Statement by Jan Piercy
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Burkina Faso: Country Assistance Strategy and Community Based Rural Development Project

Introduction:

1. Burkina Faso has maintained stability and measured progress in recent years. We commend the sound macroeconomic track record established under the last CAS. With over two fifths of the population living in extreme poverty it is clear that the government's strategy -- with Bank and other donor support -- is correctly focused on maintaining high economic growth and improving nutrition, health and education among the poorest. While the CAS and the proposed project support these fundamental objectives in many ways we have some concerns, particularly regarding the ambitious size and length of the proposed Community-Based Rural Development Project.

2. While we have concerns largely related to the choice of lending instruments and the amount of lending, this is one of the best CASs the Bank has produced. The quality of the CAS is a result in part of the commitment of the government of Burkina Faso in commissioning key growth, poverty and fiduciary diagnostics upon which to build a strong PRSP. We commend the staff's designing a CAS that promotes a real growth strategy at various paces with a frank assessment of risks and vulnerabilities. Detailed lending scenario triggers and the inclusion of measurable benchmarks to assess CAS performance are welcome.

Country Assistance Strategy:

3. The CAS proposes a significant increase of assistance from the last CAS covering 1997-2000 to $400 - $420 million. The overall record on implementing challenging but necessary structural and social reforms, as outlined in Annex 2 and the governance achievements in Box 4, demonstrates that Burkina Faso has established a credible track record. As the dire social indicators reveal, however, there is still a great deal of work to be done. OED's Country
Assistance Evaluation (CAE) provides constructive recommendations including direct attention to governance reform, attention to population growth and HIV/AIDS, establishing targets for adjustment and debt relief lending in the key social sectors and maintaining focus on poverty benchmarks.

4. The CAS and CAE both note that Burkina Faso's recent growth has been outpaced by population growth and hindered by the increasing incidence of HIV/AIDS. With no other donor attacking population growth and HIV/AIDS effectively, it is imperative that the Bank include strategies that address these issues. We welcome the fact that the Bank is working with the government to determine how to retrofit existing projects with HIV/AIDS components and that the CAS lending program contains an HIV/AIDS Disaster Response Credit. We are concerned, however, that the close of the Population and AIDS Control operation in 2001 leaves critical impact of population control on growth uncovered. The broad issue of population growth requires collaboration between regional and sector offices. The troubling indicators in Burkina Faso cause some uneasiness about the extent to which there is synergy between sector and regional strategies. We would appreciate regional management's comments on the extent to which there is collaboration with the HNP network. The issue of synergy between the regions and sectors has been a part of many CODE discussions. Toward that end, we believe it would be useful to hear from HNP network on this point as well and would suggest an informal briefing for the Board in 2001.

5. The CAS rightly acknowledges that growth has to be led by the agriculture and private sectors. And it frankly notes the tremendous challenges Burkina Faso faces in meeting the growth targets set in its PRSP -- the Second Agricultural Adjustment Credit was canceled during design due to continued disagreement with Government on the reform agenda; development of the private sector has stalled on lack of government action. The CAS provides statements of optimism on the government of Burkina Faso's commitment to seriously address these sectors, but Bank advice needs to resonate clearly in its own business plan, the CAS. The CAS identifies areas for agricultural diversification and identifies access to credit/finance as impediments to growth, and we urge the government of Burkina Faso to demonstrate solid performance under Bank programs. We wonder why agriculture sector reforms were not part of the Performance Monitoring Framework in Attachment 8, given its relevance to growth and poverty reduction.

6. The government's commitment to governance reform has paid off. We welcome Transparency International's assessment that Burkina Faso suffers from less corruption than its neighbors. That said, the PRSP process and the CAE confirm that corruption remains a public concern and anti-corruption efforts are still quite necessary. While the CAS recognizes the need for further reform and outlines the efforts of other donors, particularly in the judicial sector, it is not clear how the CAS strategically addresses anti-corruption efforts. Continued implementation of the National Plan of Good Governance and of the National Decentralization Policy are good starting points, but there is need for attention to more fundamental actions. The CAS outlines the important role decentralization plays in establishing efficient, effective and responsive government. It is not a panacea, however, and requires capacity building at all levels of government. We encourage the government and the Bank to continue its pragmatic, measured approach to decentralization.
7. In addition to a significant increase of assistance, the CAS proposes using the new, yet untested PRSC. Recently, the Board endorsed Uganda's shift toward using the PRSC, but expressed concern that the Board had not seen an overall framework. Similar to the Uganda case, the PRSC represents a dramatic shift in assistance -- perhaps too bold a shift at this point for Burkina Faso. While we agree that Burkina Faso has made marked progress, we agree with the CAE that fundamental challenges remain that suggest that the shift to the PRSC is premature. Good fiduciary diagnostics have been completed, but budget, expenditure and accountability processes still need significant improvement. Box 5 presenting the rationale for a PRSC use is not compelling. It is still unclear to us whether the PRSC is designed to take on the priority social and structural conditionality to implement the PRSP. We expect the PRSC guidelines and a better understanding of the findings and actions on the recently completed PER and CPAR to precede submission of the loan to the Board.

8. We are concerned that a significant portion of the projected lending over the next three years is in the form of APLs. Given that the APL is still relatively new, we are surprised that three new loans are proposed under this structure, including at least two that will be 15-year operations. While we agree with the importance of providing resources to key sectors such as basic education and the environment with a long-range view, we believe that a better approach would be to provide a series of loans under shorter timeframes that would permit adjustment of priorities and approaches as circumstances change within the country. It will be difficult for us to provide support for future APLs as long as 15 years.

9. The CAS highlights gender issues in several areas including agriculture and education. It is unclear, however, to what extent the government and the country recognize the handicaps imposed by insufficient attention to providing equal opportunities for inclusion of women. We ask that the Bank keep these issues central to their ongoing policy dialogue.

10. We welcome Attachment 10 describing Burkina Faso's compliance with core labor standards. This is a step in the right direction but we would like to see the final version of the CAS link this description to the impact of actions (or non-action) on labor issues on Bank activities and overall economic reform as was laid out in the IDA-12 replenishment agreement.

11. While Burkina Faso has made efforts to address the ongoing unproductive military expenditures in the region, we are concerned that the problem persists. We make this observation in an economic, not political context: arms trafficking both contributes to instability in the region and diverts resources from urgently needed concentration on economic growth and poverty reduction.

Community-Based Rural Development Project:

12. While we support the general goal of the project -- rural development we have significant concerns with the design of the project. The CAS and the project document outline in clear detail the need for irreversible rural development. With an literacy rate as low as 7 percent in rural areas, it is clear that Burkina Faso's overall development will be bolstered by addressing the rural sector's development needs.
13. The project presented, however, is extremely ambitious -- perhaps overly ambitious. The Board is being asked to approve a project that will span 15 years and is comprised of five components -- (1) build local capacity, (2) establish a local investment fund, (3) institutional capacity building, (4) launch a land tenure pilot and (5) establish a sound monitoring and evaluation system. These five separate project components have to address complex issues related to decentralization, agriculture policy, government capacity and basic infrastructure. We are concerned that the project attempts too much all at once.

14. The APL may have strengths, but because the APL is still a relatively untested instrument, it is unclear what works and what does not. We have more confidence in this particular project because the triggers are detailed and support a clear measured approach. The triggers are a critical tool for the government as well as the Bank and the Board. We can support the project because the triggers are detailed and measurable and the sequencing makes sound sense. We want to note strongly, however, our continued concern with APLs that are as long as this one because it has profound implications for the Board's oversight role.

Conclusion:

15. While we support the continued development progress in Burkina Faso, we are concerned that the CAS must include a more direct focus on governance, gender, population growth and HIV/AIDS. Similarly, we are concerned with the dramatic program shift toward PRSCs and large APL. Burkina Faso has achieved a great deal in recent years, but the proposed approach may be too ambitious and we ask that the Board be kept informed of progress of the program.