



Conditionality revisited: A new approach in Burkina Faso

A simulation exercise for Burkina Faso alters the usual approach to conditionality in adjustment lending by linking quick-disbursing assistance to outcomes in health, education, and public finance management. This approach enhances government ownership of economic reforms.

Donors have typically linked quick-disbursing assistance programs to conditions related to policy reforms. But there is growing frustration with how conditionality has worked in practice. Research has shown that traditional conditionality usually does not “buy” reforms. Moreover, because aid funds are fungible within government budgets, a results-based approach is needed to enhance aid effectiveness. At the initiative of the European Commission, the Strategic Partnership with Africa is piloting a new approach to conditionality in Burkina Faso to explore changes that enhance donor coordination, foster country ownership of reforms, and smooth aid flows—and so increase aid effectiveness. A driving feature of the approach is a focus on the outcomes of government reforms and policies.

Beside the Burkina Faso government, the pilot involves Austria, Belgium, Canada, Denmark, France, Germany, Japan, the Netherlands, Switzerland, the World Bank, the International Monetary Fund (IMF), the European Commission, and the United Nations Development Programme (UNDP). Four joint donor missions took place in 1998–99. Because the exercise is a simulation, it does not have financial implications for support programs already in place. It has constructed links between disbursements and outcomes and will simulate the effects of such links during the final stage.

Why a new approach is needed

Criticism of poor country ownership of reforms, the damaging effects of “stop-go” financing, and the often disappointing results of adjustment support are well known. The weaknesses in the traditional approach to conditional aid described below have also been observed in many other borrower countries, and are by no means unique to Burkina Faso.

Burkina Faso has been receiving adjustment support from the Bank, IMF, and other donors since 1991. Yet as late as 1997 only a small group of officials at the Ministry of Economy and Finance was familiar with the reforms, even though most of the program actually affected other ministries. Even those aware of the reforms appeared to have little understanding of why they were being implemented, beyond being demanded by donors. Disbursement of support was conditional on the legal aspects of adopting and implementing the reforms, not the results. Thus there was little monitoring of actual results with data and analysis.

The third joint donor mission showed that even when data were available, neither donors nor the government paid much attention, because support was not contingent on data. The numerous donors multiplied demands on government, usually for the same information,

Can focusing on
the results of
policy reforms
make aid
more effective?

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monopolizing scarce domestic capacity while at times imposing conflicting conditionalities.

Methodology of the pilot

At the outset the donors agreed to use performance results indicators as a key element of the revised approach and to consider linking allocations and disbursements to results. But it was clear that the design of such a link would need to be based on lessons from the early missions. This proved to be a sound approach.

The government was asked to propose a matrix of performance indicators prior to the first mission. This matrix consisted mainly of input and output indicators but was refined over subsequent missions to focus on performance indicators for budget management and outcome indicators for social sectors (box 1). The indicators chosen relate to outcomes such as vaccination rates and books per pupil because indicators of impact—maternal mortality, literacy rates—are subject to factors beyond the government's control.

Between missions the government, working with donor representatives, collected existing data, carried out surveys for new data, analyzed results, and in a few cases drew policy conclusions from the analysis.

Lessons

The pilot generated five important lessons.

Outcome indicators shift the focus to results

The pilot has shown donors and governments the value of outcome indicators, which shift the focus of reforms to what really matters: results. This shift changes the nature of the government-donor dialogue and makes for more coherent and realistic objectives and interventions. The pilot has demonstrated that it is possible to document outcome indicators and to measure the impact of reforms in this manner.

For a country that has been consistently “on track” for the better part of the past decade, the use of outcome indicators revealed some startling facts. For instance, despite 10 years of increasing sectoral budget allocations and donor support as well as new cost recovery schemes in the health sector, attendance rates at health centers have steadily decreased. Surveys found that only a small percentage of budget allocations reached the decentralized level. In addition, the private sector complained of grave problems relating to the judicial system and to governance. Results in the education sector were more encouraging yet remained far from what is needed to achieve the government's long-term goals.

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BOX 1 KEY OUTCOME INDICATORS SELECTED FOR THE PILOT

Health

- Attendance rates at health centers: number of new consultations per capita
- Number of caesarian sections performed (a predictor of maternal mortality)
- Essential and basic vaccination rates
- Number of second prenatal consultations
- Level of user satisfaction
- Costs of basic services (publicly and privately provided)

Education

- Gross enrollment rates (boys and girls, public and private)
- Gross enrollment rates in first year of primary school (boys and girls)

- Success rate at primary school leaving examinations
- Number of books per pupil
- Level of user satisfaction
- Costs of schooling (publicly and privately provided)

Public finance management

- Coherence in budget allocations and sectoral policy objectives
- Implementation of the budget
- Share of the budget going to peripheral services
- Differences between unit costs in public sector procurement and market prices

Source: Adapted from government statistics department; rapid surveys.

Partnerships mean shared responsibilities

The government rightly pointed out that donors shared responsibility for the poor results of policies they had imposed as conditions for support. This raised the question of whether the choice of policies (and implementation indicators) is a sovereignty issue. If it is seen as such, a new approach will necessitate a shift in donor mentality from demanding reforms to giving advice.

Ownership is a good start

The pilot has also shown that the results-based approach enhances ownership. There was increasing participation at the highest political levels as the pilot progressed, and everyone agreed that the exercise changed thinking within ministries as the focus on results grew. The Poverty Reduction Strategy Paper approach, recently introduced by the World Bank and the IMF, reaffirms the pilot's focus on ownership because it asks the recipients of concessional lending or debt relief to devise their own poverty reduction strategies using a participatory approach.

Broadly based stakeholder involvement remains difficult

The government was initially reluctant to involve civil society and publicize the outcome targets. But progress has been made—private sector representatives were active participants in the third mission, information meetings have been held with a parliamentary committee, and so on. The government is committed to including parliamentarians and other civil society representatives in the final mission.

Donor coordination is worth the logistical difficulties

Finally, the pilot has shown the logistical difficulty but considerable value of joint donor missions. Donors have been able to draw on each other's sector expertise and to arrive at a common understanding on the direction and mechanisms to follow in the pilot. The government has particularly appreciated the joint approach, because it has freed scarce capacity and ensured coherence in relations with various donors. As noted, all

the participants agreed that disbursements related to budget management and sectoral performance should be based on results and graduated according to the degree of achievement. This agreement suggests that it should be possible to achieve the objective of smoothing aid flows.

Linking disbursements to outcomes

Models for linking disbursements to results have been constructed, and the final mission (in June 2000) will simulate how they would be applied to the results achieved in 1999. The purpose behind the simulation is not to identify a single disbursement link that should always be used. Rather, the simulation will highlight issues and principles to keep in mind when constructing links.

In the chosen models a share of donor support would remain linked to a stable macroeconomic framework as determined by the IMF. The rest of the support would depend on results in budget management and in the social sectors (health and education). For social sector support the government will set public targets for the selected indicators. Depending on the indicator, these targets can be a specific number or a quantified or nonquantified improvement over a baseline situation. Experience has shown that it is important to look at trends in indicators rather than absolute levels. The level of allocation and disbursement will vary depending on the degree to which a target is achieved.

Interpretation of whether a target has been achieved is a joint exercise between all the donors and the government. The assessment is flexible enough to distinguish between "target not achieved but some progress noted" and "no progress achieved." An indicator can also be "neutralized" if the (lack of) results for that indicator depend on factors beyond the government's control. Different indicators or groups of indicators—for example, on budget management—can be given more weight in terms of their impact on allocation and disbursement decisions. Finally, the simulation will look at the advantages of making a direct disbursement link

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(affecting disbursements in the same year as the evaluation) or an indirect one (affecting allocations for the following budget exercise). This approach will influence the predictability of donor aid flows.

Surveys have been carried out to measure user satisfaction, user costs, the share of the budget reaching peripheral levels, and so on. The surveys, which have been financed by the donors, will continue and their methodologies will be refined.

The simulation includes few if any conditions on how the results are to be achieved. If the government is to be judged on results, it should be free to determine the scope and timing of policy changes without micromanagement from donors. In areas where the government's policymaking capacity requires strengthening, donors remain committed to providing advice if the government seeks it.

Issues to be addressed

Several issues need to be addressed during the final mission:

- What support is needed to ensure reliable data for indicators?
- How will data be validated by donors?
- How will factors beyond the government's control be taken into account?
- How can allocations and disbursements be linked to results and make aid flows more predictable?
- How much freedom are donors ready to give Burkina Faso in choosing a strategy?

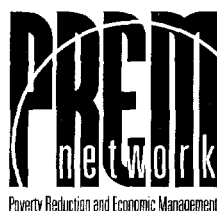
- How can stakeholders be involved in the design and implementation of reforms?

Driving feature of the pilot

The new approach had a defining feature: it took explicit account of the results of the reforms implemented in disbursement decisions through the use of outcome indicators. Using outcome indicators helps increase ownership, improve donor coordination, and smooth aid flows—that is, they enhance the effectiveness of aid. The pilot shows that these outcomes are possible despite the methodological difficulties and the mentality shift required of both donors and government.

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