

**FOR
AGENDA**

EBD/11/39

June 29, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Burkina Faso—Poverty Reduction Strategy Paper—Joint Staff Advisory Note**

Attached for consideration by the Executive Directors is the advisory note, prepared jointly by the staffs of the Fund and the International Development Association, on the poverty reduction strategy paper prepared by the government of Burkina Faso (EBD/11/38, 6/29/11). This paper, together with the paper on the second review under the three-year arrangement under the Extended Credit Facility for Burkina Faso and its request for modification of performance criteria (to be issued), is tentatively scheduled for discussion on **Friday, July 15, 2011**. The authorities of Burkina Faso have indicated that they consent to the Fund's publication of this paper. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Ms. Kabedi-Mbuyi (ext. 36387), Ms. Diouf (ext. 38645), and Mr. Boutin-Dufresne (ext. 39326) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board, to the WTO Secretariat on Friday, July 8, 2011; and to the African Development Bank, the Economic Community of West African States, the European Commission, the Food and Agriculture Organization, the Islamic Development Bank, the Organisation for Economic Cooperation and Development, the United Nations Development Programme, the West African Economic and Monetary Union, and the World Food Programme, following its consideration by the Executive Board.

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BURKINA FASO

**Joint Staff Advisory Note on
Poverty Reduction and Growth Strategy Paper**

Prepared by the Staffs of the International Development Association
And the International Monetary Fund

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June 24, 2011

I. OVERVIEW

- 1. The Strategy for Accelerated Growth and Sustained Development (SCADD), adopted by the government in December 2010 provides a framework for the achievement of the government's goals for 2011–15.** Building on progress under the Poverty Reduction and Growth Strategy (PRSP) implemented in 2000–2010 and consistent with the country's long-term development strategy (*Burkina Faso Vision 2020*), the SCADD sets out economic and social policies to support broad-based growth, sustained poverty reduction, and progress towards the Millennium Development Goals (MDGs). Macroeconomic policies and structural reform priorities in the SCADD are in line with the policy framework underpinning Burkina Faso's economic program supported by the IMF under the Extended Credit Facility Arrangement. The SCADD is also consistent with the recent World Bank Africa strategy and the focus on vulnerability and governance. This Joint Staff Advisory Note (JSAN) provides comments and advice from the staffs of the World Bank and IMF for strengthening the SCADD implementation, notably through annual progress reports (APRs).
- 2. The SCADD builds on lessons and experiences learned from the PRSP process.** While it is recognized that poverty alleviation is a long-term challenge, there is a greater scrutiny in the SCADD of the implementation process to ensure effectiveness. More importantly, given the low responsiveness of poverty to policy measures in the past, the SCADD seeks to improve the comprehensiveness in sectoral coverage. There is a stronger focus on private sector development, investment climate, rural transformation, and cross-cutting issues including gender, population, and the environment. Building on previous efforts, the new strategy aims at strengthening the monitoring and evaluation systems, along with indicators and targets. However, the SCADD was prepared before the social unrest of 2011, and it will be important to increase the priority given to good governance, accountability and inclusive growth in the course of its implementation.

3. **The SCADD was prepared before the social unrest of 2011, and it will be important to increase the priority given to good governance, accountability and inclusive growth** in the course of its implementation. Broad protests by a wide range of constituents, including soldiers, farmers, students, and shopkeepers, have affected Burkina Faso's long standing social and political stability, and led to growing social demands. Many of these represent calls for an impartial and honest justice system, a more transparent and rule-based procurement process, a more open political debate, greater accountability by government to its citizens, and in general a more active fight against corruption. Such themes are receiving new attention by the authorities; they will need stronger emphasis in the implementation of the SCADD.

4. **The SCADD was prepared based on the outcome of an extensive consultation process and thematic studies.** Consultations were carried out with various stakeholders at the national and regional levels, including civil society, the public and private sectors, and national institutions. A website was also put in place to gather the population's contributions to the strategy's preparation. Various studies, notably on Burkina Faso's socio-economic conditions and sources of growth provided inputs for the SCADD's preparation, and the country's development partners were given the opportunity to participate in the process, particularly through comments on draft SCADD documents. In the aftermath of the recent wave of unrest, development partners have seen an increasing need for broader legitimate avenues for articulation of citizen voice.

5. **While focusing on progress towards the MDGs and poverty reduction, the SCADD's main objective is to achieve strong and sustained economic growth.** To this end, macroeconomic policies and reforms for 2011–15 aim to support economic diversification; improve the absorptive capacity for public investment; increase investment in infrastructure and the energy sector to support productivity gains in the private sector; and maintain the momentum in structural reforms implementation. To achieve its objectives, the new strategy rests on four pillars: (i) the promotion of growth poles and the reduction of economic vulnerability; (ii) the development of economic infrastructure; (iii) the investment in human development; and (iv) the promotion of sustainable development. Under the SCADD, poverty reduction actions are aligned with the achievement of MDGs, with a particular emphasis on the following areas:

- Eradication of extreme poverty and hunger.
- Achievement of universal primary education.
- Promotion of gender equality and empowerment of women.
- Improvement in the population's general health, notably through a lower mortality rate for children under-five years of age.
- Improvement in maternal health, and fight against HIV/AIDS, malaria, and other diseases, and
- Environmental sustainability.

II. POVERTY ANALYSIS

6. **Staffs agree with the broad assessment of poverty in the SCADD.** They find that the characteristics of poverty are well-documented in the SCADD document. Nonetheless, they recommend that the authorities continue to refine statistical methodologies to ensure that results from various surveys are comparable. Staffs support the SCADD approach that accelerated growth and greater poverty reduction through an increase in public investment should have stronger links to the rural economy. Growth in rural areas, as well as poverty reduction would benefit from a deepening of reforms in the cotton sector, which would be supported by an efficient use of inputs, a stronger price stabilization mechanism, and better global prices for cotton. Staffs encourage the authorities to carry out additional empirical work to assess the underlying causes of poverty and provide a closer analytical understanding of the relationship between poverty outcomes and policy measures. They find that the outcome of this additional work on poverty dynamics will be useful to guide the public investment priorities in the following years.

7. **As detailed in the SCADD, the preliminary results of the 2009 household survey shows a 2.5 percentage points decline in poverty to 43.9 percent.** Other studies using household assets and wealth have found a greater decline in the incidence of poverty between the 1990s and the 2000s. In addition, there has not been a major change in inequality between 1998 and 2009. The Gini coefficient for inequality has stayed at 0.46 since the mid-90s. According to provisional results, poverty was reduced in rural areas but increased in urban areas over the period 2003–2009. However, the lack of full comparability of different surveys may have also created potential measurement errors on the scale of the reduction. While new surveys have strongly improved designs and methodologies, the comparison with past surveys is difficult. The World Bank staff is working with the authorities to build comparable welfare indicators using the same underlying information in different surveys.

III. MACROECONOMIC POLICIES AND FINANCING

8. **The authorities and staffs concurred that an efficient implementation of policies under the SCADD could accelerate growth and enhance poverty reduction efforts.** Sound policies and reforms in the last decade have contributed to macroeconomic stability in Burkina Faso. Economic growth averaged 6 percent in 2000–10, fuelled by strong performance in the agricultural, cotton, mining, and services sectors. Inflation has been moderate, particularly in the last two years where increased agriculture production has helped contained inflationary pressures. While the external position remains fragile because of Burkina Faso's narrow export based, and the economy's vulnerability to terms of trade shocks, the authorities have maintained prudent borrowing policies. Staffs believe that this environment provides a solid stepping stone for higher growth through the authorities' growth model, which combines the promotion of growth poles, notably to support agribusiness, the development of small-and-medium sized enterprises, the implementation of pro-poor programs, and structural reforms. Nonetheless, achieving an economic growth rate averaging 10 percent during 2011–15 as envisioned under the SCADD seems too optimistic and possibly unrealistic because it will take time to bring policies and growth-enhancing programs to fruition, and to address existing impediments to growth. In this vein, staffs recommend that the authorities be selective and define key priorities compatible with implementation capacity, private sector participation, and available financing. In addition,

they advise the authorities to define clear priorities in their development policies with a focus on improving the business environment further, and closing the infrastructure gap.

9. Social unrest in the first half of 2011 and unfavorable exogenous shocks are likely to have an adverse impact on the first year of the SCADD's implementation.

Broad protests by a wide range of constituents, including soldiers, farmers, and shopkeepers, affected Burkina Faso's long standing social and political stability, and led to growing social demands. Adverse exogenous shocks, notably higher fuel and food prices and the crisis in Côte d'Ivoire have also affected the country's economic environment and led to additional expenditure. The government has initiated a dialogue with different socio-political groups and stakeholders, responding to demands for institutional and political change, and has put in place steps to foster transparency and accountability and give greater voice to civil society. As one of the causes of unrest was the high cost of living, due to higher fuel and food prices and the crisis in Côte d'Ivoire, the authorities have taken social measures including price reduction for some basic staples and reduced the tax rate on salaries. Staffs encourage the authorities to revise the macroeconomic framework underlying the SCADD at the time of the first APR, to ensure that growth projections take into account developments in 2011. More generally, staffs encourage the authorities to take the opportunity of the first APR to make growth objectives consistent with projected public investment; progress in addressing impediments to growth; and the expected impact of growth-enhancing policies under the SCADD. In the event, staffs urge the authorities to take the needed actions to launch the pilot growth pole of Bagré, in collaboration with the World Bank.

10. Staffs welcome the SCADD's emphasis on macroeconomic stability, fiscal sustainability and prudent borrowing policies. The SCADD recognizes that continued fiscal consolidation, enhanced public financial management, and prudent borrowing policies are critical for sustainable growth and poverty reduction. However, beyond the fiscal framework Table presented in the document, the SCADD falls short of providing a comprehensive macroeconomic framework and the supporting fiscal strategy for the medium term. Such a strategy would clarify the potential for greater domestic financing and the possible need for continued external financial support in the outer years. Staffs urge the authorities to address this shortcoming in the first APR. Technical assistance recommendations in PFM, as well as Burkina Faso's recently updated medium-term expenditure frameworks provide good resources in this regard.

11. The strategy is estimated to cost about US\$15 billion for 2011–15. The SCADD's costing was prepared using the authorities' macroeconomic forecasting model, based on the outcome of the consultation process, the authorities' growth and poverty reduction objectives, and medium-term expenditure framework for 2011-15. Financing needs are not ring-fenced but instead are aligned with the budget framework for the medium-term. Staffs believe that presenting the SCADD's implementation programs and investment projects as part of the government budget is an important feature of the strategy which provides flexibility for scaling down expenditure in the context of annual budget preparation and review, in case of financing and revenue shortfalls. Staffs support this approach and encourage the authorities to update the strategy's costing through the first APR to reflect investment prioritization and other revisions to the SCADD, and to identify financing sources for any remaining financing gap. Staffs also encourage the authorities to take this opportunity to elaborate on the costing method for the SCADD.

IV. EQUITY AND POVERTY REDUCTION

A. Structural Reforms and Sectoral Policies

12. Staffs welcome the authorities' commitment to accelerate structural reforms.

They concur with them that priority areas for structural reforms remain: public financial management, financial sector development, cotton sector reforms, and the business environment. While welcoming progress in these areas in recent years, staffs find that a discussion in the SCADD on prospective reforms was warranted, particularly in the cotton and financial sectors, which are critical for economic development and poverty reduction.

- Regarding financial intermediation, the authorities agree with staffs that limited access to financial services is a major obstacle to private sector development, particularly for small and medium-size enterprise (SME). Staffs agree with the authorities on challenges involved in improving the supply and geographic distribution of financial services for SME. Constraints primarily stem from: (i) an inadequate supply of financial services, specifically financial institutions' lack of expertise in SME lending; (ii) a poor regulatory environment; (iii) weaknesses in the financial information infrastructure; and (iv) the weak management capacity of SMEs, notably in keeping appropriate accounting and developing credible projects. They welcome the authorities' commitment to improve access to financial services, and encourage them to accelerate the implementation of the financial sector strategy.
- For the cotton sector, staffs welcome the authorities efforts to improve the sector's viability through increased productivity by scaling up the use of improved cotton seeds from 20 percent of cultivated area in 2009 to more than 60 percent by 2011; improved access to inputs by reducing producers' debts; and recapitalization of the main cotton ginnery (SOFITEX). Staffs believe that improved prospects in the cotton sector provide a good opportunity to press ahead with reforms in order to enhance medium-term financial viability for the sector.

13. Staffs support the SCADD's emphasis on investment climate reform for a private sector-led growth.

The authorities have made important progress in improving the business climate, bringing the country to the top ten reformers in the world, and the first in the West African Economic and Monetary Union (WAEMU) region, in the last three years. Key areas of improvement have included: the rigidity index for employment, business registration, strengthening land property and establishing commercial courts. However, Burkina Faso still ranks poorly in the *Doing Business* indicators (152 out of 183 countries in 2011). In particular, judiciary constraints remain a deterrent to financial and private sector development. Staffs urge the authorities to maintain efforts aimed at improving the business environment further, and stimulating income-generating activities and competitiveness. In this context, they encourage the authorities to prepare a reform program for the judicial sector, to be implemented under the SCADD, taking into account ongoing initiatives at the level of the WEAMU.

14. Staffs welcome the SCADD's renewed focus on infrastructure development. The SCADD discusses the infrastructure projects that the government plans to realize over the next few years, focusing on roads, airports, and electricity. The World Bank-supported Bagré Growth Pole Program is also expected to promote a viable model of agribusiness

development, with a greater control of water resources. The Bagré pilot initiative will also be extended to other areas of the country as part of a broad-based growth pole strategy. The development of the mining sector will be important in this approach since the sector figures prominently in many of the new growth poles. These projects should help provide the necessary basis for private sector development, and increase economic activity in provinces. In view of the focus on the growth pole model in the SCADD, staffs encourage the authorities to carry out a full evaluation of the Bagré pole pilot and draw lessons from it before replicating it to other areas. The emphasis on public-private partnerships is acknowledged and the Public Private Partnership (PPP) strategy adopted by the authorities in March 2011 represents an important first step. Staffs encourage the authorities to push ahead with the preparation of a PPP law consistent with this strategy, and the establishment of an appropriate institutional framework. Staffs welcome the concerns expressed in the SCADD on high transaction costs in the transport sector and its negative impact on investment and growth. The preparatory studies undertaken on the liberalization of trucking through the gradual elimination of the quota and queuing systems are welcome. Staffs advise that these studies be followed up with careful implementation.

15. Staffs endorse the SCADD's focus on improving the electricity infrastructure.

The Bobo-Dioulasso-Ouagadougou transmission line was commissioned at end—2009. However, Burkina Faso has been going through load shedding during the early part of 2010 and again during 2011, partly because of shortages in energy supplied from Côte d'Ivoire. By participating in the West African Power Pool, Burkina Faso would gain access to regional power supplies, significantly reducing electricity costs and providing opportunities for improved regional ICT connections using the same transmission lines. However, while these connections are important, the authorities may wish to articulate a sustainable national strategy on energy which addresses the rationalization of pricing systems for energy products to promote efficiency and industrial development, as well as exploiting renewable energy sources. Overall, staffs endorse the SCADD's emphasis on alleviating the infrastructure bottlenecks, especially in the transport, electricity and ICT sectors since transit and energy costs in Burkina Faso are among the highest in the sub-region.

16. The SCADD highlights the need to focus on rural development given the prevalence of poverty in rural areas. Burkina Faso has lacked a rural development strategy for many years, and staffs encourage the authorities to prepare and implement such a strategy as part of the SCADD implementation process. This would help the authorities in slowing down rural exodus and reducing poverty in rural areas. The importance attached to agriculture is well justified given the prevalence of poverty among farmers. While the strategy as delineated in the SCADD is holistic and beneficial to the poor, much attention will be needed in improving farmer access to quality inputs and credit. Staffs recommend that the government uses the first APR to discuss measures to raise productivity and strengthen the robustness of the agricultural sector. Increasing productivity in several food value chains, such as maize, rice, sorghum and millet, will reinforce horizontal and vertical diversification with development and adoption of post-harvest technologies and management practices. Staffs support the SCADD's discussion on the vulnerability of the economy to climate change and land degradation and encourage the implementation of measures taken by the authorities to reduce these potential risks.

B. Governance

17. **The SCADD appropriately identifies economic governance as strategically important for Burkina Faso's development.** Staffs welcome the SCADD's frank discussion of constraints in enhancing governance in Burkina Faso and highlight the particular importance of efforts to strengthen the rule of law, consolidate fiscal decentralization, and strengthen accountability within the civil service to promote governance. The recent unrest has highlighted the importance of further governance reforms. The SCADD emphasizes the importance of continuing to develop robust internal and external controls to curb corruption and ensure accountability of public institutions. Staffs consider that an independent, efficient and responsive judiciary is vital to ensure that internal and external controls lead to accountability, sanctioning of misconduct and prevention of future abuses by public institutions. A challenge for the government in implementing the SCADD will be to accelerate and prioritize justice sector reforms, especially relevant in the wake of the recent unrest, by providing appropriate resources and monitoring performance. To achieve transparency, a clearer emphasis could also be placed upon enhancing access to information by the population. Staffs recognize progress in implementing conformity measures for the Extractive Industry Transparency Initiative (EITI) principles in 2011.

18. **An effective decentralized program of service delivery will make it possible to streamline the expenditure process, reduce regional inequalities, and better address the needs of the local population, in particular the most vulnerable groups.** Staffs recommend that a particular focus be placed on developing an equitable revenue collection base for local governments to fulfill their mandate. It would also be useful to explore opportunities for strengthening citizen engagement in local development, beyond the elaboration of local development plans. The authorities' commitment to decentralization is welcomed, particularly given its potential to enhance efficiency gains and improve service delivery, and stimulate localized economic growth and promote the equitable redistribution of growth. The SCADD recognizes the challenges in the decentralization process and notes ongoing issues related to weak local government capacity and limited transfer of resources. Decentralization reforms as articulated in the SCADD can address the issue of adequate financial transfers to the local level and rationalization of administrative structures in light of the new institutional structure of the state, together with improvements in civil service administration. In parallel to decentralization and as a complementary reform, staffs recommend that urbanization needs be managed as well via better urban planning and improvement in city quality to help build stronger linkages between rural and urban areas. Staffs recommend a continued focus on decentralization, with a particular emphasis on building local government capacity and the transfer of competence and resources from national to local levels.

19. **Staffs welcome the authorities' commitment to improve public financial management and ensure greater coherence with WAEMU guidelines.** With regard to the budget process, the authorities intend to pursue the implementation of the program budgeting approach. However, this critical reform should be implemented in coherence with the PFM Directives recently issued by WAEMU commission, including important reforms in the area of the decentralization of budget management, accrual accounting, and adoption of the risk-based approach for the internal control bodies and certification of the state financial statement by the Supreme Audit institution. The Audit Court (*Cour des Comptes*) now

publishes on a regularly basis a Yearly Audit Report, the quality of which has improved according to the 2010 PEFA results. Staffs advise the authorities to ensure the timely publication of these reports, and to follow up on its recommendations. They also encourage the authorities to address remaining challenges for the revision of the Organic Law for the Supreme Audit Institution, and to increase financial and technical support to external financial oversight bodies.

C. Human Development and Social Protection

20. Measures implemented by the government in recent years have led to progress in the human development area, notably for access to education although its quality remains a concern. In the area of education, good progress has been made in the implementation of the Ten-Year Basic Education Development Plan (PDDEDB, 2001–2010), notably in the area of school infrastructure. The number of schools rose from 8,182 in the 2006/07 school year to 10,198 in 2009/10, an increase of 25 percent. During the same period, the number of classrooms grew from 28,925 to 38,269. The gross enrollment rate in primary education increased by more than 10 percentage points between 2005 and 2010. The reform has also helped reduce school fees paid by parents in lower secondary school. Access to secondary and higher education has also increased. Nonetheless, important disparities among regions and difficulties in attracting and retaining skilled personnel remain. Further improvements in both access and quality are needed. Staffs welcome the SCADD's focus on a continued expansion in primary education as well as a coordinated expansion of secondary and vocational education. However, the educational indicators can still improve considerably so that adult literacy moves beyond the 28.7 percent estimate in 2007. Staffs recommend the continued implementation of the education strategy and a scaling-up of both sectoral investment and reforms. Staffs also advise a close monitoring of drop-out rates in primary education, and encourage the authorities to take appropriate measures to improve access to schools and teacher quality.

21. Staffs welcome the authorities' focus on the health sector in the SCADD, and note the good progress made in this sector in 2009–2010. A new ten-year health sector program (PNDS II) 2011–2020 was adopted in 2010. Public health expenditure increased from 7.4 percent of GDP in 2004 to about 10 percent in 2010. The percentage of births assisted by trained health personnel has also increased to reach 70 percent in 2010. Despite this progress, however, MDGs in the health sector are unlikely to be met by 2015. Staffs welcome the SCADD's attention to increasing health sector financing and improving the equity of resource allocation, and encourage the authorities to take decisive actions to improve the coverage and efficiency of health expenditures and strengthen the linkages between investments and outcomes in the health sector.

22. Staffs commend the authorities' work on HIV/AIDS and their commitment to scale up care and treatment as articulated in the SCADD. The authorities prepared a third-phase HIV/AIDS strategy (2010–2015), which seeks to improve targeting of interventions, including those for high-risk groups. HIV prevalence is stabilizing, and declining in some urban areas, partly thanks to prevention efforts supported by donors including an IDA MAP project, and strong government engagement. The 2008 prevalence rate was 1.8 percent compared with 2.03 percent in 2006. The SCADD envisages a scaling up of interventions towards reducing HIV incidence. Staffs propose a deeper analysis of HIV

trends through APRs. They encourage continuation of reforms in this area and welcome the multi-sectoral focus and orientation towards prevention and surveillance.

23. **Staffs highlight the need to focus the SCADD on further social inclusion and equity.** The total budget for poverty-reducing spending increased from 5.3 percent of GDP in 2006 to 6.8 percent in 2010. Staffs stress the importance of greater allocation of budgetary resources to protect vulnerable groups, and call for a deeper analysis of vulnerable groups needs than currently covered under the SCADD. They find that the scope and coverage of the existing social safety net system remains limited. On average, excluding fuel subsidies, spending on social safety net programs was about 0.6 percent of GDP in 2005-09. The universal fuel subsidies are expensive and have had a limited impact on the poorest deciles of the population. Staffs recommend that, as part of the SCADD implementation, the authorities improve the focus on social safety net systems, and prepare a medium-term youth employment action plan to smooth employment policy.

24. **Gender inequality remains a major obstacle to development and economic growth.** The SCADD rightly recognizes the obstacles faced by women as well as disparities in school enrolment. As part of the strategy to improve gender, the authorities adopted a new National Policy for Gender Promotion in 2009 and an implementation plan in 2010. In addition, Permanent Secretariats for gender promotion were created in 2010 at the central and regional levels in order to coordinate all the efforts and encourage partnerships around the implementation of the action plan. Gender equality continues to be on the government top agenda as underlined in the SCADD. Staffs believe that the SCADD could provide a platform for addressing gender inequality.

V. IMPLEMENTATION, MONITORING, AND EVALUATION

25. **The SCADD's implementation strategy comprises institutional arrangements, review processes, and annual consultations between the government and the country's development partners.** The institutional setup for sound monitoring and evaluation system has been put in place, although some challenges remain. A group of sectoral and thematic commissions that monitor programs and report progress are the linchpin of the new system and provide a forum for policy dialogue and results monitoring. Staffs find the strategy comprehensive, with clearly defined responsibilities. This notwithstanding, existing administrative capacity constraints need to be addressed to ensure an efficient functioning of the monitoring and assessment mechanisms. In addition, staffs believe that the performance matrix, as well as the monitoring system for sectoral performance could be further strengthened with annualized benchmarks to measure progress.

26. **Staffs agree that the National Steering Committee (NSC) for the SCADD should be entrusted with the overall oversight of the strategy's implementation.** They urge the authorities to ensure that the NSC is adequately equipped with human, financial, and technical resources to carry out its duties. Moreover, the NSC needs a proper coordination with the various thematic groups. In this vein, staffs underscore the need to improve the quality and timeliness of data needed to assess the impact of macroeconomic and social policies; to strengthen communication and information flows between ministries; and to strengthen analytical capacity as well as accountability for all stakeholders in the SCADD implementation process. The staffs stress the need to improve statistical capacity and data quality to properly track progress and create accountability.

27. **Staffs concur with the authorities' analysis that key risks to the SCADD's implementation include:** continued or worsening social unrest, securing financing for the strategy's implementation; the economy's vulnerability to natural disasters, terms of trade shocks, and potential adverse regional and global developments; and stakeholders' consensus. Achieving SCADD's objectives will critically depend on the authorities' ability to address these risks, while removing impediments to growth. Furthermore, recent social unrest points to the need for the authorities to secure social cohesion and enhance the credibility of economic and social policies. Staffs urge the authorities to take the opportunity of the first APR to prepare contingency measures to be implemented should key risks materialize.

VI. CONCLUSION

28. **The authorities have set up ambitious developmental goals for Burkina Faso and outlined policies and reforms to reach these goals in the next five years under the SCADD.** To safeguard a successful implementation of the new strategy, the authorities need to address key challenges related to existing shortcomings in investment execution, procurement processes, and absorptive capacity, as public investment is expected to play an important role to close the infrastructure gap and support efficiency gains in the private sector. As the authorities plan to rely mostly on domestic resources to finance the SCADD, they will need to prepare a medium-term fiscal strategy, spelling out specific measures to enhance revenue collection, and advance expenditure management reforms. To address human development challenges, the authorities need to maintain the momentum of reforms in social sectors, while improving access to social services and developing effective social protection systems. Advancing structural reforms will be critical to enhance growth prospects and fight poverty. A particular emphasis will be needed in relation to restoring the viability of the cotton sector, improving the overall investment climate, strengthening diversification, enhancing governance, and improving service delivery in health and education.

29. **Staffs encourage the authorities to address some of the shortcomings identified in this note in the first APR.** The recommendations below could help in this regard.

- Give higher priority to the issues of governance and accountability and provide more details on the types of reforms to be adopted.
- Refine poverty dynamics analysis through additional empirical and analytical work to assess the causes of poverty and better grasp the link between poverty outcomes and policy measures.
- Define clear priorities in development policies and planned investment projects, with a focus on improving the business environment further, closing the infrastructure gap, and addressing administrative capacity constraints. This would also help the authorities update the costing for the strategy.
- Revise the macroeconomic framework underlying the SCADD to ensure that growth projections take into account developments in 2011; and more generally, that they are consistent with projected public investment and related financing constraints, and to identify financing sources for residual financing gaps, particularly for the next year.
- Prepare a medium-term macroeconomic framework and the supporting fiscal strategy for the SCADD, with a particular emphasis on revenue-enhancing measures.

- Prepare a medium-term strategy to accelerate structural reforms in priority areas identified in the SCADD.
- Press ahead with the preparation of a PPP law consistent with the new strategy adopted in early 2011, and establish an appropriate institutional framework.

30. In considering Burkina Faso's Strategy for Accelerated Growth and Sustainable Development, Executive Directors may wish to consider the following issues:

- Do Directors agree with staffs' view that the SCADD provides an adequate framework to accelerate growth and poverty reduction?
- Do Directors concur with the areas identified by staffs as priorities for strengthening the SCADD and its implementation?