Burkina Faso: Structural Adjustment Credit III

The overall objective of the US$25 million credit, which closed in June 2000 was to support a reform program aimed at: (i) enhancing the competitiveness of the Burkinabe economy to substantially raise growth rates over the medium term and alleviate poverty; (ii) improving public finance management, particularly with regard to tax policy and the use of public resources; and (iii) completing the third phase of the common external tariff (CET) adopted by the west African Economic and Monetary Union (WAMEU).

Impact on the ground

- The reduction of corporate income tax from 40 percent in 1999 to 35 percent in 2000 and the prospects of reducing rates further have contributed to improving prospects for private investment. The operation has attracted very positive reactions from the business community.
- Government revenue reached CFAF 238 billion (15 percent of GDP) in 1999, exceeding the objective by about 0.7 percent; the current primary expenditure was consistent with program objectives (CFAF 165.9 billion or 10.4 percent of GDP), but the budgetary contribution to investment slightly exceeded the program’s projection; the current primary surplus and the primary surplus (the latter excludes externally financed capital expenditure) exceeded the objectives by 0.3 percent and 0.1 percent respectively.
- The monitoring of large enterprises by the General Directorate of Taxes was strengthened through an improvement in collection and management procedures (including the upgrading of software) and a more concerted staff training effort.
- There was significant progress in completing the last phase of the CET.
- The government defined budgetary monitoring indicators; adopted a program for regular consultation between the World Bank and the authorities on all budgetary issues; and established a multi-year program to enhance staff capabilities on matters relating to public expenditure reviews.
- Four studies were carried out on health, education, public investment, and budget procedures for financial deconcentration. These, after being discussed with civil society and representatives of the donor community, were used to finalize the government’s Poverty Reduction Strategy Paper. As a result, budget guidelines were significantly improved: in conformity with HIPC’s social targets, the share of actual public expenditure for health and education has increased.
A shift to performance budgeting was made for six key ministries—health, finance, interior, defense, basic education and secondary/technical education—with outcome indicators to monitor efficiency, and increased accountability for line managers.

The Medium-Term Expenditure Framework (MTEF) helped the government to identify three phases of budget management: (i) a medium-term statement of fiscal policy goals with specific targets for 2001–03; (ii) a statement of strategic priorities in terms of medium-term resources available—this provides a measure of budget predictability to line ministries and all spending agencies while respecting the fiscal discipline imperative; and (iii) the need for budget innovations to move towards output, or outcome-based budgeting. As a result of SAC III, the MTEF is now recognized by the government as a necessary step for improving the overall effectiveness of budgetary management.

Budgetary procedures have been simplified, governance improved and corruption reduced through such measures as the integration of payroll management into the financial management system; completion of the unified budget system and computerized expenditure management system; creation of a Supreme Audit Court; improvement of public procurement procedures, including the publication of bids received in public tenders; and reduction of rents through trade liberalization, tariff reform, and privatization. Parliament and the Supreme Audit institution are involved in the auditing of government accounts.

In the telecommunications sector, the creation of the regulatory authority ARTEL has led to the improvement of domestic competitiveness: telecommunications costs in Burkina fell by an average of 40 percent in one year.

Lessons learned

SAC III was the successor to an earlier single-tranche credit from the World Bank, the Economic Management Reform Support Operation (EMRSO). The experience has proved that a single-tranche operation can be an effective tool to address specific issues and provide limited budget support to the government in the context of a difficult policy dialogue. These two operations underline the importance of taking the time to build consensus on the reform agenda, and the need to avoid conditionality-driven operations.

External financial assistance is more effective when provided at the start of the government’s fiscal year, so that the support is known in advance to be available and can be used as a basis for making domestic budget management more predictable.

Because public resources are fungible and given the nature of adjustment lending, it is more appropriate to focus on the government’s overall use of resources than on its specific use of Bank funds. This points to the need for a thorough understanding of the country’s public financial management arrangements.

Improved public expenditure management requires fundamental changes in the government’s range of commitments; efforts to control expenditures strictly from an administrative perspective will have limited success.

Because government institutions will play an increasingly important role in providing assurance on the use of Bank funds, the Bank should continue to build capacity to manage public finances.

The requirement to provide the Bank with ex-post information on the government annual accounts audited by the supreme audit institution, and to transmit these budget reports to Parliament every year has proved to be very effective in improving transparency and in moving towards accountability in the use of public funds.

This Infobrief has been largely excerpted form the project’s Implementation Completion Report No. 2155, World Bank, Washington D.C. For more information, please e-mail npontara@worldbank.org