

IEG ICR Review  
Independent Evaluation Group

1. Project Data: Date Posted : 05/30/2008

| PROJ ID : P078994                | Appraisal | Actual |
|----------------------------------|-----------|--------|
| Project Name : Poverty Reduction | US\$M ):  |        |
| Project Costs (US\$M):           | 60.0      | 60.0   |
| Support Credit (4)               |           |        |
| Country : Burkina Faso           | Loan/     |        |
| Loan /Credit (US\$M ):           |           |        |
| US\$M):                          | 60.0      | 60.0   |
| Sector Board : PO                | US\$M ):  |        |
| Cofinancing (US\$M):             |           |        |

Sector (s): Central government  
administration (35%)  
Health (20%)  
General energy sector  
(15%)  
Primary education  
(15%)  
Telecommunications  
(15%)

Theme (s): Public expenditure  
financial management  
and procurement (29%  
- P)  
Health system  
performance (29% - P)  
Administrative and civil  
service reform (14% -  
S)  
Education for all (14%  
- S)  
State enterprise/bank  
restructuring and  
privatization (14% - S)

L/C Number : C3900

Board Approval Date : 05/11/2004

Partners involved : Closing Date : 07/05/2005 07/01/2005

|                   |                  |                 |         |
|-------------------|------------------|-----------------|---------|
| Evaluator :       | Panel Reviewer : | Group Manager : | Group : |
| Pierre M. De Raet | Kris Hallberg    | Ali Khadr       | IEGCR   |

2. Project Objectives and Components:

a. Objectives:

PRSC-IV was the first operation of the second programmatic series of PRSCs (PRSC-IV-PRSC-VI) in support of Burkina Faso's budget. The project was the subject of a Simplified ICR dated December 28, 2005, and of a review by IEG based on that document, posted on March 20, 2006. The present review complements and updates the previous review without, however, replacing it. It is based on the full ICR and, in case of discrepancy between the two reviews, the present one prevails. It should be read in conjunction, and preferably in sequence, with the ICR Reviews for PRSC-V and PRSC-VI.

The Program Document (PD) of PRSC-IV does not have a specific statement of objectives, except to state that it continues to support the implementation of PRSP -I (the June 2000 PRSP). Although it builds on achievements under the three operations of the first programmatic series (2001-03), it establishes a new framework for Bank assistance consistent with the vision of the revised PRSP, issued in November 2004 (PRSP-II). The latter, covering 2004-06, is built on four pillars:

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

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

Under this review, and those for PRSC -V and PRSC-VI, the word "trigger" refers to the conditions required for moving to the next operation and not to the "prior actions" of the operation being reviewed since they are fulfilled by definition. Therefore, the present review covers the period between approval of PRSC -IV and approval of PRSC-V, and similarly for the two subsequent reviews.

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

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):  
There were three components consistent with the four pillars of the PRSP :

- 1) Growth and employment creation (rural sector; telecom sector; energy sector; and private sector development (PSD)
- 2) Human resources development (education; health; water infrastructure )

3) Good governance (budget formulation; budget execution; procurement; budget management and ex - post control; public sector reform and decentralization; and environment ).

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

The Credit was in support of the 2004 budget, covering part of the residual financing requirements . Although there was no cofinancing, budget support was also provided by several multi - and bilateral donors, including the bilateral donors of the Budget Support Group (France, Netherlands, Sweden, and Switzerland ) for a total of about US\$81.5 million. Support under the IMF PRGF was about US\$ 9.0 million. The Credit was fully disbursed on effectiveness on July 21, 2004, and closed on June 30, 2005, the original date. The share of this operation in the PRSC series was 33 percent (US\$60/180 million).

3. Relevance of Objectives & Design:

The objectives were relevant to country conditions and were fully consistent with PRSP -I and II, as well as with the Bank strategy as presented in the November 2000 CAS and its March 2003 progress report (CAS-PR). The thrust of the Bank strategy was and still is to support the implementation of the country's PRSP . The objectives are also consistent with the present country conditions and the May 2005 CAS. Since 2001, PRSCs have been the main instruments to implement the Bank's priority objective of supporting the country's poverty reduction strategy . The growth and employment agenda rightly received increased attention in the second series, compared to the first one .

The design of the operation was a significant improvement over that of the first series in that it allowed for increased coordination, through the General Framework for Budget Support (CGAB) established in January 2005, with other donors providing budget support . The CGAB provided for annual progress reports and a joint performance matrix with agreed targets and indicators, thus allowing for better coordination in performance assessment and in disbursement of aid.

However, the design suffered from some weaknesses : (i) in setting targets and benchmarks, especially in the rural development and social agenda, the Bank somewhat underestimated the institutional weaknesses and capacity constraints in line ministries; (ii) although several ongoing projects comforted the implementation of the PRSCs, the TA project (PRCA) aimed at accompanying the PRSC series was approved in March 2005 and became effective in August 2005, without much time to have a significant impact on the second series; and (iii) despite its efforts, the Bank was unable to align the preparation of the PRSC with the budget cycle (advancing approval and thus allowing for disbursement earlier in the fiscal year ).

□4. Achievement of Objectives (Efficacy):

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

#### 1) Maintenance of macro -economic stability .

Specific targets : (i) achieve a real GDP growth of 6 percent and (ii) reduce poverty to 45 percent in 2004.

Although the country suffered from adverse exogenous shocks in 2004 (sharp fall in the price of cotton, the main export; sharp increase in oil prices; a locust invasion coupled with a mild drought; continued political instability in Côte d'Ivoire; and appreciation of the CFA franc against the US dollar ), macro-economic stability was maintained and performance under the PRGF was satisfactory . Real GDP growth declined from 8 percent in 2003 to 4.6 percent in 2004, reflecting a sharp decline in cereal production because of the drought and locust infestation in some regions . Inflation remained low. The fiscal deficit (excluding grants) was contained at 8.6 percent of GDP thanks to higher than expected revenues and lower expenditures . However, with fiscal revenue persistently weak, the fiscal deficit was entirely financed by external financing with grants accounting over half . The current account deficit (excluding transfers) was maintained at below 11.0 percent of GDP due to a sharp increase in cotton exports as the 2003-04 crop was sold before the fall in world prices . The good export performance offset the impact of the higher oil prices . Poverty incidence was reduced to 44.4 percent. . Substantial .

#### 2) Promoting growth and employment creation .

The immediate objectives were the following :

In rural development : (i) transfer of SOFITEX assets in the central and eastern zones and begin activities by the two new operators; (ii) prepare a draft text consolidating and harmonizing the principles and rules of the execution of missions transferred or delegated to regional agricultural chambers, professional organizations, interprofession, and the private sector, including the modalities and conditions for such a transfer; and (iii) begin implementation of action plans for cereals.

In telecom and energy : (i) bring ONATEL to the point of sale and transfer assets to the new operator; (ii) adopt the changes to the legal and regulatory framework in line with the electricity sector strategy; and (iii) prepare bidding documents for selling shares in the petroleum company .

In private sector development : (i) adopt the changes to the Labor Code; (ii) prepare a comparative study on labor laws and regulations and prepare an action plan; (iii) allocate logistical and human resources to the one-stop service center for new investors; (iv) put in place the project to strengthen Fasonorm and train Tradepoint staff; (v) revise the regulations for wholesale and external commerce; and (vi) create administrative tribunals.

Outputs . In the rural sector , the trigger requiring the privatization of SOFITEX was fulfilled by transferring its assets in two producing zones to two new private operators, which started operating in September 2004. GOB, which kept 35 percent of SOFITEX's capital, allowed it to be privately managed . Other actions were taken to improve the competitiveness of the agricultural sector : (i) regulations were drafted (but not adopted by mid-2005) organizing the principles and rules to govern the transfer or delegation of missions to chambers of agriculture, other professional organizations, and the private sector; (ii) the institutional audit of the Ministry of Agriculture, Water, and Fisheries was completed but an action plan to implement its recommendations remained to be prepared; (iii) an action plan was adopted to increase the efficiency of the Livestock Ministry; and (iv) implementation of the action plan to improve the profitability of cereal production and promote food security continued .

In the telecom sector , progress was made in preparing the privatization of the incumbent operator, ONATEL, but the process of bringing it to the point of sale was interrupted because the terms of the privatization had to be made more attractive to bidders. In the energy sector , the trigger for PRSC-V was partially fulfilled: GOB adopted the decree proposing changes in the legislation applicable to the electricity sub-sector but the proposed changes were not adopted by Parliament by mid 2005. GOB started preparing the privatization of the petroleum distribution company by carrying out the financial audits for 2002-4. In private sector development , (PSD), a revised Labor Code was enacted by Parliament (but the implementation texts were not adopted by mid -2005) and several measures were taken to improve the business environment .

□Outcome . The growth objective was achieved, but it was equally attributable to the very good rains in 2004-05 as to the liberalization of the cotton sector : production increased by 19 percent in 2003-04 and by 33 percent in 2004-05.

It is important to note, however, that the large increase in cotton production since the beginning of the decade is due to increases in cultivated areas and not to higher yields, which have remained stable . There is no evidence that the reforms in the other areas (such as agricultural diversification and labor market reforms ) had any measurable impact on growth and employment or on reducing inequality . Also, there is no quantitative evidence that the good performance in the cotton sector had any impact on employment for the poor in rural areas, although there is a presumption that it must have had a positive impact on the rural workforce . The slow reorganization in

the utility

sector also retarded any expected impact in terms of reduced factor costs or increased employment . The rating is Modest .

### 3) Promoting human resources development .

The immediate objectives were the following :

In education : (i) finalize the sectoral MTEF including secondary education including the resources to attain the PDDEB objectives and MDGs; (ii) continue the policy of subsidizing schooling in the 20 provinces with the lowest school enrollment rates; (iii) prepare a study on effective teaching hours; and (iv) evaluate the execution of expenditure and the availability of school materials using existing administrative statistics and INSD tracking surveys prepared for PRSP monitoring.

In health: (i) elaborate a sectoral MTEF for 2005-07 in line with GOB's ten-year health plan and the MDGs; (ii) implement the monitoring system for the régies d'avance (including Ministries of Health and Finance ); (iii) develop a system of subsidies for obstetrical emergencies; (iv) revise the fee structure for physicians and hospital services; (v) revise the texts of local health management committees, stressing community participation in decision making, public health, and fees; (vi) develop a contracting system for hospitals on the basis of action plans and performance indicators; (vii) continue the policy of free vaccination; (viii) adopt an action plan for the application of recommendations regarding health worker motivation; (ix) develop an efficient strategy for the distribution of vitamin A; (x) conduct a study on the basis of household data on the increase in child /youth malnutrition and its regional variation, and develop an action plan; (xi) prepare a strategic framework for GOB's financial responsibilities for orphans and other vulnerable children; and (xii) prepare a strategic framework for subsidization of schooling for the social cases.

In water: (i) prepare an action plan for public -private partnerships in urban areas; (ii) define the investment program and financing plan for the implementation of the action plan to reach the MDGs; (iii) revise the framework document for the reforms and equipment maintenance in semi -urban areas; (iv) prepare a national water program for rural and semi-urban areas; (v) revise the national strategy for sanitation; (vi) identify water users belonging to the administration and eliminate those not eligible; and (vii) continue the verification of public buildings for leaks .

Outputs . In education , expenditures increased from 2.6 percent of GDP in 2004 to 2.7 percent in 2005. A sectoral MTEF was prepared for primary education and a PER completed for secondary education, but a MTEF covering both levels was still to be prepared. The policy of subsidizing schooling in the 20 provinces with the lowest school

enrollment was pursued (it was extended to most regions with UNICEF financing). A study on the effective number of teaching hours was completed, showing an average of 660 hours against the short- and medium-term objectives of 800 and 900 hours, respectively; an action plan was under preparation to address the issue. As one of the tools to monitor implementation of the PRSP, the Statistics Office conducts an annual tracking survey aimed at evaluating the execution of expenditure and the availability of school materials: the 2004 survey, reporting on 2003, showed a significant increase in resources channelled to education facilities at the local level.

In health, expenditures decreased from 2.0 percent of GDP in 2003 to 1.9 percent in 2004, but the ICR offers no explanation for this decline (presumably due to delays in construction of schools). There were two triggers to move to PRSC-V. Both were fulfilled. One required the preparation of a sectoral MTEF for 2005-07 in line with GOB's ten-year health plan and the MDGs. It was completed in March 2005 as an input for the 2006 budget. The second trigger, designing a system of subsidies for obstetrical emergencies, was fulfilled. Progress was mixed in other reform areas in the health sector: (i) the monitoring of the "cash advance" system to health districts was hampered due to the difficulties encountered by local personnel in using the system; (ii) consultations among different administrative departments caused the revision of the texts governing the functioning of local health management committees to be delayed; (iii) delays also affected the adoption of a system of performance-based contracts between GOB and hospitals; (iv) an action plan for the application of a system of incentives for health personnel was prepared but was not adopted by mid-2005; and (v) a study on the increase in child/youth malnutrition and its regional variation was launched but its completion and preparation of an action plan were delayed.

□ In the water sector, progress was mixed. Several studies and action plans were launched to improve the management framework of the sector, including: (i) the definition of an investment program and financing needs to reach the MDGs; (ii) the preparation of a national water program for rural and semi-urban areas; (iii) the revision of the framework document for the reforms and equipment maintenance in semi-urban areas; and (iv) the revision of the national strategy for sanitation. However, the preparation of an action plan for public-private partnerships was not initiated. The verification of users belonging to the public administration and the control for water leaks in several public buildings were pursued.

Outcome. Annex 1 of the full ICR indicates improvement in several education indicators, such as gross enrollment, school enrollment in the 20 most disadvantaged provinces, admission in first grade, primary completion, and in the ratio of textbooks to student. However, there was a deterioration in admission rate in the 20 most disadvantaged provinces (42 percent in 2004 against 52 percent in 2003) and in the overall literacy rate (28 percent in

2004 against 32 percent in 2003); the ICR provides no explanation for what appears as an anomaly . There is little evidence of improvement in the quality of education . In health, several indicators show positive outcomes, such as an increase in the resources channelled to the regions and provinces, or a reduction in the percentage of children with insufficient weight, while others show a deterioration, such as the percentage of assisted births and the percentage of health centers satisfying personnel standards . All vaccination rates show substantial increases . However, as indicated above, many expected actions /measures were delayed because of heavy administrative procedures . For water and sanitation, Annex 1 of the ICR provides no information, but the studies launched were a good basis for improving the management of the water and sanitation sector . On balance, the rating is Modest .

#### 4) Promoting good governance .

The immediate objectives were the following :

In budget and financial management : (i) adopt the draft budget for 2005 on the basis of sectoral ceilings of the 2005-07 MTEF and in line with the priorities of the PRSP; (ii) satisfactory implementation of actions for the treatment and monitoring of externally financed investment spending based on the AFRITAC report : clarify the roles of different departments and establish procedures and supporting documentation for DGCOOP, DGTCP, DGB, DCCF, and DGEP; constitute a project database; and verify the table of credit and grant agreements; (iii) pursue the preparation of the CIR: establish choices for possible solutions and a demonstration; (iv) evaluate budget deconcentration and prepare recommendations to increase its efficiency; (v) adopt a decree for the regulation of concession and leasing contracts to ensure best international practice in this area; (vi) put in place a tripartite committee for monitoring procurement reforms; (vii) adopt the arrêtés concerning the conditions for the issuance and withdrawal of accreditation for public works corresponding to norms of transparency and equity; (viii) define the framework for the developing a computer application to set up a database and a software application to follow the procurement process consistent with the existing expenditure framework (CID); (ix) continue the auditing of procurement contracts by IGF; (x) satisfactory implementation of the action plan for the creation of a government property accounting system : purchase software; train agents in procedures and the new software; begin the physical verification of government property; (xi) adopt the 2003 budget execution report; (xii) submit the final account statements for 2001-2003 to the Supreme Audit Court; and (xiii) train magistrates of the Supreme Audit Court .

In public sector reform and decentralization : (i) consolidate SIGASPE and extend it to line ministries; (ii) implement performance evaluation system; (iii) finalize the software for the integrated accounting system for local communities

(CICL); (iv) adopt the judicial framework for the deconcentration and implementation of the region as deconcentrated entity; and (v) begin pilot transfers of resources and competencies to communes .

In environment : (i) implement capacity building plan for environmental assessment; (ii) continue the creation of cells in selected line ministries; (iii) continue the supervision of IDA EMPs and other donor -financed projects; and (iv) ensure a better management of forestry resources owing to efficient organization and the promotion of biomass energy.

Outputs . Budget formulation, . The trigger was fulfilled: the 2005 budget was based on the sectoral ceilings of the 2005-07 MTEF and in line with the priorities of the PRSP . Allocations for non-wage recurrent expenditures were increased significantly in the priority sectors : health, social action and national solidarity, basic education, secondary and higher education, and rural development . In budget execution, the trigger was partially fulfilled: (i) a project database was constituted for all externally financed investment spending; (ii) the tables listing all credit and grant agreements were verified; (iii) the role of all agencies involved in the management of the foreign debt was clarified but a similar task for grant financing was not achieved because of the different procedures used by donors; and (iv) work was launched to determine whether the debt software (SYGADE) could be used as the instrument for the monitoring of all external financing including grants . Progress was made also on the computerization of the revenue information system: based on the institutional and technological options adopted, the software was being developed and was expected to be completed by end 2005. In budget deconcentration, a progress report confirmed the benefits of the experience of budget deconcentration launched in 2003 in Bobo Dioulasso, i.e., reduced delays in executing the budget and emergence of local entrepreneurship . The experiment was extended to four other regions in 2004, and was to be further extended to seven more in 2005-06.

Fiduciary framework, accountability, and transparency in the use of public funds . Building on achievements under the first PRSC series, further progress was achieved: (i) a decree creating a committee to monitor the procurement reform process was adopted; (ii) two decrees defining the conditions for the issuance and withdrawal of accreditation for public works were prepared; (iii) a software required to follow the procurement process in a manner consistent with the existing expenditure framework was developed; and (iv) the Inspection Générale de l'Etat (IGE) continued to conduct audits and controls of procurement contracts . Two other measures were taken to promote accountability and transparency in the use of public funds : (i) the trigger requiring the adoption of a decree to regulate concession and leasing contracts and ensure their consistency with best international practice was fulfilled; and (ii) the trigger

requiring to start implementing an action plan for the creation of an accounting system of government property was partially fulfilled because of delays in implementing some of the tasks (purchase of software; training of staff; and starting the physical inventory of government property ).

In oversight and ex-post control, continued progress was made in delivering public accounts in time to the oversight bodies: (i) the budget execution report for 2003 was reviewed by the Cour des Comptes and the Loi de Règlement was approved by Parliament in December 2004; (ii) the final accounting statements (comptes de gestion ) for 2001-03 at the central level were submitted to the Cour des Comptes, but those at the decentralized levels and of public enterprises were not because of capacity constraints at the local level; and (iii) a training program for the magistrates of the Cour was implemented.

In public sector reform , the trigger requiring the finalization of a software for integrating an accounting system for local communities was fulfilled; the software became operational in three communities and was to be deployed in 10 more in 2005. Other actions were: (i) the budget payroll management system (SYGASPE) was extended to the Ministries of Basic Education and of Secondary and Higher Education permitting their human resources department to manage their own personnel, but the system could not be extended to other line ministries because they were not connected to the government computer network; and (ii) the performance-based evaluation system of staff became effective at the Treasury. In decentralization , implementation of the deconcentration /decentralization policies continued but at a very slow pace : (i) governors were appointed in the 13 regions following the enactment of the Local Government Code in December 2004 and the application texts of the Code were being prepared to implement the region as a decentralized entity; (ii) in application of the Code, GOB started transferring to decentralized bodies the competences and resources identified by the Code (pre-school education, basic education and literacy programs, health, culture, sport, and youth and leisure ).

In environment, reforms undertaken under the previous operations were deepened : (i) continued implementation of the capacity building program for environmental assessments; (ii) nine additional ministries created a permanent unit to develop environmental safeguards but this was hampered by a lack of financial resources; (iii) the supervision of environmental management plans for IDA and other donor -financed projects was pursued; and (iv) a master plan and some pilot projects to improve the management of forestry resources were launched .

Outcome . GOB deepened the reforms undertaken under the first series by strengthening program budgeting and improving the linkages between budget allocations and sector objectives and strategies . The capacity of formulating

MTEFs and program budgets and of linking them to the PRSP sectoral priorities gradually improved as GOB gained experience and perfected the system . However, as noted in the Joint Staff Assessment (JSA) of the third PRSP progress report, the analytical links needed to be strengthened through the development of sectoral MTEFs . Progress was also achieved in the capacity to track and manage public expenditure efficiently by expanding and integrating the computerization of revenues and expenditure, both domestically and externally financed . Good progress also marked reforms in public procurement . Finally, progress was achieved in transparency and accountability by the regular submission of public accounts to the oversight authorities . Overall, significant progress was made on the different fronts of budget and financial management . The rating is Substantial .

5. Efficiency (not applicable to DPLs):

ERRs are not relevant for programmatic DPLs . The total cost of the three-year program (2004-06) is estimated to a minimum of US\$577 million, of which the Bank contribution was US\$ 180 million, or 31 percent. The total cost of PRSC-IV alone, Bank and other donors included, is estimated at US\$ 150 million minimum.

ERR )/Financial Rate of Return (FRR)

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

|                                    | Rate Available? | Point Value<br>% | Coverage/Scope*<br>% |
|------------------------------------|-----------------|------------------|----------------------|
| <input type="checkbox"/> Appraisal |                 | %                | %                    |
| ICR estimate                       |                 | %                | %                    |

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

6. Outcome:

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

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

Despite the exogenous shocks mentioned above, macro -economic stability was maintained reflecting GOB' strong ownership of the program and its prudent fiscal policies . GOB remained fully committed by keeping the momentum and broadening the reform agenda; progress was made consistently, especially in budget and financial management, albeit at a slower pace than envisaged because of capacity constraints . Continued donor support also helped keep the reforms on track.

Progress was more discernible in budget and financial management than in the areas of growth and employment and public service delivery. Under growth and employment, agricultural diversification seems hampered by a lack of coherent vision in strategy and by the difficulty of creating /exploiting the many structures (research, marketing, transport, etc.) that are required to support a multi-product sub-sector and raise productivity. In the privatization agenda, vested interests and the difficulty of building a political consensus were strong breaks to more rapid progress. However, in both areas, progress is critical for developing new sources of growth and reducing factor costs, key factors for increasing tax revenues and reducing the heavy dependence on foreign assistance.

In the social sectors, outcomes were mixed: several indicators point to improved access but outcomes in terms of quality are not clear (or not known); particularly troubling is the lack of progress in overall literacy and literacy for women; in the social agenda, adoption of policies and especially their translation into effective actions on the ground suffer from the weaker capacity in line ministries as well as from a lack of clear coordination links with the central ministries at all levels. The mixed performance in the social sectors, if judged against too demanding goalposts, is in a way a reflection of the underestimation by the Bank of the capacity constraints affecting line ministries.

In contrast to the other reform areas, reforms under the responsibility of the Ministry of Finance, where there is more unity in leadership and management, were conducted in a much more systematic and coherent way, surely reflecting not only greater ownership of the program but also greater capacity.

IEG recognizes, however, that many actions /measures taken point to future positive outcomes, but the period covered by this review is too short to make a full assessment.

- a. Outcome Rating: Moderately Satisfactory

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

Burkina Faso will certainly continue to face very serious risks, not the least ones being the possibility of political instability and external shocks. However, the structural reforms undertaken since 2001, especially in the cotton sector and in public financial management, would be difficult to reverse. The PRSC instrument, has been - and still is - a valuable tool in helping the Burkinabè authorities assume increasingly responsibility for the economic management of their country, although it will be a long process. The key to success resides in ensuring a climate of stability in which steady progress - albeit possibly at a slow pace - can be achieved. Until Burkina Faso achieves a higher rate of revenue/GDP and maintains macro stability, the donor community seems ready to continue providing generous assistance. This, however, should not give rise to complacency on the part of the authorities. On balance, these factors argue for a rating of Moderate.

a. Risk to Development Outcome Rating : Moderate

#### 8. Assessment of Bank Performance:

The ICR discusses Bank performance in general terms and not operation by operation, except for a few references. Similarly, the different program documents do not report on Bank performance during the execution of the preceding operation. Under these circumstances, IEG has no basis to make a differentiated assessment for each operation.

Bank performance at entry was mixed . The content of the project (and of the second series in general ) was based on sound foundations : (i) a close alignment on GOB' s PRSP and development priorities and on the Bank CAS; (ii) extensive analytical work; and (iii) lessons learned from implementation of the first series . The Bank team was well advised during preparation /appraisal to take into account the findings /lessons emerging from the long discussions held by all stakeholders in the context of the preparation of PRSP -II (from early 2003 till PRSC approval in May 2004); in particular, this allowed to make substantial progress in coordinating budget support among donors and in agreeing on a much improved M&E system .

However, as noted above, quality at entry suffered somewhat from underestimating the institutional weaknesses and capacity constraints in line ministries, the difficulties at arriving at political consensus and the influence of vested interests, all of these caused delays, sometimes extensive . This is illustrated in the program documents and the matrices by the many instances of long time lag between preparation of action plans and their actual implementation.

Bank performance during supervision was satisfactory . Coordination with the IMF and donors was sustained and the Bank showed flexibility in its dialogue with the authorities, notably by adjusting triggers and defining carefully and more precisely the content of reforms monitored by benchmarks . Delays in implementation were due to the shortcomings listed above and not to a lack of diligence during supervision .

Bank performance is rated Moderately Satisfactory .

at -Entry :Moderately Satisfactory

a. Ensuring Quality -at-

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Moderately Satisfactory

#### 9. Assessment of Borrower Performance:

The introductory remark for Bank performance above applies also to Borrower performance .

The documentation demonstrates that GOB showed a strong commitment to the reform program, illustrated by the intensive work revising the PRSP in 2003-04, the receptivity to comments and observations from

donors providing budget support (a case in point is the efforts deployed to improve the M&E system ), the regular publication of annual progress reports, and the willingness to improve and extend the participatory approach by reaching out to all stakeholders . GOB also showed determination in maintaining macro stability in the face of adverse external shocks, notably keeping fiscal policies under control, a key prerequisite for gradually increasing budgetary resources to priority sectors . The rating is Satisfactory .

- a. Government Performance :Satisfactory
- b. Implementing Agency Performance :Satisfactory
- c. Overall Borrower Performance :Satisfactory

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

The 2004-06 medium-term program supported by PRSCs-IV to VI had a policy matrix with annual indicators consistent with PRSP-II (see Annex 1 of the full ICR). The design of the M&E system included a list of indicators that were relevant to the program's objectives and appropriate for measuring their achievement . Some important indicators, such as GDP/capita, maternal and child mortality, and life expectancy (the PRSP's overarching objectives for the MDGs) were missing from the list and it is not clear why . However, on balance, the design was satisfactory and a major improvement over the first series .

It is regrettable that neither the program document for PRSC -IV (and PRSC V and VI) nor the ICR discussed how the system was used, how the data were collected and used . There is no discussion either on whether and how decisions to move to the next operation took into account outcomes, in addition to triggers and benchmarks .

On the basis of a satisfactory design but in the absence of information on implementation and utilization, the rating is Modest .

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):  
No.

12.

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

Borrower Performance : Satisfactory                      Satisfactory

Quality of ICR :    Satisfactory

NOTES:

NOTES

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

Genuine political commitment to a reform program is a necessary but not sufficient condition for the successful implementation of long-term reforms; institutional weaknesses and capacity constraints should be carefully analyzed at preparation to ensure readiness of implementation and implementability during execution of the operation; the need for a capacity building operation in parallel with the series should be carefully considered as early as possible during preparation .

In the case of this operation (and the subsequent ones ), commitment to the program as a whole was strong at the political and administrative level in the central ministries; it was less so in line ministries, precisely where the institutional set-up is more fragile and capacity more constraining (education and health); commitment was also weaker in areas where political (decentralization) or vested (utilities) interests are at stake or where pressures from labor are difficult to resist (labor market reforms). This pleads for greater involvement of Bank teams with civil society, members of Parliament and labor unions during preparation .

In the same vein, realism should guide the planned timetable of some reforms : Bank experience shows that privatization of public enterprises takes a considerable time given the complex issues arising in the process - not least the legal ones.

The program document of each operation should have a specific chapter offering a comprehensive and systematic discussion of what was envisaged to be done under the previous operation, what was done, and what was not done and why, including the deviations from and corrections to the reform path : this is essential to understanding the links between outputs and expected outcomes as well as to following progress on the path of reforms . A policy matrix in the text or in annex is not enough to shed light on the issues . The documentation offers numerous examples where actions or measures are taken - or partially taken - without any further discussion in subsequent documents: the reader is thus left guessing at what might have happened .

In Bank documents, the words "decentralization" and "deconcentration" are often used indiscriminately,

while in fact their meaning is very different . This gives rise to confusion and sometimes it is misleading : often, actions/measures consisting of delegating more authority at deconcentrated levels are presented as progress in decentralization while in fact there is no greater empowerment at the decentralized (i.e., political) local level. The country lawyer - or a more specialized lawyer - should be more involved in such areas at each step of the project cycle.

14. Assessment Recommended?                      Yes    No

Why?    The project is part of an ongoing PPAR covering the first and second programmatic series .

15. Comments on Quality of ICR:

The ICR fails to assess separately the achievement of each project's different objectives and justify each individual rating. However, it provides considerable information on the progress made in the different reform areas under the medium-term program to permit an assessment .

It is not clear on what basis Section F (Results Framework Analysis) was built: for instance, on what basis some indicators were chosen and why that choice varies from one operation to the other .

a. Quality of ICR Rating : Satisfactory