

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB524

Project Name	Poverty Reduction Support Credit (4)
Region	AFRICA
Sector	General public administration sector (35%); Health (20%); Primary education (15%); General agriculture, fishing and forestry sector (15%); Other industry (15%)
Project ID	P078994
Borrower(s)	BURKINA FASO
Implementing Agency	Secretariat Permanent pour le Suivre des Politiques et Programmes Financiers Ministere des Finances et du Budget Burkina Faso
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Safeguard Classification	<input type="checkbox"/> S ₁ <input checked="" type="checkbox"/> S ₂ <input type="checkbox"/> S ₃ <input type="checkbox"/> S _F <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	April 2, 2004
Date of Appraisal Authorization	March 30, 2004
Date of Board Approval	May 11, 2004

1. Country and Sector Background

Burkina Faso is a poor landlocked country of almost 13 million inhabitants with very narrow resource base, low level of exports, and limited human development. A large share of the population is dependent on agricultural activities and exposed to frequent climatic shocks and fluctuating international cotton prices. Moreover, recent political instability in the subregion has further exacerbated Burkina Faso's difficulties in increasing trade flows and attracting foreign investment. Progress in attaining macroeconomic stability, maintaining steady growth, and reducing poverty remains vulnerable to frequent external shocks and is dependent on steady and predictable foreign aid. The low level of human development, exemplified by illiteracy rates exceeding 75 percent and high infant and maternal mortality rates, signify the need for large investments in the social sectors to make quick progress toward the MDGs. In addition, further improvements to public management and the legal system are desirable to increase transparency and reinforce the rule of law. The objectives of the 2000 PRSP to maintain macroeconomic stability and enhance equitable growth, improve human development indicators, create income in deprived areas, and improve governance reflect these key development issues. The strategy has been reaffirmed in three progress reports and will be updated in 2004 through a new full PRSP.

2. Objectives

PRSC-4 would support the government in making progress toward key PRSP objectives. By providing the necessary external financing, it would support the government in maintaining a

sound macroeconomic framework. A stable macroeconomic framework would be essential for achieving the economy's growth potential and reducing poverty as targeted under the PRSP. The operation would furthermore aim at enhancing growth potential by supporting measures to reduce factor costs and enhance the competitive environment. In the education sector, the operation would target improvements in primary school enrollment and graduation rates. In the health sector, PRSC-4 would aim at a reduction in infant and maternal mortality rates, higher health center usage rates, and comprehensive vaccination coverage. In the water sector, PRSC-4 would support key policy reform increase the share of the population with access to safe water, and reduce the public administration's water bill. Moreover, to reinforce the programmatic links of the budget with the PRSP, enhance transparency of public spending and discourage corruption, reduce the cost of public procurement, and improve service delivery at the local and regional level, the operation would support key public sector reform measures and steps for decentralization.

3. Rationale for Bank Involvement

The Bank has supported PRSP implementation through 3 PRSCs in 2001-03. PRSC-4 would continue quick-disbursing assistance to PRSP implementation by providing predictable resources for the 2004 budget that was adopted by the national assembly in December 2003. Through its PRSCs, the Bank has established a credible framework for supporting the PRSP, with increasingly close collaboration with other donors. Bank support through PRSC-4 would be crucial to maintain macroeconomic stability, implement the 2004 budget, and make progress toward PRSP objectives. Concrete actions supported under PRSC-4 would be closely intertwined with the PRSP objectives.

4. Description

In order to support progress toward PRSP objectives, PRSC-4 would support policies under three components: growth and employment creation, human resource development, and good governance. Measures for each of the component have been described in the program document for the previous operation, PRSC-3. They include steps fostering private sector involvement in telecommunication services, electricity production, petroleum product distribution, and cotton production to reduce factor costs and entice investments. In the education sector, they include measures aiming at better access to schooling, higher quality of education, and improved management of the school system at sustainable cost levels. Health sector reforms intend to give better access to care at lower costs, raise vaccination rates, and improve the management of the health sector. Public sector reforms include measures to improve budget formulation, verify the application of procurement regulation, improve electronic information systems, deconcentrate budget execution, introduce a new budget classification, and operationalize the decentralization framework.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
INTERNATIONAL DEVELOPMENT ASSOCIATION	60
Total	60

6. Implementation

The reform program funded by this credit will be implemented by several ministries. The Permanent Secretariat for the Supervision of Financial Policies and Programs (SP-PPF) at the Ministry of Finance and Budget is coordinating the contributions of different ministries. Ministries involved in the implementation of the program are the Ministries of Finance of Budget (budget management reform, budget process, and budget allocations for line ministries), the Ministry of Economy and Development (economic developments and statistics, PRSP, statistical monitoring system), Ministry of Basic Education and Literacy (implementation of PDDEB), Ministry of Health (implementation of PNDS), Ministry of Commerce and Enterprise Development (privatization program, cotton reform), Ministry of Agriculture, Water, and Fishing (cotton reform, institutional reforms, agricultural diversification, sanitation program), Ministry of Territorial Administration and Decentralization (decentralization program), Ministry of Civil Service and Reform of the State (public administration reform), Ministry of Energy and Mines (energy reform), and Ministry of Environment and Living Conditions (environmental reforms and analysis).

7. Sustainability

The reforms supported by the credit are expected to be sustained. By embedding the credit in a medium-term reform program that is owned by the government through the PRSP process, the measures supported by the credit and its results should be sustained in the medium and long run. The sustainability is enhanced by the series of PRSCs that accompany the reform program and ensure a close monitoring of results.

8. Lessons Learned from Past Operations in the Country/Sector

A stocktaking workshop in Ouagadougou on March 22-23 with participants from a variety of government institutions, private sector and civil society discussed experiences with the PRSC in 2001-03. It evolved around the following themes: the government's interest in receiving predictable budget support for PRSP implementation within a medium-term programmatic framework; the importance of predictability of budget support; the integration of sectoral ministries into the PRSC; and efforts in harmonizing donor interventions. Participants in four plenary sessions underlined the overall good experience thus far with the PRSC instrument in offering reliable support for PRSP implementation through the budget and welcomed the efforts to align PRSCs more closely with the budget cycle. They noted the risks linked to a variation of PRSC amounts in case of unsatisfactory progress. Participants from line ministries, in particular the Ministry of Health, described the difficulties encountered in switching from a project approach to budget support. The health ministry was finalizing a long-term health-sector development program when the first PRSC was approved and sectoral policymaking and monitoring tools still needed to be developed. Moreover, health ministry staff underscored the practical problems arising from insufficient budget allocations for implementing measures included in the PRSC matrix. Donor participants presented the complex issues in harmonizing

budget aid and timing and the efforts undertaken in the joint budget support group (SBC-CSLP), noting that the main approaches using either policy actions or indicators as disbursement criteria were complementary. Participants in general believed that under the second PRSP (expected to be presented to the Executive Boards of the IMF and the World Bank by mid-2004) and a new PRSC series the government should focus on improving capacity and analytical tools to better program and evaluate budgetary spending; process the information generated by the collection of statistics and indicators more regularly.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cultural Property (OPN 11.03 , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP/GP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

10. List of Factual Technical Documents

11. Contact point

Contact: Jan Walliser

Title: Sr Country Economist

Tel: (202) 473-2329

Fax:

Email: jwalliser@worldbank.org

12. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-5454

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

