

25 June, 2008

SDC - Ouagadougou
Department for Africa

Assessment of pre-conditions for budget support to Burkina Faso 2009-2012

Introduction

Sweden has provided General Budget Support (GBS) to Burkina Faso (hereafter Burkina) since 2001, and was last given a government mandate to prepare GBS in 2005. The current Swedish Development Cooperation Strategy for Burkina initially covered the period 2004-2006. It has since been extended three times and is now valid until the end of 2010. As the strategy was developed in accordance with the previous guidelines for cooperation strategies, it did not contain a specific assessment of the preconditions for GBS. In the 2008 letter of appropriation the government has therefore assigned Sida the task of conducting an assessment of the preconditions for GBS. Provided that a government mandate is granted, Sida intends to carry out an in-depth assessment of GBS to Burkina for the years 2009-2012.

Table 1: Swedish general budget support to Burkina Faso 2001-2008

Year	2001	2002	2003	2004	2005	2006	2007	2008
MSEK	40	40	40	40	50	50	60	70

This assessment has been carried out in accordance with the revised guidelines for GBS adopted by the government on April 10, 2008. The assessment starts with an outline of the results of GBS to Burkina, followed by an analysis of the five pre-conditions for GBS – Human rights and democracy; Strategy for development and poverty reduction; Economic policy; Public Financial Management (PFM); and Anti-Corruption. Each analysis is followed by an assessment by Sida, as to whether the precondition is met.

Summary Assessment

The democratic process is gradually evolving in a positive direction. Elections are regularly held and have been positively assessed by international observers although some irregularities have occurred. The government has embarked upon a decentralisation reform and local elections were held for the first time in 2006. The democratic institutions have been strengthened, but the executive holds too much power and the legal system is weak. On the other hand transparency and accountability is increasing through institutional reforms and an active civil society and free media. Overall, there is a general respect for human rights, but particularly women face discrimination despite being equal before the law.

The poverty reductions strategy (CSLP)¹ was reworked 2003 in broad consultation with civil society and other stakeholders and there is thus a good ownership of it. It is annually updated with a 3-year rolling programme which takes into account lessons learned. Overall it is a

¹ Cadre Stratégique de Lutte contre la Pauvreté

credible strategy which addresses the poverty situation through appropriate measures and clear links to the budget.

Economic policies are sound and Burkina has an impressive track record in terms of macroeconomic stability despite difficult external circumstances. Growth has averaged around 6% since the mid 90s and been pro-poor. There are however a number of challenges, not the least in the wake of the cotton crisis, which overall have been addressed appropriately. However, growth has slowed down and 2008 will be a difficult year to manage due to international price movements and increasing food prices which puts pressure on the current account, increase inflation and impact on fiscal policies. Burkina needs to continue on the path of structural reforms, investments in infrastructure and agriculture, and remove constraints for women to take part in the economic development in order to strengthen competitiveness and diversify the economy.

Burkina's public financial management (PFM) system scores relatively favourably in international studies. Consistent implementation of PFM reforms over the last decade has significantly strengthened the system. Further reforms are underway through a new comprehensive and overall credible reform programme, which addresses remaining weaknesses. Fiduciary risk is therefore assessed to be medium.

Corruption is widespread but available sources suggest that Burkina is less affected than the region as a whole. The government has taken action to fight corruption and established a number of institutions, which recently have been merged and strengthened. The legal system, which in itself is perceived as corrupt, is a major weakness and up to date reforms have moved slowly. Increased awareness, an active civil society and open media debate are positive signs.

The experience of GBS to Burkina is positive. The GBS framework has been strengthened and it has become an important institution for policy dialogue and results monitoring. Government performance is monitored annually via a joint GBS matrix linked to the CSLP and results are positive both at the level of reforms and in terms of outcomes. Progress has also been made towards reaching the millennium development goals and poverty has been significantly reduced.

In conclusion Sida assesses that all five pre-conditions for general budget support are met.

I. Overall Effectiveness and Results of GBS to Burkina Faso

Objective

The objective of GBS is to contribute to poverty reduction and reaching the MDG targets, through the implementation of Burkina's poverty reduction strategy (CSLP) by contributing with predictable financial resources for poverty expenditures, while maintaining macroeconomic stability, and through strengthening policy and institutional capacity. In particular GBS aims at: enhancing i) budget planning and execution, including regular reporting and follow-up of results; ii) transparency and accountability in the implementation of the CSLP; iii) the authorities' possibilities, and responsibility, to manage the development agenda and control resource allocation; iv) cooperation and dialogue between development partners and the government regarding the implementation of the CSLP, resource allocation and key reforms

There is a well developed joint mechanism for GBS and performance assessment

A general framework for general budget support, CGAB-CSLP², brings, since 2005, together all donors that provide budget support, including the European Commission and the World Bank (WB).³ These nine participatory donors are the key development partners of Burkina and they counted for 78% of total development aid over the period 2001-2006.⁴ A joint performance assessment framework, the CGAB-CSLP matrix, with a three-year outlook is approved by all the stakeholders on a yearly basis in conjunction with the annual review of the CSLP. By working within one performance framework with indicators selected from the CSLP, having a coordinated policy dialogue with government and by improving the predictability of financing, there are efficiency gains both for the donors and the government of Burkina.

The CGAB-CLSP matrix is based on a set of measures or actions to be taken by government and a set of indicators to measure results from government programmes. Thus, it provides an important tool to assess government will, commitment and capacity to implement key reforms and deliver public services. The matrix is focussed around economic growth, the delivery of social services and the promotion of good governance. The latter is focused on economic reform and measures to fight corruption and consequently, human rights, justice reform and transversal issues are less reflected. While the first CGAB-CSLP matrix was clearly too ambitious, the current matrix is more realistic and strategic. The line ministries have been involved to a greater extent in its elaboration.

The use of the jointly agreed CGAB-CSLP performance assessment matrix has strengthened the policy dialogue and the track record is positive as the government of Burkina has shown a real commitment to fight poverty and improve the CSLP process. Most of the agreed reform actions are implemented, although sometimes with delays, and there is overall consistent progress towards the objectives as measured by the quantitative annual targets of performance. The results achieved are presented in an annual report, on the basis of which the donors agree on a joint aide-mémoire with recommendations regarding the developments in the CSLP process and results attained.

Overall the assessment of Sida is that the CGAB-CSLP is a well functioning framework for general budget support. It promotes in-depth policy dialogue and overall results monitoring. Furthermore, it contributes to aid effectiveness and inspires non-CGAB-CSLP partners to work towards a similar level of harmonisation and alignment.

The DAC evaluation of GBS to Burkina confirms its overall effectiveness

The DAC evaluation of ten years of budget support⁵ refers to the CGAB-CSLP as a “strong foundation for a genuine policy dialogue.” According to the evaluation, better harmonisation

² Cadre General d'Organisation des Appuis Budgetaires en soutien a la mise en oeuvre du Cadre Strategique de Lutte contre la Pauvrete au Burkina Faso.

³ Denmark, France, Germany, the Netherlands, Switzerland and Sweden as well as the World Bank, the European Commission and the African Development Bank have all joined the CGAB-CSLP. The group of donors giving general budget support is here after referred to as the CGAB-CSLP partners.

⁴ DG-Coop, Ministry of Finance and Budget

⁵ JOINT EVALUATION OF GENERAL BUDGET SUPPORT 1994–2004 Burkina Faso Country Report

and alignment of aid is achieved in Burkina thanks to general budget support, which would be “hard to envisage under other forms of assistance.” These positive effects extend also to other forms of assistance, notably sector support, but the evaluation found these spill-over effects to be overall weak. GBS had a strong effect in establishing and maintaining a comprehensive reform policy increasingly owned by government. GBS financing also had a strong complementary effect to HIPC funds, which resulted in significantly increased volumes of resources allocated to social sectors. The increased predictability of aid improved the government’s fiscal processes and GBS supported macroeconomic stability. Budgeting and planning of external funds are increasingly driven by government, and the proportion of public expenditure that is subject to parliamentary scrutiny has increased. This, in turn, is delivering improvements in accountability. Additionally, the evaluation established that general budget support has had a strong positive effect on public finance management in Burkina, but less on other (productive) sectors and institutional reform.

Results are generally positive and poverty has been significantly reduced

Through the provision of financial resources for the state budget and CSLP implementation, GBS has contributed to important results. Since the implementation of the CSLP and its three-year rolling action programme (PAP-CSLP),⁶ the short term development programme of the government, allocations to areas of high priority, such as health, education and water, have increased. Combined with an economic growth rate of 6% since the mid 90s based on sound economic policies, structural reforms which has liberalised the economy and adherence to the IMF programmes, this has resulted in concrete results for the poor. The poverty incidence decreased from 54.6 in 1998 to 46.4 percent in 2003,⁷ which is significant compared to other countries in Sub Saharan Africa. Moreover, the reduction in poverty has mainly taken place in farming communities in rural areas.

Results from the Poverty Analysis Macroeconomic Simulator (PAMS) indicate that reaching the CSLP target of reducing the poverty headcount to 35 percent by 2015 is feasible. Assuming a sustained growth rate of 5 percent, poverty could be reduced to 29 percent in 2015 which would be consistent with the Millennium Development Goal (MDG) 1 on income poverty.⁸ However, given the current economic down turn (see section on economic policy) and population growth of 2.9 percent the estimate is less certain. The forthcoming results of the ongoing household will be important to establish the current situation and appropriate policy response.

As a result of the increased expenditure on education, one of the prioritized sectors in the PAP-CSLP, more children enrol in school. The gross admission rate increased from 52.9% for the school year 2002/2003 to 78.3% for the school year 2006/2007. The figures for girls show an increase from 45.5% to 72.4%. In the 20 provinces with the lowest education indicators, the gross admission rate increased from 43.3% to 65.1% over the same period.⁹ There is a political will to address the low levels of education of the Burkinabè. Parliament has passed a bill on free

⁶ Programme d’actions prioritaires du Cadre Stratégique de Lutte contre la Pauvreté (PAP-CSLP)

⁷ WB. Burkina Faso - Reducing poverty through sustained equitable growth - poverty assessment. 2005. p. x. (PIN) No. 08/02 January 15, 2008

⁸ WB. Burkina Faso - Reducing poverty through sustained equitable growth - poverty assessment. 2005. p. x.

⁹ Aide Mémoire Mission Conjointe de Suivi, PDDEB November 2007

and compulsory education in July 2007, which is expected to further increase enrolment. However, despite significant advances in primary education and reduced gender disparities, the achievement of the MDG 2 ensuring that all girls and boys complete primary school is unlikely, as is the MDG 3 regarding gender disparity in primary education.

In relation to MDGs 4, 5 and 6, notable progress has been made. Under five- and maternal mortality have been reduced to some extent and HIV/AIDS prevalence has decreased from approximately 7.2% in 1997 to around 2 % in 2005¹⁰, thanks to national campaigns to build awareness. National vaccination campaigns now reach over 90 percent of children and a larger number of births are being assisted in health facilities. Despite these positive results, Burkina Faso faces major challenges to meet the MDGs 4, 5 and 6 in terms of reversing the incidence of malaria and other major diseases.

As regards environmental sustainability (subgoal of MDG 7), the improvement of living conditions of slum dwellers is unlikely. The outlook for the other sub-goals is much better. Significant advances are made in the area of access to drinking water and to some extent in improving the access to sanitation facilities. A national programme on drinking water supply and sanitation is being implemented since the end of 2006 with the main goal to accelerate the achievement of MDG 7 as well as the national CSLP goals by 2015. Sida is together with Danida and GTZ financing a "Roadmap" for 2007 and 2008 on how to build the capacity of the national and regional general directorates for water and sanitation to run the whole programme. It is expected that these efforts will result in accelerated programme implementation from 2009 in order to meet MDG 7 even in rural areas. If current investment trends are sustained, an additional 5 million people would have access to potable water supply by 2015, and an additional 7 million to sanitation, which would meet the MDG 7.

II. Assessment

The guidelines for general budget support stipulate that the assessment of the preconditions for GBS should be based on five assessment criteria: Human Rights and Democracy; Strategy for development and poverty reduction; Economic policy; Public Financial Management (PFM); and Corruption. These criteria are analysed below and each section is followed by an assessment as to whether the precondition is met.

1. Human rights and democracy

The democratic process continues to move forward

After decades of authoritarian rule, the democratic process in Burkina started in 1991 with the adoption of the current constitution. Since 1991 presidential, legislative, and local elections have been held. Election observers have considered the elections to be generally free and fair despite some irregularities, such as manipulation of electoral rolls. However, the democratisation process is hampered by the fact that there is no real alternative to the ruling party and all elections have been won by the ruling party, *Congrès pour la Démocratie et le Progrès* (CDP). The opposition is fragmented and weak. The political dominance of the ruling party is preserved through a patronage system with allies in key positions in the public administration, judiciary,

¹⁰ UNAIDS 2006 Update

army and the private sector. In 2002 the opposition formed a successful alliance and gained a large number of seats in the National Assembly but many were lost in the following and most recent elections.

Political reforms have been introduced including the creation of an independent electoral commission, the establishment of a single ballot voting system and the nomination of a third deputy president of the National Assembly designated for the opposition leader. In view of the next election (presidential in 2010) further improvements are foreseen, including a review of the electoral system, constituencies, financing of political parties and promotion of the number of women in Parliament.

The presidential system is characterized by an imbalanced distribution of power. The executive enjoys a strong position, due to the President's broad powers and the dominance of the ruling party. The National Assembly is constitutionally independent and can hold the executive accountable through votes of censure. It carries out its function as legislator but is less able to assert its control function. The debate in the National Assembly has widened and intensified in recent years. It has been noted that parliamentarians from the ruling party are confident enough to question government policy in committee work, but actual voting is done in accordance with party lines. However, the existence of critical voices within the National Assembly is a hopeful sign which brings forward the issue of transparency and accountability of government.

The legal system is weak and reform has so far been slow

The judiciary is formally and institutionally independent and the judges cannot be dismissed. However, the constitution places the President and Minister of Justice as chair and vice-chair in the Supreme Court which reduces the independence and autonomy of the justice system in relation to the executive powers. The main weakness of the legal system is the low level of execution and limited public access to the courts. The general population has little or no access to formal justice due to the high costs involved, and limited legal services throughout the country. A number of non-profit organisations provide legal advice, legal services and support to victims, but their outreach and coverage is limited. The courts are suffering from financial constraints and are unable to provide free legal services to, for example, minors. However, an "Ombudsman" institution exists for solving disputes between citizens and the state. The main complainants up to date have been civil servants. The justice sector also suffers from corruption such as political interference and irregular payments and bribes. A programme for reform of the judiciary has been implemented since 2002 with the support of the EC in particular, but progress has been slow and not sufficiently result-oriented. In December 2007 the government adopted a consolidation plan for the reform programme aiming at improving service delivery and public access to judiciary services. Despite these shortcomings, Burkina is scoring well in comparison to other WAEMU countries on the rule of law indicator in Worldwide Governance Indicators¹¹.

There is a general respect for human rights but women are discriminated

The constitution of Burkina guarantees civil and political rights as well as economic, social and cultural rights. Burkina has ratified most of the international and regional human rights

¹¹ http://info.worldbank.org/governance/wgi2007/sc_country.asp

conventions. The legal framework has been adapted and a number of institutions have been established for follow-up and control but progress in their work is limited due to lack of resources and room for manoeuvre. Civil and political liberties and democratic principles are generally respected, which include freedom of expression, liberty of association and the right to choose political representatives in multiparty elections.

The pluralism of the media has been strengthened in recent years and representatives of the media have become more vocal and critical. Written media publishes critical articles about cases of fraud and corruption and public debate in press and in radio has increased. A private radio station has a popular programme where listeners can call in and make their voices heard on the air. The president and his government continue to be sensitive to criticism but have, at the same time, opened up for public debates on several occasions. However, there have been occasional complaints of journalists being harassed or intimidated. As a consequence, representatives of the media have adopted a certain level of self-censorship. During election times, mechanisms have been put in place in order to ensure equal access to state media.

The government and donors are investing in social sectors as a way to reduce poverty and as a result, access to social services in Burkina has improved. Results in the education and health sectors are impressive in terms of output, for example number of classrooms built, teachers recruited, students enrolled, health-care centres, and assisted births. However, the expansion of services is to some extent at the expense of quality. As long-term investments do not show immediate results, the literacy levels for example, remain at a very low level particularly in rural areas. A decentralisation process has been initiated with the objective to delegate competences and resources to local levels. This process may facilitate participation of beneficiaries in decision-making processes and improve access to facilities and services, by shortening the distance between the administration and population.

Men and women are equal before the law. Yet, women are often disadvantaged, for example in political life, in the justice system, in accessing education and productive means. Customary laws and traditional practices are often a source of discrimination and make women more vulnerable than men in cases related to marriage, divorce, child custody, and inheritance. It is noted that girls and women are poorer than boys and men, girls attend school more seldom than boys, and female illiteracy is twice that of male. In addition, violence against women is a serious problem in Burkina Faso and take various forms. Female Genital Mutilation (FGM), although officially against the law, is practiced widely. The prevalence is 73% and the practice is usually performed at an early age. Gender equality is thus a serious obstacle to development in Burkina. The National Gender Policy, that will be adopted shortly, will be an important tool to integrate the gender perspective in poverty reduction efforts. The rights of the child are ensured by law but violations of children's rights, such as for example child trafficking, early- and forced marriages and the use of child labour, occur in the country.

The civil society in Burkina is diversified and constitutes an important counter-check of government actions. Representatives of civil society are particularly active in the areas of human rights, including the rights of women and the child, election observation, public spending and financial management reform, and anti-corruption. The principal strength lies in its ability to participate in important public fora and to influence public opinion and decisions taken by the government. Civil society groups denounce cases of corruption, demands accountability from

the government and inform the public. Their participation in all CSLP related processes, including those related to the budget, the public financial management reform and anti-corruption work is encouraged by the government and donors and the government develops procedures to facilitate civil society involvement.

Sida is planning to contribute, together with other donors, to the strengthening of the Ministry for Promotion of Human Rights as well as to the 'think-tank' *Centre pour la Gouvernance Démocratique* (CDG). Sida has contributed to develop civil society organisations in monitoring the budget and CSLP through Diakonia and is currently contributing to gender equality through a joint donor's gender basket fund.

Conclusion

Since 1991, there has been a stable, but sometimes slow, development towards a pluralistic and democratic society in Burkina. Parliamentary and presidential elections have regularly been held and been assessed as free and fair despite some irregularities. The opposition is weak but the role of the National Assembly is increasing as members more openly voice their opinion. The ongoing decentralisation is a positive development that will deepen democracy, and a milestone was achieved when local elections were successfully held for the first time in 2006. Independent media and civil society are pluralistic and increasingly taking up a role as watch-dogs, demanding transparency and accountability of government, particularly in relation to issues of human rights, democracy and governance. The government's attitude to media and civil society is not always supportive, but the government does enable open debate and media freedom. Civil society participates in the implementation and monitoring of the CSLP and many other fora. Overall human rights are respected and Burkina has signed the major human rights conventions and adapted the legal and institutional framework accordingly. However, the justice system is weak and in particular women suffers from discrimination. The new gender policy that is soon to be adopted is a positive sign of commitment to address the deeply rooted gender inequalities found in the Burkinabé society. Justice reforms are being reinvigorated through a new action plan. Social and economic rights are not fulfilled due to widespread poverty, but the government shows a strong commitment to address these shortcomings through the CSLP. Sida thus concludes that overall the precondition as regards human rights and democracy is met.

2. Poverty reduction strategy (CSLP¹²)

Burkina's first poverty reduction strategy (the CSLP of 2000) was established as the medium term development policy of the government. The 2003 revision was broad in scope, allowing for a high level of involvement from local authorities, the civil society, the private sector, the Parliament and the donor community. Thanks to this collaborative effort, the revised CSLP is comprehensive and much improved. The CSLP aims at economic growth and poverty reduction through the following four main pillars that are in line with the principles of the New Partnership for Africa's Development (NEPAD):

- 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.

¹² Cadre Stratégique de Lutte contre la Pauvreté (CSLP)

The following areas have been identified as priority sectors in the CSLP: Reduction of the social deficit (in terms of education and health); Rural development and food security; Access to water and sanitation; Fight against HIV/AIDS; Environmental protection; Development of small and medium sized enterprises (SME) and small scale mining; Reinforcement of public security; Capacity building, particularly the use of new information and communication technologies.

The major quantitative objectives of the 2003 revision of the CSLP are:

- Increase per capita gross domestic product by at least 4% per year starting in 2004;
- Reduce the current incidence of poverty from 46,4% in 2003 to under 35% by 2015 and
- Increase life expectancy to at least 60 years by 2015. (In 2004, life expectancy at birth was 47.5 years according to the WHO).

The 3-year rolling action program PAP-CLSP¹³ operationalises the CSLP further and allows for alterations as implementation proceeds, thus a revised CLSP is not envisaged until 2010. The PAP-CSLP places special emphasis on ensuring that impact is equitably distributed among different population groups by taking into account regional and urban dimension in the resource allocation.

The poverty analysis is multidimensional

The CSLP analyses all dimensions of poverty with a particular focus on monetary (insufficient income) and human poverty (lack of access). Today, about 82 percent of the population lives in rural areas, representing 92 percent of the poor. As a result, the CSLP has identified rural development as a priority sector. Households making a living solely off agriculture are identified as poorer than households involved in other forms of revenue-generating activities.

The analysis of poverty is thorough and examines several indicators such as income, expenditure, demand for and access to social services (health, housing and education). Poverty is studied from a regional, gender and employment status perspective. The regional differences in poverty incidence are particularly important, ranging from 22 in the central region to 69 percent in the north. With regards to gender equality, it concludes that women and girls are poorer than men and boys, have limited access to healthcare, employment and credit opportunities; they participate less in the nation's political life and in the decision-making process. All these factors impact on women's and girls' level of poverty, just as they impact on overall poverty levels due to the decisive role women play in production, healthcare, hygiene, nutrition, and education of children.

The revised CSLP is overall a relevant strategy with a sound foundation

The CSLP is a relevant strategy and the proposed measures, reforms and programmes correspond overall to the identified problems and challenges. One weakness is that transversal issues such as gender, HIV/AIDS, corruption and environmental impact, are not systematically integrated at sector level.

Burkina is one of the sahelian countries that recurrently faces drought since 1972. Global climate change is aggravating the situation and constitutes a serious threat to a sustainable development of the country. The risks related to deteriorating climatic conditions with negative impact on natural resources, are not fully analysed in the CSLP. Consequently, Sida has decided

¹³ Programme d'Actions Prioritaires du Cadre Stratégique de Lutte contre la Pauvreté (PAP-CSLP)

to support the Ministry of Environment, which is also in charge of natural resources, in the development of a multi-year sector wide programme of action for sustainable environment and natural resources management. Sida has also identified the environment and natural resources as one of the key areas requiring closer follow up in the CSLP and in the CGAB-CSLP matrix..

While the initial CSLP was mainly the work of the government, the 2003 revision allowed for a higher level of involvement from all stakeholders. For the past two years, the civil society and the private sector have taken a particularly active role in the annual review sessions of the PAP-CSLP. This greater level of participation has continued in the follow-up and monitoring processes. In particular, members of the civil society ask their ministers for results achieved in poverty reduction. Their participation in all CSLP related processes (including those related to the budget) is encouraged by government which is taking an active role in developing procedures to facilitate civil society involvement. However, the Parliament's ownership of the CSLP is not formalized and there are no direct links between Parliament and the CSLP processes.

A regional approach was integrated in the revised CSLP to take into account regional specificities that could slow down poverty reduction. Through a participative approach, individual regional development plans (*Cadre Stratégiques Régionaux de Lutte Contre la Pauvreté*) were developed for the 13 regions of Burkina, signifying an important initial step in the decentralisation process. The on-going decentralisation process can allow for further strengthening of the democratic processes and poverty reduction policy at the local level and for assuring local ownership.

The feasibility of the CLSP is supported by the track record and links to the budget

The global medium term expenditure framework (MTEF) is the tool that ensures allocation of resources to CSLP priority sectors. A WB mission in September 2006 found it to be well functioning with strong links to the budget processes.¹⁴ In an effort to further strengthen the linkages between the CSLP and the budget the elaboration of the national budget and MTEF will commence earlier in the year in order to feed into the CSLP reviews. The PAP-CSLP is to be elaborated during a second annual CSLP session in September each year, for the coming three years (N+1, N+2, N+3), which will allow for closer ties to the budget process and the integration of the CSLP outcomes in the national budget.

The CSLP process has had an impact on resource allocation in Burkina and aggregate real expenditure in priority sectors has in fact doubled between 2003 and 2006 in absolute terms (see annex 2). The increases have tended to be larger in core priority areas reflecting political will to follow the CSLP. Thus, one can draw the conclusion that the priorities in the CSLP are sufficiently reflected in the budget, at least for core priority areas. The largest expenditure increase occurred in the rural development sector (from 264 million F CFA to 1266 million F CFA). A process of producing sector-specific MTEFs for all priority sectors has started. For health, education and PFM plans were produced in 2007 for 2008-2010 and during 2008 the first plan for the justice sector will be drafted for 2009-2011, followed by the remaining priority sectors (PAP-CSLP indicator).

¹⁴ WB office in Burkina Faso. Mission d'identification du crédit d'appui à la stratégie de réduction de la pauvreté. 18-29 September 2006.

A positive development is the establishment of strategies, sector policies and operational action plans, which so far exists for 17 of 29 ministries. The absence of sector policies and annual plans in certain ministries hampers efficient allocation of resources. As already mentioned, Sweden has taken an active role in ensuring that such a plan is elaborated for the environmental sector.

The existing capacity constraints could have a negative impact on effectiveness and feasibility. However, insufficient capacity is not necessarily just a question of human resources, at least not at the national level. It is rather the persistence of a heavy bureaucracy with a centralized administration dating back to colonial times that entails poor organization and a strong hierarchy. The ongoing decentralisation is therefore an important response. It is also encouraging that the new Prime Minister is attempting to introduce a more modern way of working and stresses the importance of achieving results. As part of this effort, all ministers have been mandated to undergo leadership training.

Monitoring and Evaluation has been strengthened

There is a joint effort to improve the PAP-CSLP review processes and to assure that actual progress achieved is reported in a timely fashion. Availability and quality of statistics has to some extent compromised the possibility to effectively monitor and evaluate the CSLP and the PAP-CSLP. Within the scope of a proposed capacity reinforcement project with the National Institute for Statistics and Demography (INSD), Sida will support the statistics system and particularly work to integrate gender statistics which is needed for improved poverty monitoring and policy making.

The GBS-group together with the government has initiated efforts to improve the CSLP institutional framework including monitoring and evaluation. As a result there is increased participation of line ministries and a new and improved calendar with two yearly sessions. The forthcoming findings of the ongoing national household survey will also ameliorate the situation and provide a more solid foundation for assessing progress and designing policy responses.

Conclusion

Sida assesses the CSLP to be government owned and supported by the civil society. It is a credible and feasible poverty reduction strategy which weaknesses are addressed in the implementation and the accompanying process of monitoring and evaluation of general budget support. Civil society participated in the elaboration of the revised CSLP and remains actively engaged in the follow up of the CSLP and its impact on poverty reduction. The use of the well functioning MTEF with close links to the annual budget process allows for allocation of resources to CSLP priority sectors. Sida notes that capacity constraints within the government have not been fully identified and analyzed in the CSLP¹⁵; however such constraints have been assessed in a diagnostic of the "Burkina 2025" study and should feed into the CSLP framework. Sida is satisfied with the continued efforts of the Burkinabé government to improve the CSLP and its related processes. Each year has resulted in improved follow-up mechanisms, strengthened links to the budget, and a broadened dialogue engaging more stakeholders. The CSLP is focused on outcomes that will benefit the poor. It is in line with the commitments made in the Paris declaration as well as Burkina's own development policy framework. The revised CSLP is more comprehensive, result-oriented and country driven than the initial version from 2000. Against this background, Sida considers Burkina's CSLP to be an appropriate and relevant framework for fighting poverty and consequently Sida considers that the precondition with regards to the poverty reduction strategy is met.

3. Economic policies

Burkina is a small and landlocked country with an economy is vulnerable to external shocks such as commodity price hikes and irregular rainfall. Roughly 80 % of the population lives from primarily rain fed agriculture. The primary sector, made up of agriculture, pastoral farming, fishing and forestry, represents close to one third of the economy and contributes to about 50% of the overall economic growth. Over the last years, the tertiary sector (service industry) has increased in importance while the primary and secondary sectors have been relatively stable.

Growth has been strong and pro-poor.

Burkina has an impressive track record when it comes to economic development (see annex 3 for a summary of economic data). The growth rate has averaged 6% since the mid 90s. Growth has been pro-poor and driven by agriculture and thus resulted in massive poverty reduction which in particular has taken place in the rural areas. Between 1998 to 2003 (last household survey) poverty decreased by 8% while inequality remained stable¹⁶ – a trend that should have been sustained considering agricultural performance to date with the exception of 2007 where poor weather conditions and unfavourable cotton prices reduced economic growth to 4% and increased poverty by 0.5 % according to simulations. IMF projects growth to rebound and reach 4.5 % 2008 and then stabilise around 6 % again from 2009 and onwards. High international gold prices and increased gold exports due to the opening-up of several commercial mining operations in Burkina is expected to significantly support growth in the medium term.

Burkina continues to pursue sound economic policies in difficult circumstances

The fall in international cotton prices, the appreciation of the CFA/Euro against the USD, combined with rising oil and food prices pose severe challenges for Burkina. As a member of WAEMU the government must respond via fiscal policy and structural reforms as national monetary policy responses are not an option. IMF concluded in the last PRGF review (end 2007) that Burkina have maintained a strong policy performance in a difficult macroeconomic environment and is taking appropriate measures to meet these challenges. The adverse weather conditions also contribute to an expected widening of the current account deficit. To assist the authorities to address these challenges IMF granted additional resources of 13.5 mUSD in balance of payment support. Over the longer run it is necessary that competitiveness is strengthened through continued implementation of structural reforms.

In terms of stability the WAEMU monetary policy has together with responsible fiscal policy and controlled budget deficits assisted Burkina to maintain low levels of inflation. Inflation rates have averaged around 2-3% over the last years, but in the beginning of 2008 inflation increased considerably due to the upward pressure on food prices. However, stability has partly been at the expense of export growth as the CFA peg to the Euro negatively affects competitiveness due to the appreciation against the USD. Cotton, the major export earner, has in spite of this performed well, with the exception of 2007, but at a high cost to the state as world market prices in the past was not fully passed on to the producers. The successful establishment of the

¹⁶ WB (2005) Burkina Faso - Reducing poverty through sustained equitable growth - poverty assessment.

new cotton price mechanism 2007 has been hailed by IMF as a major achievement that will help to consolidate the budget.

Burkina fails to meet the WAEMU convergence criteria as regard domestic revenue due to a limited tax base and a still ineffective collection, although there is a positive trend where revenue as a share of GDP has increased over the last years from 11.4% in 2002 to 13.6% 2007.¹⁷ The low-level is partly explained by the trade liberalisation, which the tax reforms introduced (VAT) only partly compensated for and the limited tax base which constrains tax policy options. Studies show however that the tax reform was overall conscientious of the poor. The government takes concrete measures to improve tax compliance and broaden the tax base. Reforms are ongoing to improve tax administration, and include computerization of the large taxpayer office, removal of exemptions, and simplifying the tax code. Targets and measures are agreed within the new IMF programme and the latest IMF report stresses the need to adjust the indicative targets to allow more time for the complex tax-reform to be implemented¹⁸. The tax-reform is an important issue for the Swedish dialogue as the revenue side of the implementation of CSLP is crucial to achieving results.

As regards the fiscal stance, IMF considers it to strike an appropriate balance between adjusting to a deterioration of the, still manageable, debt sustainability outlook¹⁹ and protecting prioritised expenditures under adverse economic outlooks.²⁰ Burkina thus continues to sustain the good track record with the IMF and has since 1999 overall adhered to the criteria of the different programs. As a consequence Burkina has benefited from debt relief under both the HIPC and MDRI initiatives.

2008 will however be a difficult year as mentioned above. The terms of trade have worsened due to the commodity price movements and Burkina is a net importer of food. Food prices have risen during 2008 (17% by April) and the higher costs of living caused riots during the spring. As a short term response, the government has taken measures to mitigate the impact for the consumers that are costly for the state budget as they involve subsidising agricultural inputs, electricity and petrol as well as a temporary (6 month) abolishment of the VAT on basic food items.²¹ The measures are perhaps the only available option in the short term, but the poorest sections of the Burkinabé population are not the primary consumers of VAT-items, electricity and petrol. The government is aware that these measures need to be replaced by a more long term, sustainable and pro-poor approach which does not distort producer incentives. Further dialogue on the response to the food crisis will take place between the government and donors and a response package forms part of the CGAB-CSLP matrix.

The challenges for pro-poor and sustainable growth are many

An important constraint for growth is the currency regime within WAEMU. The peg of CFA to the Euro has genuine benefits in terms of economic stability and it partly mitigates the oil price

¹⁷ IMF data

¹⁸ IMF 2nd PRGF review board document, June 13, 2008

¹⁹ the risk has risen from low to moderate, mainly on account of lower cotton prices and its effects on the export outlook. However, projected borrowing is unlikely to pose a threat to debt sustainability

²⁰ IMF, First Review under PRGF arrangement, Jan 2008

²¹ The estimated loss in revenues from the temporary exemptions is about 0.3% of GDP (IMF-2nd PRGF review 2008)

shock. However, it comes at a high cost due to the appreciation of the CFA against the USD with negative implications for the current account and the majority of the population depending on agricultural revenue. The problem has its roots in the different economic structures of the WAEMU countries that thus derive different benefits and cost from the regime, hence prospects for a common solution are scant and Burkina needs to address competitiveness through continued implementation of structural measures.

Structural reforms have gradually opened up the economy, reduced the role of the state and improved the business climate, although much remains to be done. In 2008 Burkina ranked 161 of 178 countries worldwide for ease of doing business. Burkina is addressing the constraints and the reform efforts are starting to show results. The WB has identified Burkina as one of the top five countries in Africa in terms of improvements in the WB "Doing Business 2008".²²

Despite the long period of economic growth, the labour market has not changed significantly. The formal sector employs few persons²³ and 80-85% of the population is still engaged in the agricultural sector. The trend has been positive for the past three years with a slight increase in the share of the active population that is employed in the formal sector each year. Thus, almost all Burkinabé rely on informal employment or agriculture subsistence farming.²⁴ On the legislative side, efforts are necessary to encourage employers to take part in the formal sector and a revised labour legislation, which increases the flexibility on the labour market was approved by the Government in early 2008.

The persisting gender inequalities negatively affects growth and poverty reduction prospects as women's possibilities to engage in economic activities are constrained. This is recognised in the CSLP, but concrete measures are less developed although it forms part of inter alia the third pillar and rural development initiatives. It will continue to be a prioritised dialogue issue for Sweden and further work is required. The Sida supported report on gender and economic development notes some advancements (notably in education) but also a number of challenges including the lack of a time study to inform policy makers about the situation and assess policy option.²⁵ The report is one important basis for the dialogue, as is the upcoming integrated economic analysis supported by Sida, which also puts emphasis on the environmental aspects including climate change.

As regards sustainable economic development there is recognition of the problems in the CSLP. Measures are taken to address these issues and include: promotion of small-scale irrigation that has allowed for increased cultivation during dry season; improvement of soil fertility through the use of organic fertilizers; agricultural research programme which resulted into new varieties; and adoption of a national action plan to mitigate effects of climate change. However, as in many other developing countries, measure to reduce vulnerability to climate change have not yet been fully discussed and, as a result, knowledge is lacking on the magnitude, rate and geographical impact of climate change in Burkina.

²² World Bank Group. Doing Business 2008 Burkina Faso. p. 2

²³ In 2005, it employed 233,738 persons representing 3.9 percent of the active population out of which about 70,000 persons were employed by the government – the largest employer in the formal sector.

²⁴ Burkina Faso : un pays qui progresse. Ministère de l'économie et du développement. mai 2007. p. 4, 68.

²⁵ Genre et économie au Burkina Faso, Sida :Country Economic Report 2006:7, Bourdet, Koné, Persson

Cotton remains crucial to economic performance and poverty reduction

Cotton's economic contribution to Burkina Faso's economy is considerable. Although it represents only 5–8% of GDP, it accounts for 50–60% of export earnings and is the main source of foreign exchange. The country's share of world cotton exports has tripled over the past 10 years; unprecedented for an African agricultural product. The cotton farmers have benefited and this has had multiplier effects as the sector employs 700.000 and supports around 17% of the population. The sale of cottonseed is the main or only source of cash revenue and credits for farmers and also impact on agricultural output at large as it gives access to agricultural inputs which are used for growing other cash and food crops. Thus, the performance of the sector is critical in the fight against poverty. In cotton-growing zones, which are the poorest parts of Burkina, poverty has been reduced by a quarter.²⁶

However, cotton output for 2007/08 fell by 40% relative to 2006/07 because of bad weather and low world market prices. Steps have been taken to address the crisis. The government, has successfully started to liberalise the sector, but was forced by the banking sector to provide a guarantee to ensure continued operation of the ginning companies. It recapitalized the largest ginning company in 2007 at a cost of more than 1% of GDP, thus increasing its share from 35% to more than 60%. The government is working with stakeholders and donors to reduce its role in the sector and to augment productivity through improved varieties. If current world prices prevail over the next few months, the ginning companies should break even for the fiscal year and farmers might earn a small bonus. International prices for cotton have been decreasing and the appreciation of the Euro against the USD puts pressure on export earnings due to the CFA peg. At the same time, the structural reforms in the cotton sector, aiming at increased efficiency and sustainability whilst ending the losses of the partly state-owned ginning companies, also means that world market prices are now reflected in producer prices. This has a direct impact on poverty. Reforms are needed to increase efficiency in the sector through private initiatives. However, as there are few alternatives for producers in the short term the effect of passing on world market prices more directly to them may be less pro-poor as the poorest producers often are the ones with the least possibilities to shift crops.

Mining is booming but with weak links to the economy

The mining industry is booming with two gold sites opened in 2007, and one zinc mining project in progress and dozen gold projects expected to commence in 2008/2009. There is a significant potential for mining manganese, bauxite, copper, nickel and limestone - a potential yet to be fully explored²⁷. Exports earning will be considerable but most employment opportunities will benefit imported skilled labour and the now quite favourable tax code means that the impact on government revenue is limited. The IMF projects that gold exports will significantly support growth in the medium term. In June 2008, Burkina officially launched a new initiative to publish all revenue from the mining industry. This is an important step forwards to increase transparency and accountability of the exploitation of national resources in Burkina and inform the general public of state revenue. This will provide the means for an informed dialogue between national stakeholders and probably reduce the scope for corruption in the mining industry. Sida will, in the framework of overall revenue discussion, continue to

²⁶ IMF, Tackling Burkina Faso's Cotton Crisis, IMF Survey Magazine, 2008

²⁷ IMF. Selected issues December 21, 2007. p. 64

raise the issue on how mining can be better integrated into the economy and closely follow the transparency initiative.

Conclusion

Burkina has a solid track record in managing the economy and ensuring stability in spite of difficult circumstances. Its track record with the IMF confirms the ability of the authorities to sustain macroeconomic stability and liberalise the economy. Overall the CSLP and the economic policy pursued responds well to the constraints to sustained economic growth and poverty reduction, but continued efforts in terms of structural reforms and infrastructure investments are required to diversify the economy and increase competitiveness. Gender issues in particular need more attention in economic policy making and a long term approach to the recent food crisis is necessary. Burkina faces a number of challenges, not the least due to the external environment, recent commodity price movements and the appreciation of the CFA through the peg to the Euro. This makes policy making difficult and the government needs to balance the positive and negative aspects of the WAEMU membership. Sida concurs with the IMF assessment that the authorities are handling the challenges in an overall appropriate way, but 2008 will be a difficult year. There is a strong case for budget support in order to mitigate the negative effects of the external price-shocks, allow space for the reforms underway to enhance the competitiveness of the economy and sustain important expenditures programmes while protecting the poor. Overall, Sida concludes that the precondition as regards economic policy and macroeconomic stability is met.

4. Public Financial Management

PFM system scores favourable in a regional context

The public financial management (PFM) system was evaluated according to the PEFA methodology in 2007 (see annex 3). The evaluation established that the PFM functions as a whole perform relatively well in a Sub-Saharan perspective and this finding is consistent with earlier HIPC AAPs²⁸ where Burkina scored favourable and was identified as one of the few countries that only required some upgrading.

The PFM system has been steadily improving through consistent reform efforts. Among the many achievements can be noted:

- Improved financial regulation in line with WAEMU standards
- Introduction of a well-functioning medium-term expenditure framework (MTEF)
- Improved budget process and presentation according to WAEMU nomenclature
- Fiscal decentralisation through a transparent rules based system
- New procurement legislation
- Establishment of a Court of Auditors
- Computer based accounting system rolled out
- Implementation of ASYCUDA++ system for custom management

Overall these efforts have resulted in a well-functioning and orderly budget process, good reporting on budget execution and overall satisfactory accounting of expenditures. Thus, the basic financial system requirements are in place. However, weaknesses remains that sometimes

are of a serious nature and they relate specifically to revenue administration, procurement and internal and external control. These weaknesses are, as shown below, overall consistently tackled through a new comprehensive reform program, the Stratégie de Renforcement des Finances Publiques (SRFP) which builds upon and expands the scope of the previous reform programme. However, the weaknesses that persist constrain effective management of resources for service delivery and give rise to a moderate degree of fiduciary risk.

Table 2: Strengths and weaknesses of PFM

	Strengths	Weaknesses
A. Credibility of budget	<ul style="list-style-type: none"> • Overall fiscal discipline • Insignificant budget variance at aggregate level – good execution • No arrears 	<ul style="list-style-type: none"> • Revenue outturn consistently below forecast • Execution of individual budget votes show variance
B. Comprehensiveness and Transparency	<ul style="list-style-type: none"> • Good and comprehensive budget documentation • Oversight of fiscal risk fairly good • Transparent intergovernmental fiscal relations 	<ul style="list-style-type: none"> • Limited public access to fiscal and budget information
C. Policy Based Budgeting	<ul style="list-style-type: none"> • The budget is prepared according to government policy/CSLP • Good budget/MTEF preparation • Sector strategies exist for a significant part of expenditures • Debt sustainability is analyzed regularly 	<ul style="list-style-type: none"> • Integration of recurrent and investment expenditures insufficient • Low capacity to manage new budget programming tools • Program budgeting still limited to a few ministries
D. Predictability and control in budget execution	<ul style="list-style-type: none"> • Recording and management of cash balances, debt and guarantees 	<ul style="list-style-type: none"> • Treasury tension affects commitment of expenditures negatively • Ineffective internal control
- Revenue management	<ul style="list-style-type: none"> • Clear custom code • Regular reconciliation of revenues 	<ul style="list-style-type: none"> • Collection of tax arrears is not effective • Unclear tax code • Limited transparency of taxpayer obligations and liabilities
- Procurement	<ul style="list-style-type: none"> • New procurement law • Procurement systems have been reinforced 	<ul style="list-style-type: none"> • Too bureaucratic • Derogations frequent • Duplication of procedures
- Accounting, recording and reporting	<ul style="list-style-type: none"> • Accounts are reconciled regularly • Annual accounts are of good quality and presented to the legislature on time • Budget implementation reports are timely and of good quality 	<ul style="list-style-type: none"> • Central government has limited information about the funds received by primary providers of public services • Ineffective internal audit
E. External scrutiny and audit	<ul style="list-style-type: none"> • Budget is actively scrutinized by the parliament 	<ul style="list-style-type: none"> • Limited follow-up of audits • The capacity of control structures is weak

Key problems are addressed through reform efforts

Poor revenue forecasts and unpredictable external finance mean that there occasionally is treasury tension, making budget execution subject to the availability of cash. This negatively affects the credibility of the budget and has a direct impact on service delivery due to uncertainty about resources for committing expenditures. As a consequence, there is a strong demand for better forecasting from all stakeholders, including the IMF, as demonstrated in the CGAB-CSLP. Sida has in particular emphasised progress on this fundamental aspect and it was one of the triggers for the disbursement of the Swedish variable PFM tranche (GBS) in 2008.

Problems with tax evasion and smuggling are indeed affecting many countries, but the system scores below other areas in the PEFA assessment. The customs authority, followed by the police/military and the tax authorities, are perceived as the most corruption prone agencies in a recent REN-LAC survey.²⁹ Credible reforms of the revenue system are underway and should have started to reduce fiduciary risk. The custom administration is implementing systematic and exclusive use of all ASYCUDA's³⁰ functionalities in the customs' offices. The objective is to reduce both manual procedures and direct interaction between importers and customs officials so as to speed up processing and limit the influence of individual staff members. A database that will help to detect customs declarations that understate true values has also recently been developed. The ongoing computerization of tax collection (SYNTAX) as well as new efforts to fight tax evasion will support improved effectiveness and transparency in tax collection. Moreover, an integrated system for accounting of revenues has recently been launched which will improve monitoring.

An important risk is public procurement as it represents a significant part of expenditures, and audits show that practice too often deviates from the legal framework. The procurement procedures are too bureaucratic and complicated, often leading to the use of exceptional procedures. However, a relatively fair share (around 70%) of tender is open. In addition, duplication of procedures and structures involved in procurement management, in particular for the projects and programs financed with external resources, lead to difficulties in the centralization of information and the production of statistics. Limited audit capacity also contributes to the problem. The number of procurement audits has increased although they still only cover a limited amount of total procurement. The legal framework for procurement is approaching international standards after the implementation of CPAR (2000 and 2005) and PEFA recommendations. Ongoing efforts include the dissemination of the new procurement regulation, the implementation of new structures, capacity development of the various actors concerned, adoption of the fundamental transparency principles and finalisation of procurement software. The government has also established a national procurement reform commission composed of government and stakeholder representatives, to coordinate and monitor procurement reform. Since then, procurement functions have been de-concentrated to local governments, thus streamlining procedures. Improvements in procurement are closely followed by Sweden through the SRF and the CGAB-CSLP matrix.

Whereas internal control systems are overall appropriate they lack in practical enforcement and controls are often redundant thereby contributing to delays in the execution of the budget. The lack of resources for the otherwise competent internal and external audit functions are thus a

²⁹ Rapport 2005 sur l'état de la corruption au Burkina. REN-LAC. Available at <http://www.renlac.org/>

³⁰ Automated System for Customs Data, a computerised customs management system developed by UNCTAD

concern. The recent elevation of the *Chambre des Comptes* to the status of *Cour des Comptes*, making it a fully independent body advising the legislature in relation to financial performance is major step forward. It uses summary judgement procedures to inform the head of the concerned structure about any financially irregularities that have been discovered and is currently tackling a major backlog in the production of audited financial reports. Thanks to the recent reinforcement, audit reports should be on time in the near future. The institution is at a very early stage of development, but increasing in importance. Further reform and streamlining of the control and audit functions is at the core of the SRFP. It is also a focal area for donors support and forms part of the GBS dialogue and performance measurement. The audit report for 2003-2004 was published in December 2006. It was the first time an official, high-level report publicly pointed out legal distortions, dysfunctions and mismanagement of public funds and it caused a lot of debate. However, follow-up of audit findings needs to be considerable strengthened.

Further reforms streamlining of the control and audit functions are at the core of the SRFP such as reinforcing the powers of the *Cour des comptes* and addressing the backlog in the production of audited financial reports. The new control authority, *Autorité Supérieure de Contrôle d'Etat* (ASCE) incorporates the previous control structures into one strengthened and more independent institution which inter alia will have the authority to publish its reports directly and take legal action. It will also benefit from additional resources and capacity development through the SRFP.

Burkina ranked at the very bottom of the Open Budget Index in 2006,³¹ with a score of 11 out of 100 signifying that citizens are provided with scant or no information regarding the government's budget and financial commitments. According to the PEFA report, public access to information is poor. It is only the procurement contracts that are published weekly. Although with limited capacity, there are in fact two civil society organisations that specifically follow the budget supported by Sida, CGD and REN-LAC, through Diakonia.

The decentralization process is a new and incremental process. Presently, municipalities represent only 2% of the national budget. However, a clear increase of this percentage is expected with the ongoing reforms. On the disbursement side, municipalities and regions receive a fixed endowment of at least CFAF 5 million for investment and overhead expenditures according to transparent allocation criteria such as: commune or region, rural or urban, and size of population. The administrative decentralization within the Ministry of Economy and Finance is weak, but the CID³² is applied to ten of thirteen regions. The process of devolution is considered in the SRFP and it has already been improved since early 2007. Priority should now be granted to the adoption of a legal framework for budget devolution. At the operational level, budget decentralization of all expenditure was planned but not completed in 2007. Thus, the Regional Directions of the Ministry of Economy and Finance are yet to be put in place.

Overall Credibility of PFM Reform

Burkina adopted the first comprehensive program to strengthen budget management in July 2002. The *Programme de Reforme de la Gestion Budgetaire* (PRGB) built upon earlier reforms and was

³¹ <http://www.openbudgetindex.org/CountrySummaryBurkinaFaso.pdf>

³² Accounting software which covers the whole of the budget chain, from commitment to the payment.

originally devoted to expenditure reforms. In 2004, it also came to include revenue reforms as well. The current reform *Stratégie de Renforcement des Finances Publiques* (SRFP) was approved in February 2007 and has taken over as the main PFM reform program.

The many studies of PFM in Burkina Faso and the recent PEFA assessment have, together with the stock taking of the PRGB, provided a solid knowledge about the pros and cons of the PFM system. The SRFP rests thus on solid ground and has incorporated many of the lessons learned. It is also the results of extensive dialogue and participatory processes which have led to a considerable degree of ownership and responsibility of the main actors involved. Its focus and measures are overall corresponding well to the concerns raised by donors and Sida thus assesses the SRFP to be a relevant strategy.

The institutional framework has incorporated the lessons learned from previous programmes and is jointly supported by the leading development partners, including Sweden. The implementation of the PFM reform is monitored by a committee chaired by the Minister of Economy and Finances. The committee is composed of members of ministries and institutions implicated in the implementation process of the SRFP, as well as donors and civil society. Six technical groups are formed to support and follow the implementation and Sweden is lead donor in the technical group for capacity development.

The issue of capacity building is addressed in the programme but regrettably not from a sufficiently holistic perspective; as only human resources and information technology are taken into account. It is Sida's view that capacity must be developed at all levels: individual (knowledge, competences, etc.), organisational (training, material, financial resources, etc.), institutional and community (civic society, fight against corruption, etc.). Sida will take the opportunity as lead in this technical group to work with the authorities to improve the quality of the capacity development strategy, as capacity constraints hamper effective implementation of the reforms and overall adherence to the financial regulation.

Conclusion

According to the PEFA report and previous assessments the PFM system rates favourably in sub-Saharan Africa. Consistent reform efforts have been carried out over the last decade that has resulted in real improvements and a system which has the basic elements in place. The budget process is strong and supported by a well working MTEF that gives confidence in the budget although treasury tension due to poor revenue forecasting give raise to some concerns about budget credibility. Budget execution and cash/ debt management is otherwise rated rather favourably as is reporting and accounting. Procurement remains a fiduciary concern although the many measures taken which include much improved legislation have substantially improved the system. Fiduciary risk (although not an immediate risk to Swedish funds) is otherwise most pronounced on the revenue side, which is an area where corruption is believed to be widespread. The ongoing revenue reforms have started to make a difference and once completed, the scope for corruption should be significantly reduced. Internal and external control is improving but the coverage is still insufficient. The authorities are aware of the problems and the new PFM reform programme addresses overall in a credible way the remaining weaknesses. The PFM reform programme is strongly supported by GBS donors, including Sweden, and explicit links are made via the CGAL-CSLP performance matrix. Sida also supports the civil society in the area of PFM. Overall Sida considers the PFM system in Burkina to be sufficiently efficient and effective to provide GBS and assesses that the precondition with regards to public financial management is met.

5. Corruption

Corruption is widespread but Burkina is less affected than the region as a whole

Burkina compares favourably with for example the WAEMU countries when assessing the *Worldwide Governance Indicators* on government effectiveness, voice, accountability and corruption. It is difficult to assess the tendency of corrupt practices and impossible to firmly establish if the levels are in fact increasing or decreasing. However, an increased awareness of corruption has been noted among the general public. In Transparency International's latest assessment Burkina ranked 105 out of 189 in 2007 (with a score of 2.9), thus declining from 79 out of 179 in 2005³³. There is however a serious problem in making inter-year comparisons in the Transparency Index as the number of surveys the assessment is based on has changed considerably over the years in Burkina and the error margins are wide. Furthermore, as the index is based on perceptions it is hard to disentangle whether any changes are due to the fact that public debate and media coverage of corruption has increased considerably and become more systematic in recent years, or whether it is due to actual changes in the level of corruption. The annual TI assessment has nevertheless been included in the CGAB-CSLP matrix and serves an important role for the dialogue on corruption.

Most corruption in Burkina is believed to be petty corruption, such as unjustified gifts and bribes, but other forms are prevalent and may be increasing. The sectors hardest hit by corruption, according to UNDP, are the police, gendarmerie, customs, political activities (influencing, bribes, nepotism, misappropriations, deceit, recruitments and nominations) and procurement. The existence of corruption is largely explained by the difficult socio-economic situation for the population at large, including for civil servants and their dependants, and the lack of sanctions and impunity for corrupt behaviour. The government launched a national anti-corruption policy in May 2006. The adoption of its action plan has however been delayed.

The anti-corruption institutions have recently been strengthened

The government has recently re-organised the anti-corruption structures of the state, partly in response to the criticism from civil society and development partners. A number of government institutions exist for prevention, control and detecting corruption. Legal instances are: the General State Inspection (IGE), the inspections within the respective ministries, the Court of Auditors (Cours de Comptes) and the Central Directorate for Public Procurement (DCMP). Special agencies in charge of the fights against corruption are the National Commission for the Fight against Fraud, the National Ethics Committee and the High Authority for the Coordination of the fight against Corruption (HACLIC). The weaknesses of the specialised bodies have been insufficient resources and the non-authorisation of publishing the results of their investigations. The legal bodies, however, are generally weak and characterised by a lack of staff, know-how and experience. However, the Court of Auditors has started to publish reports which have been widely discussed and openly debated. Continued improvements of the institutions of internal and external control are part of the public finance management reform (SRFP).

³³ Transparency International Corruption Perception Index www.transparency.org/policy_research/surveys_indices/cpi/2005 and/2007

In October 2007, the government created a new institution for state control *Autorité Supérieure de Contrôle d'Etat* (ASCE), upon the initiative of newly appointed Prime Minister Tertius Zongo. The ASCE integrates HACLC and vital functions of the National Commission for the Fight against Fraud and the General Inspectorate of the State (IGE). A bill on its establishment, functions and composition was submitted to the National Assembly at the end of 2007 and was adopted unanimously. The ASCE will be led by an *Inspector General of State* and consist of a group of State Inspectors, nominated by the Council of Ministers upon proposal by the Prime Minister. The establishment of ASCE is an important measure and its mandate will be more extensive than previous institutions. ASCE will, for example, be able to refer cases directly to the legal system, independently publish annual reports, and have its own financing and staffing. It is hoped that the creation of a new corps of inspectors with a clear and sufficient mandate will improve the efficiency, independence and transparency of the government's anti-corruption work. It should be noted, however, that the nominating powers of the Prime Minister reduces ASCE's independence according to international standards. It is premature to establish if this will result in increased numbers of cases brought to court for legal prosecutions, which so far been a major weakness, and ASCE faces major challenges before becoming fully operational, but it is considered an important step forward and indicates a willingness to address corruption in a more systematic and efficient manner. The donors will closely monitor the operationalisation of ASCE in the CGAB-CSLP framework.

Civil society, media and other actors are active in the fight against corruption

In addition to the institutions above, other actors in Burkina are active in the fight against corruption. In the National Assembly there is on-going and critical debate on corruption and on several occasions a commission of inquiry has been initiated for investigating cases of corruption. Civil society, trade unions, media, and the private sector also play an important role in Burkina. The participation of civil society in anti-corruption efforts and its supervisory and denouncing role is crucial in the fight against corruption. Civil society encourages the government to improve transparency and accountability to the general public. A number of civil society organisations are involved in a dialogue with the government on corruption and participate in the implementation of the public financial management reform, the monitoring and follow-up of the implementation of the poverty reduction strategy (including general budget support). Some civil society organisations act as whistle blowers and at times challenge and criticise the government for "allowing" impunity for corrupt behaviour. REN-LAC is a non-governmental organisation specialised in working against corruption and works together with international organisations such as Transparency International. It produces an annual report on corruption and is supported by Sida through Diakonia.

In the media many articles are published on corruption and debates in the radio are often related to corruption. The main weakness of the press is however the limited capacity to carry out independent in-depth investigations. Members of the private sector are in constant dialogue with the government on how to improve the business climate in the country and have raised concerns over problems of corruption and are important stakeholders in the implementation of, for example, the public procurement reform.

The donor community is engaged in a dialogue with the government on anti-corruption and the necessity to take measures to effectively prevent, control, and take legal action in cases of

corruption. In the framework of the general budget support a set of indicators are closely monitored at high- and technical level, such as the Plan of Action to fight corruption and the associated monitoring mechanism and legal reform, the implementation of the PFM reform and the perception of corruption (TI).

Conclusion

Corruption is a significant obstacle to development and poverty reduction although available sources suggests that Burkina is less affected than the region as a whole. There are some indications that corruption is rising but no firm conclusion can be made as regards the trend. What is clear, however, is that awareness of the problem is increasing and that corruption is now more openly discussed as a problem. The government has shown a commitment to fight corruption, notably by reducing fiduciary risk through public financial management reform and by establishing a more effective anti-corruption system with a higher degree of autonomy and accountability. The main challenge is to move forward on legal action when corruption occurs as the culture of impunity is widespread. Civil society, the media and private sector are actively involved in the fight against corruption through dialogue with government on measures, creating awareness on corruption among the general public and through participating in the implementation of relevant public reforms. There is an ongoing high-level dialogue between the government and development partners on governance and corruption that emphasises the need for further improvements and continuous demonstrations of political commitment. The GBS, complemented by strategic support to civil society, plays an important role for further improvements in transparency, accountability and participation. Sida concludes that there is a commitment by the Government of Burkina Faso to fight corruption, which is demonstrated by the measures above and therefore Sida assesses that the precondition with regards to corruption is met.

IV. Annexes

Annex 1: Burkina Faso: Selected Economic Indicators, 2004-08

Annex 2: Expenditure by functions of government

Annex 3: Results of Burkina PEFA – Scores for each indicator