Effectiveness*: The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
- *Efficiency*: A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
- *Relevance*: The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.
- *Impact*: Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
- *Sustainability*: The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.

Source: IDD & Associates 2005: Box 3.1.

Figure 1A.1: The Enhanced Evaluation Framework (schematic view)



2. Box 1A.3 shows, for each level of the logical framework, the main effects that are hypothesised to result from GBS. These hypothesised effects form the first column (the "logical sequence") of the detailed evaluation questions which are annexed to the Inception Report.¹

Box 1A.3: Enhanced Evaluation Framework – Logical Sequence of Effects

<p>Level 1 (the design)</p>
<p>1. Adequate quantity and quality of inputs are provided by new GBS:</p> <p>1.1 Funds</p> <p>1.2 Policy dialogue</p> <p>1.3 Conditionality</p> <p>1.4 TA/capacity building linked to</p> <ul style="list-style-type: none"> • Public finance management (PFM) • Pro-poor sectoral policies and good governance <p>1.5 Alignment and harmonisation</p> <ul style="list-style-type: none"> • International Partners' (IP's) alignment to government goals and system • IPs' harmonisation
<p>Level 2 (the immediate effects/activities)</p>
<p>2.1 More external resources for the government budget (additionality)</p> <p>2.2 Proportion of external funds subject to national budget process increased (increased fungibility)</p> <p>2.3 Increase in predictability of external funding of national budget</p> <p>2.4 Policy dialogue and conditionalities focused on pro-poor policy framework and improved PFM</p> <p>2.5 TA/capacity building established to:</p> <ul style="list-style-type: none"> • improve PFM processes including budgeting, accounting, financial control, audit • improve the linkage between PFM and pro-poor sectoral policies and good governance <p>2.6 Actions to ensure IPs' alignment are in place</p> <p>Actions and agreements to improve IPs' harmonisation are in place</p>
<p>Level 3 (the outputs)</p>
<p>3.1 Increased resources for service delivery:</p> <ul style="list-style-type: none"> • External resources are treated as additional • Cost of funding budget deficit reduced <p>3.2 Partner government is encouraged and empowered to strengthen PFM and government systems:</p> <ul style="list-style-type: none"> • To use the budget to bring public sector programmes into line with government goals, systems and cycles (Poverty Reduction Strategy Paper/Medium Term Expenditure Framework) • To set up performance monitoring systems to measure the effectiveness of public expenditure at the level of the final beneficiaries • To promote alignment and harmonisation by IPs <p>3.3 Partner government is encouraged and empowered to strengthen pro-poor policies:</p> <ul style="list-style-type: none"> • To establish and execute an adequate sequence of reforms to ensure macroeconomic stability and private sector development • To establish and execute pro-poor policies and targeting in health, education, agricultural and rural development • To enhance social inclusion policies, through decentralisation and participation of the civil society, reform of the administration of justice and respect for human rights <p>3.4 Improved aggregate fiscal discipline:</p> <ul style="list-style-type: none"> • More predictable funding flows • Incidence of liquidity shortfalls reduced, hence less use of Central Bank overdrafts and less accumulation of arrears <p>3.5 Operational efficiency of public expenditure is enhanced:</p> <ul style="list-style-type: none"> • By reductions in certain types of transaction costs to partner government (e.g., non-standard procurement systems, brain-drain effects of parallel project management structures) • Better planning, execution and oversight reduces wasteful spending, controls corruption better, spreads positive lessons across the public sector

¹ See IDD & Associates 2005 Annex G for the full set of detailed evaluation questions.

3.6 Allocative efficiency of public expenditure is enhanced:

- By a more effective budget process: multi-year, results oriented, transparent, participatory; with effective execution and audit; with an adequate tracking system
- By increased capture of project funds in budget
- By stakeholders taking the domestic budget more seriously (because that's where the money is)

3.7 Intra-government incentives and capacities are strengthened:

- Official reporting lines are more respected (vertical through government to cabinet, not horizontal to IPs)
- Public-service performance incentives are strengthened, so that policies are made and implemented, audit and procurement systems work, and corruption is reduced

3.8 Democratic accountability is enhanced:

- Greater role of parliament in monitoring budget results
- Accountability through domestic institutions for IP-financed spending is enhanced
- Conditions for all-round democratisation are thereby improved, including the trust of people in their government and hence their level of expectations

Level 4 (the outcomes)

4.1 Macroeconomic environment is favourable to private investment and growth:

- Inflation controlled
- Realistic exchange rate attained
- Fiscal deficit and level of domestic borrowing sustainable and not crowding out private investment

4.2 Regulation of private initiative works to ensure business confidence, equity, efficiency and sustainability:

- Policies on corruption, property rights resolutely pursued
- Market-friendly institutions developed

4.3 More resources flowing to service delivery agencies

4.4 Appropriate sector policies include public actions to address major market failures, including those arising from gender inequalities

4.5 More effective and accountable government improves administration of justice and respect for human rights, as well as general confidence of people in government

4.6 More conducive growth enhancing environment

4.7 Public services effectively delivered and pro-poor:

- Service delivery targets met for key pro-poor services
- Evidence of increased use of services by poor (including poor women)

Level 5 (the impact)

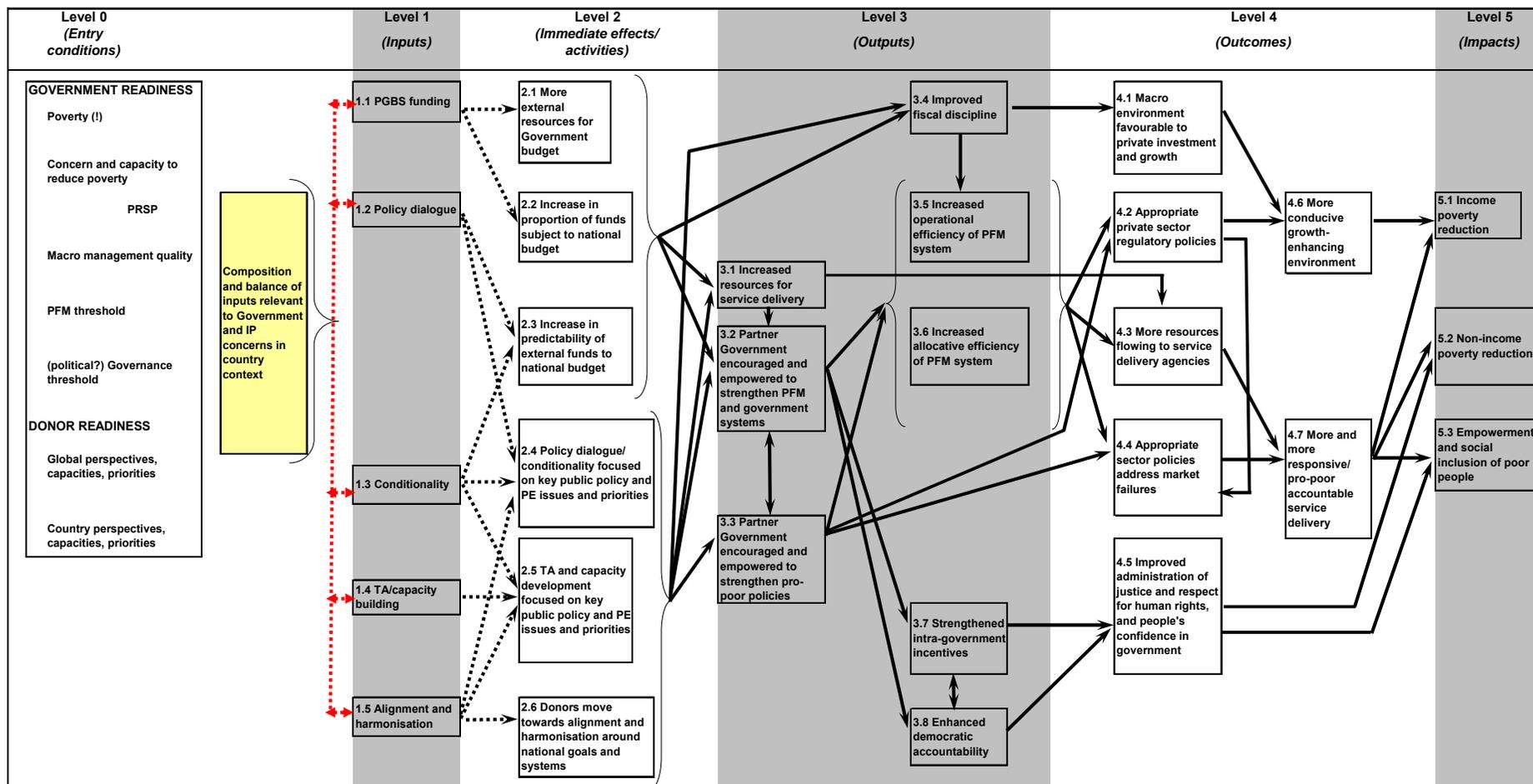
5.1 Income poverty reduction

5.2 Non-income poverty reduction

5.3 Empowerment and social inclusion of poor people

3. The main hypothesised links between inputs and subsequent effects at different levels are depicted on the causality map (Figure 1A.2). Note that these are not the only possible links; the evaluation teams also considered whether other links appeared important in particular countries.

Figure 1A.2: Causality Map for the Enhanced Evaluation Framework



4. A set of over-arching key Evaluation Questions (Box 1A.4) provides an organising framework for the country evaluation and a structure for the country reports.²

Box 1A.4: Key Evaluation Questions

1. How does the evolving Partnership GBS (PGBS) design respond to the specific conditions, strengths and weaknesses of the country, to government priorities and to the priorities and principles of the international partners?
2. Has PGBS contributed to greater harmonisation and alignment of the aid process?
3. How efficient, effective and sustainable has been the contribution of PGBS to the performance of the public expenditure process?
4. How efficient, effective and sustainable has been the contribution of PGBS to improving government ownership, planning and management capacity, and accountability of the budgetary process?
5. How efficient, effective and sustainable has been the contribution of PGBS to improving public policy processes and policies?
6. How efficient, effective and sustainable has been the contribution of PGBS to macroeconomic performance?
7. How efficient, effective and sustainable has been the contribution of PGBS to improving government performance in public service delivery?
8. How far has PGBS strengthened government impact on poverty?
9. Is the PGBS process itself sustainable?

5. Under each main evaluation question, a series of sub-questions (evaluation criteria) are posed (the shaded boxes within each of the chapters in Part B of the main report). To facilitate comparisons and consistency across the countries studied, symbols are used to give approximate ratings for the general situation and for the influence PGBS is judged to have had. The key to the ratings and symbols is as follows:

(a) Where the logic of the (implicit) question requires it – i.e. in Chapters B2–B8³ – the ratings distinguish between the general situation to which the question refers and the influence of PGBS upon it. For the general situation, the rating is expressed as a *level* and a *trend*.

(b) PGBS influence is expressed in two ratings:

- For *effect*. This assesses the difference that PGBS makes to the general situation.
- For *efficiency*. It is perfectly possible that PGBS will be found to have a weak or null effect not because PGBS is inherently ineffective, but because it is relatively small ("a drop in a bucket") vis-à-vis the general situation. "Efficiency" therefore assesses whether PGBS has a significant effect relative to the resources deployed via PGBS. (Roughly, has PGBS been a "value for money" way of pursuing this effect?)

(c) For both the general situation and the PGBS influence, a separate *confidence* rating is given.

(d) The same symbols are used against "level", "effect", "efficiency" and "confidence" ratings:

***	<i>strong/high</i>
**	<i>medium/moderate</i>
*	<i>low/weak</i>

² See IR Annex K for the full matrix of key Evaluation Questions, including judgement criteria, evidence, data sources, counterfactuals. The final *Note on Approach and Methods* will note minor amendments and assess the experience of using the Enhanced Evaluation Framework.

³ The Evaluation Criteria in Chapters B1 and B9 refer directly to PGBS itself, so there is no separate "general effect" to consider.

null	<i>the level/effect is either zero or negligible</i>
nf [not found]	<i>we found no evidence either way</i>
na	<i>rating is Not Applicable to this question</i>

(e) The "trend" is the trend at the end of the evaluation period, and the options are:

+	<i>increasing/improving</i>
=	<i>stable (or no discernible trend)</i>
-	<i>declining/worsening</i>
na	<i>not applicable if the accompanying level is rated null / not found / not applicable</i>

(f) In the few cases where perverse effects are identified (a negative effect when the question implies a positive one is expected), this is shown as "perverse" (and is always be highlighted in the text explanation).

(g) As a rough guide to confidence ratings:

***	strong/high confidence: <i>We're sure what evidence is needed to answer this question, and the evidence we have appears robust and conclusive (so we would be surprised if more evidence changed the rating).</i>
**	medium/moderate confidence <i>There is some uncertainty whether the evidence we have is both robust and sufficient; more evidence might lead to a somewhat different rating.</i>
*	low/weak confidence: <i>There is uncertainty about what evidence is relevant to the question, and/or the evidence we have is limited or unreliable.</i>

(h) The ratings for "general situation" and "PGBS influence" may be based on different (though overlapping) sets of evidence; it is perfectly possible that confidence levels will differ, so they are rated separately.

(i) As a rough guide to ratings for effect

***	strong effect: <i>PGBS has made a definite and very significant difference to the general situation; it is not necessarily the only factor which has made such a difference, but it is an important one.</i>
**	moderate effect: <i>PGBS has made a definite and moderately significant difference to the general situation; but it may be a subsidiary factor, or one amongst a considerable number of significant factors.</i>
*	low/weak effect: <i>PGBS has made only a small difference to the general situation.</i>
null	<i>PGBS is assessed to have made no difference, or only a negligible difference, to the general situation..</i>
nf [not found]	<i>We did not find evidence either way of a PGBS effect.</i>
na	<i>The implied question is Not Applicable in this case.</i>

(j) As a rough guide to ratings for efficiency:

***	highly efficient <i>PGBS exerts a strong influence towards the effect in question, in proportion to the resources embodied in PGBS.</i>
**	moderately efficient <i>PGBS exerts a moderate influence towards the effect in question, in proportion to the resources embodied in PGBS.</i>
*	low efficiency <i>PGBS exerts only a weak influence towards the effect in question, in proportion to the resources embodied in PGBS.</i>
null	<i>PGBS is assessed to have exerted no influence, or only a negligible influence, towards the effect in question.</i>
not found	<i>We did not find evidence either way of a PGBS influence.</i>
na	<i>The implied question is Not Applicable in this case.</i>

6. The evidence used to assess ratings is explained in the text, and it follows general guidelines in Annexes G and K of the Final Inception Report (IDD 2005). The ratings have been checked for broad consistency across the country studies. At the same time, the study team recognises their limitations. It is neither possible nor desirable to reduce qualitative issues entirely to quantitative judgements. The ratings are only an adjunct to the text.

Annex 1B: Approach and Methods in Burkina Faso

Introduction

1. This annex describes and comments on the approach and methods for the study in Burkina Faso. It complements Chapter A1 which outlines the conceptual framework for the study as a whole.

Team and Timetable

2. The study involved three visits to Burkina Faso. A two-week inception visit in November/December 2004 was followed by another three week visit in June 2005. A third short visit of one week took place in October 2005 to discuss the draft country report.

3. Team members were Piet Lanser (Team Leader), Jean-Pierre Ouédraogo (local consultant), François Orivel (first two missions), Esther van der Meer (first mission) and Catherine Dom (second mission). The team had considerable previous experience in Burkina Faso since the Team Leader had been working there for six years. Furthermore, several team members had undertaken previous missions relating to Public Expenditure Reviews, Trade, Basic Education, Local Development and other areas.

4. The GBS evaluation in Burkina Faso was coordinated at the national level by a committee comprising the Permanent Secretary for Financial Policy and Programme Monitoring (SP-PPF) of the Ministry of Finance and the Budget (MFB), the Dutch Embassy and the Delegation of the European Commission to Burkina Faso. A National Reference Group (NRG) was formed comprising representatives of government, IPs, the private sector, civil society and the academic world.

5. The study's objectives and methodology were presented to the NRG at the start of the first mission. A workshop planned for the start of the second mission was cancelled as a result of the extensive changes in the study approach after the inception reports. Instead, a workshop was held at the end of the second mission to discuss main issues and preliminary findings. In October 2005 a half-day workshop was held to discuss the draft country report with the NRG and other national stakeholders.

6. The Interim Report, based on the findings of the first mission, was produced in January 2005. The Draft Country Report was submitted in September 2005.

Research Methods

7. A wide variety of literature was reviewed and a list can be found in the bibliography. In addition, the World Bank and the PEFA secretariat were contacted for additional information on specific issues.

8. A series of interviews was undertaken in Ouagadougou, which included all GBS donors and most of the NRG members in the first visit and a selection of donors, government ministries and NGOs in the second. During the second mission field visits were organised to decentralised services in the provinces of Yako and Zoundweogo. A list of persons met is given at the end of this Annex.

9. During the inception phase of the project a questionnaire was sent to all GBS donors asking them to outline the aid instruments they had used over the study period with details of

commitments and disbursements. The response to this was unsatisfactory due to differences in interpretation of definitions and problems in recalling data over a long period of time for some donors. Moreover, it was not possible to reconcile the data that was provided with data from other sources without further in-depth study. As a result it was not possible to use the questionnaires to provide financial data on GBS by donor.

10. The evaluation team received the full support of the in-country steering group and NRG. The broad composition of the NRG, which was composed of representatives of all the main stakeholders, was very helpful in establishing necessary contacts. As a result the evaluation team was able to organise efficiently meetings and workshops with all main stakeholders.

11. The evaluation team received useful comments and observations during the workshop at the end of the second mission and in the meeting in October 2005. The draft report was generally considered to provide a good description of the development and the current situation of PGBS in Burkina Faso, but the ratings given by the mission were considered too low in several cases. This was due to a confusion between the development of PGBS per se and the general situation of aid modalities in the country. These criticisms by the NRG corresponded with the comments of the overall steering group and have been addressed through the revised guidelines for all country reports and the subsequent redrafting of the Burkina Faso country report.

Applying the Evaluation Framework

12. The detailed and refined evaluation framework and report structure gave a clear idea as to what was expected of the team members. There was a clear distinction between the different results which might be expected on the respective levels, which was very helpful. However, the framework, the causality tree and the detailed evaluation questions were too broad and complex to be dealt with exhaustively in all the regular meetings held by the team members and ways had to be found to condense this material in order to make use of the different elements. Part of this problem was due to the change in approach, which occurred after the inception phase, which was difficult to master in the time assigned to the team.

13. The rating system was a good addition to the Enhanced Evaluation Framework. It permitted a better and necessary distinction between the appreciation of the general situation in the country and the effects attributable to PGBS.

14. The analysis became more complex with the increasing levels. At higher levels it becomes more and more difficult to distinguish the results of PGBS from those of other interventions. Moreover, impact on poverty is the result of a long-term process which largely exceeds the period studied. As a consequence many expected results at higher levels of the EEF and the Causality Map are not yet visible. This does not invalidate the methodology, but rather indicates the limits of its possible application.

Reflections

15. Overall, the evaluation framework provided a useful mechanism to trace through PGBS impacts. The degree of complexity of the EEF made it difficult to disentangle PGBS and non-PGBS effects as noted above. The refined rating system was helpful in an attempt to overcome this problem. Also, although flow of fund and policy effects were reasonably easy to discern, this was less so than for institutional impacts.

16. In hindsight it was too ambitious to start all country studies at the same time, as the findings of the inception phase resulted in major changes in the approach. A try-out at a more limited scale would have been advisable. The decision to start all missions at once was partly

due to the double character of this study: to undertake a series of evaluations on GBS and to develop a general evaluation methodology of GBS at the same time.

People Met

Services and public institutions in Burkina Faso

Mr François Zoundi	Permanent Secretary for Monitoring Financial Policies and Programmes, MFB
Mr. Bonoudaba Dabiré	Permanent Secretary, Technical Secretariat for Coordination of Economic and Social Development Programmes, MEDEV
Mr Maxime Bonkougou	National consultant, National Centre for Poverty Monitoring
Mr. Victorien Bonou	Director General, General Directorate for Local Authority Development, Ministry of Territorial Administration and Decentralisation.
Mr. Christophe Dabiré	Member of Parliament, President of the Commission on Finance and Budget, National Assembly
Mr. Jacques Zida	Director General for the Budget (MFB)
Dr. Issa Boniface Ouédraogo	Director of Studies and Planning, Ministry of Health
Mr. Emmanuel Lalsomé	Director of Administration and Finance, Ministry of Health
Mr. Boureima Nébié	First President, Court of Auditors
Mrs. Sabine Ouedraogo	President of the Chamber responsible for inspection of State operations
Mr. Léné Sebgo	Director General for Cooperation, MFB
M. Félix-Marie Yaméogo	Chef Service Multipartner Consultations, DGCOOP/MFB
Mr. Lucien Bembamba	Director General of the Treasury and Public Accounts
Mr. Dramane Koné	Paymaster General
Mme. Martine Ouedraogo	Principal Accountant, Treasury
M. P. Etienne Bingouwéogo	Advisor of School and University Administration, DEP/Ministry of Basic Education and Literacy
Mme Fatimata Bonkougou	Service of Cooperation, DEP/MEBA
Mr. Moyenga Isidore	District Medical Officer, Yako
Mr. Dermé Abdoulaye	District Manager, Yako
Mr. Dayana Patrice	Pharmacy assistant, Yako
Mr. Sawadogo Moussa	Manager of the central drug store, Yako
Mr. Coulibaly Nesson	Provincial Director of Basic Education and Literacy, Yako
Mr. Sawadogo Gomsida	Manager, DPEBA, Yako
Mr. Simporé Alfred	Statistician DPEBA, Yako
Dr Gnanou Seydou	Acting regional director of health, Manga
Mr. Hien Binzoala	Pharmacist, Manga
Mr. Tarnagda Yacouba	Manager in the regional health directorate, Manga
Mr. Sebgo Pascal	Head of the Office, Centre for health information and surveillance
Mr. Ouédraogo Hamado	Regional Director of Basic Education and Literacy, Manga
Mr. Dipama Kani	Director, DPEBA, Manga

International Partners

Mrs. Reinette van der Waals	Head of Department for Cooperation, Embassy of the Netherlands
Mrs. Marian Klokkers	First Secretary, Embassy of the Netherlands
Mr. Vincent Snijders	Education Specialist Embassy of the Netherlands
Mrs. Hélia Mateus	Head of Section for Economic and Social Sectors, EC Delegation in Burkina Faso
Mr. Hugo Pierrel	Economist, EC Delegation in Burkina Faso
M. Jacques Gérard	Head of section, cooperation and cultural activities, French Embassy
Mrs. Anne Claire Pernoud	Economist, French Embassy
Mrs. Céline Ambrosetti	French Development Agency
Mr. Siaka Coulibaly,	Economist, World Bank
Mr. Timothy Johnston	Senior Specialist in Human Development, World Bank
Mr. Kamano	Education Specialist World Bank
Mr. Mario Zejan	Resident Representative, IMF
H.E. Mrs. Margit Thomson	Ambassador of the Kingdom of Denmark
Mrs. Marianne Kress	Counsellor for Cooperation, Royal Danish Embassy
Mr. Jakob Linulf	First Secretary, Royal Danish Embassy
Mrs. Mariam Diop	Economist, Royal Danish Embassy
Mrs. Jenny Björk	Economist, Swedish Embassy
Mr. Etienne Dollfus	Assistant Resident Director, Directorate for Development and Cooperation, Swiss Cooperation Office
Mr. Jean Marie Dabiré	Programme Officer, Economic Secretariat, Swiss Cooperation Office
Mr. Aimé Tiendrebeogo	Adviser on Economics and Public Finances, Support to Programme of Cooperation Canada/Burkina Faso
M. Nicolas Ponty	Senior Economist, UNDP
M. Dieudonné Kini	National Economist, UNDP
M. Eric D. Benjamin	First Advisor, Embassy of the United States
Mme Sadi Marie Okoko	Advisor of Economic and Commerce, Embassy of the USA

Private Sector

Mr. Eric Palm	Head of Mission, Chamber of Commerce, Industry and Handicraft, Burkina Faso
Mr. Paul-Marie Compaoré	Secretary General of Groupe Burkina Moto

Civil Society

Mr. Yann Dutertre	Regional Director, Diakonia
Mr. Tidiani Ouedraogo	Programme Officer, Diakonia
Mr. Silwe Kaphalo	Centre for Democratic Governance
Mr. Luc Damiba	Coordinator of REN-LAC
Mme Antoinette Ouedraogo	Member of the Administrative Council, RECIF ONG
Mme. Aissa Yameogo	Women's Association for Development
M. Benoît Ouedraogo	President of ABAD

Mr. Bamory Ouattara	Secretary General, Centre for Information, Training and Studies on the Budget (CIFOEB)
Mr. Tambi Samuel Kaboré	Treasurer, CIFOEB
Several representatives	School parents association, Yako
Several representatives	School parents association, Manga

Others

Mr. Célestin Zalle	National Director, Central Bank of the West African States (BCEAO)
Mr. Thiemoko Diara	Director of the Head Office, BCEAO
Mr. Félix Kabore	Head of Research and Statistics, BCEAO
Mr. François Wandora	Head of Credit, BCEAO
Mr. Nomwendé Sawadogo	Deputy Head of Service Etudes, BCEAO
Mr. Souleymane Soulama	Professor of Economics and Management, University of Ouagadougou
Mr. Kassoum Zerbo	Professor of Economics and Management, University of Ouagadougou

Composition of the National Reference Group

Public Institutions

1. National Assembly, Commission for Finance and Budget
2. Court of Auditors
3. Permanent Secretariat for Monitoring of Financial Policies and Programmes
4. Technical Secretariat for Coordination of Economic and Social Development
5. Office of the Prime Minister

International Partners

6. EC Delegation (coordination)
7. Embassy of the Kingdom of Denmark
8. Embassy of France
9. Embassy of the Kingdom of the Netherlands (coordination)
10. Embassy of Sweden
11. Embassy of Switzerland
12. World Bank

Private sector

13. Chamber of Commerce, National des Employeurs
14. National Council of Employers
15. Professional association of Industrialists
16. Mr. Paul Marie Compaoré, Group Burkina Moto

Civil Society

17. Centre for Democratic Governance (CGD)
18. Association for Debt Cancellation in Burkina Faso (ABAD)
19. National Network for the Fight Against Corruption (REN-LAC)
20. Diakonia
21. Network of NGOs in Burkina Faso for Women's Communication, Information and Training (RECIF ONG)
22. Centre for Information, Training and Studies on the Budget (CIFOEB)

University

23. Profeseur Souleymane Soulama, Faculty of Economics and Management
24. Professeur Kassoum Zerbo, Faculty of Economics and Management

ANNEX 2: COUNTRY BACKGROUND

Annex 2A: Basic Information

Area:	274 200 km ²
Capital:	Ouagadougou
Geographical position:	Landlocked country in West Africa
Neighbouring states:	Benin, Ivory Coast, Ghana, Mali, Niger, Togo
Currency:	CFA franc
Exchange rate:	fixed at CFAF 655.957 to 1 EURO
Fiscal year:	Calendar year
Official language:	French
Type of government:	Parliamentary republic
Administrative division:	13 regions, 45 provinces
Population:	12 969 484 (estimate based on extrapolation from 1996 census data)
Growth rate:	2.4%
Incidence of poverty:	46%
Life expectancy (years):	42
Infant mortality rate:	103
Access to water (%):	42
Illiteracy rate:	74%
Gross rate of school enrolment:	52.2%
<i>of which boys:</i>	62.7
<i>of which girls:</i>	51.5
GDP (USD):	2.8 billion
Agriculture (% of GDP):	37.6%
Industry	20.4%
Services	41.9%
Inflation (2000)	2.0%
Total exports (2002)	USD 254 million
<i>of which cotton:</i>	USD 141 million
Total imports	USD 577 million

Annex 2B: Chronology

of some national events and the context of budget support in Burkina Faso

Period	Event	Comments
1983–87	Revolutionary political regime	
1984–88	'Self-adjustment' period	Severe measures aiming at economic and financial recovery without the participation of Bretton Woods institutions.
1991	Adoption of the Constitution establishing a democratic state	A democratic regime and the rule of law mark the end of the exceptional regime.
1991	Adjustment policy begins	The economic structural reforms agreed with the Bretton Woods institutions are implemented by the State.
1994	50% devaluation of the CFA franc and creation of the West African Economic and Monetary Union (WAEMU).	The CFA franc was devalued by 50%. Support measures were financed by donors.
1994	Law on the organisation of trade in Burkina Faso	Creation of a National Commission for Competition and Consumption
1996	20/20 Initiative launched by Belgium, the Netherlands, UNDP and UNICEF as a framework for mobilising internal and external resources to a level of 20%	Burkina Faso applies to participate in a pilot of this resource mobilisation framework for the health, education, drinking water and environment sectors.
1997–2000	Test on the conditionality reform	
1997	Burkina Faso eligible for the HIPC initiative	An initiative to relieve the debt of heavily indebted poor countries.
1998	Assassination of the journalist, Norbert Zongo	Strong popular emotion/mobilisation for good governance and respect for human rights and democracy.
2000	Adoption of the CSLP (Burkina Faso's PRSP)	After the plans and the Economic Policy Framework Documents, the PRSP becomes the reference document.
2000	Creation of the Cour des Comptes (Court of Auditors)	
2002	BF reaches the culmination point of the consolidated HIPC initiative	
2002	Government authorises the signing of the Joint Budget Support Memorandum of Understanding for the PRSP	An initial group of 6 partners: Belgium, the European Union, Denmark, the Netherlands, Sweden and Switzerland
2003	Revision of the PRSP.	
2005	Promulgation of the law on the General Territorial Communities Code in Burkina Faso	Burkina Faso is organised into territorial communities bestowed with legal identity and financial autonomy. The territorial communities are the region and the commune.
2005	Signature of the General Framework for the Organisation of Budgetary Support and the Implementation of PRSP. (CGAB-CSLP)	

Annex 2C: Millennium Development Goals for Burkina Faso

1. The MEDEV/UNDP report⁴ published in 2003 on the monitoring of the Millennium Development Goals (MDG) indicates that after four years of PRSP implementation, progress has been noted in the reduction of infant mortality, maternal mortality and the fight against HIV/AIDS. The report presents the results of an evaluation of Burkina Faso's capacities in terms of MDG monitoring. Burkina Faso has fairly average capacities for monitoring these Goals.

2. The report shows that for several MDGs the government has set its own goals, generally less ambitious than the MDGs. The report defines Burkina Faso's chances of achieving the eight Goals as follows:

I. Eradicate extreme poverty and hunger

According to the millennium commitments, the reduction in absolute poverty should be from 46.4% in 2003 to 23.2% in 2015. The government has preferred to set itself a target of 30% by 2015. However, forecasts made by the INSD (National Institute for Statistics and Demography) predict a poverty level of 49% in 2015.

According to the millennium commitments, the proportion of people suffering from hunger should be reduced from 42% in 1996 to 21% in 2015. This will not be the case. It can be deduced from this that in all likelihood Burkina Faso will not achieve the targets set for this first MDG.

II. Achieve universal primary education

The national objective for Burkina Faso is to progress from a gross school enrolment rate of 52% in 2003 to 70% in 2010. Forecasts give an enrolment rate of 63% in 2010 and 86% in 2015. Burkina Faso is unlikely to achieve the targets set for the second MDG.

III. Promote gender equality and empower women

The millennium goal is to bring the female/male ratio in primary education to 1 by 2005 and in the rest of the education system by 2015. At the national level the government kept a ratio of 0.85 in 2005 for primary education (this was 0.64 in 1990) and 0.80 in 2005 for secondary education (this was 0.52 in 1990). Forecasts predict a ratio of 0.79 in 2005 for primary education. However, the 0.8 ratio for secondary education was achieved in 2003. The government has reached its own goals for secondary education, but will probably not reach the millennium goal for primary education. It is nevertheless possible that the ratio for secondary education will be achieved from 2010.

IV. Reduce child mortality among the under fives

The millennium goal amounts to reducing infant mortality from 187 per thousand in 1993 to 62.3 per thousand in 2015. Forecasts give a figure of 33.3 per thousand in 2015. Burkina Faso is thus on course to achieve the target for this millennium goal.

V. Improve maternal health

⁴ Ministry of Economy and Development/UNDP: *Rapport pays : Suivi des Objectifs du Millénaire pour le Développement* (Country report: Monitoring of Millennium Development Goals) Ouagadougou, December 2003

According to the millennium goal, maternal mortality should fall from 586 deaths per 100,000 live births in 1993, to 142 deaths in 2015. The national objective has been set at 290 deaths in 2010. Forecasts give a figure of 209 deaths in 2015. The target set for this millennium goal will probably not be achieved in Burkina Faso.

VI. Combat HIV/AIDS, malaria and other diseases

The millennium goal aims to stop the spread of HIV/AIDS by 2015 and to reverse the trend. The rate of spread registered a drop in 2002 (4.2%) in comparison with 2001 (6.5%). The EDS3 survey of 2003 has revealed that the rate of spread has fallen to less than 2%. Burkina Faso is thus on course to achieve the target set for this millennium goal.

VII. Ensure environmental sustainability

The government has already prepared and implemented a certain number of reforms and policies: the National Programme for Territorial Management, the National Programme for Combating Desertification, the Integrated Water Management Programme and the National Environment Plan. Burkina Faso has ratified the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, and the Convention to Combat Desertification. Despite these numerous initiatives to provide answers to environmental problems, wooded areas have been reduced by a third in 20 years (1980–2000). Reforestation is progressing at around 4% a year.

The millennium goal concerning access to drinking water aims to reduce the percentage of the population that does not have access to drinking water from 60% in 1990, to 30% in 2015. Current forecasts predict a level of 26.5% in 2005 and 4.2% in 2015.

The millennium goal regarding the significant improvement in the lives of at least 100 million slum dwellers should be effected by an improvement in the level of sanitation and comfort. The level of 'latrinalisation' in Burkina Faso remains very low: it has risen from 27.8% of households in 1998 to 33.3% in 2003. Methods for removing rubbish and draining liquid waste are still very underdeveloped.

Burkina Faso could probably meet the result set for the millennium goal relating to drinking water. It has the potential to achieve the goal concerning sustainable development; however, it would be difficult for the country to reach the goal set in terms of sanitation.

VIII. Develop a global partnership for development

The results recorded by Burkina Faso under the 20/20 initiative, the HIPC initiative and the evolution of public development aid over recent years indicate that this country has been able to establish active collaboration with donors. It is therefore likely to meet the result set for this last millennium goal.

Annex 2D: The Problem of Contradictory Poverty Analyses

1. Under the responsibility of the Ministry for the Economy and Development, the National Institute for Statistics and Demography (INSD) is the body responsible for providing statistical information on economic and social life in Burkina Faso.
2. According to the results published by INSD, the proportion of the population living below the poverty threshold increased from 44.5% in 1994 to 45.3% in 1998 and to 46.4% in 2003 (see Chapter A2, ¶A2.3). These figures caused surprise and have been the subject of a number of counter-arguments.
3. The INSD conducted three surveys into household living conditions in 1994, 1998 and 2003 respectively. These three surveys are based on a representative sample of households (between 8,000 and 9,000, or 60,000 people) and have provided detailed information on family composition, the characteristics of its members, on the different resource categories, both monetary resources and natural resources (for home consumption), and also on household expenditure. One of the main objectives of these evaluations is an assessment of the poverty situation and an estimate of the proportion of households living below the poverty line.
4. The poverty line is defined as the necessary budget per inhabitant to ensure the consumption of 2,283 calories per day, multiplied by a certain coefficient in order to take account of non-alimentary consumption. This approach has led to a poverty line of 41,099 CFA francs in 1994, 72,690 CFA francs in 1998 and 82,672 CFA francs in 2003. From these levels, it can be estimated that the proportion of the population living below the poverty line reached 44.5% in 1994, 45.3% in 1998 and 46.4% in 2003. At first glance it is noted that poverty in Burkina Faso has increased by around 2 percentage points over the period 1994 to 2003.
5. The survey data has been successively reanalysed by different authors, notably by Lachaud on behalf of UNDP, by Tesliuc and Koné for the World Bank and by Grimm and Günther on behalf of a group of five International Partners (AFD, BMZ, KfW, DFID and the World Bank).
6. The Lachaud study confirms the INSD analysis, that is, a slight increase in poverty from one survey to the next. Lachaud limits his comparison to the last two surveys and he does not question their comparability.
7. In contrast, the two other studies question this conclusion after a detailed analysis of the comparability of the three surveys, which effectively appears to be debatable. The main factors likely to affect the comparability of the three surveys are the following:
 - The 1994 survey was conducted after the harvest period (October to January) while the two subsequent surveys were carried out before the harvest period (April to August). It is assumed that households tend to reduce their consumption when they have used up their previous stocks of food products. According to several studies carried out into the size of this reduction (in other African countries), it is estimated that consumption falls by 13–6% during the period immediately before the harvest compared to the period immediately following the harvest.
 - The recall period changed from one study to another. The recall period is the period for which the respondent must give an estimate of the household's consumption over the last week, the last fortnight and the last year. In 1994, the recall period lasted 30 days for food consumption while in 1998 and 2003 it was 15 days. Response accuracy tends to fall when the recall period is longer, but a longer period

is more representative of the average level of consumption. In fact, the ideal would be to obtain data concerning actual annual household consumption, which is impossible.

- The number of expenditure categories has increased from one survey to the next. In 1994, there were 50 products, in 1998, 70 products and in 2003, 80. Naturally, this represents a desire on behalf of the INSD to improve the quality of the data collected; however, this seriously affects comparability.
- The weight of non-food products in relation to expenditure on food has risen from one survey to another. It is not clear if this weight correctly reflects the situation of poor households. In every instance, for reasons of comparability, it is safer to keep the same proportion for the respective weights of food and non-food product expenditure.
- The price index used, the CPI (the Consumption Price Index), is the national index. It does not correspond exactly to the price index for poor household consumption, which contains fewer imported goods. The price of imported goods has increased rapidly since the 1994 devaluation, but this increase has not affected the quantity of food consumed by the poor in the same way.

8. The INSD study does not adjust the results for any of these factors, which poses problems for comparability. The World Bank study is principally based on comparable products (around 80%), and by applying the same 80% to the 1998 study it emerges that the proportion of poor households was more than 54% in 1998, which signifies an 8% drop in the poverty level. This approach does not consider the remaining 20% of products in a convincing way, which could have an effect on evaluating poverty.

9. The Grimm/Günther study is the most detailed. It covers the three surveys and makes chronological adjustments that take changes in climatic conditions into account (more or less favourable depending on the amount of rainfall). The study concluded that poverty is falling, which is confirmed by the fact that during this period economic growth has been positive (around a 30% rise in per capita GDP), while the GINI inequality coefficient for income distribution has remained constant (0.44). Thus, it is difficult to maintain that the benefits of economic growth have been absorbed exclusively by the richest deciles of the population, which is consistent with the fact that the proportion of poor households has fallen.

10. The study identifies two periods: the first is characterised by an increase in poverty (1994–1998) and the other is characterised by a significant drop (1998–2003). Over the period 1994–1998, the proportion of poor households increased from 55.5% to 61.8% while during the second period (1998–2003), this proportion has fallen considerably, from 61.8% to 47.2%. The study also shows that household poverty has above all fallen in rural areas, whilst it has increased slightly in urban areas. This indicates a tendency towards a better income distribution between rural and urban areas over the whole period. The study is in agreement with the other studies over the current poverty level, as the estimate of 47.2% in 2003 is not significantly different from that of 46.4% by the INSD. The main difference lies in the interpretation of the trend, which has been positive in recent years.

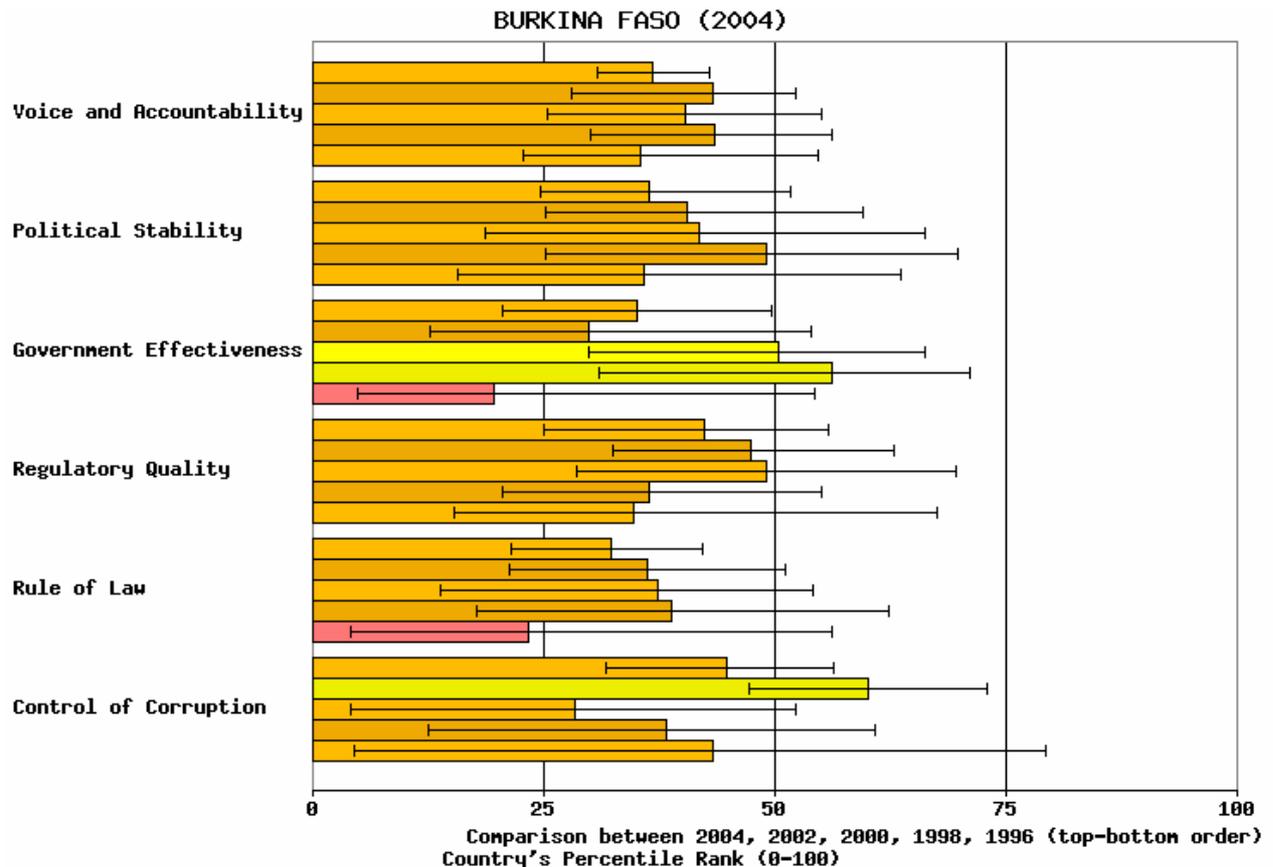
11. In conclusion, none of the studies question the estimated level of poverty as it was measured in 2003. This level is in the region of 46–47%. The debate revolves exclusively around the comparability of the previous studies, which had underestimated the poverty level.

Annex 2E: Governance

1. This annex presents an overall picture of complementary aspects of governance in Burkina Faso, drawing on four main sources

- Data on economic and political governance recently published by the World Bank (April 2004)
- World Bank data relating to the business environment (Doing Business)
- Progress made by Burkina Faso relating to convergence in the context of the WAEMU
- The UNDP report on sustainable development in Burkina Faso, relating to the description of the fight against corruption.

World Bank Data (April 2005)



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi 2005: Governance Matters IV: Governance Indicators for 1996-2004 (<http://www.worldbank.org/ubi/governance/pubs/govmatters4.html>)

2. The graph above is based on a database on governance developed by the World Bank, in which a large number of indicators⁵ are aggregated into six composite indicators on: 1. Voice and Accountability; 2. Political Stability and Lack of Violence; 3. Government Effectiveness; 4. Regulatory Quality; 5. Rule of Law; 6. Control of Corruption. The indicator values are relative (as explained below), which allows for comparisons across countries. Indicators were measured five times over the last twelve years (1996, 1998, 2000, 2002 and most recently 2004), hence also allowing for an analysis of trends over time for each country and indicator – although both types of analyses must be undertaken with great caution according to the WB authors of the database. The graph above indicates the evolution of the six indicators for Burkina Faso, over the period 1996–2004.

3. The above chart depicts the percentile rank on each governance indicator. Percentile rank indicates the percentage of countries worldwide that rate below the selected country (subject to margin of error). Selected comparator (if any) is depicted by the lower bar for each governance indicator. In the Bar Chart, the statistically likely range of the governance indicator is shown as a thin black line. For instance, a bar of length 75% with the thin black lines extending

⁵ Data collected through: Afrobarometer (AFR), Business Environment & Enterprise Performance Survey (BEEPS), Business Environment Risk Intelligence (BRI, QLM), Country Policy & Institutional Assessment (CPIA), State Failure Task Force State Capacity Survey (CUD), Global Insight (DRI), European Bank for Reconstruction and Development (EBR), The Economist Intelligence Unit (EIU), Freedom House (FRH, FNT), Gallup International (GAL, GMS), World Economic Forum (GCS, GCSA), Heritage Foundation/Wall Street Journal (HER), Human Rights Database (HUM), Latino-barometry (LOB), Political Risk Services (PRS), Reporters Without Borders (RSF), Institute for Management Development (WCY), World Markets Online (WMO), Price Waterhouse Coopers (PWC), The World Business Environment Survey (WBS, WDR).

from 60% to 85% has the following interpretation: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. However, at the 90% confidence level, only 60% of the countries rate worse, while only 15% of the countries rate better. Higher values imply better governance ratings. Each chart colour pattern follows a simple quartile distribution (for illustrative purposes): the best quartile (over 75th percentile) is in green (with top 10th colored in darker green), the second best (over 50th) is in yellow, the third (over 25th) is in orange, and the fourth is in red (with bottom 10th in darker red).

4. If the data are to be believed (and they should be used with caution on the advice of those responsible for setting up the database), the graph above seems to show a history of “unfulfilled promise” for five of the six composite economic and political governance indicators. As regards Rule of Law, Regulatory Quality, Government Effectiveness, Political Stability and Voice and Accountability, Burkina Faso is doing less well than was the case during the years 1998–2002. Surprisingly in view of civil society and donor perceptions, the graph seems to show an improvement in regard to the fight against corruption, although the strong trend in 2002 seems to be slowing down in 2004.

Doing Business in Burkina Faso

Snapshot of Business Environment – Burkina Faso⁶

5. The tables below provide a snapshot of the business climate in Burkina Faso by identifying specific regulations and policies that encourage or discourage investment, productivity, and growth. Key indicators are used to help measure the ease or difficulty of operating a business: starting a business, hiring and firing workers, registering property, getting credit, protecting investors, enforcing contracts, and closing a business. To compare the business climate of Burkina Faso with that of other economies, click on the topic name. Regional and high-income OECD averages are provided in each topic for comparison.

Economy Characteristics (2004)

Variable	Burkina Faso	Regional Average	OECD Average
Region	Sub-Saharan Africa		
Income category	Low income		
GNI per capita (US\$)	300	562	25,773
Informal economy (% GNI, 2003)	38.4	42.3	16.8
Population (millions)	12.11	19.5	41.5

Starting a Business (2004)

6. The challenges of launching a business in Burkina Faso are shown below through four measures: procedures required to establish a business, the associated time and cost, and the minimum capital requirement. Entrepreneurs can expect to go through **12** steps to launch a business over **45** days on average, at a cost equal to **152.8%** of gross national income (GNI) per capita. They must deposit at least **498.6%** of GNI per capita in a bank to obtain a business registration number, compared with the regional average of **254.1%** of GNI and OECD average of **44.1%** of GNI.

Indicator	Burkina Faso	Regional Average	OECD Average
Number of Procedures	12	11	6
Time (days)	45	60	25
Cost (% of income per capita)	152.8	225.2	8.0
Min. capital (% of income per capita)	498.6	254.1	44.1

Hiring and Firing of Workers (2004)

7. The difficulties that employers in Burkina Faso face in hiring and firing workers are shown below. Three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Conditions covered by the indices include: availability of part-time and fixed-term contracts, working time requirements, minimum wage laws, and minimum conditions of employment. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices. For Burkina Faso, the overall index is **90**, compared with the regional average of **56.0** and OECD average of **34.4**. Firing costs are calculated on the basis of the number of weeks worth of salary in severance, notification and penalties that must be paid to dismiss a worker.

⁶ Source: World Bank <http://rru.worldbank.org/DoingBusiness>

Indicator	Burkina Faso	Regional Average	OECD Average
Difficulty of Hiring Index	100	53.2	26.2
Rigidity of Hours Index	100	64.2	50.0
Difficulty of Firing Index	70	50.6	26.8
Rigidity of Employment Index	90	56.0	34.4
Firing costs (weeks of wages)	80	59.5	40.4

Registering Property (2004)

8. The ease with which businesses can secure rights to property is measured below using the following indicators: the number of procedures necessary to transfer a property title from the seller to the buyer, and the time and the costs as a percentage of the property value. In Burkina Faso, it takes 107 days to register property, compared with the regional average of 114.0 and OECD average of 34.

Indicator	Burkina Faso	Regional Average	OECD Average
Number of Procedures	8	7	4
Time (days)	107	114	34
Cost (% of property value)	16.2	13.2	4.9

Getting Credit (2004)

9. Measures on credit information sharing and the legal rights of borrowers and lenders in Burkina Faso are shown below. One set of indicators measures the coverage, scope, quality and accessibility of credit information available through public and private registries. A second set measures how well collateral and bankruptcy laws facilitate lending. It ranges from 0–10, with higher scores indicating that those laws are better designed to expand access to credit. Burkina Faso has a score of 4, compared with the regional average of 4.6 and OECD average of 6.3. The Credit Information Index measures the scope, access and quality of credit information available through public registries or private bureaus. The index ranges from 0–6, with higher values indicating that more credit information is available from a public registry or private bureau. Burkina Faso has a score of 2, compared with the regional average of 2.1 and OECD average of 5.0.

Indicator	Burkina Faso	Regional Average	OECD Average
Cost to create collateral (% of income per capita)	22.2	41.8	5.2
Legal Rights Index	4	4.6	6.3
Credit Information Index	2	2.1	5.0
Public credit registry coverage (borrowers per 1000 adults)	2	1.1	76.2
Private bureau coverage (borrowers per 1000 adults)	0	39.4	577.2

Protecting Investors (2004)

10. The degree to which investors are protected through disclosure of ownership and financial information is measured below. The Disclosure Index captures seven ways of enhancing disclosure: information on family; indirect ownership; beneficial ownership; voting agreements between shareholders; audit committees reporting to the reporting to the board of directors; use of external auditors; and public availability of ownership and financial information to current and potential investors. The index varies between 0 and 7, with higher values

indicating more disclosure. Burkina Faso has a score of 1, compared with the regional average of 2.1 and OECD score of 5.6.

Indicator	Burkina Faso	Regional Average	OECD Average
Disclosure Index	1	2.1	5.6

Enforcing Contracts (2004)

11. The ease or difficulty of enforcing commercial contracts in Burkina Faso is measured below, using three indicators: the number of procedures counted from the moment the plaintiff files a lawsuit until actual payment, the associated time, and the cost (in court and attorney fees), expressed as a percentage of debt value. In Burkina Faso, the cost of enforcing contracts is 92.5, compared with the regional average of 43.0 and OECD average of 10.8.

Indicator	Burkina Faso	Regional Average	OECD Average
Number of Procedures	41	35	19
Time (days)	458	434	229
Cost (% of debt)	92.5	43.0	10.8

Closing a Business (2004)

12. The time and cost required to resolve bankruptcies is shown below. Costs include court costs as well as fees of insolvency practitioners, lawyers, accountants, etc. The Recovery Rate measures the efficiency of foreclosure or bankruptcy procedures, expressed in terms of how many cents on the dollar claimants recover from the insolvent firm. The recovery rate in Burkina Faso is 6.4, compared with the regional average of 17.1 and OECD average of 72.1.

Indicator	Burkina Faso	Regional Average	OECD Average
Time (years)	4.0	3.6	1.7
Cost (% of estate)	8	20.5	6.8
Recovery rate (cents on the dollar)	6.4	17.1	72.1

Progress in terms of convergence with WAEMU regional criteria

13. Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU) – a group of eight countries created in 1994 and emanating from the larger CEAO group created in 1975. These countries share a single currency and have established a Central Bank which manages the monetary policy of the eight members. These eight countries have also begun a process aiming to transform them into a customs union and single economic market. In order to do this, the Heads of State and the governments, who represent the supreme decision-making body in terms of policies followed by the group, have established convergence criteria, which are regularly evaluated in important policy documents in Burkina Faso, including the PRSP.

14. The 2002–04 PRSP reviews progress in relation to these criteria as follows:

Criteria	2000	2001	2002	Norm
Primary criteria				
Basic fiscal balance (commitment basis including grants) to GDP (%)	-1.6	-2.7	-3.7	Min 0
Annual average inflation rate (HCPI) (%)	-0.3	4.9	2.3	Max 3
Total debt to nominal GDP (%)	54.8	50.1	46.3	Max 70
Non-accumulation of payment arrears (domestic and external)	0	0	0	0
Secondary criteria				
Wage bill to fiscal revenue (%)	43.8	46.3	42.7	Max 35
Domestically financed investment to fiscal revenue (%)	26.3	35.3	37.4	Min 20
External current account deficit to nominal GDP (%)	15.0	13.3	11.8	Max 5
Revenue ratio (%)	11.0	10.2	10.6	Min 17

Source: CID-TOFE, IAP

15. The Burkina Faso Government takes making progress towards convergence seriously. Some officials have however drawn attention the fact that there would be cause to investigate the definition of certain criteria. For example, the calculation of the domestically financed investments to fiscal revenue ratio now poses the question of knowing if there are grounds for excluding GBS from the denominator as well as the numerator.

The plan for combating corruption

16. The UNDP report on sustainable human development in Burkina Faso presents a plan for combating corruption composed of numerous organisations:

- The General State Inspectorate (IGE), created by a legal text in 1993, is the highest control authority. It is attached to the Prime Minister and its field of action covers the administrative and financial management of central/regional government, State institutions and diplomatic missions. However, the General State Inspectorate can only act on the request of the Head of State, the Prime Minister or the President of the National Assembly, or it can take any corruption or bad management incidents into its own hands. The Inspectorate produces around 15 reports a year. These reports are addressed to the Prime Minister, who decides on the follow-up to be undertaken. The Inspectorate does not have the authority to publish its reports or to complain to the courts.
- Technical inspectorates of ministerial department services: each ministerial department has a technical inspectorate responsible for controlling the application of legislative and statutory texts and for support and guidance in applying the department's policy.
- The Court of Auditors (CC), established in 2000 by an organic law, is a higher jurisdictional institution for controlling public finances. Its tasks are to protect public heritage, the accuracy of accounts and the good allocation of resources, crackdown on management errors, assistance to the National Assembly in controlling budget execution, etc. The Court of Auditors can have any inspection report disseminated and can, via its public prosecutor, refer actions constituting offences and crimes directly to the competent jurisdictions. It compiles an annual general report for the President of the National Assembly and an annual report for the Head of State, which is then published in the official state bulletin.
- The National Coordinating Body for Combating Fraud (CNLF), established by decree in 1994, comes under the Minister in charge of finances. It is responsible for: coordinating the actions of the different administrations which play a role in combating fraud, proposing the national strategy for combating fraud and ensuring its implementation, recording and pursuing cases of fraud uncovered during its inspections in the courts, etc. Over recent years the CNLF's activities have focused on both prevention and crackdowns: 119 million CFA francs were recovered in fines and penalties by CNLF in 2002. It is not well known by the public, lacks funds and does not publish its reports.
- The National Commission for Competition and Consumption (CNCC) was created by law in 1994 in order to give opinions on anti-competitive practices and events that seem to constitute violations of competition, in the sense of the law. The 1994 law was revised in 2001 to increase the Commission's powers: since then the Commission's jurisdiction, previously reserved to the administration, has been extended to economic agents and consumers' associations. It can also submit its own cases. Furthermore, the Commission can currently hear the parties to a dispute and inflict sanctions. It is not well known to the public. It publishes its annual reports which feature the cases that it has dealt with.
- The National Ethics Committee was founded in June 2001 by decree. The Head of State decided on its creation during the Day of Pardon, instituted following popular protests arising from the assassination of the journalist, Norbert Zongo. The Committee is responsible for ensuring the protection of secular and republican values. It makes proposals in relation to the raising of moral standards in public life and the preservation of the public sense of civic responsibility. It is composed of representatives of the usual and religious authorities, the Court of Auditors, the General State Inspectorate, the

Burkina Faso Mediator and key figures designated by the Head of State. It published its first report in 2003.

- The High Authority for Coordinating the Fight against Corruption (HACLCC) was established by decree in 2001 and comes under the Prime Minister. This institution is the central element in combating corruption. It is responsible for coordinating the combating of corruption and assisting the government in preventing, denouncing and combating financial delinquency and corruption within the administration. The High Authority can use the reports of the General State Inspectorate and the technical inspectorates, make recommendations on control structures, make proposals to the Prime Minister, etc. The High Authority communicates its annual report to the Prime Minister, but cannot publish it. Reports for 2002 and 2003 have been submitted. The High Authority is not well known by the public and suffers from insufficient resources to fully exercise its important mission of coordinating the combating of corruption. Finally, the confidential nature of its annual report limits the impact of its activities.

17. Outside of the bodies cited above, it is important to signal that other organisations participate in the anti-corruption campaign. The National Assembly can create a commission regarding a situation or a case, when it deems this necessary.

18. Civil society, the unions and the media also play a role in combating corruption. Civil society, notably through REN-LAC and human rights defence movements and associations such as MBDHP (Burkina Faso Movement for Human and Peoples' Rights) participate directly and indirectly in combating corruption.

19. The National Network for the Fight Against Corruption (REN-LAC) was created in 1997 with NGO status. It has set itself the principal mission of working to combat corruption. It runs awareness-raising campaigns, sees to the application of existing laws, makes codification proposals for combating corruption, receives and instructs complaints, etc. REN-LAC does not have the capacity to appear in court, which hinders its capacity to bring certain complaint cases. REN-LAC regularly publishes daily press articles under the heading 'corruption in the city'. Also, in 2000 and 2001 it compiled a report on corruption in Burkina Faso. However, the Network's effectiveness is limited by restrictions on access to information at the level of public markets, customs and justice.

ANNEX 3: AID TO BURKINA FASO

Introduction

1. Annex 3A provides an inventory of GBS and related programmes 1994–2004. The tables that follow provide data for:

- Table 3A.1 Standard Summary of PGBS Flows
- Table 3A.2 Summary of Annual BS Disbursements (1994–2004, including BOP and structural adjustment loans – agriculture)
- Table 3A.3 Monthly disbursements of PGBS in 2002 and 2004
- Table 3A.4 IMF related Activities and Programmes in Burkina Faso
- Table 3A.5 Summary of EC Budget Support in Burkina Faso (1991–2004)

Data collection

2. Data on aid comes from several sources. The General Directorate of the Budget has the most accurate data, but these data are far from complete as only aid inscribed in the budget is registered. Two other sources that also comprise extra-budgetary aid are the OECD DAC database and the General Direction of Cooperation (DGCOOP) of Burkina Faso in cooperation with UNDP. The latter source produces the highest figures in most of the cases as it not only includes budgetary and extra budgetary aid, but it also uses gross figures for credits, where OECD uses net figures, and it includes grants from non-OECD countries such as Taiwan as well.

3. The presently available data cover the period 1995 to 2002 while 2003 is in the process of being finalised. However, even after publication DGCOOP continues modifying figures when missing data from donors or governmental resources become available. As a consequence figures may differ from one annual report to another although differences are generally small.

4. Table 3A.1 provides a summary of aid flows in Burkina Faso for the period studied (1994–2004). It is a standard table found in all seven country reports for the GBS Evaluation, and has two purposes, that is: (i) to highlight exactly what has been identified as PGBS, and from whom; and (ii) to enable amounts of PGBS to be compared and aggregated (albeit crudely) across the seven study countries. Presenting this information in a format that can be aggregated across countries involved certain compromises, such as the use of data from sources that do not always tally with in-country sources.

Annex 3A: Inventory of GBS and Related Programmes 1994–2004⁷

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
1. Volume		EC: €128.1 million targeted + €81.8 million non targeted	\$700 million (nominal terms)		
2. Programmes included	<ul style="list-style-type: none"> IMF ESAF 1994–96 : \$80 million IMF ESAF 1996–98 : \$57 million WB Economic Recovery Credit: \$25 million (1994/95) WB Economic Management Reform Support Operation: \$15 million (1998–99) WB SAC III: \$25 million (1999–2000) 	<ul style="list-style-type: none"> EC BS 93/95 (CF5126): €45.25 million (targeted) EC BS 94/95 (CF5433): €10.35 million (targeted) EC BS 95/96 (CF5552): €29.15 million (targeted) EC BS 97 (CF5703): €6.4 million (targeted) EC BS 97/98 (CF5778): €10 million (targeted) EC BS 98/99 (CF6005): €26.95 million (targeted) EC BS 99/00 (CF6200): €48.2 million (non targeted) EC PARI II (regional): €10.5 million (non targeted) EC BS 2001 (CF6413): €23.10 million (non targeted) 	<p>HIPC decision point (1st initiative): 1997</p> <p>HIPC completion point (1st initiative) coinciding with decision point (enhanced initiative): 2000</p> <p>HIPC completion point (enhanced initiative): 2002</p> <p>Establishment of specific budget financing mechanism in 2001.</p>	<ul style="list-style-type: none"> IMF PRGF 1999–2002: \$54 million (initially approved as an ESAF in Oct 1999 but renegotiated as a PRGF in Nov 1999). IMF PRGF 2003–06: \$34 million. 	<p>Start: PRSC-1 for WB (though not much partnership; simultaneous to EC BS 2001 not included here).</p> <p>Start: other IPs: signature of 1st GBS protocol (April 2002): "Soutien Budgétaire Commun au CSLP⁸" (SBC-CSLP).</p> <p>Signature of 2nd GBS protocol (April 2005): « Cadre Général d'organisation des Appuis Budgétaires en soutien à la mise en œuvre du CSLP » (CGAB-CSLP). Joined by WB, AfDB and France (see more in point 6(a)).</p> <ul style="list-style-type: none"> PRSC 1 to PRSC 5 (2001 to 2005): \$250 million⁹ EC PRBS 2002/04 (8 ACP BK 40): €125 million (including 2.5 million TA). Other PGBS donors: Netherlands; France (joined CGAB in 2005 but provided GBS throughout); Belgium (stopped in 2004); Sweden; AfDB; Switzerland; Denmark (3-year support projected, starting 2005/2006)

⁷ The inventory of programme aid in Burkina Faso (Annex 3A) includes this summary matrix; two tables with (i) financial data on annual BS disbursements for 1994-2004, and (ii) monthly disbursements for 2002-2004; a summary of the IMF-related programmes and activities since Burkina Faso joined the IMF in 1963; a summary of the EC BS operations during the period of the study.

⁸ CSLP: Cadre Stratégique de Lutte Contre la Pauvreté (PRSP); CASRP : Crédit d'Appui à la Stratégie de Réduction de la Pauvreté (PRSC) ; SBC-CSLP : Soutien Budgétaire Commun au CSLP (Joint Budget Support to PRSP).

⁹ By end February 2005 Burkina Faso was the only other country with Uganda, to have concluded its 4th PRSC. PRSC-5 was approved subsequently in the 1st half of the year 2005.

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
<p>3. Intent of Programme</p> <p><i>What were/are the stated objectives of the programme (e.g. structural adjustment, poverty reduction, sector support)?</i></p> <p><i>What were/are the particular areas of focus? (e.g. public services, economic reforms, etc.)</i></p>	<p>Primarily, structural adjustment (administrative reforms focusing on tax administration and PFM incl. reorientation of budget/ spending toward social sectors; domestic and foreign trade liberalisation; privatisation; agricultural sector reform).</p> <p>Nevertheless, early emphasis on social sectors (e.g. WB ERC 1994 stress “increase in social sector expenditures in real terms; establishment of a list of essential drugs”): post-1994, protection against negative effects from devaluation; following eligibility to HIPC (1997) aim of ensuring implementation of policy priorities agreed under this framework.</p> <p>WB EMRSO had also a specific objective of facilitating regional integration (following introduction of WAEMU new tariff structure).</p> <p>SAC III intents were in continuation of previous programmes’ ones (incl. continued emphasis on social sectors and PFM: MTEF and programme budgeting). It was instrumental in</p>	<p>Throughout the period the EC and several donors gave macro-economic support. During 1994–96, primary aim: ease adverse socio-economic effects of 1994 devaluation of the CFAF. During 1997–2000/01, lower volume.</p> <p>During the period, the EC shifted from targeted to non targeted BS around 1999 (prior to PRSP approval, reflecting orientations arising from “test on new conditionality”, see point 8 below). It also shifted from BOP/BS to direct budget support (see more on this in point 5 below) between the 7th and 8th EDF i.e. between 1997 and 1998.</p> <p>Over the period EC support evolved, based on thinking stemming from the test on conditionality and taking into account the emergence of the PRSP and several sector strategies in the wake of Burkina’s eligibility status to HIPC debt relief.</p> <p>However, throughout the period there was a strong emphasis on the social sectors (basic education and health). In summary, for the period 1991–1998 (targeted BS), 60% of the support was used to finance specific recurrent and investment expenditures in basic education and health (excl. salaries); 13% helped</p>	<p>As in all eligible countries, HIPC aims at linking debt relief to poverty reduction through use of resources freed up from debt service on social sectors.</p> <p>Burkina Faso was among the very first countries to be eligible for HIPC relief.</p> <p>It also established a strict targeting mechanism for the use of HIPC resources which is quite specific to the country (see point 5 below).</p>	<p>PRGF supports PRSP. Generally PRGF are more focused on IMF’s core areas of expertise, and this is the case in Burkina Faso too.</p>	<p>Support to poverty reduction is overarching intent for all PGBS IPs.</p> <p>WB PRSCs: Effectiveness of public expenditure and transparency and accountability in use of public resources; and macro stability and economic growth are fundamentals for poverty reduction hence pre-requisite. Final objective: strengthening govt capacity to develop and implement its own development policies and programmes through focus on results. Areas of focus: public sector reform (mainly PFM) and pro-poor sector policies.</p> <p>Sweden: reduction of transaction costs.</p> <p>France: also contribution to closing budget deficit in line with IMF agreed framework.</p> <p>Netherlands: partnership, strengthening govt leadership, H&A, support to good governance and sound PFM.</p> <p>Switzerland: own revenue mobilisation.</p> <p>EC: continuation of 1999 and 2001 non targeted BS programmes; emphasis on macro stability required for growth and taking into account regional integration; poverty reduction and especially, improvements in education and health services and improvements in PFM. EC support is support to the govt budget and contribution to closing budget deficit in line with IMF agreed framework.</p>

General Budget Support in Burkina Faso

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
	<p>accompanying the PRSP preparation process through studies on health, education, public investment, and budget procedures for financial deconcentration which, after being discussed with civil society and other IPs, were used to finalise govt PRSP.</p>	<p>eliminating domestic arrears (mainly 1994–96); 16% (93–94) was used for agriculture restructuring activities (also supported by a WB sector adjustment loan, see point 11); 4% used for road maintenance in state budget and 3% for support to elections (1997).</p> <p>The 1999 programme (first non targeted BS) focused on PFM reforms and education and health sector performance through conditions for tranches (see point 5) + focus on regional integration + link with HIPC completion point.</p> <p>The 2001 programme (coming after PRSP approval and HIPC completion point for the initial initiative) is similar in focus (excl. regional integration).</p>			

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
<p>4. Alignment with National Strategies <i>Is/was the programme aligned with a particular national strategy (e.g. the PRSP)?</i> <i>Please give details.</i></p>	<p>General adjustment based on macro policy dialogue and successive govt letters of policy/intent (among which 1995 Letter of Sustainable Human Development was considered as an important statement of govt concern of balancing the reform agenda).</p> <p>WB: emerging alignment with/ support to emergence of sector policy and strategic framework. Sector Investment Programmes were based on Sector Policy Papers, or inversely, supported the work to elaborate such policies (in education: Plan Décennal de Développement de l'Education de Base, PDDEB, 2001; in health: Plan National de Développement Sanitaire, PNDS, 2001).</p>	<p>Principally based on assessment of macro-economic framework. However, EC programmes make increasing reference to various "govt documents", which were seen as increasingly "govt-owned".</p> <p>E.g. EC notes that (through close follow-up required by BS targeting) it had been closely involved in the social sectors and had developed a good understanding of their problems. It also notes the progress made with the "Document Cadre de Politique Economique" in 1999, which was "entirely prepared by the govt" (and which EC BS programmes support), and building upon the Letter for Sustainable Human Development (1995) also prepared by the govt.</p> <p>The last EC programme in this series (2001) is a transition operation: already supporting the PRSP, but not yet provided in the context of a partnership agreement with govt and other PGBS donors (SBC signed in 2002, for the next EC operation).</p>	<p>Alignment with sector strategies: HIPC mobilisation (2000–01) coinciding with launching of basic education and health 10 year strategies (PDDEB and PNDS), hence HIPC resources targeted for implementation of priority activities.</p>	<p>IMF recognised as lead in macro discussions with govt (stated explicitly in CGAB).</p> <p>PRGF aligned with PRSP – but it took time for govt to align its MTEF on IMF macro/fiscal projections (!).</p> <p>The 1st PRSP was considered as quite weak by the IMF (and the WB) (see point 11, ref (I), IMF: Burkina was one of the only two PRGF countries in which the PRSP did not include any of the 4 analyses considered as key by the BWIs: past policies and constraints on growth and poverty reduction, sources of growth and PSIA for key policies envisaged).</p>	<p>Alignment with PRSP, and support/alignment with IMG/govt agreed macroeconomic/fiscal framework and with govt programme for PFM reform (PRGB).</p> <p>WB: alignment through detailed PRSC operational matrices; PRSC1-3 expanded considerably the (rather thin) PRSP performance assessment framework; thereafter more closely aligned as in the meantime PRSP included a more operational framework too. PFM measures largely "taken from" PRGB. PRSC approach i.e. matrix "covering" selected PRSP sectors/areas (number of sectors/areas covered expanded from 1st to 2nd series, also in line with PRSP "enlarged" definition of priority sectors).</p> <p>EC: general alignment + specific follow-up in PFM, education and health through variable tranche/ indicator system hence closer alignment for these areas (e.g. PFM indicators also taken from PRGB).</p> <p>Subtle balance between PGBS programmes aligning on govt plans and govt plans inspired from/fed by/ influenced by PGBS donors' requirements (e.g. in PFM dialogue/conditions ←→ PRGB but also more generally e.g. re: sector policies, WB continues to have a great influence on content of policies through specific measures included in PRSC operational matrix.</p> <p>See general discussion on balance between ownership and conditionality in WB "PRSC: A Stocktaking", June 2005.</p>

General Budget Support in Burkina Faso

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
<p>5. Disbursement Procedures</p> <p><i>(a) Is/was there any form of earmarking? Please give details.</i></p> <p><i>(b) Tranches? (fixed/variable etc?)</i></p> <p><i>(c) Any arrangements to align disbursement with the recipient's FY?</i></p> <p><i>(d) Route for transfer of funds? (e.g. direct to central bank, to Treasury, via a special account, etc.)</i></p>	<p>(a) IMF programmes: no earmarking</p> <p>(a) Some WB operations were earmarked, partly based on sectors and on specific activities within sectors</p> <p>(b; c) IMF: multi-annual programmes and disbursement in fixed tranches, in principle aligned with specific FYs, in practice at times depending on completion of conditionality.</p> <p>(b; c) WB: ERC and EMRSO single tranche operations with pre-effectiveness conditionality.</p> <p>(d) Normally via central bank. ERC: BOP with retroactive financing to speed up disbursements</p>	<p>(a) EC BS targeted until 1999. Use of funds agreed ex ante (specific budget lines/ programmes, often in education and health but see point 4 above for other uses). Tranches released against evidence (government report) of compliant utilisation for previous tranche and a number of specific conditions. Use of funds ex post audited.</p> <p>(b) EC targeted BS: successive fixed tranches released against general and specific conditions, including proper use of funds as per agreement.</p> <p>(b) EC untargeted BS programmes: system of fixed, variable and floating tranches:</p> <ul style="list-style-type: none"> • 1999–2000 programme: two main tranches mixing macro, PFM and education and health (1st tranche: policy measures; 2nd tranche includes variable sub-tranches based on results for agreed indicators, 1st time used in Burkina) + two floating tranches (regional integration and HIPC). • 2001 programme: one fixed tranche (disbursed on signature of agreement given satisfactory macro, and timetable for PRSP 	<p>HIPC debt relief funding mobilised through Treasury special account. Funds tightly earmarked on selected programmes and activities in eligible (PRSP priority) sectors. Initially concentrated on basic education, primary health care and rural devt (PRSP priority areas within priority sectors). Menu expanded over time (in line with expansion of PRSP priority sector/ area definition).</p>	<p>No earmarking, multi-annual arrangements; fixed tranches; commitments/ disbursements in principle aligned with specific FY, in practice depending on completion of reviews.</p> <p>Reviews can be delayed for reasons outside of govt control/ability (e.g. conclusion of current PRGF 2nd review due end 2004 postponed in 2005 because of need to revise macro/fiscal framework due to impact of exogenous shocks late 2004).</p>	<p>PRSC</p> <p>(a) No earmarking</p> <p>(b) One annual tranche</p> <p>(c) One year agreement in series of three. Hence, indicative commitment (because of the series of 3) for year N is usually known in year (N-1). But assessment of disbursement triggers for year N is made in year N. There has been progress over time in advancing disbursements (Nov 2001 for PRSC-1; July 2005 for PRSC-5). But it depends on govt progress in aligning PRSP review calendar with PGBS arrangements (and with MTEF and budget calendar!).</p> <p>Others</p> <p>(a) Usually no earmarking. New development: EC next programme (under preparation) will have an “education window” linked to EFA: in addition to usual PGBS in fixed + variable tranches, annual tranche linked to education performance (indicators complementing “main” variable tranche indicators) and notionally earmarked for education sector through MTEF-based demonstration of additionality of this EFA tranche.</p> <p>(b) Mostly two annual tranches, one linked to IMF macro-economic review, second one to progress with PRSP implementation.</p> <p>Tranches fixed, except for EC (variable tranche for progress made on specific areas in PRSP and PFM reform).</p> <p>(c) Various programme designs in terms of commitments: e.g. fixed 3 year for EC; annual for France (but France is considering multi-annual programmes which will be authorised from 2006 following a change in French OBL); annual for Sweden; rolling 3 year (indicative) for Netherlands with annual confirmation by Parliament (only IP matching MTEF 3 year rolling period).</p> <p>Various arrangements re: disbursements too. E.g. EC regularly late for disbursing variable tranches mostly due to delays in APR and/or delays in reports on indicators. Other delays due to irregularity in conclusion of IMF PRGF reviews (not always linked to difficulties with the</p>

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
		<p>follow-up); one variable tranche (results for PFM, education and health indicators); one floating tranche (HIPC, but condition met prior to signature hence immediately available).</p> <p>(c) In principle, tentative calendar of disbursements included in agreements (e.g. EC). In practice, calendar often not respected for various reasons mostly delays in reporting and/or completing actions for floating tranches.</p> <p>Netherlands: 1994–99 co-financing WB structural adjustment programmes; 1999–2000 “nominal” EC co-financing (funds disbursed directly to BCEAO but in “association” with EC to reduce fiduciary risks for Netherlands).</p> <p>(d) During the 1994–2001 period EC also shifted from BOP/BS (with counterpart funds generated against sale of forex for eligible imports – General Import Programmes, this being ex post audited) to direct budget support (no monitoring of use of forex). Programmes financed under the 7th EDF were BOP/BS. From 8th EDF it became direct budget support.</p> <p>EC: counterpart funds generated from forex deposited on a double</p>			<p>programme, e.g. exogenous factors as in 2004).</p> <p>Donors committed to progressively align to “ideal” arrangements proposed in CGAB: assessment in year N of performance of year (N-1) to commit resources for year (N+1) in time for MTEF preparation and confirmation for annual budget preparation + disbursement early in FY (N+1). E.g. EC next programme designed to match this calendar.</p> <p>Route for transfer of funds: for EC, forex on BCEAO account in France → immediate counterpart value on Treasury Account at BCEAO Ouagadougou.</p>

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		signature account (NAO and Head of Delegation) up until 1999–00 programme. This continued to be the case even when programmes were direct budget support. The final shift was that eventually counterpart funds were directly transferred on a Treasury Account, on receipt of the forex by GOB on a GOB account.			
<p>6. Framework of Conditionality and Performance Indicators</p> <p><i>(a) Is there an underlying MOU or similar agreement?</i></p>	<p>Yes, negotiated bilaterally but in mutual coordination.</p> <p>Letters of Policy/ Intent mechanism.</p>	<p>Yes, negotiated bilaterally by each donor, with variable information/ coordination among donors. Information-sharing and joint thinking progressed with the test on the new conditionality. But no underlying MOU.</p> <p>For the last (2001) programme, EC notes “interesting perspectives in terms of relations between government, BWIs and all IPs” (i.e. 1st positive review of 1st PRGF; approval of PRSP; completion point reached under HIPC initial initiative, which was also decision point for enhanced HIPC; finalisation of test on new conditionality). All these elements – together with progress made in bringing together a number of PFM-related analytical work – will make possible the elaboration and signing of the 1st GBS protocol (SBC-PRSP) applicable for EC and other IPs’ programmes from 2002 (see last column).</p>	<p>Standard IMF documentation on HIPC decision and completion points.</p>	<p>Usual mechanism of Letter of Intent and programme review documents.</p> <p>Also formal PRSP progress review through APR/JSA mechanism.</p>	<p>First joint protocol (SBC-CSLP) including EC, Belgium, Sweden, Netherlands, Switzerland, Denmark – with WB, France and AfDB as observers. Protocol concerned mostly about coordination among IPs.</p> <p>WB PRSC 1-3 developed separately from SBC. “PRSC is BS demanding from government the implementation of structural and institutional reforms” whereas “BS from partners such as EC is founded partly on results” (WB PRSC stock-taking review, see point 11 ref (n), Nov 2004).</p> <p>Based on IPs’ and govt’s analysis of 1st protocol weaknesses (see point 9 below), elaboration of 2nd protocol (CGAB-CSLP). Signed in April 2005. Inclusive of all PGBS donors.</p> <p>Objectives: enhance govt ownership of PRS; improve govt/IP dialogue to genuine partnership focusing on effectiveness of govt policy; improve medium term and within-year predictability of PGBS flows; raise harmonisation among IPs in programme implementation and definition of disbursement conditions; improve coordination (joint missions, studies, audits and assessments); promote partners’ capacity building.</p> <p>Fundamental principles: govt leadership; PGBS is untargeted; all policy measures and indicators to be “based on” PRSP, PRSP-PAP and APR, and PRGB (govt PFM reform programme) and annual reports.</p> <p>CGAB spells out govt and PGBS donors’ respective commitments (incl. list of info/data that govt will make available to IPs – e.g. budget execution reports etc.).</p>

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
					Yet to be fully operationalised. Supposed to include a joint annual calendar of reviews, other events and commitment/disbursement arrangements, and a common performance assessment matrix (under preparation as at June 2005).
<p><i>(b) Performance indicators, including:</i></p> <ul style="list-style-type: none"> ➤ <i>Number of indicators</i> ➤ <i>Nature (e.g. process indicators, result indicators)</i> ➤ <i>Are they drawn from PRSP or other national policy documents?</i> ➤ <i>Are they linked to performance indicators for SWAps etc?</i> ➤ <i>Are special reports required? How often?</i> 	<p>Conditionality focused on main structural reforms.</p> <p>Under WB SAP and IMF ESAF programmes 1994–96: tax reform (VAT introduced in 1993, various measures related to tax and custom administration); budget reform (mainly enforcement of existing budget regulations, and reduction of domestic arrears); public enterprise privatisation (with more limited success e.g. 2nd phase post-1994, 10 enterprises out of 19 were yet to be privatised in 1996); domestic and external trade liberalisation (e.g. elimination of public marketing and stabilisation schemes on traditional cereals); banking sector reform.</p> <p>Under 1997–2000 programmes: fiscal reform (WAEMU tariff, harmonisation of budget system to WAEMU standards; computerisation of (part of) budget management etc.); civil service</p>	<p>EC:</p> <ul style="list-style-type: none"> • For 1994–98 (targeted budget support): General conditions (assessment of country “on track” status with BWIs, and EC being associated to discussions). Use of funds driven through targeting. In addition, tranche-specific conditions were used e.g. to “encourage” specific reforms/ actions in education, health and PFM (e.g. appropriate budget envelopes and minimum execution rates for education and health). • 1999 and 2001 programmes: indicators for PFM, education and health. Aligned with govt goals but negotiated for the purpose of EC programmes given that PRSP and sector strategies were (i) not effective for the 1999 programmes; (ii) emerging and not yet fully operational for the 2001 programme. Finalisation of list of indicators for VT was a condition for the fixed tranche for both programmes. The process of selecting 	<p>Performance indicators monitored between decision and 2nd completion point, related to targeting resources, measuring agreed result indicators and implementing policy measures in education, health and governance.</p> <p>Education: 2 policy measures, 5 outcome indicators and target share of education spending.</p> <p>Health: 2 policy measures, 3 outcome indicators and target share of health spending.</p> <p>Governance: 2 policy measures (incl. elaboration and adoption of National Plan of Good Governance).</p> <p>Achievements reported through e.g. Letter of education policy.</p>	<p>Performance assessment:</p> <p>1st PRGF: 4 (initially) to 5 (end of programme) quantitative performance criteria + 3 overall fiscal indicators (and monitoring of HIPC agreed indicators); 7 to 10 structural measures annually, of which 5 to 7 performance criteria. Initially (1999–2000) focused on tax reform and privatisation; later part of the programme (2001–02) focus on budget management, accountability measures (incl. establishment of Supreme Audit Court) and anti-corruption measures.</p> <p>2nd PRGF: 4 quantitative performance criteria and 5 fiscal indicators + 7-8 structural measures annually of which 3 performance criteria. Still quite heavy emphasis on budget management and accountability measures (5 of the structural measures in</p>	<p>Under CGAB, performance assessment based on: assessment of macro framework through association to IMF missions; assessment of PRSP implementation progress based on APR (CGAB specifying core content); assessment of progress in PFM reforms (annual report on PRGB by govt). Sweden, Netherlands do not have specific performance indicators/ disbursement conditions others than overall assessment.</p> <p>In principle no other reports than those and regular budget info/data as stated in CGAB. Reports on EC variable tranche indicators supposed to be part of regular PRSP reporting in 2nd programme.</p> <p>PRSC</p> <p>PRSC 1-3 operational matrix (Component 1: budget management, stakeholders’ participation, competition in service delivery; Component 2: education, health, rural development) not formally reflecting PRSP. Education measures taken from sector strategic framework; health triggers incl. approval of health sector strategic framework. As in many countries, PRSC operational matrix developed “beyond” PRSP formal performance assessment framework (enrichment for some, imposition for others): e.g. for 1st series, 90 measures to be taken over 3 years (to reach PRSP (13) key indicators) (noted in Burkina PRSC stocktaking review; see point 11, ref (n), 2004).</p> <p>PRSC 4-6 operational matrix closer to PRSP as PRSP-2 is accompanied by a more operational framework of “Priority Action Programmes” (PAP). Matrix reflecting PRSP pillars. Coverage expanded compared to 1st series (growth & employment, rural devt, telecom, energy, private sector devt, education, health, social protection, water, budget management, public sector reform and decentralisation, environment). More measures (from 12 for PRSC-1 to 50 for PRSC-4), but less triggers (from 16 for PRC-1 to 10 for PRSC-4) (noted in WB overall review</p>

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	<p>reform; financial sector reform; business environment (legal and regulatory framework); public enterprise reform/privatisation; agricultural policy.</p>	<p>indicators for the EC programme was in fact directly building on the broader (multi-donor/govt) discussion on the new conditionality hence, these indicators did not “come out of the blue”.</p> <p>There was an evolution in the number of indicators and weight given to PFM, education and health as follows:</p> <ul style="list-style-type: none"> • 1999–2000 programme: result-based sub-tranches amounting to 20% of total programme envelope (if fully disbursed) and within this, 50% for PFM (5 indicators) and 50% for health and education (4 indicators in educ; 5 in health). • 2001 programme: result-based tranche amounting to 35% of total programme envelope and within this, 50% PFM (4 indicators) and 50% education and health (5 indicators each). <p>PFM indicators also focused on education and health financing.</p> <p>Separate reports were to be provided on the indicators, and data had to be collected by special means such as quick surveys for several of them. See point 9 below.</p>		<p>1st review; 3 of the structural measures in 2nd review).</p>	<p>“PRSC: A Stocktaking”, June 2005).</p> <p>Annual progress reports on implementation of policy matrix measures, for PRSC1-3 imposing more details than PRSP APR. Progressive mutual adjustment of these two processes: PRSC 4-6 reporting should become embedded in PRSP/CGAB joint performance assessment matrix.</p> <p>Others</p> <p>Beyond overall assessment, EC has a limited number of indicators for annual variable tranches. Supposed to be outcome indicators based on PRSP, or sectoral strategies, and PRGB for PFM. Arguably some indicators are outputs (e.g. proportion of health centres fulfilling staffing norms). Recognition (in 2nd programme) of the necessity to follow up progress (trends, no targets) in intermediate indicators such as PTR etc. Included in the EFA tranche assessment framework.</p> <p>Under 1st programme separate reports had to be prepared for EC indicators, based on “quick survey” results. This proved unsustainable. Under the 2nd programme reporting on VT indicators should be part of PRSP reporting/ reporting on joint PGBS performance assessment matrix, and feasible through govt regular data/stats collection mechanisms/systems.</p> <p>Variable tranche now amounting to 50% of EC total programme envelope. Weight 40% PFM and 30% education and health each. Similar number of indicators as for 1999 and 2001 programmes. Definition of indicators is now 10 page long document. .</p> <p>No link between PGBS and sector reviews or such sector events, but (i) coherent sector policies are key for EC VT/result-based approach; (ii) EC 2nd programme EFA tranche linked to satisfactory joint work plan for PDDEB implementation; (iii) WB “sector readiness approach” i.e. PRSC operational matrix includes sectors for which it is feasible to monitor progress through benchmarks.</p> <p>Sector review mechanisms only emerging (1st joint education review in 2003).</p>

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
<p><i>(c) Types of condition, including:</i></p> <ul style="list-style-type: none"> ➤ <i>Triggers for tranche release?</i> ➤ <i>Due process conditions (legally binding requirements for donors and recipients in giving and receiving money)</i> ➤ <i>Is satisfactory IMF status a condition?</i> ➤ <i>Other policy and performance conditions (cf. performance indicators)</i> ➤ <i>Political conditions (e.g. related to democracy, human rights, corruption, military spending and activity)</i> ➤ <i>Broader political conditionality (beyond the formal conditions, e.g. as revealed by interruptions and problems mentioned against Item 9)</i> 	Satisfactory status with IMF was a condition.	<p>Satisfactory status with IMF was a condition.</p> <p>Due process conditions for the EC include EC involvement in govt discussions with BWIs.</p> <p>Performance indicators: see above.</p> <p>Not much use of political conditionality.</p>	<p>Not quite conditions, but monitoring to graduate from decision to completion point.</p> <p>E.g. assessment in final completion document (IMF, April 2002): “By March 2001, Burkina Faso had satisfied all the policy reforms for the floating completion point triggers under the enhanced HIPC Initiative in education, health and governance, and had maintained a stable macroeconomic position, supported by the PRGF program. The 1st APR on PRSP implementation was finalised in Sep 2001 and was endorsed by the Boards of the Fund and Bank in November and Dec 2001 respectively.”</p>	<p>In the context of IMF programs, a benchmark is a point of reference against which progress may be monitored. Benchmarks may be either quantitative or structural in content, and may be set on a quarterly or semi-annual basis. Performance criteria are macroeconomic indicators such as monetary and budgetary targets that must be met, typically on a quarterly or semi-annual basis, for the member to qualify for releases of IMF assistance (purchase of SDR). Performance criteria matter for disbursements whereas benchmarks do not directly affect disbursement schedules.</p> <p>As mentioned in point 6(b) above, some structural measures focused on corruption.</p>	<p>CGAB: assessment of macro framework as part of overall joint PGBS assessment. Flexibility for each donor to decide how closely aligned with IMF programme cycle PGBS disbursements are (specific reviews having to be concluded for France and EC fixed tranche in 1st programme, less tight for Netherlands).</p> <p>PRSC</p> <p>PRSC operational matrix: medium term (3 years, but not rolling) sequencing of annually benchmarked policy measures towards PRSP-based objectives. Annual definition of triggers (sub-set of policy measures) transformed into prior actions at each PRSC appraisal/ for submission of annual PRSC to WB Board.</p> <p>Legally binding approval of PRSC loan element by Parliament.</p> <p>Others</p> <p>EC: general conditions as per overall performance assessment process defined in SBC then CGAB (macro; PRSP; PRGB progress). Fixed tranches linked to IMF reviews for 1st programme, no longer for 2nd programme (general condition of satisfactory macro, and disbursement early in FY). Specific result indicators (PFM, education and health) for variable tranches.</p> <p>Explicit political conditionality not included in PGBS dialogue. Emphasis on enhancing transparency and accountability (esp. on PE) has always been high on pre-PGBS and PGBS agenda (conditions on annual audited accounts etc.). CGAB includes general disclosure provision, and a specific reference to govt commitment to fight corruption.</p>
<p>7. Links to TA and Capacity Building</p> <ul style="list-style-type: none"> ➤ <i>Is capacity building an explicit objective of this programme?</i> ➤ <i>Are any TA/capacity building conditions attached to this</i> 	IMF provision of TA from Fiscal Affairs Department (customs, microfinance, public finance management, taxation etc.) – Not financed through ESAF but always foreseen in the context of these	<p>TA usually included in EC programmes. Summary inputs/ achievements for 1991–98:</p> <ul style="list-style-type: none"> • Support to economic management and stats: LTA Min Finance (1994–2000), STA and LTA at 	<p>No TA or institutional strengthening initiative financed out of HIPC funds.</p> <p>Capacity constraints in MEBA were the main argument for education HIPC funds to be</p>	IMF provision of TA from Fiscal Affairs Department, and later on also from Afritac West Africa, on customs, microfinance, public finance management, taxation etc. – Not financed	<p>Compared to 1st protocol, increased emphasis on CB (esp. PFM) in CGAB. CB explicit objective of PGBS. But donors have different approaches to it.</p> <p>Generally perception that past CB/TA have had limited effectiveness. In response, some evolution, as illustrated by French case (applying to several other bilaterals): used to provide stand-alone TA not on govt request. TA now provided through projects such as PAREF</p>

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<p><i>programme? Please give details</i></p> <p>➤ <i>Are the GBS donors providing relevant TA/capacity building support in parallel to this operation? Please give details.</i></p> <p>➤ <i>Are other donors providing relevant TA/capacity building support in parallel to this operation? Please give details.</i></p>	<p>operations.</p> <p>Strengthening govt capacity has always been an explicit objective of WB programmes. Usually through complementary analytical work.</p> <p>Associated with SAC III and HIPC, WB analytical assistance to education (accompanying programme focus on this sector): contribution to development of 10 year strategic framework (PDDEB).</p> <p>WB supported several PERs and the introduction of the MTEF (also included in PRSC-1 agenda).</p>	<p>national stats institute.</p> <ul style="list-style-type: none"> Support to budget management (classification, expenditure process, LTA) and to internal debt management (STA). Support to DGCOOP. TA in education and health, incl. to assist in follow-up of targeted BS modalities. <p>TA associated with EC 1999 and 2001 programme continued along the same lines, including support to the technical secretariat for economic and social policy devt (coordinating PRSP preparation). TAs usually “between” EC and govt i.e. focusing as much on specific EC BS programme implementation issues as they were doing on strengthening govt core capacities.</p> <p>Several bilaterals used to provide stand-alone, usually LTA in support to key functions in ministries (e.g. French). Limited impact (see last column, view shared by govt and IPs).</p>	<p>initially fully managed by DG Budget. Since 2004, MEBA (DAF & DEP) in charge of programming, using and reporting on these funds. Lack of capacities is still considered as a major issue.</p> <p>Capacity requirements for implementation of HIPC-financed programmes are broadly the same as for programmes financed by the national budget. Hence needs are supposed to be addressed as part of overall frameworks for TA/CB – at sectoral and cross-sectoral levels. Such frameworks are still under-developed (see last column).</p>	<p>through PRGF but always foreseen in the context of these operations.</p> <p>Increasingly planned for and managed in the context of govt PRGB and seeking complementarity with PGBS donors’ support.</p>	<p>(Programme d’Appui aux Réformes Economiques et Financières), related to PGBS (TA contribute to strengthening functions and capacities key for PGBS implementation) but not included in PGBS programmes.</p> <p>Donor-financed analytical work increasingly “internalised” (e.g. CFAA, ROSC and CPAR feeding into govt reform programme for PFM) but not evenly across areas (e.g. PERs not yet fully used).</p> <p>Pressing issue: recruiting and stabilising qualified personnel for key functions in an increasingly competitive market (for key capacities e.g. economics, statistics, IT).</p> <p>PRSC</p> <p>PRSCs do not include funding for TA/CB. But PRSCs are accompanied/founded on simultaneous CB activities: analytical work incl. jointly with govt and other IPs (e.g. PERs), TA (e.g. for sector MTEF development in health and education) and TA/CB in sector operations.</p> <p>WB (2005 start): \$7m Administrative Capacity Building Project to support admin reorganisation in light of newly approved decentralisation policy. Will be key in strengthening PFM (key indicators: “No. line ministries with fully operational sector MTEFs and programme budgets; % national budget transferred to and executed by local governments”).</p> <p>Others</p> <p>Several PGBS donors providing support to strengthening PFM, since 2001 increasingly federated under govt PRGB (PFM reform programme). Further support to Institute of Statistics (WB project), PRSP coordination office, Court of Auditors (“Cour des Comptes”) etc. Some of this by non-PGBS donors (see summary below, Canada, PNUD, Denmark).</p> <p>Summary of PFM-related TA:</p> <ul style="list-style-type: none"> French (PAREF): stats, budget preparation and execution, budget de-concentration, automation of customs and taxes. Programme de Renforcement de la Gouvernance Economique (PRGF) – PNUD Swiss support to Treasury structures (incl. de-

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					<p>concentrated) and to internal debt management</p> <ul style="list-style-type: none"> • Support to establishment of computerised integrated revenue management (“Circuit Intégré de la Recette”) - Denmark • AfDB/BAD: strengthening external financing management and control structures • AFRITAC: ToRs agreed between IMF and govt, has recently worked on management of external financing • EC: support to PRGB Secretariat (local TA, recurrent costs); audit of procurement 2001/02 et 2004 ; support to Inspection Générale des Finances ; study on external financing ; support to PFM alignment with WAEMU standards; support to IT devt in MFB and IT hardware in Treasury and DGCOOP. EC TA is included in PGBS programme. • Canada support to procurement function. <p>All projects with varied flexibility and variably govt-led management procedures. Time-consuming management overall. Bilaterals and govt considering establishment of TA/CB basket funding for PRGB.</p> <p>Sector TA/CB support imperfectly linked to cross-sectoral initiatives and having had limited effect on strengthening cross-cutting functions e.g. PFM and personnel management, in sector structures.</p> <p>MFB in the process of evolving PRGB into a long term PFM reform strategy.</p>

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	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
<p>8. Procedures for Dialogue</p> <p><i>What is the general context of dialogue (e.g. CG meetings etc.)?</i></p> <p><i>Specific dialogue arrangements linked to this programme?</i></p> <p><i>Is H&A built in to the BS operation (e.g. common calendar, joint missions, common set of indicators, pooling of BS funds, delegated cooperation or silent partnerships)?</i></p> <p><i>Joint diagnostic and performance reviews (do these also incorporate non-BS donors, e.g. as part of SWAp, PER etc.)?</i></p>	<p>BF is a UNDP Roundtable country. But in 2000 the WB notes that the last roundtable was in 1995.</p> <p>WB and IMF were involved in test of new conditionality and recognised its value in shifting thinking.</p>	<p>There was no formal set of procedures for dialogue covering all GBS programmes during this period.</p> <p>But a turning point was the test on the new conditionality (presented by the WB PREM in 2000 as a “simulation exercise linking quick-disbursing assistance to outcomes in health, education and PFM”). This was piloted on the donors’ side by the SPA at the EC initiative. It initiated the practice of joint missions which involved EC, WB, IMF, UNDP and a number of bilaterals including most of those who would later on join the SBC PGBS donors’ group (Belgium, France, Netherlands), and others who are still currently considering joining (e.g. Denmark). Four joint missions took place in 1998–99 (although “as the exercise is a simulation it does not have financial implications for support programs already in place”).</p>	<p>Unclear where dialogue on HIPC (use of funds) fits.</p> <p>Encompassed in MTEF/ annual budget preparation process and discussions on allocations up to Cabinet level. Until 2003, no details on allocations in Budget Law submitted to Parliament (and shared with IPs). Now included as annex to budget.</p> <p>Info on HIPC allocs available in sectoral discussions (e.g. PDDEB financing) but not fully under “control” of sector arrangements. Progress reported through regular budget reporting system (little publicised) and PRSP annual progress report.</p> <p>Civil society stresses need for more transparency in use of HIPC funds (GERDDES report, point 11 ref (i), 2005).</p>	<p>IMF bilateral discussion with government but information at the outset and end of each mission to all PGBS PTF. IMF is observer on the SBC-CSLP and CGAB-CSLP, and on coordination mechanisms at sectoral level.</p>	<p>General context is dialogue around PRSP but this has not yet been very effective/ continuous (internal govt mechanisms have not been very strong either). PRSP-2 (2004–06) is more specific about follow-up mechanisms (Minister-level steering committee; sectoral thematic committees including civil society and IPs; and regional bodies). But split of responsibilities PRSP (MEDEV) and financing incl. PGBS (MFB) causes coordination problems, and recently established follow-up architecture has yet to prove its effectiveness.</p> <p>In this context, CGAB provisions for regular govt/donors’ interaction may prove to be “ahead” of broader arrangements, with possible difficulties in linking formally PGBS and sector policy development for instance.</p> <p>PRSC: Separate dialogue until 2004 (WB stock-taking review for Burkina (ref (n) in point 11) mentions frequent missions, approx every 3 months, to follow-up on PRSCs), but joined the joint donor group as from end of 2004.</p> <p>Other donors’ dialogue arrangements are laid down in the MOU with the joint donor group (1st SBC-CSLP signed in April 2002; then CGAB).</p> <p>H&A built in SBC and now CGAB objectives (see point 6(a) above). Joint assessments e.g. on PRSP implementation progress have been made. Further progress under way with elaboration of joint performance assessment matrix.</p> <p>No example (known of the team) of silent partnership or delegated cooperation, but Sweden aligns itself with Netherlands in sector support (education, health). Belgium co-financed PRSC but stopped when it withdrew from Burkina (dropped from its list of focal countries for development cooperation). Denmark envisages co-financing.</p> <p>Sector specific dialogue arrangements – now supposed to “fit within” the PRSP follow-up architecture (?) – have been in place in some sectors since several years and even before the 1st PRSP was approved (e.g. education and health). This includes other donors not involved in GBS.</p>

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
	<p>Overall (shared) judgement for 1994–2000 is of “<i>inadequate coordination among the many donors</i>”; “<i>absence of comprehensive economic work ... contributed to lack of a well-articulated development framework and weak donor coordination</i>” (WB Country Assistance Evaluation”, June 2000); WB/IMF domination of dialogue with government (noted in e.g. CDF evaluation report, see point 11, ref f), 2003). Quality of this dialogue affected by rapid turn-over in WB personnel.</p> <p>Emerging sector specific coordination arrangements in-country but mostly exchange of information.</p>				
<p>9. Experience in Implementation <i>If completed, how was it rated?</i> <i>Any particular problems, interruptions etc? Please give details.</i> <i>Any specific reviews or evaluations available? Please give details.</i></p>	<p>In 2000 Burkina is known as a country consistently “on track” for most of the past decade (PREM, 2000).</p> <p>WB SAC III (building on previous programmes) was evaluated as relatively successful (single tranche operations can work provided consensus in building pre-effectiveness reform agenda; “avoid conditionality-driven operations”). Singled out: success in enhancing PE transparency through conditionality on final annual accounts production, auditing and submission to Parliament.</p> <p>In contrast, 2nd agriculture sector adjustment loan (ASAC) failed to be concluded (see point 10).</p>	<p>BS was partly interrupted around 2000 as result of the political stance and the (assumed) role of Burkina Faso in the conflict in Liberia and the murder of a journalist.</p> <p>Results from the test on reforming conditionality in Burkina (or “<i>how to change the aid relationship and policy-based conditionality</i>”, WB PRSC-1 PD, 2001): project aid is fungible; even successful projects may not be relevant for wider growth/poverty reduction related goals as they may not be up-scalable; policy-based conditionality weakens ownership and difficult measures tend to become recurrent.</p> <p>For MFB (April 2004) the test confirmed that the new approach was a real progress, promoting a result-orientated culture and dialogue between partners and stressing the need for</p>	<p>Difficulties in mobilising funds, especially in 2001 (i.e. conclusion of debt relief agreements → setting “saved” debt service funds aside in Treasury special account) because of (i) delays in reaching agreements and (ii) lack of treasury.</p> <p>Also lack of absorptive capacities (variable degree) in beneficiary administrations (partly due to scaling up of operations e.g. of procurement for infrastructure construction, using national procedures not well mastered by DAF/DEP).</p> <p>Initially centralised execution procedures (spending initiated by DG Budget in MFB!) also created its own problems (bottleneck). Execution now closer to</p>	<p>No serious problems.</p> <p>Implementation of some PRGF-1 structural reforms slower than expected e.g. liberalisation of telecom and regulatory framework for energy.</p> <p>Concerns that govt MTEF based on unrealistic macro/ fiscal projections, not aligned with IMF forecasts, have been addressed (MTEF 2003–05 based on more realistic projections and base, medium and high scenarios).</p> <p>2nd review of current PRGF was not concluded on time (due late 2004) because of need to revise macro/ fiscal framework to take into account exogenous shocks. IPs received a <i>letter of comfort</i> to permit disbursing.</p>	<p>PRSC</p> <p>Good progress re: timeliness in appraisal/disbursement (PRSC-1 approved in Aug 2001 and disbursed in Nov 2001; PRSC-4 approved in May 2004 and disbursed in July 2004; PRSC-5 was likely to be disbursed in July 2005 as well). No particular problems or interruptions.</p> <p>Implementation Completion Reports are regularly prepared. The ICR for PRSC-3 is a review of the 1st series of PRSC-1 to PRSC-3. Overall assessment: satisfactory achievement of PRSC outcomes. Significant strengthening of budget management (incl. procurement), and reasonable success in sector policy implementation (see attached “summary of achievements since 2000”). All PRSC-1 prior actions were taken; all but one for PRSC-2 and PRSC-3.</p> <p>However, “tale of two sectors”: in education WB continued project support while initiating policy-based support through PRSC; in health it did not. This led to a (temporary) decline in overall health financing as allocations from national budget and HIPC funds did not make up for the disappearance of WB project aid. This was corrected (PRSC-4 trigger on minimum health service financing). On the other hand, the ICR expresses concerns with implementation of the education sector support operation (low disbursement, difficult coordination with other donors etc.).</p> <p>Flexibility in design: e.g. PRSC-3 increased from \$40 to \$50 million (additional \$10 million to cover costs generated by Ivory Coast crisis).</p>

General Budget Support in Burkina Faso

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
	<p>Noteworthy that ASAC preparation involved joint missions WB/EC/France.</p> <p>WB “Country Assistance Evaluation” (2000) more nuanced assessment: success in tax administration and budget reorientation; slow but significant progress in privatisation but lack of focus on private sector development, trade reform driven by WAEMU; limited progress in CSR and in rationalising PIP. Macro environment stabilised but may be due as much to (positive) effect of devaluation as to programme measures. Continued lingering political opposition → incomplete structural adjustment. Emerging concern related to corruption. Capacity constraints on govt side.</p> <p>WB “PRSC stock-taking” review (2004) also nuanced: govt resented imposition of conditionality under SAP, which led to the launching of the test on the new conditionality (see next column) itself leading to PGBS in Burkina Faso.</p>	<p>national leadership in coordination. But it could not be conclusive on the link between measuring results and evaluation of policy implementation, the choice of relevant indicators and the mechanism that should link BS disbursements to result measurements.</p> <p>First experience with EC result-based VT approach revealed issues of definition of indicators (addressed by lengthy sections on definitions in financing agreements from 2002 onward), and of availability of data/information given weaknesses in govt systems and specificity of selected indicators. This is being progressively addressed in the context of the PGBS programmes (see last column).</p>	<p>regular procedures for national budget. Some progress in execution rate, though variable as well (e.g. 34% execution rate for health HIPC funds in 2003).</p> <p>IMF reports (PRGF review document Dec 2002) initial confusion in roles and tasks of various stakeholders (committees etc.) in charge of identifying programmes/ activities eligible for HIPC funding within sector strategies.</p> <p>Overall, mixed assessments (incl. by civil society): additional funding is really available for priority programmes in PRSP priority areas; execution issues to be addressed; need for increased transparency in use of funds; some concerns that sharp focus on social sectors in first years is getting diluted.</p> <p>Tension between civil society stressing relevance of separate modalities to ensure HIPC funds targeted use, and PGBS donors (and MFB to an extent) concerned that this continues to fragment budget process.</p>	<p>Shift of areas initially covered under PRGF, to WB-supported programmes. However there seems to remain some potential for overlapping. PRGF-2 1st review document states that IMF will focus on raising tax revenue and budget formulation, execution and reporting ; while WB agenda supports PFM, good governance, decentralisation etc. Budget/PFM are common to both institutions.</p>	<p>A separate stock-taking exercise was completed in November 2004 (made available to the team through SPA).</p> <ul style="list-style-type: none"> • Conclusions: PRSCs contributed positively to PRSP implementation through supporting reforms in PFM and increased BS coordination, facilitating increased ownership of budget tools, inter-ministerial coordination and coordination between govt and (PGBS) donors. The review also points out some specific results of policies covered by the PRSC, e.g. substantial progress in vaccination coverage and in provision of generic drugs. Weakest aspects: procurement reform and structural measures of public sector reform. • Challenges: lack of capacity (see point 8 above); ownership (of tools such as MTEF) to be deepened esp. at sectoral level; strengthen stats; further improve flow of fund predictability; address coordination issue (MFB/ MEDEV). • Recommendations: address continued negative perceptions about conditionality (lack of understanding of shift in approach from ex ante conditionality → completion of agreed triggers). <p>EC preparation of 2nd PGBS programme based on a consultancy report including review of 1st programme (see point 11, ref (t)). Main points:</p> <ul style="list-style-type: none"> • Progress in govt ownership but result-based approach for variable tranche does not facilitate comprehensive sector policy dialogue (focus on indicators). • Problematic choice of indicators: quick surveys unsustainable (addressed in 2nd programme). No tangible impact of result assessment process on policies. • Lack of predictability: 3 year fixed programme period not matching rolling MTEF period; un-timeliness of assessments and disbursements vs budget cycle (latter point addressed in next programme). • Good progress re: PGBS coordination. • Lack of flexibility in EC approach: onerous process to change agreement (fixed for 3 years), as opposed to flexible annual review of WB PRSC operational policy matrix and step-by-step definition of triggers. <p>Predictability is an issue: govt does not include PGBS</p>

Annex 3A: Inventory of GBS and Related Programmes

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
					<p>funds as revenue even though they are taken into account for fixing spending ceilings; budget voted with a deficit corresponding to likely PGBS disbursements. Approach lacking transparency. This is under discussion, see above ideal calendar proposed under CGAB. Timeliness of disbursements within-year has also been an issue (see table 2 below). Also being addressed, but progress will depend on govt success in advancing APR and better linking it to MTEF/ budget. IMF PRGF review process has usually not been too much of an issue, though it delayed PGBS disbursements end 2004 for some donors (see previous column).</p> <p>Periodic internal evaluations of joint donor approach, as part of the joint donor annual assessment of progress (e.g. Nov 2004, joint assessment of SBC-CSLP implementation in 2003).</p> <p>Evaluation of progress on PFM strengthening (external up until 2003, annual report by govt since then).</p> <p>Important studies on conditionalities by CERDI and by Canada.</p> <p>Govt evaluation of SBC-CSLP in April 2004 (feeding into formulation of CGAB). Main points: lack of coordination (WB/other PGBS donors) hence multiple missions, multiple demands for info etc. leading to deterioration of dialogue; intrusiveness of WB policy benchmark approach; problematic choice of, and exaggerated focus on indicators for EC VT; lack of medium term and within-year predictability for both WB and EC; overall assessment approach of other PGBS donors introducing subjectivity, which is both a risk and a guarantee of avoiding 'all or nothing' situations. Predictability issue having led govt to non-transparent management of PGBS resources (see above, not included as budget revenue).</p> <p>Issues all addressed in CGAB (in principle), except medium term predictability on a rolling basis (not feasible for some IPs) and unchanged annual disbursement arrangements for WB. CGAB yet to be fully operationalised and implemented. Discussions are under way on inclusion of PGBS committed funds in budget law.</p>

General Budget Support in Burkina Faso

	Structural adjustment programmes (WB & IMF) 1994–2000/01	Macro-economic support (EC and bilateral donors) 1994–2000/01	HIPC (1997–current)	IMF post-2000/01	Partnership General Budget Support (including PRSC) 2001 – current
10. Any additional comments that don't fit elsewhere	<p>Pre-1994 WB support: SAC I, Transport SECAL, Agriculture SECAL (ASAC in French).</p> <p>WB staffing and restructuring issues recognised as having had negative impact, at times, on WB programme effectiveness and certainly in terms of poor collaboration/ coordination with other donors.</p>			IMF office opened in 2001. No change in staffing since then.	<p>There is close cooperation between donors in some sectors such as health and education leading to harmonisation of disbursement and implementation procedures (pooled funding, alignment with national procedures, national management).</p> <p>It is noteworthy that in Burkina Faso 10 govt officials met to respond to the 2004 SPA survey on BS alignment (in most countries this was done by one person). Also for note, the EC Delegation in Burkina sent elaborate comments on the SPA questionnaire lack of precision in tracking issues of predictability. These facts denote a rather high commitment to improving PGBS in Burkina Faso.</p>
<p>11. Information Sources</p> <p><i>Give full citations for source documents – e.g. programme documents, review and evaluation reports etc. (number citations and cross-reference to information in earlier rows as appropriate).</i></p> <p><i>Other sources? (e.g. interviews, GBS questionnaire)</i></p>	<ul style="list-style-type: none"> • IMF press releases. • WB press releases and project documentation. • “Country Assistance Evaluation”, WB June 2000. 	<ul style="list-style-type: none"> • PREM note No.35, WB Jan 2000. • Relevant EC programme documents. • “Vers un développement piloté par les pays: Une évaluation par plusieurs partenaires du Cadre de Développement Intégré », WB, 2003. 	<ul style="list-style-type: none"> • IMF documents on HIPC decision and completion points. • IMF PRGF review documents. • “Etude sur l'évaluation participative de l'impact des fonds HIPC dans le secteur de la santé”, GERDDES, Jan 2005 • Interviews of MFB officials. 	<ul style="list-style-type: none"> • Various IMF PRGF documents. • “Report on the evaluation of PRSPs and PRGFs”, IMF Independent Evaluation Office, July 2004. 	<ul style="list-style-type: none"> • WB PRSC programme documents and Implementation Completion Reports (for PRSC-1 and PRSC-3). • WB PRSC stock-taking exercise in Burkina: « Impact des CASRP sur les processus et les résultats dans la politique de lutte contre la pauvreté: Le cas du Burkina Faso », Kimseyinga Savadogo, Université de Ouagadougou, 5 Novembre 2004. • EC programme documents (incl. proposal for 2nd programme) and preparatory study for 2nd programme. • “Modalités d'un partenariat efficient pour le soutien au CSLP”, MFB, April 2004. • “PRSC: A stocktaking”, Operations Policy and Country Services, WB, June 2005. • Questionnaires to donors for the GBS evaluation study. • Interviews of all PGBS donors and MFB officials. • “Burkina Faso: Analyse des Modalités de Mise en Oeuvre des Appuis Budgétaires en Appui au CSLP de la CE au Burkina Faso dans le cadre du 9ème FED”, IDC, Feb 2005 • Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes, Report by the BSWG Co-Chairs, Feb 2005.

Annex 3A: Inventory of GBS and Related Programmes

Table 3A.1: Standard Summary of PGBS Flows

(all in USD million unless indicated otherwise)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Source
(A) Total ODA (actual) [1]	475.70	519.35	447.35	378.46	429.39	442.52	536.46	440.60	524.02	564.17	672.14	OECD DAC
(B) Total ODA excl. emergency and food aid (actual) [1]	474.47	505.64	435.06	358.14	414.92	426.78	522.75	423.14	500.54	554.24	658.02	OECD DAC
(C) Total Partnership GBS disbursements [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	82.20	108.88	143.91	165.04	Annex 3A, Table 3A.1
Donors providing PGBS								WB (PRSC-1), EC, Netherlands, Sweden, Switzerland	WB, AfDB, EC, Netherlands, Sweden, Switzerland	Same + France + Belgium	Same minus Belgium	
(D) [ESAF programmes] PRGF	[25.45]	[26.8]	[9.58]	NA	[17.99]	[16.93]	7.27	21.36	14.51	4.74	5.17	IMF website
(E) Total other unearmarked programme aid disbursements	149.08	146.94	71.64	46.90	73.70	64.51	32.17	0.00	0.00	0.00	0.00	Annex 3A, Table 3A.1
Donors providing unearmarked programme aid	IMF, WB, EC, France, Belgium, Sweden, Switzerland	IMF, WB, AfDB, EC, France, Netherlands, Sweden, Switzerland	IMF, WB, EC, France, Denmark, Netherlands	IMF, EC, Netherlands, Switzerland	Denmark, EC, IMF, Netherlands, Switzerland, WB	Denmark, EC, Netherlands, Switzerland, WB	EC, Switzerland, WB					
(F) HIPC funding	n/a	n/a	n/a	n/a	n/a	n/a	9.21	38.20	42.81	74.82	12.42	Annex 3A, Table 3C.6
(G) Central Government Expenditure [3]	409.67	494.95	452.65	558.02	590.73	701.32	601.71	531.81	606.33	834.01	1,122.41	IMF International Financial Statistics (IFS)
Ga) ODA as % of GNI	22.13%	20.01%	15.09%	14.16%	14.32%	14.19%	12.94%	13.98%	14.79%	12.14%	12.67%	OECD DAC
(H) PGBS as % total ODA (%)	0%	0%	0%	0%	0%	0%	0%	18.66%	20.78%	25.51%	24.55%	
(I) PGBS as % central government expenditure (%)	0%	0%	0%	0%	0%	0%	0%	15.46%	17.96%	17.26%	14.70%	

Notes

- [1] OECD DAC data is in calendar years. OECD DAC data in nominal terms. OECD DAC total ODA data is new loans extended plus grants disbursed.
- [2] In line with annex 3A (inventory), PGBS is considered to have started with PRSC-1 for the WB; for other IPs, the formal starting point is taken as 2002 i.e. the date of signature of the SBC-CSLP, but 2001 disbursements are considered as GBS as well snnex 3A (inventory), already according to the conditions of the SBC-CSLP. procedures under negotiation. GBS provided by France and AfDB during the period 2002-04 is considered as PGBS as it was disbursed on the same conditions, even although France and AfDB freely according to second GBS joint agreement (CGAB-CSLP) as well as WB with PRSC-5, in 2005.
- [3] Summary statistics of government finance are given in IMF IFS section 80. Data generally are as reported for IFS. Data cover operations of the budgetary central government or of the consolidated central government (i.e., operations of budgetary central statistics of extrabudgetary units, and social security funds). The coverage of consolidated central government may not necessarily include all existing extrabudgetary units and/or social security funds. The data are flows and are on a cash basis. Expend (in IMF IFS section 82) comprises all nonrepayable payments by government, whether required or unrequited and whether for current or capital purposes.

Memorandum items

(J) Emergency Aid	no data	1.25	2.30	4.44	1.22	0.47	0.69	1.19	1.66	1.95	1.19	OECD DAC
(K) Development Food Aid	1.23	12.46	9.99	15.88	13.25	15.27	13.02	16.27	21.82	7.98	12.93	OECD DAC
(L) Government Expenditure (CFA Franc millions)	227,449.00	247,053.00	231,552.00	325,700.00	348,500.00	431,800.00	428,400.00	389,841.00	422,606.00	484,727.00	592,953.00	IMF IFS
(M) OFFICIAL RATE (Units: National Currency per US Dollar)(period averages)	555.21	499.15	511.55	583.67	589.95	615.70	711.98	733.04	696.99	581.20	528.29	IMF IFS

General Budget Support in Burkina Faso

Table 3A.2: Comparison of Budget Support and Government Revenue

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		Cumul 1994-2004
											Estimates	Actual	
Loans	42,812.0	36,532.0	9,379.9	10,596.3	23,699.0	26,483.3	5,179.0	48,728.0	56,068.0	14,840.0	45,700.0	42,862.0	317,179.5
IMF	13,865.0	13,263.0	4,950.9	10,596.3	10,401.0	10,423.3	5,179.0	15,657.0	10,114.0	2,756.0	5,300.0	2,731.0	99,936.5
World Bank	28,947.0	21,611.0	4,429.0	-	13,298.0	16,060.0	-	33,071.0	24,498.0	-	32,200.0	32,452.0	174,366.0
AfDB	-	1,658.0	-	-	-	-	-	-	21,456.0	12,084.0	8,200.0	7,679.0	42,877.0
Sub-total (excl. IMF)	28,947.0	23,269.0	4,429.0	-	13,298.0	16,060.0	-	33,071.0	45,954.0	12,084.0	40,400.0	40,131.0	217,243.0
Grants	39,957.0	36,815.0	27,266.3	16,778.3	19,781.9	23,658.0	22,908.0	27,185.0	29,937.0	71,555.6	48,142.0	47,062.0	362,904.1
European Union	15,038.0	14,926.0	11,397.0	12,689.0	13,373.0	12,463.0	20,321.0	9,900.0	16,005.0	24,795.1	28,206.0	24,649.0	175,556.1
World Bank	-	-	-	-	-	-	-	-	-	29,145.0	-	-	29,145.0
France	14,000.0	13,980.0	5,000.0	-	-	-	-	-	-	1,968.0	5,248.0	3,444.0	38,392.0
Denmark	-	-	4,402.0	-	1,700.0	1,778.0	-	-	-	-	-	-	7,880.0
Netherlands	-	6,157.0	6,467.3	1,930.2	2,008.9	6,986.0	-	11,907.0	8,374.0	6,130.4	8,424.0	12,687.0	62,647.8
Belgium	1,659.0	-	-	-	-	-	-	-	-	3,252.1	-	-	4,911.1
Switzerland	3,057.0	1,050.0	-	2,159.1	2,700.0	2,431.0	2,587.0	2,649.0	2,679.0	3,356.0	3,384.0	3,379.0	26,047.1
Sweden	6,203.0	702.0	-	-	-	-	-	2,729.0	2,879.0	2,909.0	2,880.0	2,903.0	18,325.0
GRAND TOTAL	82,769.0	73,347.0	36,646.2	27,374.6	43,480.9	50,141.3	28,087.0	75,913.0	86,005.0	86,395.6	93,842.0	89,924.0	680,083.6
<i>Annual change</i>		-11.4%	-50.0%	-25.3%	58.8%	15.3%	-44.0%	170.3%	13.3%	0.5%	-	4.1%	-
Total excl. IMF	68,904.0	60,084.0	31,695.3	16,778.3	33,079.9	39,718.0	22,908.0	60,256.0	75,891.0	83,639.6	88,542.0	87,193.0	580,147.1
Estimates	119,464.0	75,450.0	41,244.0	24,380.0	43,060.0	45,650.0	40,000.0	88,200.0	92,000.0	114,050.0	93,842.0	93,842.0	777,340.0
CURRENT REVENUES	114,230.3	137,183.1	160,892.4	182,152.9	199,367.2	213,801.2	219,348.3	227,965.8	259,442.6	300,971.3	345,412.5	344,827.2	2,360,182.3
<i>Annual change</i>		20.1%	17.3%	13.2%	9.5%	7.2%	2.6%	3.9%	13.8%	16.0%		14.6%	11.8%
of which: fiscal revenue	104,417.1	127,973.1	150,220.9	168,137.8	183,315.0	197,822.6	202,936.4	213,220.4	240,876.5	270,081.3	318,884.5	318,554.0	2,177,555.1
<i>Annual change</i>		22.6%	17.4%	11.9%	9.0%	7.9%	2.6%	5.1%	13.0%	12.1%		17.9%	
Privatisation receipts	-	-	-	700.3	6,466.3	3,736.5	14,640.0	3,028.0	872.3	1,000.0	11,500.0	7,311.4	37,754.8
Project aid	62,509.5	97,530.5	125,166.7	135,026.4	150,973.7	191,614.8	179,383.8	114,069.7	111,942.7	179,383.8	174,800.0	150,493.0	1,498,094.6
TOTAL RESOURCES	259,508.8	308,060.6	322,705.3	345,254.2	400,288.1	459,293.8	441,459.1	420,976.5	458,262.6	567,750.7	625,554.5	592,555.6	4,576,115.3
of which: domestic resources	114,230.3	137,183.1	160,892.4	182,853.2	205,833.5	217,537.7	233,988.3	230,993.8	260,314.9	301,971.3	356,912.5	352,138.6	2,397,937.1
Share Budget Support	31.9%	23.8%	11.4%	7.9%	10.9%	10.9%	6.4%	18.0%	18.8%	15.2%	15.0%	15.2%	14.9%
Share project aid	24.1%	31.7%	38.8%	39.1%	37.7%	41.7%	40.6%	27.1%	24.4%	31.6%	27.9%	25.4%	32.7%
Share domestic revenue	44.0%	44.5%	49.9%	53.0%	51.4%	47.4%	53.0%	54.9%	56.8%	53.2%	57.1%	59.4%	52.4%

Source: SP-PPF, MFB, Ouagadougou (June 2005).

Annex 3A: Inventory of GBS and Related Programmes

Table 3A.3: Monthly disbursements of PGBS from 2002 to 2004

Millions FCFA	ESTIMATES	ACTUAL DISBURSEMENTS 2004												Actual total 2004	Actual/ estimates	
		January	February	March	April	May	June	July	August	September	October	November	December			
Loans	45,800.0	-	7,679.0	-	2,731.0	-	-	32,452.0	-	-	-	-	-	-	42,862.0	94%
IMF (PRGF)	5,300.0	-	-	-	2,731.0	-	-	-	-	-	-	-	-	-	2,731.0	52%
World Bank (PRSC)	32,300.0	-	-	-	-	-	-	32,452.0	-	-	-	-	-	-	32,452.0	100%
AfDB	8,200.0	-	7,679.0	-	-	-	-	-	-	-	-	-	-	-	7,679.0	94%
Sub-total (excl. IMF)	40,500.0	-	7,679.0	-	-	-	-	32,452.0	-	-	-	-	-	-	40,131.0	99%
Grants	48,142.0	-	-	1,640.0	6,013.0	-	8,250.0	16,399.0	1,804.0	-	-	1,286.0	11,670.0	47,062.0	98%	
European Union	28,206.0	-	-	-	-	-	8,250.0	16,399.0	-	-	-	-	-	24,649.0	87%	
World Bank (PRSC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	5,248.0	-	-	1,640.0	-	-	-	-	1,804.0	-	-	-	-	3,444.0	66%	
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	8,424.0	-	-	-	4,329.0	-	-	-	-	-	-	1,286.0	7,072.0	12,687.0	151%	
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Switzerland	3,384.0	-	-	-	1,684.0	-	-	-	-	-	-	-	1,695.0	3,379.0	100%	
Sweden	2,880.0	-	-	-	-	-	-	-	-	-	-	-	2,903.0	2,903.0	101%	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	93,942.0	-	7,679.0	1,640.0	8,744.0	-	8,250.0	48,851.0	1,804.0	-	-	1,286.0	11,670.0	89,924.0	96%	
		Disbursed by end July						83.6%			14.4%			Disbursed after September		
	ESTIMATES	ACTUAL DISBURSEMENTS 2003												Actual total 2003	Actual/ estimates	
		January	February	March	April	May	June	July	August	September	October	November	December			
Loans	26,920.0	-	-	-	-	-	2,756.0	-	-	-	-	-	-	12,084.0	14,840.0	55%
IMF (PRGF)	5,700.0	-	-	-	-	-	2,756.0	-	-	-	-	-	-	-	2,756.0	48%
World Bank (PRSC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AfDB	21,220.0	-	-	-	-	-	-	-	-	-	-	-	12,084.0	12,084.0	57%	
Sub-total (excl. IMF)	21,220.0	-	-	-	-	-	-	-	-	-	-	-	12,084.0	12,084.0	57%	
Grants	87,129.8	-	-	3,252.1	-	14,888.5	1,678.0	-	-	14,431.0	30,167.0	3,565.0	3,574.0	71,555.6	82%	
European Union	33,270.0	-	-	-	-	10,364.1	-	-	-	14,431.0	-	-	-	24,795.1	75%	
World Bank (PRSC)	31,170.0	-	-	-	-	-	-	-	-	-	28,489.0	656.0	-	29,145.0	94%	
France	3,607.8	-	-	-	-	-	-	-	-	-	-	-	1,968.0	1,968.0	55%	
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	6,560.0	-	-	-	-	4,524.4	-	-	-	-	-	-	-	6,130.4	93%	
Belgium	3,200.0	-	-	3,252.1	-	-	-	-	-	-	-	-	-	3,252.1	102%	
Switzerland	3,310.0	-	-	-	-	-	1,678.0	-	-	-	1,678.0	-	-	3,356.0	101%	
Sweden	3,620.0	-	-	-	-	-	-	-	-	-	-	2,909.0	-	2,909.0	80%	
Others	2,392.0	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	
TOTAL	114,049.8	-	-	3,252.1	-	14,888.5	4,434.0	-	-	14,431.0	30,167.0	15,649.0	3,574.0	86,395.6	76%	
		Disbursed by end July						26.1%			57.2%			Disbursed after September		
	ESTIMATES	ACTUAL DISBURSEMENTS 2002												Actual total 2002	Actual/ estimates	
		January	February	March	April	May	June	July	August	September	October	November	December			
Loans	57,900.0	-	-	21,456.0	-	-	5,221.0	-	-	-	-	-	29,391.0	56,068.0	97%	
IMF (PRGF)	10,600.0	-	-	-	-	-	5,221.0	-	-	-	-	-	4,893.0	10,114.0	95%	
World Bank (PRSC)	25,500.0	-	-	-	-	-	-	-	-	-	-	-	24,498.0	24,498.0	96%	
AfDB	21,800.0	-	-	21,456.0	-	-	-	-	-	-	-	-	-	21,456.0	98%	
Sub-total (excl. IMF)	47,300.0	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	
Grants	34,100.0	-	-	-	-	-	9,863.0	-	-	4,564.0	-	-	15,510.0	29,937.0	88%	
European Union	23,300.0	-	-	-	-	-	3,214.0	-	-	-	-	-	12,791.0	16,005.0	69%	
World Bank (PRSC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	5,600.0	-	-	-	-	-	3,770.0	-	1,885.0	-	-	-	2,719.0	8,374.0	150%	
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Switzerland	2,400.0	-	-	-	-	-	-	-	2,679.0	-	-	-	-	2,679.0	112%	
Sweden	2,800.0	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	
Others	-	-	-	-	-	-	2,879.0	-	-	-	-	-	-	2,879.0	0%	
TOTAL	92,000.0	-	-	21,456.0	-	-	15,084.0	-	-	4,564.0	-	-	29,391.0	86,005.0	93%	
		Disbursed by end July						42.5%			52.2%			Disbursed after September		

Source: SP-PPF, MFB, Ouagadougou (June 2005)

Table 3A.4: IMF related Activities and Programmes in Burkina Faso

Year	Event	Amount available to Burkina Faso in USD
1963	Burkina Faso joins the IMF on May 2 nd	
1991–1993	Agreed Structural Adjustment Facility (SAF) 1991–1993	
1993	1 st program under Enhanced Structural Adjustment Facility (ESAF). First annual loan approved on March 31 st	Total loan estimated for three year period is 89.3 mn. Loan for 1993 estimated at 27.1 mn.
1994	2 nd Annual loan approved under ESAF	Estimated 27.1 mn
1995	3 rd annual loan under approved ESAF	Estimated 27.1 mn
1996	2 nd Programme under ESAF approved 14 th of June. Plus loan approval	Total for three year period is 57 mn. Loan for 1996 is 19 mn.
1997	2 nd annual loan approved under ESAF	18 mn
1998	IMF concludes Article IV consultation	
	3 rd annual loan agreed under ESAF	18 mn
1999	3 rd Programme under ESAF (1999–2001) on Sept 10 th . The agreement is changed to Poverty Reduction Growth Facility (PRGF) as of November of 1999.	Total loan for three year period is 53.79 mn. Loan for 1999 period is 7.5 mn
2000	2 nd annual loan approved under ESAF now under PRGF.	7.5 mn
	IMF concludes 2 nd Article IV consultation	
2001	3 rd and 4 th annual loans approved under ESAF now under PRGF	14 mn in two 7 mn tranches made available
2002	PRGF is extended into 2002	7mn
2003	2 nd PRGF agreement is agreed (2003–2006). First annual loan is approved.	Total loan available for three year period is 34 mn. Loan for 2003 is 5mn.
2004	2 nd and 3 rd annual loan agreements approved under 2 nd PRGF.	10.5 mn

Sources: IMF (various) Press Releases, IMF.

Table 3A.5: Summary of EC Budget Support in Burkina Faso (1991–2004)

	N° projet	Source	Program°. en Mio €	Paiement en Mio €	% Déboursé	Type Aide budgétaire
VIIème FED			131.25	131.25	100%	
CF 5010/BK - Appui budgétaire 1991/92			22.00	22.00	100%	ciblée
	7 BK 02	FAS	12.00	12.00	100%	
	7 BK 03	PIN	10.00	10.00	100%	
CF 5216/BK - Appui budgétaire 1993/95			45.25	45.25	100%	ciblée
Stabex 1991 - Gain de change			1.10	1.10	100%	ciblée
CF 5433/BK - Appui budgétaire 1994/1995			10.35	10.35	100%	ciblée
	7 BK 57	FAS	1.65	1.65	100%	
	7 BK 58	PIN	8.70	8.70	100%	
CF 5552/BK - Appui budgétaire 1995 / 1996			29.15	29.15	100%	ciblée
	7 BK 64	FAS	18.30	18.30	100%	
	7 BK 65	PIN	10.85	11.50	106%	
Stabex 94 - composante FAS			7.00	7.00	100%	ciblée
CF 5703/BK - Appui budgétaire 1997			6.40	6.40	100%	ciblée
	7 BK 99	PIN	5.23	5.23	100%	
	7 BK 100	5ème FED	1.17	1.17	100%	
CF 5778/BK - Appui budgétaire 1997 / 1998			10.00	10.00	100%	ciblée
	7 BK 127	FAS	5.00	5.00	100%	
	7 BK 128	PIN	5.00	5.00	100%	
VIIIème FED			108.75	97.63	90%	
CF 6005/BK - Appui budgétaire 1998/1999			26.95	20.95	78%	ciblée
	8 BK 003	FAS	19.35	13.35	69%	
	8 BK 005	FAS	4.60	4.60	100%	
	8 BK 006	FAS	3.00	3.00	100%	
CF 6200/BK - Appui budgétaire 1999/2000			48.20	46.18	96%	non ciblée
	8 BK 018	FAS	38.40	36.38	95%	
	<i>Tranche fixe 1999</i>		<i>19.20</i>	<i>19.20</i>	<i>100%</i>	
	<i>Tranche fixe 2000</i>		<i>9.60</i>	<i>9.60</i>	<i>100%</i>	
	<i>Tranche variable 2000</i>		<i>9.60</i>	<i>7.58</i>	<i>79%</i>	
	8 BK 019	FAS	5.90	5.90	100%	
	8 BK 020	FAS	3.90	3.90	100%	
CF 6243/REG - PARI II / Axe 3 (Appui compensatoire liés aux pertes de recettes suite à la mise en place du TEC)			10.50	10.50	100%	non ciblée
	8 ROC 021	PIR AO				
	<i>Tranche fixe 2001</i>		<i>3.80</i>	<i>3.80</i>	<i>100%</i>	
	<i>Tranche fixe 2003</i>		<i>6.70</i>	<i>6.70</i>	<i>100%</i>	
CF 6413/BK - Appui Budgétaire 2001			23.10	20.00	87%	non ciblée
	8 BK 030	FAS	20.00	16.90	85%	
	<i>Tranche fixe 2001</i>		<i>12.00</i>	<i>12.00</i>	<i>100%</i>	
	<i>Tranche variable 2001</i>		<i>8.00</i>	<i>4.90</i>	<i>61%</i>	
	8 BK 031	FAS	3.10	3.10	100%	
IXème FED			122.50	103.99	85%	
CF 6553/BK - Appui Budgétaire 2002-2004			122.50	103.99	85%	Non ciblée
	8 BK 40	Env A				
	<i>Tranche fixe 2002</i>		<i>19.50</i>	<i>19.50</i>	<i>100%</i>	
	<i>Tranche variable 2002</i>		<i>13.00</i>	<i>9.10</i>	<i>70%</i>	
	<i>Tranche fixe 2003</i>		<i>22.00</i>	<i>22.00</i>	<i>100%</i>	
	<i>Tranche variable 2003</i>		<i>18.00</i>	<i>12.58</i>	<i>70%</i>	
	<i>Tranche fixe 2004</i>		<i>25.00</i>	<i>25.00</i>	<i>100%</i>	
	<i>Tranche variable 2004</i>		<i>25.00</i>	<i>15.81</i>	<i>63%</i>	
TOTAL Appui budgétaire 1991 - 2004			362.50	332.87	92%	Répartition
TOTAL Appui budgétaire ciblé 1991 - 1999			158.20	152.20	96%	45.7%
TOTAL Appui budgétaire non ciblé 1999 - 2004			204.30	180.67	88%	54.3%
CF : convention de financement						
PIN: Programme indicatif national			PIR AO : Programme indicatif régional Afrique de l'Ouest			
FAS: Facilité d'Ajustement Structurel			Env A: enveloppe A du 9ème FED			
FED						
Période effective d'exécution		VII ème	VIII ème	IX ème*	IX ème **	
		1991-1998	1998-2001	2002-2004	2002-2008	
Dotation FED Burkina - Programmable ou enveloppe A		149.3	180	275	430	
Dotation FED Burkina - non programmable mobilisée		127.3	95.1			
Dotations FED Burkina - mobilisées		276.6	275.1	275	430	
Volume Appui budgétaire programmé		131.25	108.75	122.5	253.99	
% des dotations d'aides (FED pays) mobilisée sous d'aides budgétaires		47%	40%	45%	59%	
* avant Revue à mi parcours						
** y compris Revue à mi-parcours de 2005 et dotations 2005-2008						
Remarque: dans le cadre des VII ème et VIII ème FED, les Appuis budgétaires avaient comme source les dotations programmables (PIN) et les dotations non programmables (FAS)						

Source: EC Delegation, Ouagadougou.

Annex 3B: Preliminary results by the end of the first series of PRSC (2001–03)

Overall macro framework: The government maintained an appropriate fiscal stance under the IMF's PRGF-supported program, with stable real exchange rates and, with the exception of 2001, inflation stayed below 3 percent. Growth rates, except in 2000 related to a drought, exceeded 4 percent. According to the Bank's poverty assessment (report no. 29743-BUR), time-consistent expenditure aggregates shows an 8 percent decline in the poverty headcount index between 1998 and 2003.

Public Sector and Governance: A Supreme Audit Court was instituted in 2002 and has evaluated budget execution reports for 1995–2001, which have been adopted by the National Assembly in 2003

The share of deconcentrated budgets has increased further in 2002 but execution by the education ministry has been poor and needs improvement. A new procurement decree and implementation regulation were adopted in May 2003. The difference in unit prices between publicly procured goods and market reference prices decreased in 2002, but further reductions are needed. The average time period between verification of delivery and payment fell from 56 to 42 days in 2002 and reached 47 days in 2003. Administrative data and the result of surveys on service delivery quality and expenditure tracking are available regularly. They are exploited as part of the monitoring and evaluation of PRSP implementation. Information on public expenditure and performance is being made available regularly, in particular through the PRSP progress reports. Budget documents are public. Parliamentary debates on budget execution reports have reinforced control, including by opposition parties. However, broader public oversight remains hampered by limited capacity of civil society.

Sector policies:

Education: Tracking surveys show 5.5 percent increase in the cost of education in 2002 but the cost remains below its 2000 level. Gross primary enrolment rates increased from 41.7 percent in 1999–2000 to 52.3 percent in 2003–04 overall, and from 36.2 percent to 46.0 percent for girls. In the 20 most disadvantaged provinces, enrolment increased from 27.8 to 36.2 percent. According to the household survey, literacy rates increased from 18.4 to 21.8 percent between 1998 and 2003. However, female literacy rates remained unchanged.

Health: Tracking surveys indicate that the cost of many standard medical interventions (appendectomy, caesarean, etc) declined in 2002 by 15–30 percent, reflecting the sharp reduction in cost of medicine. Between 1999 and 2002, vaccination rates increased from 60 to 90.4 percent (BCG), from 42 to 69.1 percent (DTCP3), from 53 to 64.1 percent (measles), and from 50 to 61.4 percent (yellow fever). The use rate of health facilities increased from 0.206 person/year to 0.27 person/year between 2000 and 2002. Infant mortality rates declined from 105 to 83 of 1000 live births, and juvenile mortality rates declined from 127 to 111 per 1000 live births.

Rural development: 800 kilometres of feeder roads have been constructed out of HIPC resources during 2000–02 and funds are being channelled at a small scale to rural communities under the community-driven development project, which is being extended to the entire country. Irrigation techniques are being promoted. Following favourable climatic conditions, cereal production increased by more than 15 percent in 2003 after an already abundant harvest in 2002. Mechanisation rates remain low. Diversification of incomes remains very limited and cotton remains the main cash crop. Cotton production is growing fast on account of increasing surfaces. Promotion of other cultures is in its early stages.

Source: WB Implementation Completion Report for PRSC-3, Dec 2004.

Annexe 3C: Data on Aid and Public Expenditure

Introduction

1. This annex is divided into two main sections. The first focuses on Official Development Assistance (ODA) and GBS compared to the budget. This section contains:
 - An analysis of short term predictability of GBS based on data in Table 3A.1 and Table 3A.2 in Annex 3A, and additional information on EC programmes and WB modalities for IDA 14
 - Trends in total ODA (data from DGCOOP in MFB) for 1996 – 2002 (Table 3C.2)
 - An analysis of non-budgeted project aid (Table 3C.3)
 - An analysis of GBS in relation to total ODA and other aid modalities (Table 3C.4 and Figure 3C.1)
2. The second section analyses trends in health and basic education financing:
 - Trends in basic budgetary variables over the period of study (Source: IMF) (Figures 3C.2 and 3C.3)
 - IMF forecasts for “the HIPC effect” on public expenditures (IMF) (Figure 3C.4)
 - HIPC financing during 2000 – 2005 period (forecasts, mobilisation, commitments and payments) (MFB/SP-PPF) (Table 3C.5).
 - An analysis of health and basic education financing during the period studied, based on MFB/SP-PPF data (annual Finance Act and Amendment Act; CID commitment data) (Tables 3C.6 to 3C.11 and Figure 3C.5 to 3C.9).
 - Trends in public spending economic composition between 1997 and 2004 (aggregate government budget on own resources) (Tables 3C.12 and 3C.13).
 - An analysis of GBS vs project aid “absorption rates” (Tables 3C.15 to 3C.17).
3. The analyses in this annex form the bases of the conclusions drawn in Chapter B3 of the report.

Predictability of PGBS

4. With regard to short term predictability, the data on monthly PGBS disbursements for the years 2002–2004 (Table 3A.2 above) shows that disbursement rates have been somewhat erratic, with a trough at 76% in 2003 between two much better years (high rates – 90%). There is a positive trend with regard to the speed at which PGBS funds are available at the beginning of the fiscal year: in 2004 more than 50% of PGBS funding had been disbursed prior to July and there were definitely fewer disbursements outstanding after September than in 2002 and 2003. Due to their size, disbursements by the WB and the EC are key to these trends.
5. Late mobilisation of GBS (e.g. as in 2003) is a problem because it creates uncertainty in budget management. When it happens that GBS releases are late, the government is taking the measures it has usually taken in case of shortfalls in revenues, to comply with the WAEMU criteria and its agreement with the IMF with regard to payment arrears. That is, it “regulates” budget releases to the level of available resources. Informants to the study team indicated that in this way PGBS late disbursements did not create cash flow problems as these mechanisms are pretty effective. However, their application tends to undermine the credibility of the budget, and operational efficiency at service delivery facility level.
6. Several elements explain the fluctuations noted above in terms of performance in GBS disbursements. One key element is the scheduling and outcome of PRGF review missions. The

IMF approved a new PRGF in 2003. However, the first review mission did not take place until October that year, and the review was not finalised until the beginning of 2004. The AfDB, a new GBS partner, disbursed only one of two tranches planned for 2003. In 2004, the conclusion of the PRGF's second review was significantly late. This was not due to poor performance by the government, but external factors that arose shortly after the IMF mission and required a total review of the macroeconomic framework. The second and third PRGF reviews were completed concurrently early 2005. Although the programme was never off track, some of the GBS partners did not disburse the support planned for the end of 2004 (e.g. France). On the other hand, the Netherlands raised additional resources in order to compensate effects of price trends on the international market affecting unfavourably Burkina Faso's economy (rise in the price of petrol and decrease in the price of cotton).

7. There are several other reasons for late GBS disbursements and these are often combined, as showed in the 2004 SPA survey (GBS alignment in 15 African countries in 2003). In the case of Burkina Faso these include problems of non-congruent governmental cycles (e.g. PRSP annual reviews too late in relation to the MTEF and annual budget preparation), delayed production of information required for assessment of conditionality due to lack of capacity on government's side (this affects in particular the variable tranche releases of the EC programmes) and administrative delays on IPs' side. Furthermore, until the CGAB was signed, the calendar for assessing PGBS conditionality for the various partners was only partially clarified in relationship to the budget calendar.

8. As an illustration, Table 3C.1 below sums up the calendar of planned and actual disbursements of the fixed and variable tranches for the EC (2002–04) PGBS programme.

Table 3C.1: Calendar of GBS payments by EC for 2002–04

Tranche	Planned indicative date	Payment date
2002 fixed	Signing of financing agreement	December 2002
2002 variable	2 nd half-year 2002	June 2003
2003 fixed	1 st half-year 2003	September 2003
2003 variable	2 nd half-year 2003	June 2004
2004 fixed	1 st half-year 2004	July 2004
2004 variable	2 nd half-year 2004	April 2005

Source: EC Delegation, Ouagadougou.

9. The new CGAB should considerably improve the situation. Within this framework, the government and IPs have agreed on an "ideal calendar" as follows: the review of the implementation of the PRSP has been brought forward (March/April Year N, reviewing performance for year N-1) so that its conclusions will be taken into account in the finalisation of the MTEF (N+1/N+3). In this way IPs have the necessary elements in March/April (Year N) to be able to announce their commitments for years N+1 to N+3 and for those to be taken into account in the MTEF. These preliminary commitments are confirmed on the basis of the review of the budget project for Year N+1 (in September/ October of Year N), such that the GBS resources can show up transparently in the Finance Act for Year N+1.¹⁰

10. Clearly, this calendar represents an ideal towards which PGBS IPs will work at different speeds depending on their respective initial situations, which are all very different (e.g. France's annual commitment during the year, the Netherlands' three-year programme, but requesting annual endorsement from the Dutch parliament, the EC's fixed triennial programme, a triennial

¹⁰ Currently, GBS funding does not appear as revenue although it is reflected in the spending ceilings, which creates a "financing gap" that the National Assembly authorises the Ministry of Finance to make good, preferably during the year. The situation is regulated by the Amendment Act.

series of annual programmes for the World Bank). Equally, there are different views on the desirability of a cycle that would definitely (and irreversibly?) commit GBS resources for Year N+1 based on a review quite early in Year N of the performance in Year N-1. This implies a rather long period of time between the performance, its assessment, and the actual situation at the time of the money being paid out: significant changes, not always desirable, may have occurred in the meantime.

11. For example, the World Bank seems set on continuing to use the system of working out trigger measures for Year N+1 during N, at the same time as the trigger measures for Year N are being assessed and transformed into prior actions for submission to the Board. This means that resources for Year N+1 would still be dependant, in the final analysis, on a decision made during the same Year N+1. But this decision would be put forward as much as possible depending on the timing for the annual review of implementation of the PRSP. The resources would therefore be available much earlier in the budgetary year, as was already the case for PSRC 4 and PSRC 5 (see Table 3A.2). The WB intends to follow the CGAB calendar and would make the PSRC pre-appraisal and appraisal missions coincide with the six-monthly meetings of the CGAB.

12. As far as the EC is concerned, the decision to pay out the annual variable tranche depends on information on the indicators pertaining to it, in principle contained in the PRSP annual progress report (APR) or “annexed” reports (e.g. rapid survey reports). What happened beyond the fact that PRSP annual reviews used to be conducted quite late (which also affected the “PRSP components” of PGBS programmes of several bilateral IPs) is that the measures for some indicators were not available until still later in the year. As can be seen in Table 3C.1 above, this and other delays attributable to the EC procedures led to the variable tranches to be systematically paid out the year after the one initially scheduled. The result of this lack of predictability is significant, because the volumes of GBS provided by the EC are significant. Moreover, the proportion of the EC PGBS resources under the variable tranche has been atypically high at 50%, since the start of EC PGBS programme in 2002.¹¹

13. The new programme (for which approval is expected in July 2005) is designed to avoid this problem: It supports the calendar suggested in the CGAB and anticipates that the variable tranches would be paid out at the beginning of Year N+1, based on evaluation of the indicators achieved during Year N (starting with the annual review of implementation of the PRSP), but examining performance of Year N-1.

14. Altogether, government seems more concerned about the scheduling of PGBS within-year releases and less with short or medium term variations in funding volumes (e.g. trend in PSRC volume depending on Burkina’s debt sustainability status, effect of EC graduated response through variable tranche mechanism).¹² This may be due to the fact that, allowing for delays, the ratio PGBS disbursement/ commitment for the EC and the WB has been very good (i.e. in final 100% of PGBS commitments were disbursed). Or, this reflects the fact that late disbursements within the fiscal year have a much more immediate and “tangible” effect than a hypothetically lower-than-forecast funding volume.

15. The system adopted by the WB to decide on the eligibility of countries to IDA 14 grant funding generates an additional element of unpredictability in relation to the composition of

¹¹ The EC’s assessment report on the variable tranche mechanism cites an average of 35% for the variable tranche of the 34 programmes reviewed in 20 ACP countries. The higher proportion of the variable part in the case of Burkina Faso can be explained by the fact that Burkina was a pioneer of the new approach, as a pilot country for the new conditionality test in the years 1997/8-2000.

¹² IDC report, February 2005. The government produced an exhaustive analysis of the problems of short- and medium-term predictability in its April 2004 report on “Conditions for an effective partnership for support of the PRSP”, which formed one of the bases on which the CGAB was developed.

PGBS in terms of grants versus loans. This system is supposed to work as described in Box 3C.1.

Box 3C.1: Eligibility to IDA 14 grant funding

There are now two criteria determining the eligibility of a country to grant funding from IDA 14, namely, the country performance rated through the traditional Country Policy and Institution Assessment (CPIA; covering macroeconomic, governance and IDA project management performance), and a new assessment of the status of the country in relation to sustainability of its debt. Based on these two criteria countries are divided in three broad categories, each subdivided into three sub-groups.

The definition of the broader categories depends exclusively on the countries' CPIA ratings. Countries are categorised into three groups each of one third of the total number of countries concerned, of high performing countries, moderately performing countries and low performers.

The second criterion intervenes as follows. Under the HIPC scheme the debt sustainability status used to be determined by reference to a single value for the Net Actualised Debt Value on Export ratio equal to 150. Countries with a ratio below this value were deemed to have a sustainable debt. The new element introduced with IDA 14 is that the value of the ratio depends on the performance category. For the category of high performing countries it can go up to 200. In this way the assessment of the sustainability of the debt of countries is linked to their performance. There are three sub-divisions within each category: green for countries that have a sustainable debt ratio in their category; yellow for those at the margin; and red for those that have a non-sustainable debt ratio.

Green countries receive high allocations of 100% loan funding; red countries receive much lower allocations of 100% grant funding; yellow countries receive 50% funding as grant, with a "medium-size" allocation.

Currently Burkina Faso is rated as a high performing country and its debt ratio indicates a sustainable debt. Its allocation for the year 2006 is therefore planned to be fully in the form of a loan.

The system is not without problems and it faces a number of criticisms. The most important criticism is that it penalises high performing countries by denying them access to grant funding. The system is also going to be challenged by the decision taken at Gleneagles to cancel multilateral debt for 18 countries, including Burkina Faso.

Official Development Assistance in Burkina Faso

16. The question of the significance of ODA in relation to government budget (and to GBS) is obviously important. Unfortunately in Burkina Faso it does not have a clear cut response. Elements of response have been provided by government and IPs as follows:

- ODA is significant in terms of percentage of GDP and it therefore covers a large proportion of public spending (PER 2004: 40% of budget and 75% of investments).
- PGBS has been increasing. It is progressively returning to the level of the macroeconomic support given after the devaluation of 1994.
- Project (non-GBS) aid is still significant (in terms of volume and number of projects) even though some IPs are reducing their reliance on project aid, e.g. EC and the Netherlands.
- A significant proportion of ODA 'escapes the budget': it is not recorded in the Finance Act, or it is recorded but disbursements are known late and the aid is not implemented through government systems. Alternatively the aid is in fact 'in closed circuit', for example for research assignments carried out first and foremost for the benefit of the IP.
- Table 3C.2 below shows that trends over time for different forms of ODA in Burkina are not definite.

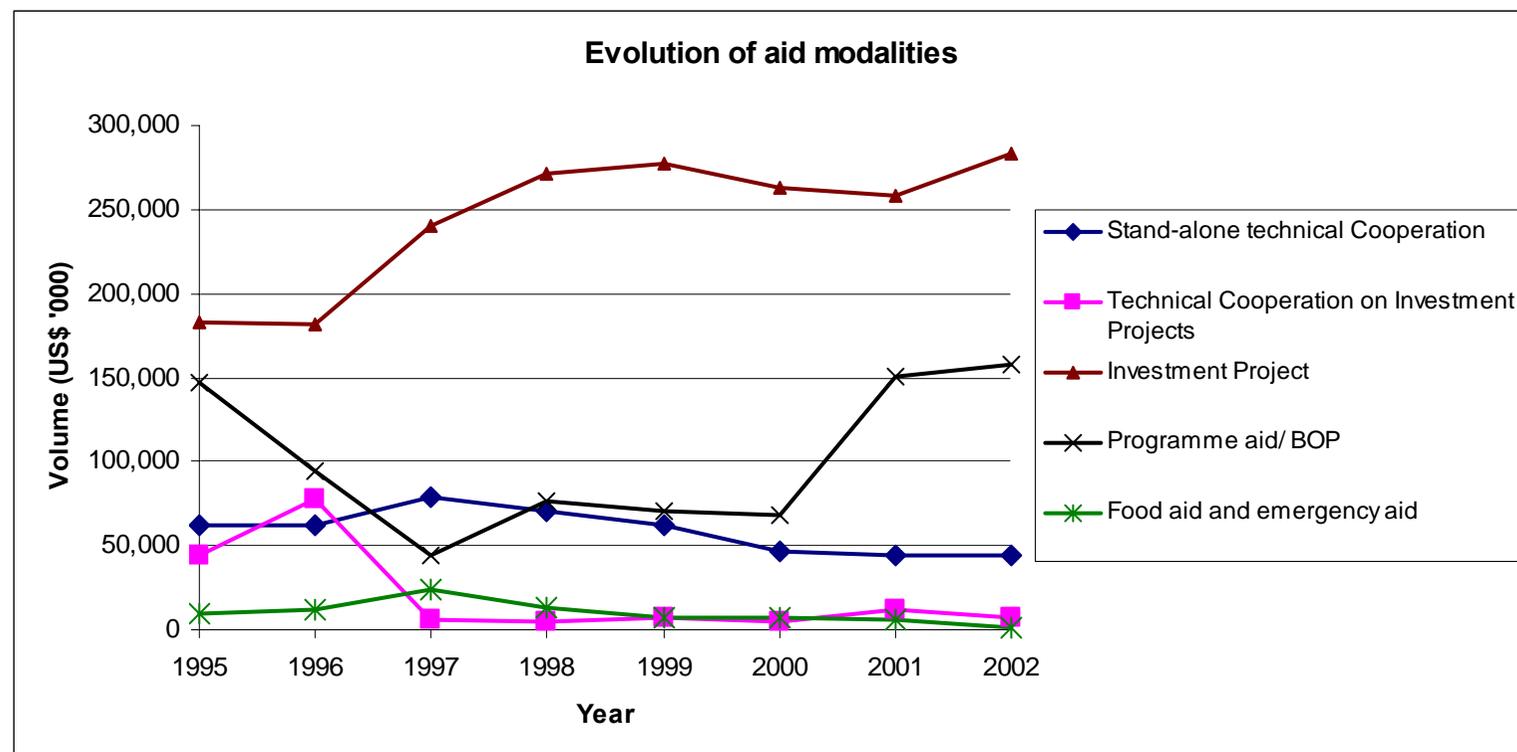
Table 3C.2: Official Development Assistance in Burkina Faso

(USD thousands)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
									Incomplete	Forecasts
Stand-alone Technical Cooperation	61,577	62,182	78,621	70,266	62,293	46,307	43,946	44,630	23,358	546
Technical Cooperation on Investment Projects	44,102	77,751	5,985	4,870	7,580	4,642	11,979	7,573	5,139	2,290
Investment Projects	182,487	182,212	240,116	270,984	276,927	263,221	258,362	282,726	245,309	54,575
Programme aid/ Balance Of Payment Support	147,293	94,853	43,974	76,338	70,457	68,338	150,651	158,167	132,883	102,636
Food and emergency aid	9,134	11,860	24,049	12,751	7,469	7,238	5,379	1,240	1,774	293
TOTAL	444,593	428,858	392,745	435,209	424,726	389,746	470,317	494,336	408,463	160,340
ODA/GNP (%)				21	23	22	19	24		
ODA per capita (US\$)				37	38	34	39	41		

Source: DGCOOP/UNDP 2005 report and data provided to the evaluation team.

Exchange rate USD/CFAF

509.33 572.25 593.00 613.37 705.00 745.00 702.00



17. The data comes from the DGCOOP. It was collected through a questionnaire sent to IPs. As with any questionnaire there are certainly problems with interpretations of definitions, coverage etc. It is also important to note that (a) the period immediately following 1994 is atypical as a large volume of macro support was given to 'absorb' the direct effects of the devaluation; (b) the year 2000 saw political tensions which had an impact on aid flows, albeit in different ways for project support and for macro/budgetary support,¹³ (c) data for 2003 and 2004 are not as accurate as for previous years, because of the long delays in obtaining data on disbursements and implementation for a number of projects.

18. Notwithstanding these problems the following trends are noteworthy: (i) project aid does not decrease significantly (as the reduced volumes of 2000 and 2001 can be explained by a slowdown in negotiations for new projects during the political difficulties of the year 2000); (ii) the level of stand-alone TC is fairly constant. The level of TC linked to investment projects is lower than during the years 1995-96 but it is probable that running costs for project units are now included in project expenses instead of being separately labelled.

19. It also needs to be noted that the DGCOOP definition of "programme aid/BOP support" is fairly ambiguous (including macro/GBS, IMF support, debt support including HIPC, and programme support such as support for the PDDEB) and there is no standard of "programme support" as used by DGCOOP. Annex 4E gives some insight about the complexities that can surround such definition with the case of the "virtual basket funding" for the education PDDEB.

Non-budgeted aid

20. Using the data on ODA provided by DGCOOP and SP-PPF data in relation to GBS disbursements and budgeted projects (see previous section), it is possible to estimate the off-budget aid volume. The elements of this analysis are set out in Table 3C.3 below.

Table 3C.3: Order of magnitude of off-budget aid (1995–2002)

Assuming DGCOOP data are actually disbursements (a):

(CFAF millions)	1995	1996	1997	1998	1999	2000	2001	2002
1. Total ODA disbursed (DGCOOP)	226,445	218,430	224,748	258,079	260,514	274,771	350,386	347,024
2. Total (P)GBS disbursements (b)	72,297	36,646	27,375	43,481	50,141	28,087	75,913	86,005
3. Total project disbursements (c)	97,531	125,167	135,026	150,974	191,615	179,384	114,070	111,943
4. Total HIPC disbursements (d)	0	0	0	0	0	0	6,559	28,003
Difference (1-(2+3+4)) = "off budget" ODA	56,617	56,617	62,347	63,624	18,758	67,300	153,844	121,073
"Off budget" share of ODA	0.25	0.26	0.28	0.25	0.07	0.24	0.44	0.35
Government current revenue (for comparison) (e)	137,183	160,892	182,153	199,367	213,801	219,348	227,966	259,443

Notes

- (a) DGCOOP/UNDP report 2005 is based on responses by IPs to a survey questionnaire requesting them to give disbursement data. The report has been available in 2005 but data coverage stops at 2002.
- (b) Data from SP/PPF on PGBS disbursements (June 2005)
- (c) Data from SP/PPF (June 2005) and DGCOOP (Table 10 in 2005 report)
- (d) Data from SP/PPF, June 2005
- (e) Data from SP/PPF, June 2005

21. We noted above that the DGCOOP data is affected by several problems undermining its quality (issues of definition of aid modalities; uncertainty as to whether IPs have reported actual disbursements; ambiguity in the definition of the term "disbursement"; incomplete response to DGCOOP questionnaire etc.). Any analysis based on this data will therefore provide at best, orders of magnitude. With this caveat, our analysis nevertheless shows that the phenomenon of "off budget" ODA is significant in Burkina Faso: we estimate that between 25% and 45% of the

¹³ As analysed in more depth in Chapter A3, the tensions of the year 2000 were reflected in an immediate trend downward in relation to GBS, but a delayed trend for project aid: on-going projects were usually not suspended but negotiations for new projects were probably postponed in a number of cases.

total ODA “escapes government budget”. This corresponds well with DGCOOP own estimates, according to which 60% of grant project aid is “off budget”. It is odd that “off budget” aid appears to rise in the years 2001 and 2002 (where it would represent more than 50% of government own current revenue). But the time series built in table 3C.3 above ends before the years when, according to the IPs, one could have seen a trend toward more ODA recorded on government budget.

GBS, other aid modalities and the budget

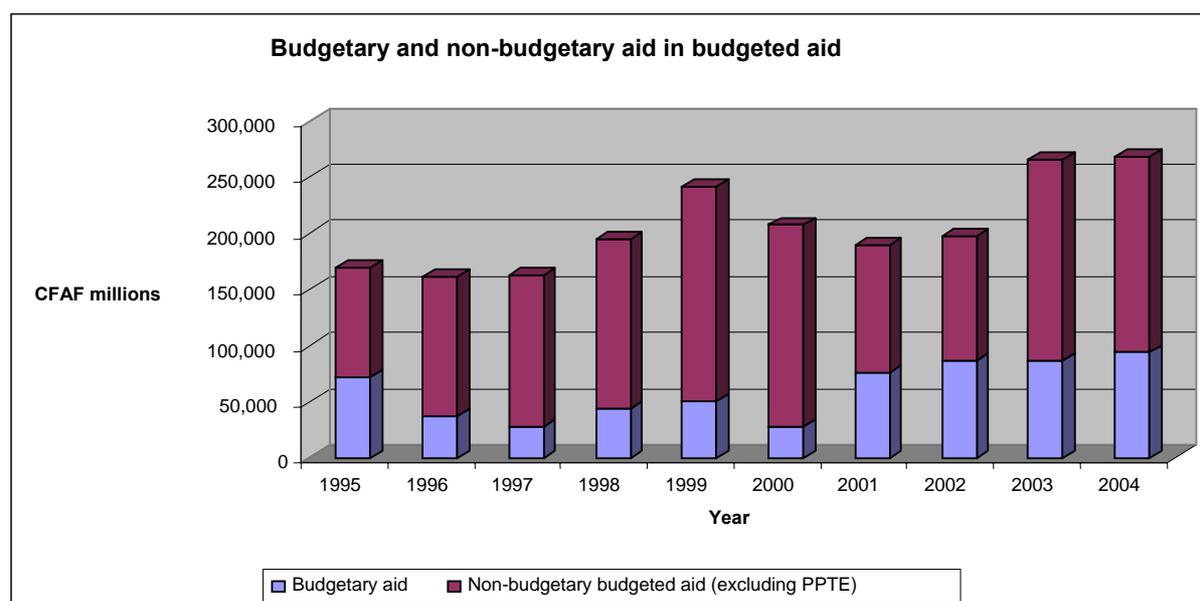
22. Table 3C.4 outlines trends over time in the significance of GBS in relation to other aid modalities and in relation to the budget. Figure 3C.1 indicates that GBS does not appear to have substituted to (“on budget”) project aid over the period of study. Fluctuations in trends of both, GBS and “on budget” project aid make it difficult to draw any firm conclusion.

Table 3C.4: GBS, other aid modalities and government budget

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
In government budget (actual/outturn)										
(P) General Budget Support (data SP-PPF)	72,297	36,646	27,375	43,481	50,141	28,087	75,913	86,005	86,396	93,842
Domestic revenue (current + capital) (data SP-PPF)	137,183	160,892	182,853	205,834	217,538	233,988	230,994	260,315	301,971	356,913
On budget project funding (data SP-PPF)	97,531	125,167	135,026	150,974	191,615	179,384	114,070	111,943	179,384	174,800
HIPC funding (commitments) (data SP-PPF)							6,559	28,003	29,840	43,486
(P)GBS disbursements on total spending	23.5%	11.4%	7.9%	10.9%	10.9%	6.4%	17.8%	17.7%	14.5%	14.0%
(P)GBS as a proportion of own resources (*)	34.5%	18.6%	13.0%	17.4%	18.7%	10.7%	24.7%	24.8%	22.2%	20.8%
Project aid (on budget) as a proportion of total PE	31.8%	38.8%	39.1%	37.7%	41.7%	40.6%	26.7%	23.0%	30.0%	26.1%
In total ODA (including "off budget" ODA)										
(P) General Budget Support (data SP-PPF)	72,297	36,646	27,375	43,481	50,141	28,087	75,913	86,005	86,396	93,842
Non BS aid (total ODA - GBS)	154,148	181,784	197,374	214,598	210,373	246,684	274,473	261,019		
(P)GBS as a proportion of total ODA	31.9%	16.8%	12.2%	16.8%	19.2%	10.2%	21.7%	24.8%		
In total "on budget" aid (SP-PPF)										
(P)GBS	72,297	36,646	27,375	43,481	50,141	28,087	75,913	86,005	86,396	93,842
Non budget support "on budget" aid (excl. HIPC)	97,531	125,167	135,026	150,974	191,615	179,384	114,070	111,943	179,384	174,800
(P)GBS as a proportion of total "on budget" aid	42.6%	22.6%	16.9%	22.4%	20.7%	13.5%	40.0%	43.4%	32.5%	34.9%
Non BS "on budget" aid in total "on budget" aid	57.4%	77.4%	83.1%	77.6%	79.3%	86.5%	60.0%	56.6%	67.5%	65.1%

23. Figure 3C.1 illustrates the relative size of GBS in relation to other “on budget” non budget support aid. It is based on the data shown in the last group of lines in Table 3C.4.

Figure 3C.1: GBS and “on budget” project aid proportions of total “on budget” ODA

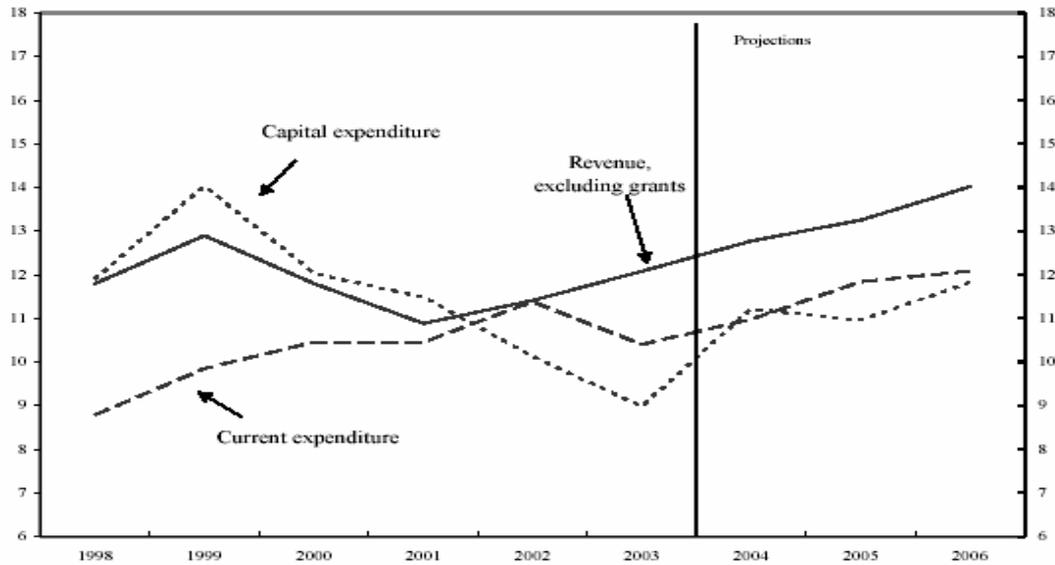


Financing trends (budget and ODA) for selected priority sectors

Trends of basic fiscal/budgetary parameters

Figure 3C.2: Government revenue and expenditure

Figure 9. Burkina Faso: Government Revenue and Expenditure, 1998–2006
(In percent of GDP)

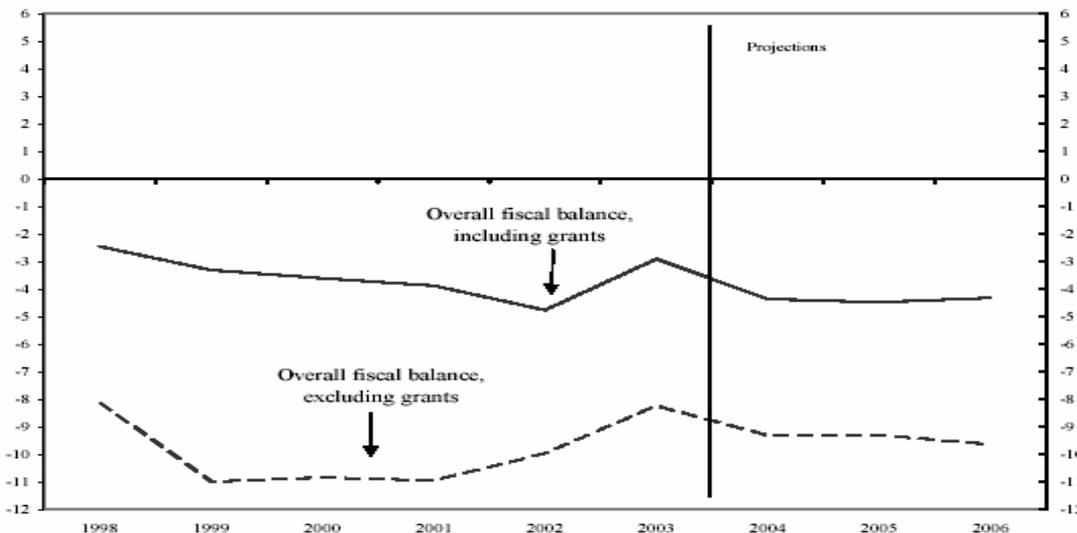


Source: Burkinabè authorities, and Fund Staff estimates.

24. Note the peak in capital expenditure in 1999 and the generally fairly erratic nature of the trend in these expenditures.

Figure 3C.3: Budget deficit including and excluding grants

Figure 10. Burkina Faso: Fiscal Balance, 1998–2006
(In percent of GDP)



Source: Burkinabè authorities, and Fund Staff estimates.

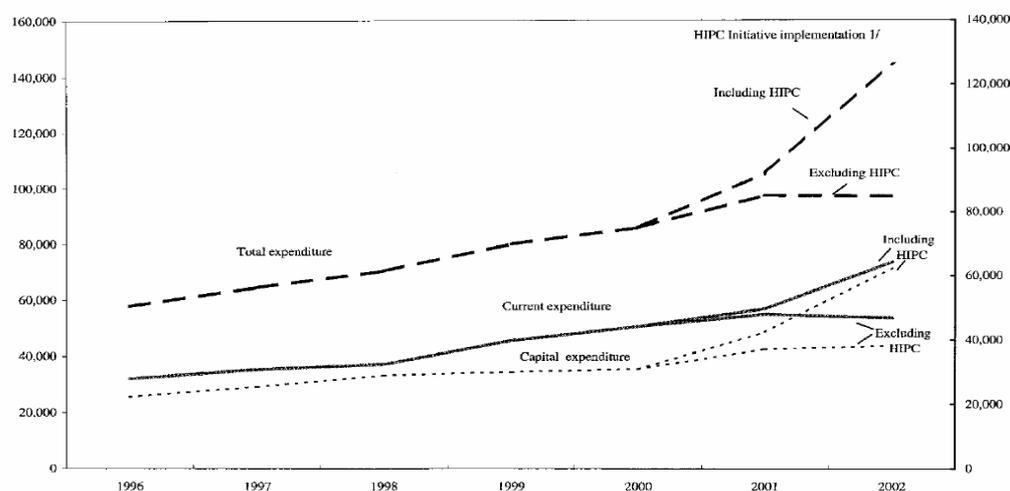
Source: IMF, PRGF 2nd and 3rd reviews, March 2005.

The HIPC initiative and the financing of the budget in Burkina Faso

Figure 3C.4: Predictions of the HIPC effect on public expenditure for Burkina Faso

Figure 5. Burkina Faso: Social Expenditures, 1996-2002 1/

(In millions of CFA francs)



Sources: Burkinabè authorities and Fund staff estimates and projections.

1/ On July 10, 2000, and following the IDA Board's decision of June 30, 2000, the IMF Executive Board agreed that Burkina Faso was eligible for assistance under the enhanced HIPC Initiative.

Source: IMF, Document submitted to the Board for access at the point of the HIPC decision for Burkina Faso.

25. Figure 3C.4 shows IMF projections to forecast the “HIPC effect” on public expenditure from the years 2000–01 onward. The conditionality attached to the HIPC funds has right from the outset been related to the fact that the bulk of the additional expenditure would be made in the basic social sectors. In order to be able to trace this additionality in the absence of a budget classification which would have allowed it to be traced through the budget, the Burkinabè government, under the aegis of the IMF, has chosen to “separate” HIPC financing from other government budget resources. This was decided even though the authorities had prior experience of programme aid/BOP support providing unearmarked resources fully integrated in the budget as shown in Table 3A.1. However, there were less stringent requirements of “proving results” for these earlier forms of assistance.

26. In practice, this “separated” treatment of the HIPC funds takes the following form:

- Up until 2003, HIPC resources were only recorded in the Finance Act as a separate item not included in the budget voted by the NA. The allocation of resources, paid into a special treasury account, was made through an order of the Finance Minister at the start of the fiscal year. Budget envelopes of beneficiary agencies were adjusted in an Amendment Act in the course of the year.
- From 2003 onward, itemised HIPC revenues and expenditures have been set out in an annex to the draft budget and to the Finance Act voted by the NA. However HIPC funds are still deposited into a special treasury account to finance programmes “additional” to those financed out of government “Own Resources” (OR, including PGBS). The activities financed by HIPC funding are clearly identified, including, for example, the recruitment of health and education contract workers, infrastructure expansion in those two sectors etc.
- The availability of HIPC funds for the beneficiary sectors has always been taken into account in the allocation of other resources available to the state. However, there was also a commitment of government to protect basic allocations to the social sectors.

These tradeoffs are now fairly transparent as they are analysed in the MTEF document attached to the budget circular since 2003.

- Special treasury accounts may have a different budget classification from that of the “regular” budget. This is the case for the HIPC special treasury account. As a result, any consolidation of spending (from the regular budget and HIPC) at a more detailed level than beneficiary sector or broad economic category (staffing, operating and investment expenses) requires additional “matching” work.
- Up to (and including) 2003, the HIPC special treasury account was managed by the MFB directly (DGB). From 2004, the credits have been delegated to the beneficiary ministries – and there has been an improvement in the rate of absorption of funds according to the Burkinabé authorities.
- One of the main attractions of the system and one of the reasons why it was set up is that HIPC credits not used up during the year are automatically transferred to the following year. Spending procedures differ somewhat from the regular ones with the aim of accelerating implementation.

27. As a result of all these features, the treatment of HIPC funding resembles that of external financing and the PER 2004 deplors that “a project approach” has been adopted to manage these resources. For example, the budget shares for the sectors of basic education and health and the implementation rates of these budgets, which are monitored by the EC and the World Bank in relation to their conditionality, are expressed in terms of ‘own resources excluding external financing and HIPC’. This is a case where weaknesses in one part of the PFM system (lack of result monitoring system) led to introducing a mechanism which undermines other parts of the PFM system (comprehensive budgeting; reform of budget execution systems).

28. Government and IPs are aware of the fact that it would be desirable to better integrate HIPC funds into the budget system (as for PGBS funds). However, until recently it was thought that it was not worth devoting too much time to this issue as HIPC funding was set to fade away quite quickly over the medium term. There are reasons for revising that opinion and make sure that lessons learned are used to devise a sound system to implement the Gleanagles debt cancellation promises. It needs to be noted that civil society favours the “earmarked and separated” approach adopted so far for the HIPC funds. This indicates a lack of confidence in the fact that the budget as a whole might and should be ‘pro-poor’ and/or a doubt that results would be easily traceable through government budget systems.¹⁴

29. Table 3C.5 below is based on MFB data for the HIPC scheme. It can be seen that at early stages there were difficulties in mobilising HIPC funding (difference between “total” and “resources effectively mobilised”), resulting from delays in finalising agreements with HIPC partners and difficulty for government in mobilising the necessary cash when the debt was falling due (this cash is supposed to be paid into the special account instead of being sent abroad for debt servicing). Toward the end of the period this effect is combined with the effect of carrying forward unused credits at the end of year N to the allocations for the year N+1 (see, for example, the change in the “total” between 2003 and 2004). The difference between “resources effectively mobilised” and the “total commitments” line in the lower part of the table is a measure of the absorption capacity of the beneficiary agencies. The difference between commitments and payments relates to national procedures. The volumes involved are quite large.

¹⁴ GERDDES report with support from Diakonia, January 2005, on the use of HIPC funds in the health sector (mentioned during the second mission workshop).

Table 3C.5: The HIPC effect in reality

Burkina Faso – Trends in HIPC projections and actual funding mobilisation

Ministries	2000	2001	2002	2003	2004	2005	Total
	<i>Millions of CFA Francs</i>						
Employment, work and youth	-	995.2	900.0	998.2	1,062.0	942.0	4,897.4
Information	-	-	225.0	215.0	594.0	314.0	1,348.0
Justice	-	-	-	-	531.0	471.0	1,002.0
Promotion of women	-	976.9	1,107.0	874.6	1,062.0	942.0	4,962.5
Health	3,587.5	9,309.7	8,440.0	9,724.0	8,850.0	8,525.0	48,436.2
Social Action	-	559.1	500.0	600.6	1,770.0	1,560.0	4,989.7
Basic Education and promotion of literacy	4,100.0	9,354.4	8,710.0	9,380.8	8,850.0	8,425.0	48,820.2
Mines, quarries and energy	-	-	-	-	222.0	628.0	850.0
Agriculture, hydraulic engineering and fisheries	-	1,900.2	1,847.0	2,116.4	3,540.0	3,410.0	12,813.6
Animal Resources	-	718.6	962.0	1,144.0	1,770.0	1,705.0	6,299.6
Infrastructure, transport and housing	2,562.5	2,335.3	2,100.0	2,459.8	3,432.0	2,826.0	15,715.6
Economy and development	-	-	-	-	708.0	628.0	1,336.0
Common Expenditures	-	1,245.1	1,908.0	1,086.8	3,009.0	1,024.0	8,272.9
Total	10,250.0	27,394.6	26,699.0	28,600.2	35,400.0	31,400.0	159,743.8
Resources actually mobilised*	7,124.0	26,279.4	20,791.6	24,665.9	24,798.4	9,652.0	113,511.4

*For 2005, mobilisations on 31 May

Burkina Faso – Trends in commitments and payments for expenditures financed on HIPC funds

Ministries	2000	2001	2002	2003	2004	2005*	Total
	<i>Millions of CFA Francs</i>						
Employment, work and youth	-	-	995.2	1,244.7	1,348.4	-	3,588.2
Information	-	-	-	335.9	565.2	188.8	1,089.9
Justice	-	-	-	-	302.0	-	302.0
Promotion of women	-	-	1,653.4	1,103.6	1,818.2	7.6	4,582.8
Health	-	1,892.6	10,008.3	9,499.0	15,339.6	6,145.5	42,885.0
Social Action	-	-	559.1	1,023.6	1,870.8	1,236.5	4,690.0
Basic Education and promotion of literacy	-	2,731.9	8,949.1	10,492.2	10,736.7	4,943.6	37,853.5
Mines, quarries and energy	-	-	-	-	54.6	-	54.6
Agriculture, hydraulic engineering and fisheries	-	-	1,741.0	873.6	4,336.5	1,187.5	8,138.6
Animal Resources	-	58.0	729.5	738.5	2,205.2	-	3,731.2
Infrastructure, transport and housing	-	1,876.7	1,839.0	2,298.9	3,297.9	522.2	9,834.7
Economy and development	-	-	-	-	354.0	-	354.0
Common Expenditures	-	-	1,528.9	2,229.6	1,257.2	362.0	5,377.7
Total	-	6,559.2	28,003.5	29,839.6	43,486.4	14,593.8	122,482.4
Payments	-	4,729.4	17,716.3	22,495.8	22,140.8	9,652.0	80,686.4

*For 2005, state of execution on 31 May

30. When we look at the cumulative totals for the period, it may seem odd that the commitments (CFAF123 billion) are higher than the total mobilised (CFAF 114 billion) but they are also well below the total predictions (CFAF160 billion). The total paid (CFAF 81 billion) is also substantially less than the total mobilised (CFAF 114 billion). This suggests a situation where (a) a fairly sizeable cash balance (114 minus 81, or CFAF 33 billion) is in theory available (in the special account) and (b) the government is still waiting for a large amount of resources for the year 2005, of which part would in any case be essential in order for it to honour the commitments already undertaken and not yet paid.

31. Our analysis of the “HIPC mechanism” outlines a number of managerial complexities arising from the special treatment of the HIPC funds. Most likely this results in lower effectiveness and efficiency in the utilisation of the total resources available to the government. The case of a temporary cash surplus on the HIPC account explained in the previous paragraph illustrates this. Provided certain guarantees would be in place, this cash could equally well help government to overcome (temporary) general cash shortfalls instead of sitting idle for an undetermined period. This is recognised in a report by the CSO Diakonia. The same report notes that the carrying forward of unused HIPC credits from year to year seems to have a pernicious effect of encouraging spending agencies to start by implementing activities financed by government own resources (which are secured only for the current fiscal year) before embarking on implementing the HIPC programmes.

Social Sector share in the budget¹⁵

32. Tables 3C.6 to 11 below provide the information basis for a tentative analysis of basic social sector financing during the period studied (basic education and health, taken as proxies of pro-poor expenditures, see Box B3.1 in main report). This dataset was created by the evaluation team based on data supplied by the MFB/SP-PPF, regarding:

- Table 3C.6 – Table 3C.7: Approved estimates (annual Finance Law), amended budgets (Amendment Law) and commitments at end of year for government Own Resources (including domestic revenue and (P)GBS; excluding external financing and HIPC) for all government structures, excluding debt service (period of 1996–2004);
- Table 3C.8 – Table 3C.9: Same data on budgets and spending on Own Resources + additional allocations and spending from HIPC (from Table 3C.5 above on HIPC financing for the period 2000–2005)
- Table 3C.10 – Table 3C.11: Same data on budgets financed on Own Resources and HIPC + approved external financing for all government structures (period of 1996–2004).

33. Basic education and health were the sectors selected for more in-depth study in all dimensions of this evaluation, and they are also HIPC priority sectors. It would be interesting to analyse the financing structure for other PRSP/HIPC priority sectors/ areas in the same way, but such analyses are not readily available and it was too onerous to undertake them within the limits of time allocated for this study. The example of rural development is telling. The functions attached to rural development (including rural roads) belong to four ministries, each of them also financing expenditures outside of rural development. To analyse rural development financing one would need to disaggregate data within each ministry and re-aggregate it for the purpose of the analysis – a task that demands more time than was available even for the WB PER 2004 team.

¹⁵ The 2004 PER focuses on overall budget data including external financing (“on budget”) and HIPC funds without attempting to distinguish their influence. The IMF (HIPC and ESAF/PRGF) documents do not provide a consistent time series of budgets and expenditures in basic education and health. This point was confirmed by the authorities in Burkina Faso, who encouraged the team to use the data supplied by the MFB as a point of departure of the analysis for this study.

Table 3C.6: Basic education and health budgets and expenditures on Own Resources (excluding external financing and HIPC)

(millions FCFA)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Basic education									2.49
Approved estimates (Own Resources)	18,933	20,763	21,034	25,266	29,877	32,024	35,061	43,088	47,087
Amended Budget	18,693	19,893	20,764	26,554	29,943	32,024	33,453	42,085	
Commitments	18,447	21,523	22,796	29,354	29,898	33,119	37,054	39,131	
Execution Rate (commitments/approved)	97%	104%	108%	116%	100%	103%	106%	91%	
Health									2.35
Approved estimates (Own Resources)	14,243	17,326	20,483	22,561	22,856	26,473	29,577	32,008	33,405
Amended Budget	13,816	16,638	20,221	23,136	22,814	26,445	28,813	30,931	
Commitments	14,426	16,200	19,624	24,116	23,261	25,870	28,579	29,617	
Execution Rate (commitments/approved)	101%	94%	96%	107%	102%	98%	97%	93%	
Total									2.31
Approved estimates (Own Resources)	141,607	168,432	199,819	210,358	215,361	236,373	278,242	295,584	327,130
Amended Budget	144,114	173,751	206,939	211,510	217,056	237,861	272,727	301,722	
Commitments (*)	142,955	167,039	203,985	202,976	208,377	222,771	260,916	275,081	
Execution Rate (commitments/approved)	101%	99%	102%	96%	97%	94%	94%	93%	

Table 3C.7: Basic education and health Budget and Expenditure shares (Own Resources)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Basic education									
Approved estimates	13.4%	12.3%	10.5%	12.0%	13.9%	13.5%	12.6%	14.6%	14.4%
Amended Budget	13.0%	11.4%	10.0%	12.6%	13.8%	13.5%	12.3%	13.9%	
Commitments	12.9%	12.9%	11.2%	14.5%	14.3%	14.9%	14.2%	14.2%	
Health									
Approved estimates	10.1%	10.3%	10.3%	10.7%	10.6%	11.2%	10.6%	10.8%	10.2%
Amended Budget	9.6%	9.6%	9.8%	10.9%	10.5%	11.1%	10.6%	10.3%	
Commitments	10.1%	9.7%	9.6%	11.9%	11.2%	11.6%	11.0%	10.8%	

Table 3C.8: Basic education and health Budgets and Expenditures (Own Resources + HIPC; excluding external financing)

(millions FCFA)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Basic education									2.95
Approved estimates	18,933	20,763	21,034	25,266	33,977	41,378	43,771	52,468	55,937
Commitments	18,447	21,523	22,796	29,354	29,898	35,851	46,003	49,623	
Execution rate	97.4%	103.7%	108.4%	116.2%	88.0%	86.6%	105.1%	94.6%	
Health									2.97
Approved estimates	14,243	17,326	20,483	22,561	26,443	35,783	38,017	41,732	42,255
Commitments	14,426	16,200	19,624	24,116	23,261	27,763	38,587	39,116	
Execution rate	101.3%	93.5%	95.8%	106.9%	88.0%	77.6%	101.5%	93.7%	
Total									2.56
Approved estimates	141,607	168,432	199,819	210,358	225,611	263,767	304,941	324,184	362,530
Commitments (*)	142,955	167,039	203,985	202,976	208,377	229,331	288,919	304,921	
Execution rate	101.0%	99.2%	102.1%	96.5%	92.4%	86.9%	94.7%	94.1%	

(*) Based on own calculation rather than data manually inputted for totals by SP-PPF

Table 3C.9: Basic education and health Budget and Expenditure shares (Own Resources + HIPC)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Basic education									
Approved estimates	13.4%	12.3%	10.5%	12.0%	15.1%	15.7%	14.4%	16.2%	15.4%
Commitments	12.9%	12.9%	11.2%	14.5%	14.3%	15.6%	15.9%	16.3%	
Health									
Approved estimates	10.1%	10.3%	10.3%	10.7%	11.7%	13.6%	12.5%	12.9%	11.7%
Commitments	10.1%	9.7%	9.6%	11.9%	11.2%	12.1%	13.4%	12.8%	

Table 3C.10: Basic education and health total Budget (Own Resources + HIPC + External Financing)

(millions FCFA)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Approved estimates basic education	24,233	30,337	34,184	36,686	48,638	49,277	63,946	79,668	90,305
Approved estimates health	30,023	30,790	33,481	37,618	36,914	39,636	46,573	50,070	51,911
Approved estimates total	266,241	305,319	375,047	360,690	364,840	391,869	473,254	527,171	578,685

Table 3C.11: Basic education and health Budget shares (Own Resources + HIPC + external financing)

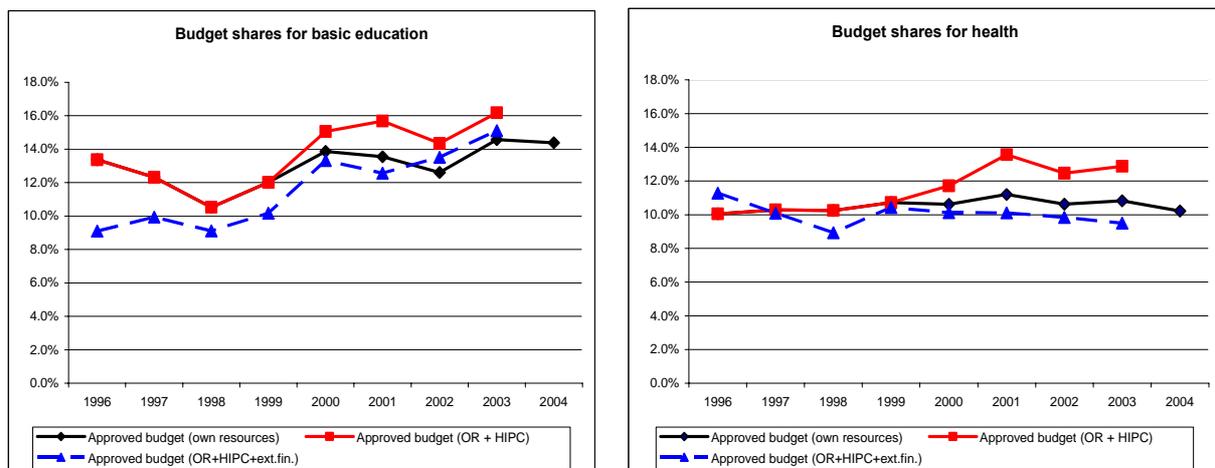
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Approved estimates basic education	9.1%	9.9%	9.1%	10.2%	13.3%	12.6%	13.5%	15.1%	15.6%
Approved estimates health	11.3%	10.1%	8.9%	10.4%	10.1%	10.1%	9.8%	9.5%	9.0%

34. Tables 3C.6 to 11 lead to a number of conclusions that are relevant for the evaluation of PGBS in Burkina Faso. Table 3C.6 indicates a considerable increase in the volume of government own resources allocated to and spent on health and basic education over the period of the study: approved estimates more than doubled in both cases between 1996 and 2004.¹⁶ However, this is largely due to estimates for those sectors following the same trend of significant increase for the total approved estimates: between 1996 and 2004 the growth rates for basic education and health approved estimates (2.35 and 2.49 respectively) are only slightly higher than the same rate for the overall budget (2.31).

35. Table 3C.7 confirms this: it shows that the shares of basic social sectors' approved estimates out of the total (on government own resources) grew modestly over time and with fluctuations that "blur" the perspective somewhat (this is visible in Figures 3C.5 and 3C.6 below). The growth trend is clearer for the education budget share than it is for health (looking at the past three years or comparing allocations in 1998 and in 2004, which show no significant difference in the case of health).

36. Shares of basic education and health expenditures in terms of commitments at the end of the fiscal year are generally somewhat higher than their approved budget shares, which is consistent with the fact that execution rates (Table 3C.7) for these sectors are generally slightly higher than the overall rate. This reflects the commitment of government to protect social sectors in case of "regulation of expenditures" (i.e. within-year limits on budget releases in line with available resources).

Figures 3C.5 and 3C.6: Budget shares for basic education and health



37. Turning to data including HIPC funding for basic education and health, Tables 3C.8 and 3C.9 show that HIPC funds have a significant effect on the financing of those sectors. Between 1996 and 2004 the growth in the volume of budgets (approved estimates) of both sectors (2.95 and 2.97 for basic education and health) is significantly higher than that for the total budget envelope (2.56). The addition of HIPC funds also translates into a more clear-cut trend of increasing budget shares (in the corresponding total Own Resources + HIPC), in particular in the case of health. In basic education the trends are very similar with and without HIPC, but the volume is of course larger with HIPC funds.

38. In contrast to these positive findings, as should have been expected in view of Table 3C.7 the execution rates of the budgets for health and basic education including HIPC funds are erratic and clearly lower in 2000 and 2001 than the rates for the budgets on own resources. This

¹⁶ In nominal terms.

confirms the difficulties of absorption of HIPC funds noted above (particularly during the first years of putting the mechanism in place).

39. Finally, turning to budgets including external financing, the trend toward increased volumes of resources is certainly always present. It seems to be strongly accentuated in the case of basic education during the past three years, while it is not the case in health. On total, the education sector is 3.75 times better financed in 2004 than in 1996, which suggests an important role of external financing in addition to the effect of HIPC. In contrast, the health sector did not even double (1.73) its overall budget (own resources plus HIPC plus external financing) over the same period. In fact, in the case of health, external financing decreased in the past years, hence significantly reducing the “HIPC effect”.¹⁷

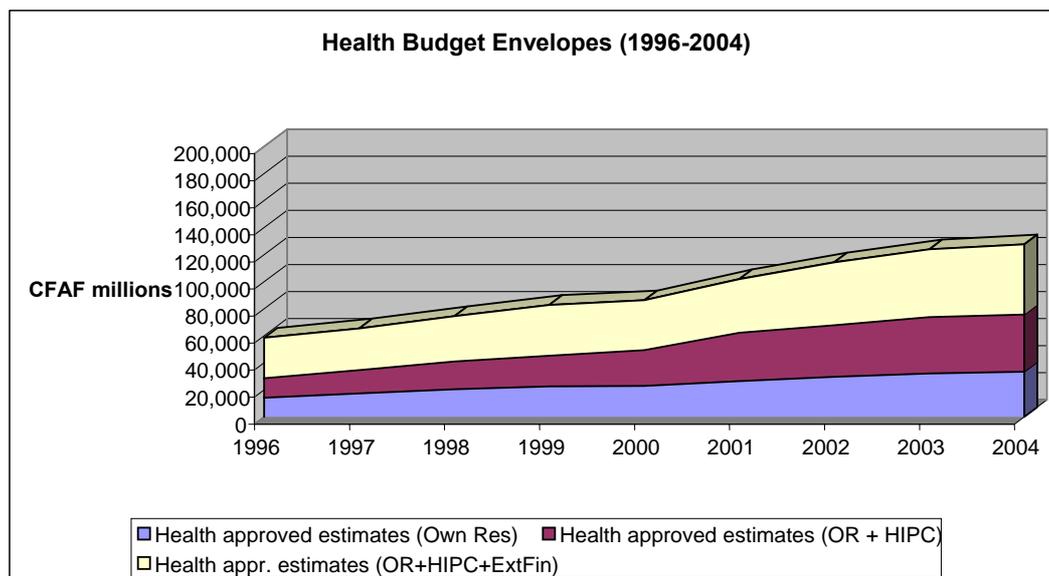
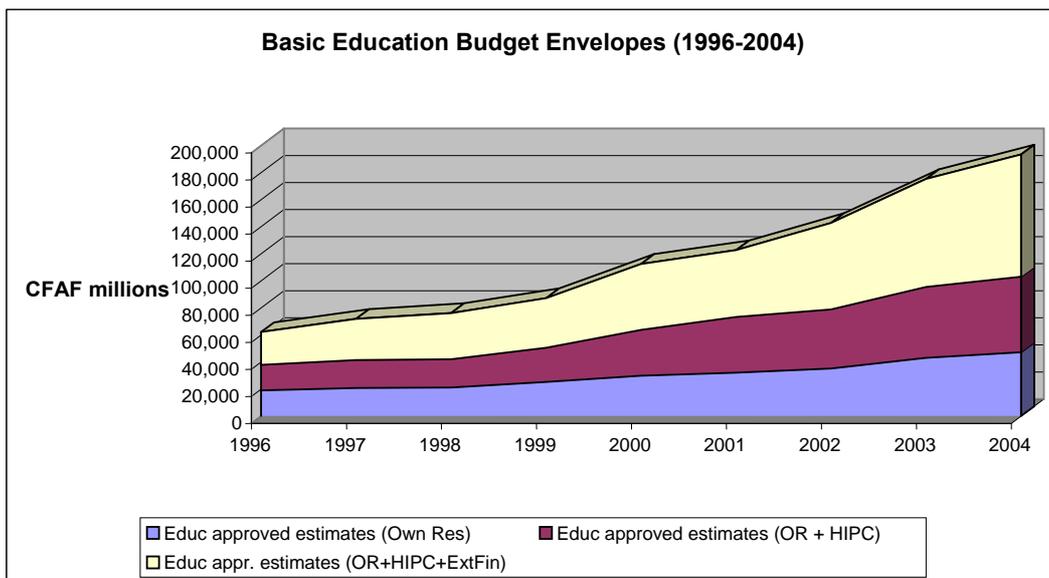
40. This phenomenon doubtless reflects the fact that the World Bank no longer intervenes in the health sector through investment projects, while at the time of writing this report it still had an education project under the PDDEB “basket fund” (see annex 4E). It shows that for the period for which we have data (up until 2003) the combined allocations of government own resources (including PGBS intended, in the case of the WB, to substitute for project aid in support of health) and of HIPC funding have not sufficiently increased to ensure that health financing would grow at the same rate as education financing. This situation has been addressed through additional conditionality in the WB PRSC, focusing on health financing.

41. In conclusion, the HIPC effect is undeniable with regard to the volume of resources available to the basic social sectors. Due to absorption problems this effect is somewhat less in terms of expenditures, but still significant. In the case of education, this effect is reinforced by external financing, but not in the case of health. This analysis would tend to suggest that external financing and in particular, project aid, which has fluctuated but remained fairly constant in volume over time (see Table 3C.2 above), has favoured some other sectors. The analysis of ODA data by sector (in the next section) does not contradict this. However, allocation patterns of ODA are not very clear and the analysis is complicated by the “on budget”/“off budget” factor (the analysis in this section focuses on “on budget” data of SP-PPF while the analysis in the next section uses DGCOOP data including “off budget” ODA).

42. In terms of shares trends are less clear-cut, in particular for trends of budget shares from own resources. This tends to suggest that in Burkina Faso, GBS is not used mainly for an increase in resources available for social sectors: GBS contributes to this increase proportionally to the shares of government own resources allocated to these sectors, but other resources (mainly HIPC funding) “make the difference”. Instead, PGBS plays more of a stabilising role for all of the essential government expenditures.

43. Figures 3C.7 and 3C.8 (below) support our analysis in illustrating the respective contributions of government own resources, HIPC funds and external financing in the budgets for the basic social sectors during the period 1996–2004.

¹⁷ It should be noted that the data are relative to “on budget” external financing. The share of “off budget” ODA may vary from one sector to another. We do not have data on this. The following section simply provides information on how total ODA is divided among sectors.

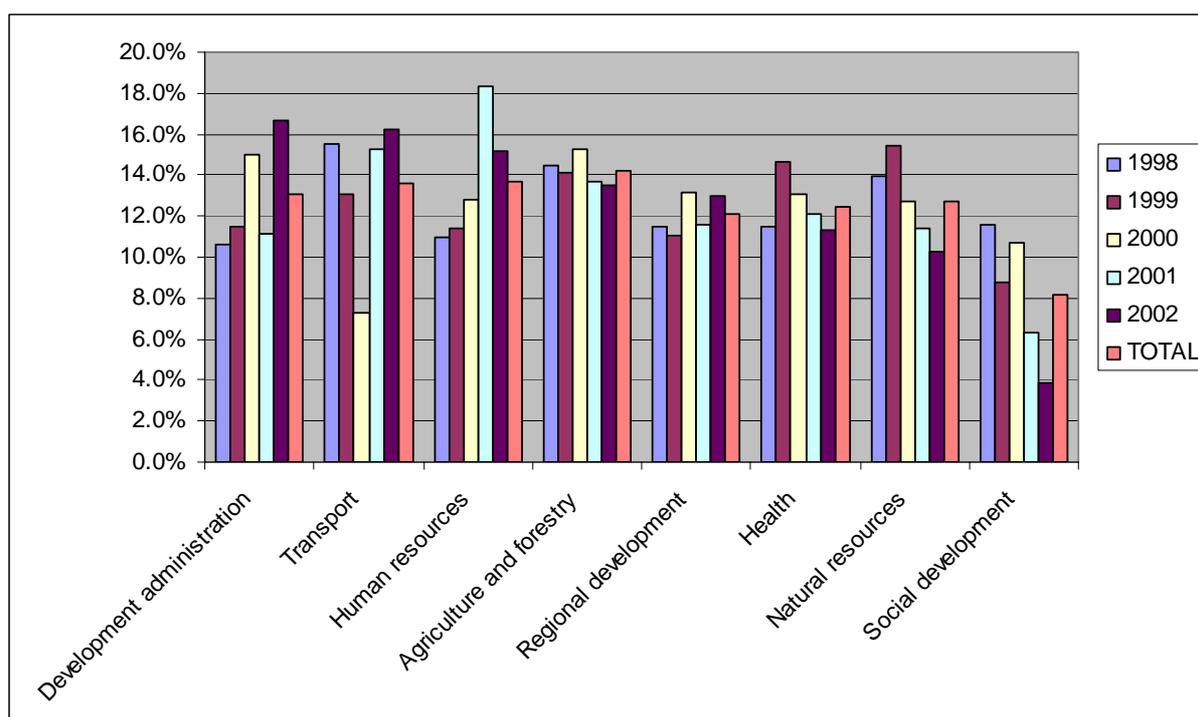
Figures 3C.7 and 3C.8: Budgets for basic education and health by source

Official Development Assistance by sector (1998–2002)

44. This section provides insights on the allocation of total ODA between government sectors. Figure 3C.9 below is based on the same data from the 2005 DGCOOP report as for Table 3C.2 to Table 3C.4. This analysis excludes the “economic management” sector in which GBS and other macro/BOP support are classified, in a rough attempt of focusing on non programme/budget support aid.

45. Figure 3C.9 shows that the (non programme aid) ODA has been fairly evenly distributed among all sectors over the five year period (1998–2002): seven sectors received between 12% and 14% of the ODA disbursed during this period (human resources, transport, agriculture and forestry, development administration, health, natural resources and regional development). “Social development”, with only 8%, is an outlier. Changes from one year to another do not seem to follow a discernible logic.

Figure 3C.9: ODA 1998–2002 by sector



46. The same cautionary note with regard to data holds as for Tables 3C.2-3C.4. An additional issue arises if the respondents to DGCOOP survey have not been fully consistent in using the definitions of sectors. Finally, time series are “disturbed” by the “anomaly” of the year 2000 (political difficulties leading to tensions between government and IPs). Nonetheless, using the data as orders of magnitude, Figure 3C.9 makes apparent an important point that is, social sectors are not better endowed with external financing than other sectors. This contradicts what the National Assembly seems to believe when, as showed in Table 3C.12 below, the NA amends the draft budget by reallocating government own resources to other sectors, on the basis of the perception that there are many projects in the social sectors.

Table 3C.12: National Assembly Priorities: changes to proposed budgets (in %)

	1998	1999	2000	2001	2002	Average 98/02
Ministry of Defence	0.0	-0.4	0.0	0.0	3.4	0.6
Ministry of Health	0.9	-2.9	-1.7	-2.7	-2.6	-1.8
Ministry of Basic Education	-5.6	-5.6	-5.0	-4.7	-5.5	-5.3
Ministry of Secondary and Tertiary Education and Scientific Research	-3.8	1.2	-2.8	0.9	-2.5	-1.4
Ministry of Agriculture	-5.2	-8.3	-5.2	-1.8	-2.6	-4.6
Ministry of Animal Resources	-9.3	-0.4	-6.3	1.3	-6.0	-4.1
Ministry of Environment and Water	-2.4	-2.5	-1.1	-0.3	9.5	0.6
Ministry of Infrastructures, Housing and of Urban Development	-5.9	-1.6	-0.3	0.4	-1.4	-1.8
Common Interministerial Spending	14.8	11.9	11.0	16.8	21.4	15.2
Total budget	0.0	-0.6	-0.8	1.2	4.2	0.8

Source: PER 2004, World Bank.

Changes in expenditure in terms of economic classification

47. In this section we briefly analyze government spending in terms of economic classification based on the same data from MFB. The objective is to examine whether there have been important changes in the course of the period studied and in particular, with the emergence of PGBS (post-2000/01). Given the uncertain nature of external financing and the separate treatment of HIPC funds, the analysis focuses on the composition of expenditures financed out of government own resources.¹⁸

48. Tables 3C.13 and 3C.14 below show budget and spending by broad economic category including personnel costs, running/operational costs, transfers, and investment (on own resources) for the whole government. The conclusion is that there has not been a clear trend over the course of the period (1996–2003¹⁹). This holds true for initial approved estimates (annual Finance Act), amended budgets or end-of-year commitments. The composition of expenditures is very similar in 2003 to that of 1997, in all three cases. The year 1996 is the only year which shows a significantly different spending composition with a proportionately more important total wage bill.

49. Another fact worth noting is an increase in investment spending financed by government own resources, from 2002 onward. This roughly coincides with the timing of (i) actual availability of HIPC funding, which finances some recurrent costs in the targeted sectors, hence enabling government to increase own resource spending on investments and (ii) a stabilisation of PGBS with the signature of the SBC-CSLP. The time series does not allow following this through for a sufficient period of time to be able to confirm whether this is a trend or a temporary feature in the economic composition of own resource spending. However, this finding (higher spending on investment) converges with a similar finding of the WB PER 2004,²⁰ which raises the question on the implications of this trend:

...a small part of the supplementary expenditure (in the prioritised sectors of the PRSP) has been for the benefit of current expenditure, which poses the question of the balance required between investment expenditure and running costs.

50. It will be noted that there is overspending on personnel costs in seven years out of eight (the only year where this is not the case is 2002) and sometimes by a significant amount (from +4 to +6 billion CFAF between 1999 and 2000).

¹⁸ As for health and education financing we have not found a consistent series in the IMF documents. The analysis of the 2004 PER in terms of economic composition is linked to overall budgets (including external financing and HIPC) while for our purposes we hoped to provide an analysis relating exclusively to government own resources (including PGBS)

¹⁹ Including the year 2004 but data available are only for initial approved estimates.

²⁰ It should be noted that data in the WB PER includes HIPC funding and external financing, which is not the case in the data used in our analysis in this section.

Table 3C.13: Trends in economic composition of (own resources) budgets and expenditures (volumes)

APPROVED ESTIMATES	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	63,183	65,139	71,721	76,875	84,482	91,243	103,042	107,952	120,996
Operating Costs	26,113	29,246	31,739	38,098	41,252	44,533	49,303	52,722	62,617
Transfers	32,289	36,654	43,387	47,906	46,551	53,119	61,842	59,058	69,585
Investments on own resources	20,022	37,392	52,972	47,480	43,318	47,478	64,055	75,853	73,932
TOTAL ESTIMATES (excl. debt)	141,607	168,432	199,819	210,358	215,604	236,373	278,242	295,584	327,130
AMENDED BUDGET	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	63,210	65,251	71,721	76,875	84,482	91,243	103,041	107,952	
Operating Costs	29,309	30,550	34,453	38,164	43,492	44,713	45,619	55,063	
Transfers	32,028	36,430	43,368	47,989	46,142	53,541	61,842	61,686	
Investments on own resources	19,567	41,522	57,396	48,481	42,940	48,365	62,224	77,021	
TOTAL AMENDED BUDGET	144,114	173,751	206,939	211,510	217,056	237,861	272,727	301,722	
COMMITMENTS	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	64,287	67,783	71,988	82,574	88,696	97,095	102,291	109,977	
Operating Costs	28,476	28,308	33,595	35,742	39,319	40,562	45,658	53,654	
Transfers	31,663	33,308	40,698	43,413	45,206	50,079	56,583	56,098	
Investments on own resources	18,528	37,640	57,704	41,246	35,156	35,036	56,384	55,352	
TOTAL COMMITMENTS	142,955	167,039	203,985	202,976	208,377	222,771	260,916	275,081	

Table 3C.14: Trends in economic composition of (own resources) budgets and expenditures (shares)

APPROVED ESTIMATES	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	44.6%	38.7%	35.9%	36.5%	39.2%	38.6%	37.0%	36.5%	37.0%
Operating Costs	18.4%	17.4%	15.9%	18.1%	19.1%	18.8%	17.7%	17.8%	19.1%
Transfers	22.8%	21.8%	21.7%	22.8%	21.6%	22.5%	22.2%	20.0%	21.3%
Investments on own resources	14.1%	22.2%	26.5%	22.6%	20.1%	20.1%	23.0%	25.7%	22.6%
TOTAL ESTIMATES (excl. debt)	100.0%								
AMENDED BUDGET	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	43.9%	37.6%	34.7%	36.3%	38.9%	38.4%	37.8%	35.8%	
Operating Costs	20.3%	17.6%	16.6%	18.0%	20.0%	18.8%	16.7%	18.2%	
Transfers	22.2%	21.0%	21.0%	22.7%	21.3%	22.5%	22.7%	20.4%	
Investments on own resources	13.6%	23.9%	27.7%	22.9%	19.8%	20.3%	22.8%	25.5%	
TOTAL AMENDED BUDGET	100.0%								
COMMITMENTS	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel Costs	45.0%	40.6%	35.3%	40.7%	42.6%	43.6%	39.2%	40.0%	
Operating Costs	19.9%	16.9%	16.5%	17.6%	18.9%	18.2%	17.5%	19.5%	
Transfers	22.1%	19.9%	20.0%	21.4%	21.7%	22.5%	21.7%	20.4%	
Investments on own resources	13.0%	22.5%	28.3%	20.3%	16.9%	15.7%	21.6%	20.1%	
TOTAL COMMITMENTS	100.0%								

Rate of absorption of aid

51. In this last section of Annex 3C on public expenditures and aid, we compare an important dimension in the effectiveness of (P)GBS and (“on budget”) externally financed projects in Burkina Faso, bringing to light their relative absorption rates.

52. The DGCOOP 2005 report on ODA indicates that the rate of absorption of project aid, measured in terms of amounts of money reported to have been disbursed compared to programmed/committed amounts oscillated on average around 70% between 1998 and 2003 (combined rate for grants and loans). This is showed in Table 3C.15 below.

Table 3C.15: Rate of absorption of external resources for financing the PIP (1998–2002)

(billion CFAF)	1998	1999	2000	2001	2002	TOTAL
Grants						
Programmed	91.7	68.1	61.1	71.0	93.1	385.0
Disbursed	64.0	43.5	45.9	52.2	60.2	265.8
Absorption Rate	69.8%	63.9%	75.1%	73.5%	64.7%	69.0%
Loans						
Programmed	83.2	85.6	86.8	73.1	95.1	423.8
Disbursed	49.9	63.6	48.9	54.9	79.3	296.6
Absorption Rate	60.0%	74.3%	56.3%	75.1%	83.4%	70.0%
Total Grants & Loans						
Programmed	174.9	153.7	147.9	144.1	188.2	808.8
Disbursed	113.9	107.1	94.8	107.1	139.5	562.4
Absorption Rate	65.1%	69.7%	64.1%	74.3%	74.1%	69.5%

Source: DGCOOP 2005 report on ODA 2002

53. The rate of absorption of (P)GBS is a combination of two factors: (i) the rate of (P)GBS disbursement by IPs (a rate lower than 100% indicates difficulties of mobilisation, attributable to government or to IPs as in the case of project aid); (ii) the rate of execution of government budget financed on own resources (including (P)GBS). Table 3C.16 shows the first factor based on the data of Table 3A.1 in Annex 3A.

Table 3C.16. Rate of disbursement of (P)GBS (1998–2004)

(P)GBS (CFAF millions)	1998	1999	2000	2001	2002	2003	2004
Estimates	43,060	45,650	40,000	88,200	92,000	114,050	93,842
Disbursements	43,481	50,141	28,087	75,913	86,005	86,396	89,924
Rate of Disbursement	101.0%	109.8%	70.2%	86.1%	93.5%	75.8%	95.8%

Source: SP/PPF data on GBS (June 2005)

54. Table 3C.16 shows that (P)GBS disbursement rates have been above 90% for four years out of seven during the period 1998–2004. The year 2000 was obviously a difficult year given the political tensions between government and IPs which had direct repercussions in terms of non-disbursement of GBS. The year 2001 is not yet very good, presumably owing to a slow return to a normal dialogue and perhaps also a slower than envisaged start for the new partnership modality for GBS (with the emergence of the PRSP and discussions around the establishment of the SBC-CSLP). The year 2003 is equally marked by an abnormally low disbursement rate, for reasons that have been analysed in an earlier section in this annex.

55. Table 3C.17 indicates various rates of use of various types of funding for government budget.

Table 3C.17: Various execution/absorption/disbursement rates

	1998	1999	2000	2001	2002	2003	2004
Budget execution rate (OR)	102.1%	96.5%	96.8%	94.2%	93.8%	93.1%	
PGBS disbursement rate	101.0%	109.8%	70.2%	86.1%	93.5%	75.8%	95.8%
HIPC execution rate				18.0%	85.2%	91.2%	89.3%
Project aid absorption rate	65.1%	69.7%	64.1%	74.3%	74.1%		

Source: tables above, based on MFB/SP-PPF and DGCOOP data

56. Although subject to caveats concerning reliability and comparability of data from one year to another, the above analysis argues in favour of greater effectiveness of GBS. The years in which GBS is only marginally superior to projects in terms of absorption are the years 2000 and 2003, both marked by important difficulties in GBS disbursements (for very different reasons). For those years, government budget execution rate is relatively high in 2000 and lower in 2003. This lower budget performance in 2003 is due to agencies having to “adjust” to more stringent compliance with end-of-year closing procedures, an issue which hopefully will disappear after a few years of this more disciplined process. Hence the dominant influence in the weaker absorption rate of (P)GBS in some years is primarily explained by lower performances in (P)GBS disbursements.

57. In conclusion, what determines the extent to which, for an equivalent projected volume of resources, GBS translates into more resources actually available for public services than with projects depends on the joint performance of government and IPs to ensure that GBS disbursements tally the estimates/projections. The difference with projects lies in the joint nature of the performance necessary for this, and in the fact that the extent of this performance depends on the quality of the dialogue of the partners.

ANNEX 4: PUBLIC FINANCE MANAGEMENT²¹

This annex includes:

- In Annex 4A: The Summary of Progress (in improving PFM system in Burkina Faso) with the PEFA Performance Measurement Indicators
- In Annex 4B: An account of progress against the dimensions of the government programme for strengthening budget management (Programme de Renforcement de la Gestion Budgétaire; PRGB) including data on the PRGB monitoring framework
- In Annex 4C: A summary of PFM-related conditionality in PGBS programmes
- In Annex 4D: A summary of PFM-related TA and other institutional support provided in the context of PGBS and/or the PRGB
- In Annex 4E: A case study on the effects of sector support on PFM reform efforts.

²¹ This Annex 4 draws on the HIPC/AAP reports (2001 and 2004) for Burkina Faso, the Annex 6 of the EC financing proposal for its Poverty Reduction Budget Support programme 2005-07, IMF documents on PRGF programmes and WB documents on the PRSCs, the WB PER 2004, the PRGB action plan and external and internal reports related to its implementation, government analytical report on the SBC-CSLP (Joint Budget Support for the PRSP) (April 2004), and the GERDDES report (civil society, January 2005) on the use of HIPC funding in the health sector.

Annex 4A: Summary of Progress with the PEFA Performance Measurement Framework

Introduction

1. Budget support is always accompanied by a focus on public finance management (PFM). Donors considering disbursing through government systems have a special interest in the government's fiduciary standards. Moreover, one of the principal claims for budget support is that using government PFM systems can make a special contribution towards strengthening them. Hence a growth in the number of PFM diagnostic reports (PERs, CFAAs, CPARs etc), as well as donor-specific fiduciary analyses. In six of the seven GBS study countries, the donor demand for tracking of HIPC relief funding was pivotal, with Assessments and Action Plans (AAP) as path-breakers; Burkina Faso is one among the group of twenty-six countries in which HIPC AAP exercises have been conducted (in the case of Burkina Faso, respectively in 2001 and 2004).

2. The scope for collaboration and harmonisation in PFM analysis and PFM capacity development has been increasingly recognised. The second volume of DAC guidelines on *Harmonising Donor Practices for Effective Aid Delivery* (OECD DAC 2005) includes a chapter on capacity development for PFM. A PFM Performance Measurement Framework has been developed under the auspices of the multi-agency PEFA (Public Expenditure and Financial Accountability) programme (PEFA 2005).

3. The Performance Measurement Framework identifies the critical dimensions of performance of an open and orderly PFM system as follows:

1. **Credibility of the budget** – The budget is realistic and is implemented as intended.
2. **Comprehensiveness and transparency** – The budget and the fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public.
3. **Policy-based budgeting** – The budget is prepared with due regard to government policy.
4. **Predictability and control in budget execution** – The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.
5. **Accounting, recording and reporting** – Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.
6. **External scrutiny and audit** – Arrangements for scrutiny of public finances and follow up by executive are operating.

4. A set of 28 high-level performance indicators has been developed, as a basis for assessing improvements in PFM performance over time. Three further indicators assess aspects of donor performance. PEFA has developed a detailed scoring methodology (fully described in PEFA 2005), in which the assessment for each high-level indicator is based on a number of specified components.

5. It is beyond the scope of this study to undertake a full PEFA analysis (and in any case the PEFA scoring system was not finalised until 2005). However, in the interests of standardisation and comparability, the PFM analysis of the GBS study has been oriented towards the PEFA indicator framework as far as possible. We have used a standard matrix to consider PFM issues against the principal dimensions defined by PEFA, drawing on the secondary sources available (these are listed at the end of this Annex). This matrix also shows the HIPC AAP

(Assessment and Action Plan) indicators and diagnostic results. Our main assessment is of the current state of PFM, although we also examine developments during the evaluation period and offer a judgement as to whether systems are improving. We do not attempt the detailed scoring prescribed by PEFA. We indicate the ratings obtained for the HIPC AAP indicators in 2001 and 2004, which gives an indication of trends. For PEFA dimensions not analysed under HIPC AAP exercises we express our judgement as good, moderate or weak where we feel relatively confident that we had sufficient information. Where insufficient information was available no such judgement is offered.

6. In the future, rigorous assessment and reporting according to the PEFA guidelines could provide a much more robust and transparent basis for assessing the quality of PFM systems than was available during the evaluation period. It would also allow progress in capacity development to be more systematically monitored. In the case of Burkina Faso, this would nevertheless have to be harmoniously streamlined with the in-country review and monitoring process that has been developed around the government programme of PFM reform (the "Programme de Renforcement de la Gestion Budgétaire, PRGB – introduced below).

Overview of PFM in Burkina Faso

7. Burkina Faso has demonstrated that it complies with a high percentage of HIPC AAP benchmarks. It belongs to the group of five countries in which PFM systems are deemed to require only "some upgrading" (nineteen others require substantial upgrading, and two require only minimal upgrading, IMF/WB 2005). Burkina Faso has also made progress between the two HIPC AAP assessments (2001 and 2004): overall it meets one more benchmark in 2004 compared to 2001. Areas where there have been improvements are the control of payment arrears, transaction recording and the reform of the public procurement legal and regulatory framework. Ongoing reforms under the PRGB as regards the adoption of budget execution reports and the recording of externally funded capital expenditure are expected to meet their benchmarks in the near future. The government has also made progress in improving the budget classification, in expanding and adapting/ updating the CID (Circuit Informatisé de la Dépense – computerised monitoring of expenditures), and in the regular production of accounts and budget execution reports.

Early PFM reforms

8. A first phase of reforms was initiated in the early 90s in the context of the IMF and WB macroeconomic programmes and of Burkina's membership of the regional organization WAEMU promoting convergence criteria and standards for macroeconomic and fiscal management. The reforms gained further importance with the devaluation in 1994. Early reforms focused on improving revenues (e.g. VAT introduction in 1993, and alignment with WAEMU tariffs in 1998) and stabilising budget execution (respect of expenditure control procedures, computerisation of the chain of expenditures starting in 1996, closing of private accounts by the Treasury, strengthening of Treasury management, and establishment of the TOFE – Tableau des Opérations Financières de l'Etat).

9. The second half of the 90s saw the emergence of a second phase of reforms, influenced by the EC-led "test of the new conditionality" which stressed the importance of PFM "results". This was taken forward in the context of the HIPC initiative and of the PRSP formulation process (I-PRSP in 1999). The period saw the development of several analytical, planning and budgeting tools starting with the initiation of programme budgeting as a tool for budget formulation and monitoring in the context of "results-oriented management", in a number of line ministries (1998). Other tools were introduced, aiming at improving the programming of resources such as regular PERs, and an overall MTEF in place since the year 2000. It is fair to say that the various

initiatives were not ideally sequenced and there was a lack of coordination and insufficient capacity building. Nonetheless, these tools are still in place.

Current status

10. The Council of Ministers of Burkina Faso adopted a Plan to Strengthen Budget Management (PRGB) in July 2002. The PRGB was, in one sense, the vehicle for the continuation of the earlier PFM reforms noted above. On the other hand, it was developed based on an internal review conducted by the government on the budget management system and it was strongly oriented towards expenditure management. The PGRB incorporated recommendations of several earlier assessments, including a Country Procurement Assessment Report (CPAR) in 2000, a Country Financial Accountability Assessment (CFAA) in 2001, the HIPC AAP (2001), a Report on the Observance of Standards and Codes (ROSC), and several audits conducted by the EC in the context of its targeted budget support programmes.

11. In 2003 the PRGB was assessed in the framework of PGBS implementation. Following recommendations from this review, the area of “revenue reform” being previously treated separately in the framework of the government/IMF discussions was built into the updated PRGB. The review also led to the successful development of a more dynamic mechanism to monitor the PRGB implementation. This now takes place through an arrangement led by a government-chaired Steering Committee with a Secretariat in MFB. In addition there is now a Priority Action Plan and a financing framework for the PRGB, quarterly progress reports, and annual reports on progress and future perspectives.

12. The PRGB is generally recognised as the governing framework for PFM reforms in Burkina Faso. Ownership is good at the MFB (Ministry of Finance and the Budget) level. MFB departments which are directly affected by the intended reform measures are the ones to develop and implement them. Some elements of the PRGB (e.g. the overall MTEF process, programme budgets) are also known by the departments of public financial management in sector ministries and by the deconcentrated administrations. However, their awareness of the reform objectives is limited and their knowledge of the reform plan is “patchy”, which prevents a fuller support on their side.

13. The MFB is aware of this weakness, and of others related to a lack of sequencing and prioritisation of the reforms and a continuing difficulty in closely aligning IPs’ support with the PRGB PAP. A process of reflection is underway, considering the transformation of the PRGB into a holistic and integrated sector strategy to reinforce public financial management. This strategy would be coupled with three-year rolling priority action plans and MTEF-associated PAPs. MFB and IPs would also develop a sector strategy support programme as an umbrella for IPs’ support coordination more effective than the current arrangements. Although it was initially planned that the strategy would be finalised by mid-2005, it appears that this calendar will not be respected. The task is highly challenging as it consists of formulating a strategy which takes into account all MFB activities, sets up priorities and sequences reforms in a clear and consistent fashion, takes into account the process of decentralisation, etc. The development of this strategy is a critical process, as it must ensure that the reforms of the PFM system involve administrative structures at all levels.

Aid and PFM reforms

14. The monitoring of PRGB implementation is an element of the PRSP monitoring process under the PRSP pillar concerned with governance issues. Moreover, it is one of the three dimensions of the dialogue between government and PGBS IPs as stated in the CGAB (Cadre Général d’Organisation des Appuis Budgétaires) Memorandum of Understanding. This was

already the case in the previous MOU (SBC-CSLP).²² In this context the PGBS IPs prepare an annual assessment of the progress achieved with the reforms. A number of PGBS IPs (notably the WB and the EC) have conditions for PGBS releases that are related to the PFM reforms and derived from the PRGB. This system has been further formalised through the formulation of a joint performance monitoring matrix for PGBS disbursement under the new CGAB, adopted in July 2005 and which refers to the PRGB.

15. Overall, PGBS IPs endorse MFB's objective of deepening and broadening PFM reforms through the transformation of the PRGB into a "PFM sector strategy". Nevertheless, they also insist on the need to reinforce prioritisation and to establish a logical sequence for the overall reform. They expect government to address concerns (expressed e.g. in SEOR 2003; IDC 2005) that the PRGB in its current form is over-ambitious (with no less than several hundred activities under the eight orientations, 27 objectives and 83 axes of the "expenditure" component). A first attempt at prioritisation has emerged with the identification of four key measures every year – these are included in PGBS IPs' conditionality framework. This is obviously a very embryonic prioritisation mechanism, and the PFM sector strategy will have to go a lot further.

16. The matrix on the next page summarises the status of the PFM systems in Burkina using the PEFA framework as an organising tool as explained above. A review of progress and actions planned for the near future under the PRGB is at Annex 4B.

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²² Other areas of the dialogue are monitoring of macroeconomic framework and implementation of the PRSP.

Table 4A.1: PEFA PFM Performance Measurement Indicators²³ for Burkina Faso

(note: the assessment below is based on a review of secondary sources, not on a rigorous application of the PEFA diagnostic criteria; scores are indicative, with a moderate level of confidence)

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
	A. PFM OUT-TURNS: Credibility of the Budget				
PI-1	Aggregate expenditure out-turn compared to original approved budget			↑	Significant efforts in 2002–03. Estimates of revenues and expenditures forecast in the MTEF and recorded in the LF are closer to those agreed in the PRGF. There is less resorting to in-year “regulations” and adjustments of expenditures (which used to be necessary to accommodate shortfalls in revenue collection compared to unattainable targets). Now that the MTEF is prepared before the budget circular, the tax revenue estimates have become more reliable.
PI-2	Composition of expenditure out-turn compared to original approved budget			→	
3	<i>Reliability of budget as guide to outturn (Level and composition of outturn is “quite close” to budget)</i>	<i>B</i>	<i>B</i>	→	<p>Execution rate (excl. debt service payments, donor funded project expenditures and HIPC funds): between 91% and 96% in the period 2000–02 (according to budget execution law). Lower rate of execution in 2003 due to greater compliance with procedures of closure of the fiscal year (resulting in lesser budget overrun the following year).</p> <p>At disaggregated level, overspending occurred under un-capped appropriations (wage- and debt-related expenditure). There was also significant over-spending in 2001 and 2002 in expenditures such as telephone, water and electricity. In the 2003 budget, efforts were made to increase those appropriations.</p> <p>Overall, for the three last years, discrepancies (differences between expenditure incurred under the budget execution reports and the respective budget appropriations) were less than 5% of budget appropriations (excluding expenditure financed from external resources and the debt) in one year out of the three. However, in some headings and sections, discrepancies are very substantial and, in the case of many voted services, exceed 10%.</p> <p>Owing to weaknesses in the monitoring of externally-funded investment, reliable implementation rates cannot be determined on the basis of the budget execution reports. However, according to the 2004 PER, the rate of implementation of externally funded capital expenditure and of expenditure under the HIPC Initiative is low, about 70%, and more efforts are necessary to mobilise and use these resources.</p>

²³ The PEFA indicators (PI-1 to PI-28 and D-1 to D-3) are taken from the June 2005 version of the PEFA PFM Financial Management Framework. The 16 HIPC AAP Indicators (2004 version) are included in *Italics*.

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No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-3	Aggregate revenue out-turn compared to original approved budget			↑	<p>A major weakness (which is gradually being addressed) used to be the preparation of unrealistic estimates which led to low revenue outturn rates. Unrealistic target setting may have occurred because of pressure on government to increase revenues (which are indeed very low in relation to GDP), while Burkina Faso is vulnerable to exogenous factors of different kinds which may play unfavourably. As indicated above government revenue estimates are becoming more realistic and this is a continued topic for discussion between government and the IMF under the PRGF. Some recent indicators :</p> <ul style="list-style-type: none"> • Tax revenues in 2002: 12.5% GDP i.e. 1.5% lower than the government/IMF programme target. • Revenue collection in 2003: 0.5% GDP higher than the programme target. <p>Revenue collection in September 2004 was slightly higher than the government/IMF programme target. This good performance may have been undermined later in the year due to exogenous shocks which have necessitated a restructuring of the macro and fiscal framework at the beginning of 2005.</p>
PI-4	Stock and monitoring of expenditure payment arrears			↑	<p>Definition of arrears based on WAEMU standards: authorised expenditures for purchase of goods and services not paid in 90 days. Debt servicing and salaries are considered payable on the due date.</p>
8	<i>Level of payment arrears (Very few or no arrears accumulated)</i>	<i>B</i>	<i>A</i>	↑	<p>Close CID monitoring of expenditure-related operations (commitment, liquidation, payment authorisation and payment) allows MEF to ensure regular payment of government commitments. The MFB follows up authorised expenditure through a dedicated Committee (CODEP) with a view to ensuring payment within the regulatory time limits. To rein in payment arrears, the financial control and budget management departments in MEF in collaboration budget holders, limits budget commitments based on available cash. This mechanism of “regulation of expenditures” is selective and care is taken to ensure implementation of priority expenditures.</p> <p>PRGF reviews indicate that Burkina Faso did not accumulate any arrears in 2002 and 2003. As of December 31, 2003, government did not have any arrears other than under the HIPC special account (for CFAF 300 million i.e. less than 0.1% of total expenditure of the 2003 supplementary budget).</p>

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
	B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5	Classification of the budget			→	<p>In 2003, government adopted the budget classification set forth in WAEMU Directive 98-4. The new classification, applied from the 2004 budget and integrated into the CID, comprises detailed definitions of expenditure by nature of activity and by destination (unit). The classification by nature of activity is linked to the government accounting plan, the classification of economic activities, and the TOFE. The classification also includes a classification of the functions of government (COFOG). WAEMU's COFOG comprises 14 functions and 126 sub-functions and is sufficient to produce reliable data to monitor priority expenditure. However, the classification of functions is not linked to programme budgets drawn up by each ministry independently of the budget. Although there are, for the programme budgets, tables for relating the administrative classification and the programmes, the programme budgets are not updated after the budget is approved and are not integrated into the CID monitoring system. Implementation of the approved budget can therefore not be directly translated into programme budget implementation.</p> <p>Special treasury accounts such as the account used to pay in and spend HIPC funding have a separate budget classification.</p>
5	<i>Classification of budget transactions (Functional and/or program information provided)</i>	B	B	→	
PI-6	Comprehensiveness of information included in budget documentation			→	<p>Overall, the budget data available from the various ministerial departments correspond to the public administration sector, as defined in the 2001 GFS Manual. Local government and SOE revenue and spending, which are not included in the government budget, are fairly small. However, the government has not yet begun the task of budget data consolidation (neither ex ante nor ex post), which is necessary for monitoring total expenditure of the public sector, as set out in the GFS Manual.</p> <p>Annual Finance Acts are not very elaborate. There is no indication of previous year outturn for instance, and the discussion of the macroeconomic framework is minimalist. There is no detail on implications of new policies. Programme budgets are not included (noted in PI-5). The MTEF is more elaborated but it is not circulated outside of the Council of Ministers and IPs. The budget documentation is also limited by the limitations noted above (PI-5) of the budget classification and of the monitoring system.</p>
1	<i>Composition of the budget entity (Very close fit to government finance statistics (GFS) definition of general government)</i>	B	B	→	

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No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-7	Extent of unreported government operations			→	<p>The budget does not include all the financial flows of government departments it covers (e.g. user fees, direct payments made to SOEs, penalties paid to various ministerial departments), but the expenditure not included in the budget is relatively small (less than 30% of the E PE budgets). Moreover, all SOE revenue and expenditure can be identified in their separate SOE budgets and in the annual reports deposited with the MFB and the Court of Auditors, and the penalties and other extra-budgetary revenue items are reported by ministries to a committee chaired by the General Tax Collector. Part of these revenues is used to pay some of the “inter-ministerial common expenditures”.</p> <p>There continues to be various equipment and “common expenditure” funds. These types of unbudgeted income and expenditure are mainly concentrated in the MFB. The communes receive 10% of the Petroleum Products Tax (TPP). This revenue is considered to be the communes' own income and is not included in the budget act.</p> <p>In the PEFA framework this indicator is also supposed to note the extent to which externally financed activities are reported. This is a highly problematic area in Burkina Faso. The inclusion of project grants and loans from donors in the budget and the data on budget implementation are incomplete. Title VI of the budget contains data on the Public Sector Investment Program (PIP) but does not identify the projects in detail. Reports on grant and loan disbursements are drawn up considerably late and often differ substantially from Development Assistance Committee (DAC) figures. IPs also often note substantial discrepancies between their estimates and those in the budget. Hence with regard to this dimension we would rate the current situation as weak, with a trend toward improvement (higher rate of project aid being brought on budget) according to several individual IPs – but that we have not been able to verify.</p>
2	<i>Limitations to use of off-budget transactions (Extra (or off) budget expenditure is not significant)</i>	A	A	→	
PI-8	Transparency of inter-governmental fiscal relations			N/A	<p>The development of a fiscal transfer system could not have been launched before the finalisation of the decentralisation institutional framework, which was achieved with the approval of the Local Authorities Code by the NA (December 2004). The transfer of functions and resources towards regions and municipalities will follow their establishment. This whole process will last for many years to come.</p> <p>Various local level financing initiatives have been set up under projects/programmes, with the concern to guarantee a more equitable financing of services delivered at this level (PADS in health sector; PDDEB in education). However, there is no global view of the system. In addition, the national budget does not provide any information on the geographical allocation of resources/expenditures.</p>

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-9	Oversight of aggregate fiscal risk from other public sector entities			→	Laws lay down that the SOEs submit their budget and management accounts to the supervisory ministry and MFB. SOEs are covered by regular control mechanisms (budgetary deconcentration at the level of SOEs with relocation of ex ante control; CC covering the SOEs in its competences – however, there is an important delay in the tasks related to this section). Very similar mechanisms regarding local authorities with the MATD as supervisory ministry. However, no regular monitoring throughout the year. Financial activities of the SOEs and local authorities are not reflected in the TOFE. This weakness must be addressed (and it is planned to do it) given that decentralisation will increase the importance of the financial activity of local authorities. Local authorities can access some advances authorised by the Treasury, but only within a total ceiling covering also the central State. SOEs and local authorities can take up a loan with the State backing up to a ceiling which is fixed in the LF.

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No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-10	Public access to key fiscal information		Weak		<p>Budgetary information is relatively unavailable (2004 PER: <i>“budgetary information is available to the government and donors throughout the year but not to the general public which must be satisfied with the regulatory laws and the PRSP progress reports... Civil society participation remains superficial and the budgetary process does not include any provision for its involvement”</i>). Progress is on course, but there are constraints e.g. on use of websites for regular updates on fiscal information as lack of qualified personnel in the administration.</p> <p>Annual budget documentation :</p> <ul style="list-style-type: none"> • MTEF submitted to, discussed and approved by the Council of Ministries and sent to some PGBS IPs (now systematic under the CGAB signed in January 2005) but not available to the NA. • LF published, but with some limitations (noted in PI-6). Draft budget sent to some PGBS IPs and this should be systematically the case in the CGAB. • Budget execution laws (“Loi de Règlement”) and production of end-of-year final balances and accounts: used to be very late. This has been addressed over the recent past years (see PI-25). Reporting to public at large should be through NA report. The CC is also due to publish annual public report: the first such report is finalised and only awaits the formality of first being submitted to the President²⁴ before publication. • Budget execution throughout the year: quarterly report (based on CID information) prepared for the Council of Ministers and should be sent to PGBS IPs according to the CGAB (requested in the previous protocol but generally not done). • TOFE (commitment basis) is relatively accessible but not on the web. • There is no mechanism in place to systematically monitor resources available for service delivery units. This information should have been given e.g. re: schools and health centres, for disbursement of the EC variable tranches. However, this conditionality was not met in 2004, and these indicators have been abandoned in the conditionality framework of the new programme under preparation. <p>Civil society capacities for financial and budgetary analysis are still limited. Some training is in progress, provided for example by the Centre for Democratic Governance (CGD).</p>

²⁴ EC mentions that this delay for CC report publication is due to a lack of funds to ensure its publication.

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
	C. BUDGET CYCLE				
	C(i) Policy-Based Budgeting				
6	<i>Identification of poverty-reducing expenditure (Identified through use of classification system)</i>	A	B	↓	<p>The terms pro-poor or poverty reducing expenditure are not used as such in Burkina Faso; the focus is on priority sectors/domains/programmes. Since 2000 there have been two inter-linked but not identical definitions of “priorities” and associated priority expenditure: (i) the PRSP priorities, which remain quite broad; and (ii) the HIPC programmes that are narrower in scope and are “monitorable”, but through a mechanism which separates them from the regular national budget. The PAP (developed in 2004 as an additional tool to operationalise the PRSP) can be understood as a mechanism to allow more precise identification and tracking of PRSP priorities.</p> <p>Poverty-reduction expenditures are included in the budget both as regular appropriations for priority sectors, and as allocations under the HIPC special account. HIPC funds are used to finance additional expenditure for the priority sectors. However, the administrative classification and the new functional classification are not discriminatory enough to identify poverty reduction expenditure in the regular budget administrative and functional classification; the HIPC account also is not exhaustive. The PAP is not either linked to government PFM systems. Thus overall, monitoring of priority spending is fragmented and incomplete. Moreover, there is confusion between several weakly articulated prioritisation mechanisms including PRSP and the new PAP, HIPC programmes, MTEF and PIP.</p>
PI-11	Orderliness and participation in the annual budget process		Moderate	→	<p>Budgetary calendar (including MTEF) well established and internalised by sector ministries. Circular coupled with aggregate MTEF sector ceilings approved by the Council of Ministers. Calendar generally respected: the LFs have always been voted on by the NA before 1st January of the relevant year.</p> <p>Limited participation by deconcentrated structures (more or less in progress, depending on the sectors, according to 2004 PER). No civil society participation (see indicator PI-10).</p> <p>Systematic recourse to Amendment Acts, which thus appear as integral part of the budgetary progress, though they weaken its transparency: the criteria for credit reallocation are not clear and the participation of sector structures is negligible.</p>

General Budget Support in Burkina Faso

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting			→	Since 2000, the government has each year been drawing up an MTEF for a three-year period. The first MTEFs were produced late and could not be used as an input for the budget. This has been addressed and since 2002 the MTEF is approved in time so that its estimates with respect to revenue and expenditure ceilings feed into the budget circular signed by the President of Faso in May.
7	<i>Quality of multiyear expenditure projections (Projections are integrated into budget formulation)</i>	A	A	→	<p>Since 2000, the MTEF has been prepared with increasing involvement of line ministries. The MTEF now plays a major role in determining budget allocations. Sector ceilings in the MTEF are established for the various ministries through negotiations with MFB based on sector ministries' plans (including programme budgets). The ceilings thus constitute guidelines for drawing up the administrative budget and revising the programme budgets. MTEF estimates are consistent with the medium-term PRSP projections and IMF-supported programmes. Sectoral allocations reflect government's broad priorities (for instance, increased spending on education). The MTEF includes and identifies expenditure financed from HIPC resources.</p> <p>One outstanding weakness resides in the under-elaboration of sector MTEFs, even in sectors where a sector strategy has been in place since several years (e.g. basic education and health). Various analytical, planning and budgeting tools are in use but they are weakly linked to each other (e.g. PER, sector strategic planning, programme budgeting, MTEF and budget preparation). Limitations in the budget classification contribute to the difficulties faced in strengthening a medium term perspective in expenditure policy and budgeting, especially within sectors.</p>
C(ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities			↑	<p><u>Valid for PI-13 to PI-15:</u></p> <p>Burkina Faso is remarkable (unfortunately for negative reasons in this case) for its weakness in domestic revenue collection, and, in particular its low level of tax collection, far below the regional average and the WAEMU convergence criteria.</p> <p>Improving revenue mobilisation to finance public expenditures has been at the heart of the early adjustment reforms. Nowadays, this process continues: "revenue reforms" have been brought under the PRGB umbrella framework in Dec 2004. However, we have not found any recent and exhaustive review of this dimension of the PRGB. The PRGB does not either elaborate the "strategic orientations" which would enable an understanding of the overall direction of the revenue reforms.</p> <p><u>As regards PI-13:</u></p> <p>Information on this indicator was not readily available in the documentation that we have reviewed. Government PFM documentation focuses on strengthening the role and performance of the administration in revenue collection. The WB data on the conditions provided to economic actors ("Doing Business" – see Annex 2E) do not cover aspects linked to the taxation of economic actors.</p> <p>VAT was introduced in 1993. The tax regime has been modified several times – the last modification is listed in the 2005 Finance Act.</p>

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-14 PI-15	Effectiveness of measures for taxpayer registration and tax assessment Effectiveness in collection of tax payments			→ →	<p>Government recent progress reports state that more progress is necessary in all areas: effectiveness of taxpayer identification measures (only few informants) ; management of the tax regime (weak quality of tax declarations); efficiency of collection itself (weak coverage and ineffective control). Tasks and competences of different departments also need to be rationalised. At the customs level, the control of value is problematic; weak exploitation of computerisation (Sydonia); heavy procedures for regular firms; weak ex post controls; tax exemptions poorly controlled.</p> <p>The government action plan also emphasises the fight against fraud, but the general opinion is that it requires more attention and political will. In particular, the “informal sector” is poorly defined in economic terms. However, the establishment of a better tax base necessarily involves the “formalisation” of a number of firms which now operate at the margin of the formal sector. Nevertheless, neither their size, nor their level of organisation justifies this fact. We did not have access to hard data on this issue.</p>
PI-16	Predictability in the availability of funds for commitment of expenditures		Moderate	→	<p>Existence of a budgetary discipline culture well anchored. Mechanisms for “regulation of expenditures” are regarded as essential by the MFB (limits on commitments in line with availability of resources to avoid payment arrears, see PI-4). Therefore, the predictability of availability of funds/ budget releases depends on the predictability of revenue collection/ resource mobilisation, as well as on the existence of a realistic planning of revenues spread out over the year.</p> <p>Unrealistic revenue estimates (now having become more realistic) and relatively erratic PGBS disbursements in recent years are some of the reasons why there has been little progress in the predictability in availability of funds for budget execution. Resorting to “regulation” mechanism does not seem to have diminished over the recent past years.</p> <p>It is noteworthy that the expenditure regulation mechanism is selective and government has generally honoured its commitment to protect priority expenditure from its effect. This is noted in the WB PER 2004 – our analysis in annex 3C confirms this in showing generally higher budget execution rates for basic education and health sectors than for the budget as a whole.</p> <p>Projects are perceived by service providers (e.g. District health services) as providing a better guarantee of access to funds (often mistaken for predictability). On the contrary, at central level projects are reputed to be less predictable than GBS in terms of disbursements. In fact, the execution rate of projects (less than/maximum 70%) is lower than the execution rate of the budget based on own revenues (more than 90%) and than the annual PGBS disbursement (usually around 90% except in 2003 when there was a lower rate).</p>

General Budget Support in Burkina Faso

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-17	Recording and management of cash balances, debt and guarantees			→	<p>Debt management was assessed in the course of the preparation of the decision for Burkina Faso HIPC completion point. The assessment is mixed. Lack of skilled human resources is raised as an issue. A National Committee for Public Debt Management is in place and seems to be operational. A strategy for debt management is in place in the framework of the programme agreed with the IMF. Nonetheless the IMF judgement is that MFB still demonstrates a lack of command over the national debt. A national debt audit has been launched under the PRGB, and a review of debt strategy is also planned.</p> <p>Liquidities management: in the 1990s, closure of private accounts held by the Treasury. Use of imprest accounts and other “special expenditure procedures” can create non-used balances. Monitoring of imprest accounts is a problematic issue and there are often important delays in the provision of regularisation documents. A cash management committee (CODEP) has been established, which regulates in particular commitments according to liquidities. The CC has recommended the transfer of external financing under the management of the government in order to avoid non-used cash balances.</p> <p>Cash management is complicated by the existence of “special treasury accounts” (e.g. HIPC account) which are set up to separate the management of funds earmarked for particular purposes. Such mechanisms can lead to an excess of liquidity on a special account while government main account may be showing a deficit, and in principle compensations are not allowed.</p>
PI-18	Effectiveness of payroll controls		Weak	↑	<p>Burkina Faso aims at respecting the WAEMU convergence criterion for the proportion of the wage bill in government budget. However, wage bill planning and control systems are generally weak. Expenditures on personnel regularly exceed voted credits. There are discrepancies between MFB payroll data, the database of the Ministry of Public Function and the personnel records of government agencies employing staff. Procedures for staff promotion and other administrative acts with financial consequences are slow. The payroll software must be improved. An audit is planned for 2005. DRH in line ministries are usually weak. An audit and rationalisation of the role, tasks and personnel in DRH (human resource management), DAF (finance) and DEP (planning) in line ministries is scheduled under the PRGB PAP for 2005.</p> <p>As a result of these weaknesses, the wage bill has been unstable for many years though this has recently showed signs of improvements.</p> <p>One peculiarity which makes wage bill management more complex lies in the current practice which consists in hiring education and health staff on a contractual basis in order to staff new infrastructures being built at an accelerated pace with HIPC funds (in line with the PRSP objective of increasing coverage of these services as quickly as possible). Contract staff are also paid out of HIPC funds. This raises of course the issue of their integration in government regular payroll, which is necessary to maintain the durability of HIPC investments but does not seem to be addressed in current discussions on sector development.</p>

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-19 16	Competition, value for money and controls in procurement <i>Effective procurement (Procurement processes promote competition, transparency and value-for-money)</i>	N/A	B	N/A	<p>Following the CPAR in 2000, government launched a process of reforms and capacity building. In that context, it began to prepare annual public procurement plans, a new decree on public procurement was adopted, and procedural manuals and standard texts were validated in February 2004. The new decree establishes clear and exhaustive rules promoting transparency in competition, describes explicitly the responsibilities of the bodies involved and outlines a conflict resolution system. Internal and external public-procurement audits are being conducted with a view to greater transparency.</p> <p>An examination of the implementation of the new regulations by the IGF in early 2004 concluded that additional administrative capacity-building efforts are necessary. In particular, public procurement procedures must be further rationalised as they are a major factor explaining the low absorptive capacity of spending agencies, including for funds provided under the HIPC Initiative.</p> <p>Government regularly collects and publishes (in PRSP annual implementation reports) various data and information on public procurement, including perceptions by economic agents. Latest opinion surveys indicate a lack of progress in important aspects such as transparency in contract award practices. The surveys also show that in spite of some progress, in 2002 prices paid by government through public procurement were still over 55% higher than those paid on the market.</p>

General Budget Support in Burkina Faso

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-20	Effectiveness of internal controls for non-salary expenditure		Moderate	→	<p>In line with the French tradition, budget execution is highly centralised in Burkina Faso. MFB Minister is the sole official able to authorise payment. Other Ministers are credit administrators. The accounting function is centralised in MFB too.</p> <p>Under the regular procedure expenditures are controlled ex ante at several stages (commitments must be authorised by MEF financial controllers; MEF financial controllers are also involved in the liquidation stage; payment orders are issued by an MEF structure; a final ex ante control is conducted again by the accountant/ payer). Some of these controls are redundant. A shortage of qualified staff in MFB leads to long delays for authorisations. There is also an important rate of dismissal of spending agencies' submissions by MFB financial control, which is partly due to the weakness of the finance divisions in spending agencies.</p> <p>Opinions on the effectiveness of these controls vary. For some, the system plays a substantial preventive role. Whereas the WB PER (2004) notes that: <i>"the multiplicity of controls (at the commitment, audit and order to pay stages) lengthens the standard execution process without bringing about real protection against an illegal use of funds"</i>.</p> <p>A reform is under way, aiming at delegation of credits i.e. the development of procedures through which some of the steps in the spending chain would be delegated to central spending agencies. Thus far it has been limited to the social sectors. Another stream of reform is promoting deconcentration of the whole chain of expenditures at SOE and regional levels. This is in the process of being expanded. Weak financial capacities in spending agencies are an obstacle for further expansion (and a perception in MFB that this could dangerously erode fiscal discipline in the absence of strong internal control systems in spending agencies). There is also a need to update the government financial management software (CID and CIE) to be able to accommodate the delegated and deconcentrated procedures.</p> <p>The cumbersome regular budget execution procedures have led to a tendency of excessive recourse to simplified procedures. Those are generally weakly controlled. Control of expenditures on external financing does not exist for projects managed outside government structures and procedures.</p>
PI-21	Effectiveness of internal audit			→	<p>Under the regular expenditure procedures, the concepts of "internal" control and "internal" audit hardly apply to spending agencies. As control functions are all centralised in MFB, so is the function of "internal" audit. The reforms outlined above (delegation of credits, deconcentration of expenditure) necessitates, in final, the development of accounting, internal control and internal audit functions in line ministries and other spending agencies, which are not in place currently. These reforms will also further emphasise the necessity of strong ex post and external audit mechanisms.</p> <p>Several structures are involved in various forms of ex post internal audits (in the sense of being internal to the executive branch of government). This includes the IGF (reporting to MFB Minister) and the IGE reporting to the Prime Minister, as well as the HACLCC set up in 2003 (under the Prime Minister; in charge of coordinating the fight against corruption). The effectiveness of both, ex ante and ex post audits is hampered by the weak accounting practices, as noted previously in the 2002 Country Financial Accountability Assessment (CFAA) report.</p>
9	<i>Quality of internal audit (Effective internal audit function)</i>	<i>B</i>	<i>B</i>	→	

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
	C(iii) Accounting, Recording and Reporting				
PI-22	Timeliness and regularity of accounts reconciliation			→	Government draws up a monthly TOFE for the monitoring of public finances. The TOFE, based on commitments, is a statistical tool produced by the SP-PPF within two to three weeks after receipt of revenue data, the CID commitment status reports from the DGB, and the provisional statement of external disbursements from the DGCOOP. The SP-PPF is also provided with the accounting situation on all payments made by the DGTCP, the bank accounts of the DGTCP, the Net Government Position (PNG) and the Net Treasury Position (PNT) statistics compiled by the national branch of the Central Bank of West African States (BCEAO). Since March 2003, the DGTCP has posted monthly Treasury balances. The ultimate objective is to be able to produce a TOFE based on accounting data rather than statistical data as is currently the case. This “upgrade” is required according to the WAEMU standards. It was scheduled for end 2004 but various factors resulted in this deadline not being met. The information, as a whole, allows the BCEAO's PNT to be reconciled each month with: i) Government expenditure payments; ii) the PNT variations according to DGTCP accounts.
11	<i>Quality of fiscal/banking data reconciliation (Satisfactory and timely reconciliation of fiscal and monetary data)</i>	A	A	→	
PI-23	Availability of information on resources received by service delivery units			→	Government launched a reform toward budget deconcentration in order to improve basic services several years ago. However, budget implementation is still largely centralised (see PI-20 and PI-21). The volume of resources received by service delivery units is small.
10	<i>Use of expenditure tracking surveys (Tracking used on regular basis)</i>	A	A	→	However, in order to assess regularly the quality of basic services, government has requested that the National Institute for Statistics and Demography (INSD) conduct annual surveys on the services provided. The survey results are included in the annual PRSP implementation reports, and provide information on resources received by outlying units, particularly health centres and primary schools (including resources in kind supposed to be provided by higher administrative levels) and on the cost of basic education and health services to the users. The surveys also include a component evaluating the satisfaction of public service users. However, the results of these surveys are not used to their full extent by the administrations which could on this basis, draw up measures to improve service delivery.
PI-24	Quality and timeliness of in-year budget reports			→	As a result of the centralisation and computerisation of budget implementation, the MFB obtains budget execution reports within very short lead-times. The revenue agencies (DGI, DGD, and DGTCP) draw up reliable weekly reports on revenue collection. In terms of expenditure, the situation regarding commitments, verifications, payment orders and payment of internally funded expenditures is readily available through the CID. Reports to the Minister MFB are drafted once a week or more often as need be. Hence, on the whole government budget implementation is monitored effectively.
12	<i>Timeliness of internal budget reports (Monthly expenditure reports provided within four weeks of end of month)</i>	A	A	→	Formally there is an inter-departmental MFB Committee (for Monitoring Budget Implementation and Cash Management) chaired by the Minister MFB, which meets monthly to monitor expenditure and agree on “expenditure regulation” measures when required. The Minister of Finance and Budget submits quarterly reports on budget implementation to the Council of Ministers. No regularly published information document is available to the public.

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No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
13	<i>Classification used for tracking poverty-reducing expenditures (Good quality, timely functional reporting derived from classification system)</i>	C	B	↑	<p>This HIPC benchmark correlates with the HIPC benchmark 6. Inasmuch as poverty reduction expenditure is not clearly identified, it is difficult to monitor it effectively.</p> <p>Periodic budget reports, based on the WAEMU classification hence including a functional classification, are available from the CID. They also show the implementation of the HIPC special account. On the whole, available reports can be used to monitor the implementation of poverty reduction expenditure on the basis of the administrative classification (by ministry and heading) and the WAEMU functional classification. They allow such expenditure to be protected in consultation with the sectoral ministries, should expenditure adjustment become necessary.</p> <p>However, as pointed in PI-5, the administrative classification, though sufficient to monitor major appropriation totals, is not precise enough to identify poverty reduction expenditure, while the functional WAEMU classification does not precisely specify poverty reduction expenditure items. The HIPC special account is not exhaustive enough to allow all poverty reduction expenditure to be monitored.</p> <p>Thus on the whole, although there is a functional classification in place, the monitoring of poverty expenditure is imperfect. No in-year monitoring reports are published.</p>
PI-25	Quality and timeliness of annual financial statements			↑	<p>All expenditure-related budget transactions (commitments, verifications, and payment orders) are recorded and entered into the CID in real time. Payment of expenditure is entered in real time into the Treasury's accounts through the Integrated Government Accounting (CIE) software. Expenditure committed but not paid by December 31 may be verified, authorised and paid during a two-month complementary period up to the end of February. All expenditures not paid by the end of February are removed from the payment system and recommitted on the following year's budget appropriations. Entering of routine transactions into the Treasury's accounts are therefore completed within two months after the end of the fiscal year.</p> <p>These procedures are being more strictly applied since the year 2003.</p> <p>On the basis of the accounting situation at the end of February of year N+1, the Treasury finalises the cash balances and the overall balance of year N, which may involve regularisation of accounting entries. These balances are generally available 45 days after the end of the complementary period. After drawing up the final accounts, the Treasury prepares the accounting statements, which are used by the Court of Auditors to determine whether the budget execution report is consistent with the budget law.</p> <p>The final step of this procedure i.e. the production of final budget execution reports (which in the Burkina Faso system, should be voted as laws by the National Assembly as "Loi de Règlement") was not applied up until recently (see PI-26).</p>
14	<i>Timeliness of accounts closure (Accounts closed within two months of year-end)</i>	B	A	↑	

Annex 4A: Summary of Progress with the PEFA Framework

No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
	C(iv) External Scrutiny and Audit				
PI-26	Scope, nature and follow-up of external audit			→	
15	<i>Timeliness of final audited accounts (Audited accounts presented to legislature within one year)</i>	C	C	→	<p>In 2002 and 2003, MFB undertook the considerable task of reducing the backlog of budget execution reports to be produced for the fiscal years 1995–2001. The setting up of the Court of Auditors (Cour des Comptes), which began operating in June 2002, established the conditions for an independent evaluation of the budget execution reports to be carried out as should be the case, and for a “certificate of conformity” delivered by the CC to be submitted with each budget execution report to the National Assembly. The budget execution reports for fiscal years 1995–2001 were effectively submitted by the government and approved by the National Assembly in 2003. However, this was a “simplified” procedure as the Court of Auditors had not been able to examine the complete accounting statements together with the budget execution reports. The DGTCP is not in a position to actually produce accounting statements for the years 1984–2000. An administrative settlement procedure has been launched to nonetheless bring this “catch up” process to closure.</p> <p>The GOR is now seeking to comply with the standards laid down in its new budget legislation that is, in principle, the budget execution report (draft Loi de Règlement), having been reviewed by the CC, must be submitted to the National Assembly within 12 months of the end of the fiscal year. The budget execution report for 2002 was approved in 2004. The budget execution report and accounting statements for the year 2003 were submitted to the CC in March 2005 (IMF PRGF review, Sep 2005). Further progress was expected in the course of the year 2005, with the submission of the accounting statements for 2004 to the CC by mid-2005 and the submission of the budget execution report reviewed by the CC including its report on the accounting statements, before end 2005.</p> <p>Overall, huge efforts have been made. They have yet to bring the system up to a reasonable standard. Moreover, there are concerns that the status of the CC does not give it sufficient autonomy, and constraints (including in terms of staffing) on its effectiveness. Finally, constraints also arise from the generally low accounting standards already mentioned above in relation to internal audit.</p>
PI-27	Legislative scrutiny of the annual budget law		Moderate	→	<p>Legislative scrutiny of the annual budget law features in the budgetary calendar. Government has always complied with this stage. There are several signs indicating that the National Assembly is currently strengthening its capacity of oversight of the executive, both because budget execution reports and CC reports are now more timely available and through setting up specialised Commissions which have proved that they can be effective (e.g. launching surveys etc.). Examples of requests for explanations are increasingly frequent (e.g. recently, on the common inter-ministerial expenditures).</p> <p>However the NA does not receive the MTEF and the PRSP has not been officially submitted to it.</p>

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No.	Subject	Score [2001]	Score [2004]	Trend	Comments and Analysis
PI-28	Legislative scrutiny of external audit reports		Weak	↑	<p>See PI-26: the backlog in submission of budget execution reports to the NA is well on the way to being absorbed, though special procedures had to be adopted, that take for a fact that comprehensive information on financial performance of the executive will never be available for scrutiny by the NA for the period between 1984 and 2000.</p> <p>Now that the situation is nearly regularised, the NA seems to have proceeded to carefully examine the CC reports and has requested the CC to establish a regular monitoring of actions undertaken by the executive based on the recommendations of previous reports. Broader dissemination of the results of CC work has not yet taken place. This is due to the fact that its first public report has not been published yet; however, this should happen soon.</p> <p>A sound regulation exists as far as the fight against corruption is concerned (considered as a significant problem by IPs and civil). An HACLCC has been established, though it took some time to become operational. Independence of the HACLCC structure regarding handling of reports remains problematic. The government plans to develop a national strategy to fight against corruption. This is awaited with eagerness by the IPs. It must be noted that there are diverging views concerning the seriousness of corruption cases.</p>
D. DONOR PRACTICES					
D-1	Predictability of Direct Budget Support				Analysed in the main report (Chapters B3 and B4 and Annex 3C).
D-2	Financial information provided by donors for budgeting and reporting on project and programme aid			→	We report against the indicator PI-7 on government's side of the issue of budgeting and reporting on donor-financed projects and programmes. We conclude that there are severe weaknesses and that the lack of information on donor-financed expenditure is a serious issue in Burkina Faso. We have not found studies allowing us to establish the extent of donors' responsibility for this poor state of affairs. The fact that DGCOOP was only able in May 2005, to produce a report on the ODA up until 2002, appears to be due to a combination of reasons including weak capacities in DGCOOP, but it would be surprising if part of this was not also due to delays in donors' responses to the DGCOOP survey questionnaire.
4	<i>Data on donor financing (Donor-funded expenditures included in budget or reports)</i>	C	C	→	
D-3	Proportion of aid that is managed by use of national procedures			N/A	We have not found any recent studies on these issues.

Annex 4B: PRGB²⁵

EXPENDITURE SECTION	
Strengthen the capacities of budget agencies	
<ul style="list-style-type: none"> • Improve the organisational framework of Ministries in charge of Economy and Finance • Capacity building in management and communication for Ministries in charge of Economy and Finance • Capacity building for partner structures of Ministries in charge of Economy and Finance within sector Ministries and make the dialogue with these structures more dynamic 	<ul style="list-style-type: none"> • Shared responsibilities between MFB (financing) and MEDEV (formulation and monitoring) as far as government policies are concerned. Improve the coordination between the two ministries through the definition of a guiding strategic framework. • Audit of some key directorates of the MFB completed (DGTCP, DCMP). Process of reflection on their application in progress (DGTCP). Audit of other key directorates planned in the PRGB PAP. Needs to take account of the implications of budgetary deconcentration and decentralisation (DGB, DCCF). Three-yearly plan of additional capacity building to be drawn up. • Dialogue between MFB and the sector ministries strengthened through MTEF discussions and monitoring. To be further deepened in the context of development/strengthening of sectoral tools for financial planning and budgeting and their articulation with the overall MTEF. DAF capacity in line ministries to be strengthened in all sectors, starting with priority sectors which have a sector strategy. In broader context of a rationalisation of tasks and personnel of DAF (finance), DEP (planning) and DRH (human resource management) in the LMs.
Improve legal framework of budget management and implementation	
<ul style="list-style-type: none"> • Transpose into national law the WAEMU Guidelines relating to public finances • Improve efficiency and transparency of budget execution procedures • Improve transparency and efficiency of procurement contract awarding and management 	<ul style="list-style-type: none"> • Organic Budget Law approved in 2003 by the NA (with some delay given that the bill was submitted by the Council of Ministers in 2001). WAEMU budget nomenclature was adopted in 2004 and built into the computerised monitoring of expenditures (CID) (Circuit Informatisé de la Dépense). Adoption of the State Official Accounting Plan with several decrees bringing Burkina Faso into line with the WAEMU. • Progress in the reform of budget execution (de-concentration and credit delegation) hampered by DGB weak capacity and the fact that DGB has been taken up with the daily tasks of budget management. • Procurement reforms: CPAR (2000) followed by a process of reforms and capacity building. Adoption of a new decree on procurement contract award and management in 2003 (competition rules, role of the DCMP, system of conflict resolution). Later complemented by a decree on leasing and concessions in 2004. Establishment of a National Committee for the Coordination of Reforms relating to procurement. Audit of procurement contracts carried out by IPs and used as capacity development for government agencies. Government is committed to extending the coverage of procurement contracts audited by the IGF. Training of trainers, preparation of the 3rd analytical review of public procurement (CPAR, 2005).
Improve quality and transparency of Finance Act	
<ul style="list-style-type: none"> • Macroeconomic framework and budget estimates • Formulation and monitoring of sector policies • Formulation of "Loi de Finance" (LF) 	<ul style="list-style-type: none"> • Macroeconomic and budgetary framework more realistic since 2002–03 (<i>however, the preliminary version of the annual PRSP report for 2004 states that economic growth is 7% per year, whereas the IMF macro framework and the MTEF 2006–08 preliminary version forecast less than 5%, after a revision which takes into account unfavourable exogenous factors</i>). • Aggregate MTEF in place since 2000, and actually used in annual budget preparation since 2002. Sector MTEFs

²⁵ Information in italics was provided in meetings of the study team with in-country stakeholders. Other information is drawn from the PRGB documentation.

EXPENDITURE SECTION	
<p>(Finance Act)</p> <ul style="list-style-type: none"> • Transparency of LF 	<p>in the priority sectors with a sector strategy (health and education) are being prepared with the support of the WB and the EC.</p> <ul style="list-style-type: none"> • Pilot initiative for use of programme budgets in 1997–98 (results-based management in the framework of the test of new conditionality). However, little effect given that at the time there was no framework (the MTEF was developed only later and there was no sector policy in place); few guidelines and turnover of trained staff resulting in loss of capacity. Budget nomenclature does not allow for monitoring of programme budgets. • Under way: development of a strategic approach for use of programme budgets as instruments for the formulation and monitoring of budgets in the framework of sectoral MTEFs, as well as instruments for monitoring sector policy implementation and the PRSP (PER 2004). • As noted in Chapter B3, GBS is not accounted for as revenue in the LF while it is taken into account in drawing sector budget envelopes. This untransparent procedure (resulting in the vote of a LF with a “financing gap”) is under joint revision by government and PGBS IPs in the context of the CGAB. • New budget nomenclature is transparent and aligned with WAEMU standards. • Sector or general PERs are taking place regularly. <i>It would be desirable to improve their use.</i>
<p>Strengthen monitoring of budget execution and compliance with regulations for closure of the fiscal year</p>	
<ul style="list-style-type: none"> • Strengthen consultation on the budget, and monitoring instruments for budget execution and cash flow management • Strengthen compliance with regulations for closure of the fiscal year • Improve the transparency of the content of budget execution 	<ul style="list-style-type: none"> • Establishment of the TOFE in the 1990s. In progress: deepening of TOFE and alignment with WAEMU norms (the objective is to be able to prepare a TOFE based on accounting information recording payment orders instead of the current commitment basis, and to extend the TOFE to include data on local authorities and other public entities such as SOEs). • Establishment of an inter-departmental Committee for budget and treasury monitoring, chaired by MFB Minister and meeting monthly to monitor expenditures and regulate commitments in line with projected cash availability (“regulation mechanism”). • Budget execution reports are presented to the Council of Ministers every quarter. • Treasury account balances have been prepared monthly since March 2003. • Since 2003, increased compliance with the budget calendar. This facilitates the timely preparation of accounting statements (“comptes de gestion”) and budget execution laws (Lois de Règlement), with a view to being able to catch up the regular process (submission of “Loi de Règlement” for year N-1, audited by CC, together with draft budget law for year (N+1)) following the elimination of the backlog for previous years. • Stock accounting: slow progress.
<p>Deepen budgetary deconcentration</p>	
<ul style="list-style-type: none"> • Deepen budgetary deconcentration at peripheral level • Improve the deconcentration of the services of Economy and Finance 	<ul style="list-style-type: none"> • Framework for credit delegation created in 2000–01. In 2003, launch of deconcentration pilot experiment at regional level for the whole chain of expenditures (including payment order)²⁶ with the process integrated in the CID. This is being gradually expanded to all regions (5 to this day, <i>WB support to cover expansion to all regions within a few years</i>).

²⁶ Issuance of payment orders after verification of provision of services. The line of expenditures (normal procedure) includes the stages of commitment by the budget holder (the commitment must be certified by MFB financial controller), settlement or liquidation (verification of provision of services) which also involves the financial controller, payment order which is made by the Balance and Order to Pay service in MFB (ordonnancement or mandatement) and certified by the accountant, and finally payment (centralised in the Treasury).

EXPENDITURE SECTION	
Ministries <ul style="list-style-type: none"> Strengthen EPA monitoring and management 	<ul style="list-style-type: none"> Process of reflection to be pursued at different levels: expansion of the system at regional level toward greater deconcentration of expenditure (all regions, other types of expenditures etc.), delegation between MFB and sector structures, implications of deconcentration and decentralisation for MFB services.
Improve quality of management of specific expenditures	
<ul style="list-style-type: none"> Control and make staff expenditures more reliable Rationalise debt management Improve management of investment expenditures Improve monitoring of external financing 	<ul style="list-style-type: none"> Staff management software set up but must be “stabilised”. There remain some inconsistencies between data on staff which are held at various levels of the administration. The CC has noted some irregularities in some of the staff expenditures. Debt: <i>in 2002 the IMF proceeded to the audit of debt management capacity. It indicates that there is a satisfactory basic strategy, a formal coordination process between the relevant MFB units which could be strengthened, a reasonable level of computerisation (good at the level of software, to be improved at hardware level). However there are weaknesses due to a lack of qualified personnel.</i> It is expected that an audit of the internal debt will take place in the current PAP of the PRGB. Nascent progress in terms of transparency in accounting for and monitoring external financing but the process is very slow: <i>the volume of external financing recorded in the LF has increased over the last one or two years (not measurable in aggregate terms but reported individually by IPs, e.g. EC).</i> A project database is being built (after one first unfortunate experience which had to be abandoned as the software initially selected turned out to be inappropriate). Another software has been chosen, which will allow for interfacing external financing management with the CID (Circuit Informatisé de la Dépense) and the CIE (Comptabilité Intégrée de l’Etat). Actual expenditures are still largely escaping the government PFM system. PIP (Programme d’Investissements Publics) status remains to be clarified in light of the PRSP, MTEF and annual budgets. <i>The last report on implementation of PRSP (interim version) provides a good example of the current confusion between these different prioritization processes. No/little progress with the planned study on the economic impact of investment expenditures (the last such review was conducted in 1997). The development of a mechanism for allowing multi year programme credits for investments in the LF is also stalled.</i>
Improve the quality and durability of the computerisation process within ministries in charge of economy and finances	
<ul style="list-style-type: none"> Strengthen operational capacities of Data Processing Services within Ministries in charge of Economy and Finances Review the Data Processing Development Plan (SDI) of the Ministries in charge of Economy and Finances Strengthen users’ capacities and data handling as well as the functionality of computerised applications Strengthen the maintenance of 	<ul style="list-style-type: none"> The computerisation of the chain of expenditures (CID – launched in 1996, system fully computerised in 1999–2000) and its interfacing with the accounting software (CIE) were early PFM improvement measures (undertaken well before the PRGB). However, the general framework is nowadays obsolete and it must be adjusted to a number of new functions and requirements (interfaces with debt management and management of external investment, budget deconcentration, monthly balance sheet declaration, preparation of an “accounting TOFE”, decentralisation and interfacing with pilot accounting software for local authorities etc.). Some of the requirements have yet to be fully articulated (e.g. requirements arising from the decentralisation process). Progress under way: recruitment of expertise for the updating of the Data Processing Development Plan. <i>Computerisation: software developed mostly ‘in house’ → stabilisation and maintenance difficulties linked to the continuing loss of trained human resources. Outstanding recruitment authorised in 2004. One of the main challenges is to stabilise this workforce in the public administration.</i>

EXPENDITURE SECTION	
infrastructures and data processing hardware and plan their depreciation	
Strengthen the control of budgetary management	
<ul style="list-style-type: none"> • Improve ex ante control • Strengthen ex post control • Establish functioning and efficient juridical control 	<ul style="list-style-type: none"> • Ex ante control: legal/ statutory framework strengthened following alignment with the WAEMU framework. <i>Nevertheless, little progress towards more efficient budget execution: ex ante control procedures remain heavy and hamper flexibility and timeliness in budget execution and service delivery. As a result, exceptional procedures have been put in place. In the view of a number of stakeholders (e.g. EC) they are sometimes used in an unjustified fashion, and in all cases, with insufficient guidance. Insufficient attention appears to be paid to this issue. This could be addressed in the context of the organisational audit of the DCCF (Financial Control) of MFB.</i> • Good progress in strengthening ex post control: establishment and operationalisation of the CC, reduction of backlog in submission of final accounts to NA etc. (see indicators PI-26 in Annex 4A). However, IPs stress the fact that more progress is necessary in the rationalisation of structures and in the finalisation of the status of their staff.
REVENUE SECTION	
At the level of DG Taxes	
<ul style="list-style-type: none"> • Adoption of WAEMU tariffs (1998). This resulted in the acceleration of reforms in the area of revenue mobilisation and collection in order to compensate for immediate losses due to WAEMU lower tariffs. • Definition of indicators for monitoring the reform, focusing on the tax base, controlling activities and revenue collection activities. • Modernisation of the normal tax regime and of the management of large firms (creation of a specialised unit in the 90s) is in progress. • Census and registration of firms in progress, but not yet a reality (end of 2004). • Various activities to rationalise management, including the transfer of responsibilities dispersed in many different structures to DGI. 	
At the level of DG customs	
<ul style="list-style-type: none"> • Strengthen control of value: end of 2004, training of staff; belated setting up of a new programme for inspection of imports. • Computerisation of procedures: in progress, but slower than expected in the PRGF, apparently due to lack of funds to purchase necessary data processing equipment. • Simplification of customs clearing procedures: slow progress as it is dependent on computerisation and inter-connexion in the setting up of an integrated circuit for revenues (CIR) based on the CID model. • Fight against tax evasion: training, staff recruitment, identification and monitoring/management of information on suspicious cases. 	
Setting up of CIR and improvement of all revenue services (DGTCP)	
<ul style="list-style-type: none"> • Functional analysis, selection and terms of reference validated by Steering Committee PRGB early 2005; expected to start setting up in the course of 2005. • Review of all recommendations related to improvement of revenues planned in the course of the first half of 2005. 	

PRGB monitoring indicators

While international discussions were under way on the definition of appropriate indicators to assess PFM system performance²⁷, Burkina Faso has continued to monitor a set of “hard core” performance indicators agreed with in-country IPs. In this section we identify the indicators monitored in the framework of the PGBS conditionalities and we note which IP(s) is/are concerned. This inventory does not cover conditionalities of the bilateral IPs

- Execution rate of the overall government budget (excluding debt, external financing and HIPC; liquidation basis). Targets set up in EC programme variable tranches: 85% in 2004 (current programme); 90% for 2005 and 2006 (programme under preparation).
- Rate of actual revenue collection against LF estimates. Targets of IMF programme for current revenue realisation: 85% in 2004 and 90% in 2005 and 2006. New EC programme will monitor realisation of fiscal revenues as a whole.
- Average difference between unit prices of goods publicly procured and purchased on the market. This is monitored in the EC programmes. In future it will be done based on an agreed set of goods which is being identified.
- Average delay between liquidation and payment of public expenditure. Average target fixed at 55 days is monitored in EC programmes.
- Increase in scope of public procurement audited by the IGF: in number (12 procurement contracts in 2005, 15 in 2006) and in percentage value (minimum 5%). This will be monitored in the EC programme under preparation.
- Timely submission of final accounting statements: official submission of general balance and of final accounting statements of the principal accountants of the budget on the 30th of June of year N for year N-1. Condition for WB and EC.
- Timely production and submission to the CC and NA of the annual Law on budget execution (31st December year N for year N-1). Condition for WB and EC.
- Regular reporting on public finance management: budget documents (e.g. budget circular and MTEF, draft budget, Finance Act and Amendment Act) to be circulated within 45 days after their adoption by the relevant authority (Council of Ministers or National Assembly); monthly preparation and circulation of TOFE, and of budgetary and HIPC execution reports. Budget documentation is to be made available to PGBS IPs under the CGAB.
- Satisfactory implementation of PFM priority reforms (4 key measures chosen every year in the PAP-PRGB). This will be monitored in the new EC programme. The WB adopts some of these priority measures as triggers/prior actions.
- Regular reporting on PRGB monitoring. This is requested by all PGBS IPs.
- Execution rate of MFB budget, aggregate and for the PRGB line. The latter factor will be monitored in the new EC programme.
- Ten performance indicators relating to revenue:
 - Tax base (2 indicators)
 - Controlling activities (4 indicators)
 - Collection (2 indicators)
 - Central services: number of officials trained during the year; ratio of number of officials trained to total number of training days.

²⁷ The 2004 report on PRGB progress and perspectives refers to the PEFA and HIPC frameworks, as well as to the WAEMU transparency code. It has not yet been discussed how the finalisation of the PEFA framework would be taken into account in the process of monitoring the PRGB in Burkina Faso.

Annex 4C: Conditionalities related to PFM in the context of GBS and IMF operations²⁸

IMF (three programmes since 1996, and HIPC/PPTE)²⁹

- Accountability (benchmarks monitoring the process of clearing the backlog in submitting budget execution report laws and audited accounting statements, establishment and operationalisation of the Court of Auditors (“Cour des Comptes”), establishment and operationalisation of HACLCC).
- Increased revenues (tax and custom reforms in the context of Burkina Faso membership of the WAEMU).
- Specific measures linked to budget management (links between payroll and database of civil servants, expenditure monitoring system in the social sectors). This last category of measures is no longer part of the current IMF programme, in line with the division of tasks between the IMF and the World Bank according to their respective competences.

Furthermore, the IMF monitors progress in the implementation of the HIPC AAP action plans, in collaboration with the World Bank and other IPs (and linking this with the PRGB monitoring since 2002).

World Bank (PRSC 1 to 5, budget years 2001 to 2005)

PRSC-1 focused on: (i) strengthening the link between budget allocations and sector objectives, strategies, and action plans; (ii) improving service delivery by the ministries of education, health and rural development; (iii) strengthening the fiduciary framework to promote accountability and transparency in the use of public funds, including external assistance; and (iv) strengthening the government’s capacity to track and manage public expenditure efficiently.

PRSC-2 focused on: (i) improving the quality of the budget process in all its stages (formulation, execution, reporting); (ii) promoting greater stakeholder participation; (iii) improving the quality of PRSP monitoring and evaluation; (iv) increasing the efficiency of public interventions in the health and education sectors; and (v) liberalising the cotton sector and promoting agricultural diversification.

PRSC-3 supported the same objectives as PRSC-1 and PRSC-2, moving increasingly to more output-related actions and focussing on: (i) improving the management of public resources; (ii) strengthening basic services delivery in the social sectors; and (iii) raising rural income.

Trigger measures related to PFM (PRSC 1 to 3)

- Budget formulation: Adoption, by May 1, 2002, of the MTEF for the 2003–2005 period that is keeping with priorities under the revised and updated PRSP, and adoption in 2002 of 2003–05 programme budgets consistent with the MTEF and PRSP.

²⁸ This section does not intend to cover the entirety of the PGBS IPs’ conditionality framework in Burkina Faso. It focuses on the conditionality related to PFM. It is assumed that PFM conditionality of bilateral donors (when they have such specific conditionality) does not differ from the IMF, WB and EC conditionality. This assumption is based on an analysis of the data in the questionnaires used in this evaluation study, and on the findings of the “Strategic Partnership for Africa Survey on Budget Support Alignment”.

²⁹ The PRGF and HIPC documents were not analysed as thoroughly as documents for the World Bank and EC PGBS programmes. The sequence of PRGF was 1996-99, 1999-2002, 2003-06 (the first programme started as an ESAF but was transformed into a PRGF).

- Budget execution: Operationalise regionalisation of payment order by June 2003 through:
(a) Revision of budget regulations to reflect changes in the order of payment authority, and
(b) Creation of budget administration at the regional level linked to the CID, as a pilot in Bobo-Dioulasso for FY 2003.
- Procurement: Revise the procurement code to fully align it with best international practice (details to be specified): Create a high-level working group to define and oversee execution of procurement reforms; Adopt a Procurement Procedures manual (PPM); Implement an adequate institutional capacity building plan; and Verify that 50 percent of public procurement will have been subject to competitive procurement practices as required by law and that the largest contracts will be subject to public audit;
- Budget reporting and control: Completion of budget report for the 2001 fiscal year and its transmission to the Supreme Audit Court by December 2002; Satisfactory implementation of key recommendations of CFAA Report (to be specified); and Reinforcement of ex post controls by the General State Inspectorate (IGE) and the General Finance Inspectorate (IGF).

Trigger measures related to PFM (PRSC 4 and 5)

- Budget formulation: Adoption of draft budget and program budgets for 2004 (2005) on the basis of sectoral ceilings of the 2004–06 MTEF (2005–07 MTEF) and in line with the priorities of the PRSP;
- Under health heading³⁰: provision of sufficient budgetary resources in 2004 budget for the provision of subsidised health services
- Budget execution: Operationalise the extension of the CID to a total of 5 regional capitals with a connection with government's accounting system (Comptabilité Intégrée de l'Etat, CIE); Satisfactory implementation of AFRITAC recommendations on treatment and monitoring of externally financed investment spending (clarify role of different departments and establish procedures and supporting documentation for DGCOOP, DGTCP, DGB, DCCF and DGEP; constitute a project database, verify the table of credit and grant agreements)
- Procurement: Verification of application of new procurement decree, manual of procedures and standard documents in a sample of 2003 procurement operations, done by IGF; Adopt a decree for the regulation of concession and leasing contracts to ensure best international practice in this area.
- Satisfactory implementation of budget management and ex post control reform measures as planned in the PRGB (bold) and in particular (non bold):
 - Application of WAEMU budget classification
 - Monthly balance of treasury accounts and preparation of management accounts for 2002
 - Strict application of timetable for budget execution to reduce level of unpaid commitments at year-end

³⁰ There are also some measures relating to PFM under the education heading, but they are not "triggering" measures. These are "preparation of a draft education sector MTEF covering basic and post-basic education" in PRSC-4 and "finalize the sectoral MTEF including secondary education and PDDEB objectives" in PRSC-5. There are also some indicators on budget shares to be allocated to basic education and health that will be followed in the framework of the government performance evaluation (measures to implement, but not triggering). These shares are defined in the PFM heading in terms excluding HIPC funds and external project financing (Education: 12.4 – 14.3 – 14.3 – 14.5% from 2003 to 2006 and health: 9.4 – 10.2 – 10.9 – 11.0% over the same period).

- Prepare and initiate implementation of an action plan to develop government asset accounting system (proposed disbursement trigger for PRSC-5). Satisfactory implementation of action plan for govt asset accounting system including purchase software; train agents; begin the physical verification of government assets
- Continue strengthening of IGE and IGF and adopt a coherent status for staff in all control structures.

European Commission

Budget Support for Poverty Reduction programme (ABRP) 2002–2004

- Pre-condition to signing of Financing Agreement: government approval of PRGB Action Plan, including monitoring modalities.
- General conditions:
 - Negotiation and implementation of a macroeconomic programme 2003–2005 with the IMF, with a budgetary framework reflecting an efficient PRSP implementation
 - Annual assessment (conducted under the SBC-CSLP) and satisfactory progress in PFM reforms in line with government PRGB operational action plan;
- Annual fixed tranches: approval by the IMF Board of Directors of the pursuance of the macroeconomic programme for the current year.
- Annual variable tranches: indicators of budgetary efficiency:
 - Unit price of public procurement: Average deviation in relation to market prices
 - Survey of economic agents on public procurement
 - Budget execution rate
 - Ministry of Health budget execution rate
 - Ministry of Basic Education budget execution rate
 - Settlement delay (between authorisation and payment of public expenditures)
- Annual variable tranches: indicators in health and education related to PFM:
 - Increase in allocations of resources to MEBA deconcentrated and peripheral structures, particularly schools
 - Increase in allocations of resources to Ministry of Health deconcentrated and peripheral structures, in particular Health and Social Promotion Centres³¹.

Poverty Reduction Budget Support (PRBS) programme Financing Proposal 2005–07 (draft)

- General conditions:
 - Pursuing implementation of 2003–06 PRGF and when it comes to an end, negotiation and implementation of a macroeconomic monitoring mechanism with the IMF.
 - EC satisfactory assessment of the PRGB process and of actual PFM improvements, on the basis of the annual joint CGAB assessment.

³¹ Several of these indicators have required the conducting of special “rapid annual surveys” as data was not available from existing administrative mechanisms. It has not been possible to assess several indicators in 2004, namely: allocations to deconcentrated and peripheral structures of the Ministry of Health (MS) and MEBA (e.g. to health centres and schools); trend in school fees; trend in health care costs; procurement related indicator in relation to market prices. A number of these indicators have not been included any longer in the conditionality framework of the new EC programme under preparation.

- Satisfactory implementation of government commitments in the CGAB framework, including timely transmission of budget documentation (budget circular, MTEF, draft budget, Finance Act and Amendment Act, quarterly budget execution report...)
- Budgetisation of EC budget support on an annual basis in the initial Finance Act.
- Annual fixed tranches: no additional conditionality
- Annual variable tranches: indicators of budgetary efficiency:
 - Rate of fiscal revenue performance (>85%, and 90% in the past two years)
 - Delay in settlement of public expenditures
 - Scope of public procurement audited by IGF in number and value share
 - Timely preparation and submission of end-of-year budget and accounting documentation including the draft budget settlement law
 - Implementation of four priority measures chosen annually in the PAP-PRGB
 - Execution rate of the “PRGB” line of the MPF budget
 - Annual production of a sectoral MTEF and a programme budget for the MFB
- Annual variable tranches: health and education indicators related to PFM:
 - Execution rate of health budget
 - Execution rate of basic education budget
- Tranches for section “Education For All”³²:
 - Annual production of an overall MTEF showing an increasing share of government budget allocated to basic education (without EC support) at least equal to 14.5%; 14.6% and 14.9% in 2006, 2007 and 2008³³
 - Production of a comprehensive sectoral MTEF for education (two ministries) and of a draft LF reflecting the additional annual contribution of the EC sectoral support for basic education in the overall MTEF.

³² The 2005-07 PRBS of the EC includes:

- A PGBS component of €150m, of which 50% will be disbursed in three annual fixed tranches (budget years 2005, 2006 and 2007) and a maximum of 50% in three annual variable tranches (years 2006, 2007 and 2008: disbursement year N on the basis of evaluation during year N-1 of the performance for the year N-2).
- An “Education For All” component of €15m which will be disbursed in annual tranches of €5m each in 2006, 2007 and 2008. These funds are not earmarked but disbursements are related to the evaluation of performance indicators in the education sector. These complement indicators selected for the disbursement of PGBS variable tranches, and include financing indicators which enable to ensure some kind of additional “Education For All” funds for the basic education sector (see above).

³³ This is taking over from World Bank indicators which currently stop in 2006.

Annex 4D: Summary of Support Related to the Improvement of PFM

1. **PFM related technical support** under way in 2005 include the following activities (most of which were initiated in continuation of earlier support):

- Support to Economic and Financial reforms (Programme d'Appui aux Réformes Economiques et Financières – PAREF) – French Cooperation: “restructuring of the statistical institute and a better definition of the functions of the services charged with budget preparation and execution, support to budget deconcentration, establishment of an information centre, automation of revenue collection (customs and taxes)”.
- Support to Economic Governance (Programme de Renforcement de la Gouvernance Economique – PRGE) – UNDP.
- Support to regional integration (Programme d'Appui Régional à l'Intégration – PARI) – Burkina Faso – EC: Support to PFM alignment with the WAEMU standards.
- Support to Treasury structures (deconcentrated and central level) – Swiss Cooperation
- Support to computerised revenue system (Programme d'Appui au Circuit Intégré de la Recette CIR) – Denmark
- Support to Good Governance (Programme d'Appui à la Bonne Gouvernance – PAGB) – AfDB (collection and dissemination of data on external financing – DGCOOP; support to establishment, equipment and training of personnel in controlling bodies).
- AFRITAC missions (TORs fixed in the context of discussions between the government and the IMF)
- Support to PRGB Secretariat (local TA, running costs up to September 2005) – EC
- Audit of procurement contracts 2001/02 and 2004, support to IGF – EC
- Support in strengthening capacities of the MFB Computer Services Department – EC
- Study on external financing (DGCOOP support) – EC
- Support to rehabilitation and expansion of IT equipment Treasury and DGCOOP – EC
- Audit of internal debt – Swiss Cooperation
- Support to procurement contracts – Canada
- Public Expenditure Review (e.g. PER 004) – WB
- Support to Administrative Capacity Building (Programme d'Appui en Renforcement des Capacités de l'Administration – PRCA – ACBP in English) – World Bank. This project was approved early 2005. Its prime objective is to support the implementation of government decentralisation policy (“Local Authorities Code” voted by NA in December 2004). The project also includes a strong component of support to PFM strengthening. E.g. it has the following PFM-related objectives:
 - “Number of line Ministries with satisfactory program budgets and medium term expenditure frameworks, which are reflected in annual credit allocations, aligned with PRSP objectives and the national MTEF, with budget execution monitored annually according to priority programs.
 - Percent of national budget transferred to and executed by local governments.”

2. Most support activities mentioned above are recognised as resources financing the PAP 2005–07 of the PRGB.

3. All of this support is provided in the form of projects. Management modalities are more or less flexible and inputs are more or less under the control of government: it depends on the modalities available to each IP (e.g. TA and annual work plans for the EC; short term or repeat missions of Afritac; intended demand-driven process to define the content of training programmes to be financed by the WB ABCP). The management burden is heavy and time-consuming for both government and IPs.

4. The PRGB is also financed by the national budget. Hence the possibility of supporting it “on budget” and through the budget has been examined by the EC when preparing its PGBS programme for 2005–07, but the option was finally not retained. MFB is currently examining the possibility of establishing a “common basket” to pool financial support of IPs wishing to support the PRGB (and the future “PFM sector strategy”) in a more coordinated fashion and to reduce running costs at the same time. This would be particularly appealing to bilateral IPs who could jointly monitor the use of the pooled funding. It would be difficult for the WB and the EC to take part in this common basket but their funds would be integrated in the PRGB umbrella framework.

5. TA/institutional strengthening assistance provide in support to sector strategic planning (e.g. in health and basic education) has not been recorded here. On the whole, this support seems to have had a limited effect on the strengthening of sector agencies’ financial management even though this was stated as one of its objectives. One of the reasons for this limited effectiveness lies probably in the weakness or lack of link between these initiatives and the core dynamic of the PFM reforms led by MFB. In reality this dynamic only began to take shape in an “organised” fashion with the PRGB (2002) while sector strategic reforms were undertaken earlier on. Moreover, once in place the PRGB has been primarily orientated internally, focusing on MFB structures and systems. Although legitimate in the first stage of the reforms, this “introverted” orientation must now be modified and PFM reforms need to “reach out” spending agencies. There are encouraging signs that this is happening (e.g. collaboration between MFB and MEBA and MS for the development of sector MTEFs). The challenge for MFB and IPs is to further strengthen the outreach trend in the PFM reform process and to “federate” cross-cutting and sectoral institutional support more efficiently.

6. Indirect or related support:

- Justice sector (EC)
- Strengthening of National Assembly capacities, including Finance and Budget Commission (UNDP)
- Decentralisation: Denmark (including TA at the Ministry in charge); Germany, UNDP, Canada.

7. Priorities as identified by EC (May 2005):

- Support to strengthening Court of Audit and to ex post controlling bodies (IGE, IGF)
- Strengthening of DGB/MFB in budget programming
- Strengthening DEP, DAF and DRH in technical ministries on budget programming and monitoring.

Annex 4E: Sector Support and Implications for PFM reforms: Example of the Basic Education Sector

1. The purpose of this annex is to analyse the complexities of sector support and identify the potential impacts on PFM reforms in Burkina Faso. This annex is a case study, and the case chosen is that of the basic education sector.
2. The basic education sector is generally considered as one of the most advanced in the reform process leading to the formulation and implementation of a sustainable sector policy within the PRSP framework. Responding to this progress, IPs active in the sector look for modalities that would reduce aid related transaction costs as much as possible. Most IPs subscribe to the logic of strengthening government central capacities, notably in relation to PFM. This annex seeks to show that even in this propitious environment the management of the resources available for the education sector continues to be quite fragmented, and that this is at the detriment of efficiency and effectiveness in the use of these resources. It is also likely that this fragmentation undermines longer term PFM reform efforts that are key for sustainable improvement in the management of sector resources.
3. In the matrix below we outline key features of the management systems used for financial resources of different origins. The resources considered in our analysis include:
 - The national budget for own resources (including GBS but excluding HIPC)
 - HIPC funds (special account)
 - "PDDEB basket" (World Bank, Netherlands and Canada initially, joined by Sweden in 2003, and France and Denmark in 2004); this is a "virtual" basket, see below: (*) in the table.
 - PDDEB project resources (donors having signed the basic education partnership agreement; the six above and six others, in 2002).
 - Non PDDEB project resources (donors not having signed this agreement, including the African and Islamic Development Banks and JICA – Japan).

General Budget Support in Burkina Faso

Characteristics	National budget	HIPC	PDDEB basket resources	PDDEB project resources	"Other" project resources
Coverage in the Finance Act (LF)	Allocations included in the LF	Allocations included in an annex to the LF	Forecasts of resources for the year included in the LF under Title V (investment under external funds)	Forecast of resources for the year included or not in the LF under Title V (varying from one project to another, see the difference between ODA recorded by DGCOOP and the disbursements recorded in government systems).	
Process of allocation of resources (planning and budgeting)	Resources allocated through the regular budget process (MTEF and annual budget) based on the PRSP (taking into account HIPC resources)	Resources allocated through the regular budget process but separately, in accordance with the PRSP and the commitment made vis-à-vis HIPC donors.	(*) (virtual) PDDEB basket: resources financing a single plan of activities and a budget agreed between MEBA and the PDDEB donors. For the IPs involved in the "basket", resources can in principle finance all planned expenditures: these resources are therefore allocated so as to complement project funding aligned under the PDDEB but financing specific (earmarked) activities.		Resources allocated according to the priorities of donors concerned, not necessarily in line with PDDEB.
Dialogue at the level of allocation of resources	1. MFB/MEBA. 2. PGBS IPs (involved via CAGB) and education IPs (involved via PRSP review and sector commissions though limited effectiveness to date).	1. MFB/HIPC donors 2. MEBA involved via link between planning and budgeting of government own resources and HIPC resources in MTEF and annual budget process.	1. MEBA/ PDDEB donors (via joint annual sector review). 2. MFB.	1. MEBA/ individual donors (via joint annual sector review + bilateral dialogue) 2. MFB if project entered in the LF.	1. MEBA/ individual donors (via bilateral process) 2. MFB if project is entered in the LF.
Eligible expenditures	All types (staff, operating, current transfers, investments).	All types (staff, operating, current transfers, investments) but programmes distinct from those financed from own resources (e.g. payment of contract staff).	"Investments" (but including quasi-current expenditures such as those at the level of teachers, school equipment etc., and the strengthening of sector capacities).	"Investments" (as for PDDEB, with capacity building often linked to the project).	

Annex 4E: Sector Support and Fragmentation of PFM

Characteristics	National budget	HIPC	PDDEB basket resources	PDDEB project resources	"Other" project resources
Operational and financial management	Through national structures. National financial management system General treasury account	Through national structures: managed by MFB until 2003, managed by MEBA since 2004. National financial management system. Special treasury account.	(*) Virtual basket: in reality donors funds remain separate and can be traced through all stages of expenditure and in accounting reports. Separate accounting. Financial management by the BPE, in principal integrated into the structure of MEBA but having in practice constructed a de facto form of autonomy . This "parallel management" has diverted attention which should have been directed to the strengthening of the capacities of permanent structures (DAF in particular). Process of public procurement similar to the national process but with no objection for World Bank funds.	Depends on the project: whether project management unit or management through MEBA structures (or NGO?), separate accounting, variable quality of information provided to the government on activities and expenditures.	
Resources available in 2004 (CFAF millions)	Total : 47,086.93	Total : 8,850.00	Total : 22,090.80	Total : 12,227.3	On the assumption that all "aligned" projects (with PDDEB) are included in the LF. It is not necessarily the case: there can be projects aligned but not included, and projects included but not perfectly aligned.

4. Government and IPs are currently exploring ways of bringing the "PDDEB basket" (virtual pooling of resources) closer to government systems. In a first step it has been agreed that management will move away from the project management unit (Bureau of Education Projects) to the DAF in MEBA. One option under discussion is to establish a special treasury account similar to the HIPC account but which would be dedicated to PDDEB. This would make it possible to keep a "common plan and budget for all PDDEB activities" somewhat separated from government budget and therefore better identifiable, but it would mean that financial management procedures would be those of government. It would remain possible to carry over credits unused in a given year to the next year as is the case for HIPC funds.

5. The following concerns have been raised in relation to this approach:

- The WB has expressed a concern that earmarking funds through a special account (hence separating cash flow management) offers an illusory protection. Under pressure to maintain a minimum level of financing of all essential expenditures and if/when it happens that the resources needed for this are late, government could "balance" accounts and deplete the special education account. This could be prompted by poor performance in collecting domestic revenue but also, by delays in PGBS disbursements. Hence what IPs would try to do with one hand might be defeated by what they would do with the other hand.
- EC and WB have expressed concerns related to weaknesses in government procedures for public procurement. Considering that government procurement systems are used for the PDDEB virtual basket funding (apart from those of the WB), HIPC funding and PGBS funds through the budget, this is a wider issue than that within the framework of sector support. Procurement reforms are a priority under the PRGB – but it may take time for progress to be such that IPs concerned with e.g. fast expansion of school infrastructure, would be convinced that this can be done through government systems.
- MFB (SP-PPF) and the EC have expressed concern over the fragmentation of planning and budgeting processes introduced by "earmarked sector support".

6. This effect of fragmentation and the rigidity in the use of budget resources associated with earmarking would be aggravated with the proliferation of similar mechanisms. Of course projects also introduce rigidity and fragmentation in the use of resources. In reality, MFB and line ministries are likely to have different perceptions of the extent of fragmentation and rigidity that each of these modalities brings with itself. Given that project aid is not taken into account (explicitly at least) in the MTEF allocation process, the rigidity introduced by projects is not "perceived"/is ignored at the overall level (MFB). In contrast, it is felt at the sector level in the sense that it limits the possibilities for MEBA to allocate sector resources as it would wish. In contrast, mechanisms targeting external funding on sector envelopes reduce the fragmentation at the heart of the sectors targeted (at their level these resources are unearmarked), but they introduce more fragmentation at the overall level, compared with a situation where these funds could be available as non-targeted GBS.

7. It is equally important to analyse the impact that targeted sector support could have on the development of the inter-governmental fiscal transfer system. As per the recently adopted decentralisation policy, local authorities are supposed to become responsible for a large number of basic services. The decentralisation law anticipates that the transfer of responsibilities should be accompanied by the concurrent transfer of adequate resources. But nothing is said about the form of these transfers: in particular, it is not specified whether these would take the form of block grants that local authorities would allocate among the sectors they manage, or whether they would essentially be targeted sector transfers. In the first case sector targeting mechanisms at central level would have to give way to block grant funding. In the second case, these mechanisms would provide an appropriate vehicle for targeted inter-governmental transfers. In any event, it would be desirable that the debate concerning modalities for fiscal decentralisation

should take place in the absence of pressures which the existence of targeted sector mechanisms could de facto introduce.

8. A number of in-country stakeholders believe that it would be possible to guarantee the additionality of PGBS resources for, for example, the education sector, through an education MTEF and a strengthened dialogue on the global and sector budget. This is the approach adopted by the World Bank for the health sector, and by the EC for the education sector. PGBS seems in effect like a neat way of providing sector resources through an entirely national process of prioritisation among and within sectors, where a sector strategy is in place and recognised at the level of the overall MTEF, and where the preparation of a sector MTEF is under way. Nevertheless, considering the progress that needs to be made in aligning processes of prioritisation, planning and budgeting (overall and sectoral MTEFs, sector strategies, annual budgets) and in strengthening PFM in general, donors are far from being all persuaded by the PGBS approach (in its current design) to provide sector support.

9. As a result, resources available for the basic education sector still remain fragmented, as shown in the table below: for 2004 the share of government own resources in the financing of basic education was 52.1% only. Approximately 40% of the expenditures of the subsector were financed through projects and programmes (PDDEB and aligned projects in the table below).

Basic Education	2004
Own resources	47,086.93
Current	41,739.45
Investment	5,347.48
HIPC	8,850.00
Current	3,061.28
Investment	5,788.72
PDDEB	22,090.80
Grants	6,033.74
Loans	16,057.06
Aligned projects	12,277.30
Grants	11,558.60
Loans	718.70
TOTAL	90,305.03

10. There is also an issue of operational efficiency at service delivery level. In Annex 3C we show that execution rates for government own resource budget are higher than those for projects. However, service delivery units see actually very little of government budget funding at their level: most essential inputs are provided in kind (e.g. teachers, education materials), and the centralisation of budget execution means that key expenditures financed by the budget are executed at higher levels than schools or even districts. Those have therefore to call on other sources for the daily expenditures they have to be able to undertake (e.g. project resources, user fees, parental contributions). Hence sector support that would ensure that more funds are channelled directly to service delivery units (by-passing regular budget execution procedures) may seem to be an attractive option. There again, PFM reforms toward budget deconcentration ought to enhance budget execution through the regular mechanisms. The question is to know how much time that will take.

Annex 5: Summary of Causality Findings

Introduction

1. This annex explains what the evaluation has found in terms of causality links. The Ex Post Causality Map (Figure 5.1) provides a diagram of the links. The key on the causality map is referenced to the causality findings in Table 5.1. Each entry in the table also indicates the chapters in which related findings are to be found (mainly in the “Principal Causality Chain” sections). A few cross-cutting features affecting potentially all the causality chains have been keyed too namely, feedback and transaction costs.

2. While reading the Burkina Faso ex post Causality Map one should bear in mind that PGBS began to flow in 2001/02 and that it took its current shape (with the convergence of all PGBS IPs under one single framework) only in 2004/05. The brevity of the “PGBS period” means that in some cases there was simply not sufficient time for a link to be established and/or for PGBS influence to be felt.

3. There are two more nuances to take into consideration. First, the fact that in some cases PGBS would simply continue to support actions initiated before its emergence (e.g. strengthening of fiscal discipline), which means that there can be effects even though the PGBS period is short. Secondly, the fact that the time lag issue is a complex one. In the logic of the EEF, “more resources flowing to service delivery agencies” (4.3) is hypothesised as an outcome of PGBS. In spite of it being an outcome, this effect of PGBS could occur “immediately” following an increase in the overall budget envelope (e.g. thanks to PGBS) if prioritisation mechanisms were strong (and service delivery considered as a priority) and budget execution was reasonably good. Of course if a lot of work is to be done on all these factors then it will take time for this PGBS outcome to materialise. But even if this PGBS outcome was immediate and transformed immediately too into better services (4.7), it remains the case that it takes time, in any event, for better service delivery outputs (e.g. increased primary school enrolment) to generate better outcomes/impacts (e.g. higher primary education completion rate, better educated workforce, higher literacy rate).

Figure 5.1 Ex Post Causality Map

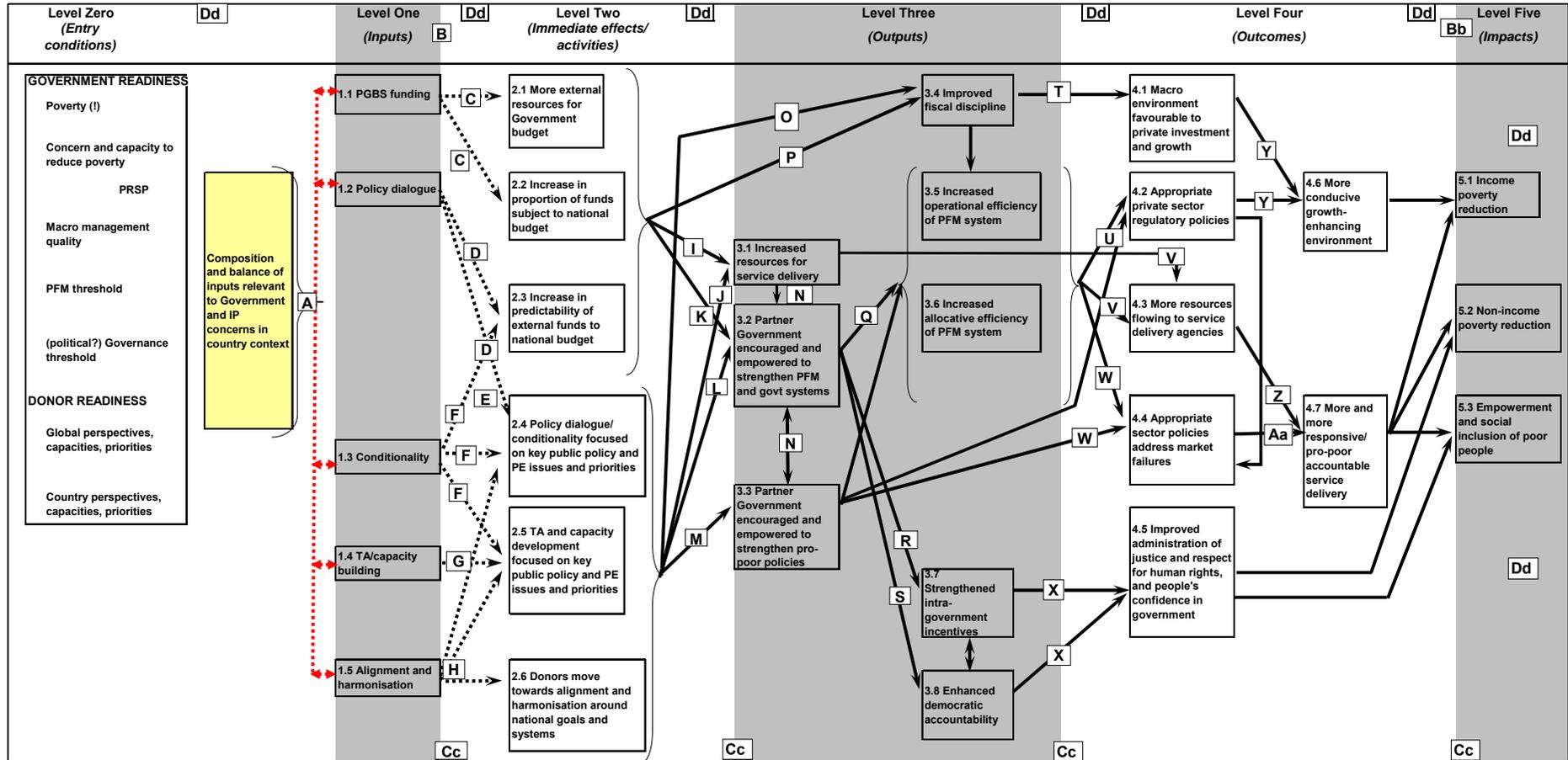


Table 5.1: Causality Findings
(key provided by Ex Post Causality Map)

A	Level 0 → Level 1 <i>The design and its relevance.</i>
	Relevant design, stemming from “pilot on new conditionality” (late 90s). Has evolved well over time: 2 nd PGBS MOU (CGAB, 2005) involving all PGBS IPs, leadership more clearly with government, greater internal consistency and coherence (e.g. joint performance assessment matrix). Design reflecting strengths and weaknesses of PRSP hence weak on income poverty reduction. [B1]
B	Level 1 → Level 2 <i>Overview of inputs to immediate effects</i>
	Significant effect from level 1 to level 2 although mostly for PGBS IPs and less for others. “Focusing” (e.g. of policy dialogue) has also been caused by HIPC, PRSP, pilot of new conditionality.
C	1.1 → 2.1/2.2 <i>PGBS effect on total external resources and the proportion of funds subject to the national budget.</i>
	Links are moderately strong. PGBS increasing but project aid remains dominant form of ODA. PGBS is a moderate proportion of government budget. [B3]
D	1.2/1.3 → 2.3 <i>Effects of dialogue and conditionality on predictability of external funding to the budget.</i>
	PGBS more predictable (and higher disbursement rate) than “on budget” project aid. But effects of policy dialogue and conditionality on predictability are not strong yet. Short term horizon of donors’ commitments. Within-year scheduling yet to be improved (with CGAB implementation). [B2, B3]
E	1.2 → 2.4 <i>Increased focus of dialogue on key public policy and expenditure issues.</i>
	Strong link, facilitated by pre-PGBS focusing effect of pilot on new conditionality, HIPC, PRSP. But effect limited to PGBS (and like-minded) donors. Some weaknesses in PRSP dialogue architecture also weaken PGBS effect. [B2]
F	1.3 → 2.3/2.4/2.5 <i>Influence of conditionality on predictability of funding, on focus of dialogue, and on TA/CB.</i>
	Conditionality led to delayed PGBS disbursements (PRGF-associated and EC variable tranche performance-based conditionality). Areas of focus in conditionality framework support and influence priority agenda (PFM conditions drawn from government PRGB; but “redressing” PRSC health financing condition). TA/CB (for PFM and sector reforms) was provided before PGBS.
G	1.4 → 2.5 <i>PGBS immediate (direct) effect on TA/CB</i>
	TA/CB inputs have not been a tightly specified part of PGBS package though for PFM, TA from PGBS IPs is dominant. Provided under PRGB framework and PGBS and PRGB processes very closely linked. Scope for strengthening PRGB as umbrella for PFM TA/CB, and for strengthening link with TA/CB in sectors. Indirectly there is a link with the ongoing WB ACB project. [B4]
H	1.5 → 2.4/2.5/2.6 <i>Moves towards harmonisation and alignment with national goals and systems, reflected in dialogue and TA/CB work.</i>
	Strong H&A effects for PGBS itself (policy and systems), (much) less for other aid modalities. Sector processes also instrumental in alignment with goals (even pre-PRSP), hence complementing PGBS but no strong links. Some PGBS demonstration effect re: system alignment, e.g. on sector support aid modalities (though HIPC system influential too). PGBS/PRSP effect on policy dialogue not clear cut. Effect on (PFM) TA due to combined PGBS/PRGB processes. [B2, B4]

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I	2.1/2.2/2.3 → 3.1 <i>Increased resources for service delivery (flow-of-funds effects)</i>
	Strong increase in funding for basic service delivery, combined effect of increased domestic revenue, HIPC targeted funding, and PGBS stabilisation role (“flexible” resource financing all other essential functions of government). [B3]
J	2.4/2.5/2.6 → 3.1 <i>Increased resources for service delivery (dialogue/TA/H&A effects)</i>
	“Shift in government preference” measured by increased budget shares for basic services was more a result of HIPC funding but PGBS made it possible. Dialogue/conditionality helped. H&A effects unclear as external financing does not appear to be focusing particularly on basic services. [B3]
K	2.1/2.2/2.3 → 3.2 <i>Flow-of-funds effects on empowerment to strengthen PFM, etc. systems</i>
	Empowerment effect present but concentrated in MFB (strong feeling that government is better in control of PGBS funding + higher effectiveness due to higher absorption rate. [B3, B4]
L	2.4/2.5/2.6 → 3.2 <i>Dialogue/TA/ H&A effects on empowerment to strengthen PFM, etc.</i>
	Empowerment effect present but concentrated in MFB, through close link between PGBS and PRGB which is strongly MFB-led and owned. Limitations in dialogue on budget even for PGBS IPs (including because of lack of regular information – to be addressed under new CGAB MOU). Sector support and HIPC modalities have mixed effects on PFM strengthening. [B4]
M	2.4 → 3.3 <i>Dialogue encourages and empowers strengthening of pro-poor policies</i>
	Definition of pro-poor expenditure is problematic (broad and reflecting several concurrent and not fully articulated prioritisation processes/mechanisms). Limitations in policy and budget dialogue (due to weakness in dialogue process – late reviews etc.), but this is improving. PGBS effect undistinguishable from PRSP effect. In spite of being a well organised set-up PGBS does not appear to bring strong value added to the PRSP dialogue. [B3, B5]
N	3.1 → 3.3 <i>PGBS funding encourages and empowers strengthening of pro-poor policies</i>
	Greater feeling of ownership with PGBS. More resources need better management systems and MTEF becomes more important as there is more to spend (3.2) and permit more pro-poor (or social sector) spending (through PGBS and HIPC combined, 3.3).
O	2.4/2.5/2.6 → 3.4 <i>Non-flow-of-funds effects on fiscal discipline</i>
	Improved PFM and implementing of the Integrated Expenditure and Revenue Information Systems provide better tools to maintain fiscal discipline.
P	2.1/2.2/2.3 → 3.4 <i>Flow-of-funds effects on fiscal discipline</i>
	Fiscal discipline well embedded before PGBS in the framework of WAEMU. Supplementary flow of funds smoothly absorbed through the existing system. It just leads to a higher level of expenditures under the same rules of already present fiscal discipline.
Q	3.2 → 3.5/3.6 <i>PFM empowerment of government → improved allocative and operational efficiency</i>
	Moderate effect. Improved allocative efficiency though combined influence PGBS and HIPC + pre-PGBS/pre-PRGB PFM reforms (e.g. overall MTEF). Limitations e.g. re: capital/recurrent balance and equity issues (not addressed). Operational efficiency not significantly improved yet. [B3]
R	3.2 → 3.7 <i>Government empowerment to strengthen systems → stronger intra-government incentives</i>
	Link not very strong. Less ownership/empowerment in spending/service delivery agencies combined with weak capacities and moderate effect of PGBS on strengthening capacity. Continuation/ expansion of sector/earmarked (HIPC) support modalities has unclear effect on incentives and capacities. Decentralisation to line ministries and regional/local levels only in an infant stage. [B4]

Annex 5: Summary of Causality Findings

S	(2.2 →) 3.2 → 3.8 <i>Government empowerment to strengthen systems → enhanced democratic accountability</i>
	Link rather weak. Formal scope of accountability mechanisms has expanded but “quality” still low. Increasing demand from Parliament and civil society but limited capacities and limitations in access to information (e.g. MTEF and PRSP not formally submitted to Parliament). External audit system (Court of Auditors) reinforced but not yet up to standard. Civil society favours HIPC clearer even if not comprehensive “accountability framework”. [B4]
T	3.4 → 4.1 <i>Link from fiscal discipline to growth-enhancing macro-environment.</i>
	Weak link, if any. Fiscal discipline maintained through regional WAEMU conventions. Little or no direct influence of PGBS in this respect.
U	3.3/3.5/3.6 → 4.2 <i>Better PFM system and Government empowered to strengthen policies → Appropriate private sector regulatory policies</i>
	Link moderate/weak: little progress re: private sector policies apart from traditional structural adjustment pre-PGBS policies. Structural changes mainly for large enterprises and privatisation of SOE; (too) little conducive measures yet for SME and trade.
V	3.1/3.5/3.6 → 4.3 <i>Increased resources for service delivery → More resources flowing to service delivery agencies</i>
	Link moderate: centralised budget execution → at service delivery level, projects and other resources are more important than government budget [B3], especially for operational costs. More in-kind resources (e.g. staff, drugs) and investments (schools, clinics) in close combination with HIPC resources. [B7]
W	3.3/3.5/3.6 → 4.4 <i>Better PFM system and Government empowered to strengthen policies → Appropriate sector policies address market failures</i>
	Link weak: social sector policies in place but pre-PGBS (B5) and don’t address private sector role + overall, spending is not pro-poor even in social sectors. [B3, coming from WB Poverty Assessment 2005]
X	3.7/3.8 → 4.5 <i>Government incentives/democratic accountability → people’s confidence in government, administration of justice and human rights</i>
	Low confidence in government by ignorance, deficient jurisdiction and distrust, especially with regard to corruption issues. More confidence in HIPC scheme because “visible” whereas government budget as a whole is “opaque”. Several IP supported projects to strengthen legal system, but doubt about lack of political will and decisiveness in the field of corruption.
Y	4.1/4.2 → 4.6 <i>Influence of macro-environment and private sector policies on environment for growth</i>
	Link weak: other factors are key for growth (exogenous shocks, regional situation) and anyway, policies not developed. There begins to be an awareness of the need for rebalancing the policy agenda but it has yet to produce tangible outputs.
Z	4.3 → 4.7 <i>More resources reach service delivery agencies → more and more responsive pro-poor service delivery</i>
	More service delivery. PGBS indirect effect through stabilising whole government budget and allowing HIPC resources to be fully orientated to expand services. Quality and responsiveness issues remain outstanding. [B7, B3]
Aa	4.4 → 4.7 <i>Influence of sector policies on pro-poor service delivery</i>
	Policies seem to have been primarily concerned with expansion. As a result, quality and pro-poor responsiveness issues are outstanding. Spending is not explicitly pro-poor in education and health (B3). PGBS influence on sector policy dialogue not very strong but this should change (with development of sector MTEFs – WB focusing on health, EC focusing on education, implementing of PDDEB and PNAS). (Or are quality and responsiveness more long-term and PGBS too young?)

Bb	Level 4 → Level 5 <i>PGBS outcomes → poverty impacts</i>
Limitations in data have made assessment of trends difficult but growing agreement that income poverty reduction has moderately decreased between 1998 and 2003. Link weak re: empowerment. Some effects on non-income poverty reduction but limited to outputs, no clear trend yet re: outcome/impact (e.g. literacy, maternal mortality...) due to time lag issue. [B9]	
Cc	(all levels) <i>Transaction Costs</i>
T-costs for negotiation (setting SBC, CGAB) and “mobilisation” (reporting on conditionality etc.) of PGBS have been high but CGAB in place → costs should decrease. Management costs much lower than for project (higher PGBS absorption rate). [B3]	
Dd	(all levels) <i>Feedback</i>
Strong feedback of PGBS “on itself”, i.e. PGBS design evolving by learning (SBC from pilot on conditionality, CGAB from SBC). Strong feedback on PFM through PRGB process. Unsure about feedback for content i.e. how effective are PRSP reviews, sector reviews and budget dialogue to influence future directions, but necessary monitoring mechanisms in place.	

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DFID
1 Palace Street
London
SW1E 5HE

and at:

DFID
Abercrombie House
Eaglesham Road
East Kilbride
Glasgow
G75 8EA

Switchboard: 0207 023 0000 Fax: 0207 023 0016
Website: www.dfid.gov.uk
Email: enquiry@dfid.gov.uk
Public Enquiry Point: 0845 300 4100
From overseas: + 44 1355 84 3132
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