

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



BURKINA FASO

**EXTENSION OF THE RESULTS-BASED COUNTRY
STRATEGY PAPER FROM 2005-2009 TO 2010-2011**

**REGIONAL DEPARTMENT WEST I
ORWA**

April 2010

CURRENCY EQUIVALENTS (April 2010)

Currency Unit	=	CFA Franc (CFAF)
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UA 1	=	USD 1.557
UA 1	=	EUR 1.101

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ACRONYMS AND ABBREVIATIONS

AICB	<i>Association interprofessionnelle du coton du Burkina</i> (Inter-professional Cotton Association of Burkina Faso)
ADB	African Development Bank
PRSF	Poverty Reduction Strategic Framework
RBCSP	Results-Based Country Strategy Paper
ADF	African Development Fund
AWF	African Water Facility
IMF	International Monetary Fund
SRF	Special Relief Fund
Km	Kilometre
MV/LV	Medium Voltage/Low Voltage
ONATEL	<i>Office National des Télécommunications</i> (National Telecommunications Corporation)
PRSSP	Poverty Reduction Strategy Support Programme
PAFICOT	Cotton/Textile Sector Support Project
PADER-GK	Gnagna and Kouritenga Development Support Project
PADL-CK	Comoe, Leraba, Kenedougou Development Support Project
PPF PAGEREN - MOCOP	Project Preparation Fund for the Mouhoun Loop, Centre West and Central Plateau Natural Resource Management Support Project
PEFA	Public Expenditure and Financial Assessment
GDP	Gross Domestic Product
UNDP	United Nations Development Programme
RWSSI	Rural Water Supply and Sanitation Initiative
SCADD	Accelerated Growth and Sustainable Development Strategy
SRFP	Public Finance Strengthening Strategy
SOCOMA	<i>Société Cotonnière du Gourma</i> (Gourma Cotton Company)
SOFITEX	<i>Société des Fibres et Textiles</i> (Fibers and Textiles Company)
SONABEL	<i>Société Nationale Burkinabé d'Electricité</i> (National Electricity Company of Burkina Faso)
SONABHY	<i>Société Nationale Burkinabé des Hydrocarbures</i> (Burkina Faso National Oil and Gas Company)
UA	Unit of Account
WAEMU	West African Economic and Monetary Union
HIV-AIDS	Human Immunodeficiency Virus-Acquired Immune Deficiency Syndrome

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1. INTRODUCTION

1.1 In July 2005, the Boards of the African Development Bank (ADB) and the African Development Fund (ADF) approved the Results-Based Country Strategy Paper (RBCSP) for Burkina Faso, covering the period 2005-2009. This strategy was based on two pillars: (i) diversification of the economy; and (ii) improving the living conditions of the population, particularly vulnerable groups. In considering the RBCSP, the Boards noted with satisfaction the progress made at the macro-economic level and the gradual introduction of transparency in the management of public finances. They expressed concern about the persisting poverty, which affects about half of the population, and the low contribution of the private sector to economic growth. They urged the Government to focus more on activities with higher impact on poverty reduction and to strengthen good governance practices. The mid-term review of the strategy, conducted in April 2007, resulted in maintaining the strategy and its two pillars.

1.2 While formulation of the RBCSP 2010-2014 had been planned for 2009, in the same year, the Government started preparing a new country development strategy, called the “Accelerated Growth and Sustainable Development Strategy (SCADD)”, scheduled to be finalised late 2010. In that regard, the following were adopted: (i) in March 2009, a scoping paper setting out the broad guidelines of this new strategy; and (ii) in April 2010, an action programme to address the effects of the September 2009 flooding and the global financial and economic crises.

1.3 Pending finalisation of the SCADD, this paper is intended to apprise the Boards of the status of implementation of the RBCSP 2005-2009 and to request its extension to the end of 2011, in order to align the Bank’s next strategy with the Government’s. The extension to 2011 requested draws on the SCADD scoping paper and the action programme to address the effects of the 2009 flooding and the global financial and economic crises. It is justified by the delay in formulating the SCADD. This delay could be worsened by the presidential elections slated for November 2010. However, if the Government keeps to the end 2010 deadline, the Bank would bring forward the completion of its next strategy to align it with the Government strategy.

2. RECENT MAJOR DEVELOPMENTS

a) **Political Context**

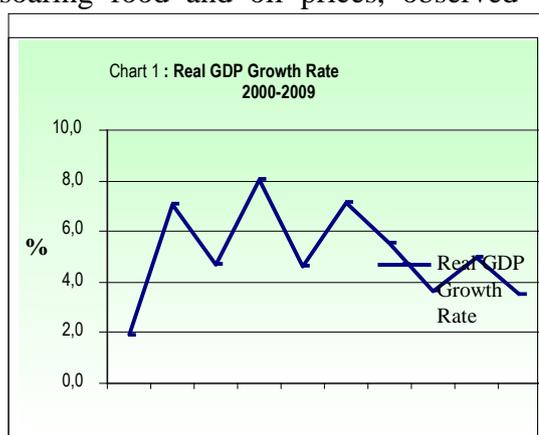
2.1 **The political situation has not undergone changes that could affect implementation of the strategy over the period.** The November 2005 elections were won by the incumbent president whose party received support from some opposition parties. The municipal (May 2006) and parliamentary (May 2007) elections were also won by parties affiliated to the presidential majority. Following adoption of the law on the status of the leader of the opposition in April 2009, a leader was designated from the opposition in September 2009, thereby clarifying the political playing field to some extent.

2.2 The country is one of the few stable ones in the sub-region that has not experienced a civil war or an armed rebellion. Under its president, the country has been playing a key role in the resolution of conflicts in the sub-region (Cote d’Ivoire, Guinea Conakry and Togo), which is important for strengthening regional integration. During the RBCSP period, these crises had no significant impact in terms of population influx from neighbouring countries.

2.3 The major challenge lies in the holding of the upcoming November 2010 presidential elections, under open, transparent, credible, equitable and peaceful conditions. In view of the country context, the outcome of this election is not expected to affect the Bank's strategy. However, the possibility of amending Article 37 of the Constitution on presidential term limits has caused much agitation in political circles and civil society alike, and could become a risk factor for social unrest.

b) Economic Situation 2005–2009 and Outlook

2.4 **From 2005 to 2009, Burkina Faso recorded an average annual real GDP growth rate of 5%, despite a difficult international context.** The cotton sector continued to drive growth from 2005 to 2009, in spite of the constraints of the previous four years (low world prices, adverse weather conditions, etc.). The inflation rate averaged 4.5% (against a community standard of 3% maximum) owing to soaring food and oil prices, observed particularly in 2008 (10.7%). From 2008 to 2009, the economy was hard hit by the effects of the cotton, energy and food crises and floods, leading to a decline in GDP growth from 5.2% in 2008 to 3.2% in 2009, owing to a 10.4% drop in cereal production and a 6.5% fall in cotton production. In 2009, growth was mainly driven by the extractive industries (gold) with an increased output of 12.2%, and the telecommunications sector (+9.4%). By end 2009, the inflation rate stood at 2.6% (compared to the record high in 2008) as a result of lower oil and food import prices and the good 2008/09 crop, which helped to replenish stocks.



2.5 **Although the medium-term prospects¹ are affected by the aftermath of the various crises, there are indications of a rebound in GDP growth to 4.2% in 2010 and further to 5.3% in 2011.** The extractive industries will continue to drive growth as other mines go into production. Services including trade, transport and telecommunications will form the second pillar of growth. The agricultural sector will continue to play a key role in economic growth, thanks to measures taken by the Government to revive agricultural production (dissemination of improved seeds, equipping of producers, off-season crops) and restructure the cotton sector. The “food” component of the consumer price index is crucial in the price structure. With the measures envisaged to boost agricultural production and the replenishment of safety stocks, rising prices should be relatively controlled and inflation should be below 3%, over the period.

2.6 **Externally, the export sector has undergone significant change, due to the international situation, including the dollar rate, cotton and gold prices.** Indeed, the share of cotton, which accounted for 60% in 2005, dropped to 29% in 2009. Gold became the leading export product in 2009, with a share of 41% compared to less than 4% in 2005 stemming mainly from the improved gold prices on the global market and the surge in production to 12 tonnes in 2009 compared to 5.5 tonnes in 2008. However, the volume of gold exports could not offset the dramatic decline in cotton exports (37.3% between 2007 and

¹ Sources: Government and IMF, September 2009

2008) and did not suffice to prevent the “present value of debt to exports” ratio from worsening. Imports, dominated by oil products (22% of total imports in 2005 compared to 34% in 2008 and 24% in 2009), grew by 5% between 2008 and 2009, contributing to the country’s deficit position. Despite this, the current account deficit improved, dropping from 11.7% in 2005 to 9.1% in 2009 due to increased exports (mainly gold) and the fall in petroleum product imports as a result of the declining prices in the wake of the global financial crisis. The country’s heavy dependence on gold and cotton makes it highly vulnerable to external shocks. The major challenge for Burkina Faso is to strengthen and implement reforms geared towards diversifying the production base.

2.7 **Fiscal policy has been characterised by prudent management of public finances**, which has helped to contain the budget deficit (commitment basis, including grants) at 5.5% of GDP on average per year. In 2009, the country experienced a deterioration of its basic fiscal balance, recording a deficit of 6.7% of GDP against 4.4% in 2008. This reflects the additional expenditure made to deal with the aftermath of the crises and floods. Table 1 below highlights the effects of the crisis and the flooding on the overall fiscal balance deficit (commitment basis, including grants).

Table 1
Trend of the Fiscal Balance 2008 – 2010

	2008	2009		2010
	Actual	Estimated	Actual	Estimated
Overall fiscal balance deficit in % of GDP (commitment basis, excluding grants)	8.4	11.4	13.8	11.7
Grants (% of GDP)	4.0	6.3	7.1	6.4
Overall fiscal balance deficit in % of GDP (commitment basis, including grants)	4.4	5.1	6.7	5.4
Financing gap (in CFAF billion)	161.1	196.1	258.4	218.3

(1) Estimated prior to the financial crisis and the January 2009 floods
Source: Burkina Faso Government and IMF, January 2009 and 2010

2.8 **The high risk of debt overload coupled with the weak management capacity has become a source of concern.** According to the latest debt sustainability analysis by the Breton Woods Institutions, the ratio of present value of debt to exports would rise from 113.9% in 2009 to 120.6% in 2010, and is expected to reach 184% by 2018. The risk of this ratio deteriorating is due to the fluctuations in cotton production and its impact on terms of trade. The other debt ratios remain well below their viability threshold. To address the risk of deterioration in the “present value of debt to export” ratio, Burkina Faso should focus on grant financing, limit external debt to highly concessional loans and pursue the diversification and increase of exports. With regard specifically to the issue of debt management capacity, the Bank, through the Public Expenditure and Control Institutions Support Project (PAIPDPC) provided support to the development of a procedures manual for public debt and debt management, which is scheduled for completion in June 2010. In addition, the IMF intends to provide support under the upcoming Extended Credit Facility Programme, 2010–2013, under preparation. The IMF programme nearing completion, mainly supported reforms in the area of taxation, expenditure and treasury management, financial sector development and the cotton sector. The programme currently on the drawing board will pursue these reforms. In addition to building capacity in debt management, it will also cover civil service reform.

c) Social Context

2.9 **Despite the good macro-economic performance and a trend towards improving the social indicators, poverty continues to be a major concern.** In the area of health, actions taken under the National Health Development Plan (PNDS), led among others to: (i) improved rate of attendance at health facilities, which rose from 32% in 2005 to 51% in 2009; (ii) increased rate of attended births from 48.7% in 2006 to 65.19% in 2008; (iii) reduced infant mortality rate from 89 per 1,000 live births in 2001 to 79.8 per 1,000 live births in 2008. Concerning education, with the implementation of the Ten-Year Basic Education Development Plan (PDDEB), the gross enrolment rate rose from 60.7% in 2005 (of which 55% for girls) to 72.4% in 2009, including 67.7% for girls; post-primary enrolment rate (lower secondary) went up from 20.0% (of which 16.6% for girls) in 2005 to 26.4% (of which 22.5% for girls) in 2009. With regard to drinking water and sanitation, the reference framework is the National Drinking Water and Sanitation Programme (NP-DWSS). Through actions taken in this area, the rate² of access to drinking water has reached 72% in urban areas and 56% in rural areas.

2.10 These efforts notwithstanding, it will be difficult to achieve the MDGs by 2015. According to recent government estimates, 43.2% of the population lived below the poverty line in 2009, compared to 46.3% in 2004, which distances it from achieving the target of 35% set for 2015. Furthermore, with an HDI of 0.389, Burkina Faso is ranked 177th out of 182 countries in the UNDP Human Development Report 2009. The cotton and cereal crises, especially contributed to worsening the living conditions of the population in both urban and rural areas. The September 2009 floods mainly affected Ouagadougou, causing several casualties and leaving 180,000 people homeless. Furthermore, several bridges, roads and public buildings (schools, health centres) were damaged, with the country's main hospital losing costly and essential biomedical equipment, and 24,000 private houses destroyed.

d) Structural Reform

2.11 The Government has embarked on a series of reforms geared towards improving public finance management, decentralisation and private sector development, particularly in the areas of cotton, the financial sector, telecommunications and energy, land and the business climate.

2.12 **Public finance management is improving³.** A new public procurement system, more in line with international standards, has been established; accountability is being consolidated through the timely production of the Budget Review Act and the regular publication of the Audit Bench annual report; control institutions have been streamlined, with the creation of the Supreme State Audit Authority (ASCE) whose annual report has also been released. A new tax policy has been adopted. According to the results of the two Public Expenditure and Financial Accountability (PEFA) exercises conducted in 2007 and 2010, most of the indicators for the finance management system are improving. Thus, between 2007 and 2010, scores for the indicators of “transparency of taxpayers’ liability and obligations”, “effectiveness of internal audit system”, and “predictability of the availability of funds for the commitment of expenditure” went from D⁺ to B for the first indicator, and from D⁺ to B⁺ for the last two. In addition, with regard to internal revenue, the tax burden (12.8%

² Data from 2005 on access to water was not reliable enough to be used as reference.

³ Through implementation of the Public Finance Strengthening Strategy adopted in 2007.

at end 2009) remains low. Implementation of the new tax policy adopted in February 2010 should help to improve the level of revenue recovery as from 2011. Lastly, the reform aimed at instituting programme budgeting that had stalled due to the complexity of the approach, gained fresh impetus late 2009 with the setting up of a reform steering committee and the establishment of a Permanent Unit.

2.13 **Decentralisation is progressing gradually with** the full “communalisation” of the territory and transfer of skills in 11 areas including education, health, drinking water and sanitation. The decentralization of government structures is ongoing, to bring services closer to citizens and provide technical support to local authorities. However, there are challenges in terms of building the capacity of local elected officials and the actual transfer of financial resources concurrently with the transfer of skills. Furthermore, efforts must be pursued to establish appropriate decentralised financial instruments, combining budgetary transfers between central government and local authorities as well as develop local taxation.

2.14 In the **cotton** sector, liberalisation efforts have led to the establishment of two other ginning companies (*Faso Coton* and SOCOMA), which now share the market with SOFITEX. The Inter-professional Cotton Association of Burkina (AICB) comprising cotton companies and producers, and a mechanism for smoothing prices have been established. However, recent events at the international level (sharp drop in the price of cotton) have rendered the sector more vulnerable, leading to an accumulation of huge losses and the recapitalisation of the ginning companies. Indeed, with the recapitalisation, Government ownership in the largest ginning company (SOFITEX) has risen from 35% to 65%.

2.15 In the **financial sector**, the liberalisation process has continued with the withdrawal of the State in 2008 from the capital of two banks – *Banque Agricole et Commerciale du Burkina* (Agriculture and Commercial Bank of Burkina) and *Banque Internationale du Burkina* (Burkina International Bank) – where it was the majority shareholder. The authorities have also recognised that access to credit is a major obstacle to economic growth, which is why the Government in 2009 prepared and adopted a strategy for strengthening the financial sector. The strategy aims to strengthen the sector’s stability, foster competition among institutions, improve access by small- and medium-sized enterprises to credit and develop mortgage financing.

2.16 In the area of **telecommunications and energy**, the major advances achieved were the privatisation of the National Telecommunications Corporation (ONATEL) with the sale of 51% of the company to Morocco Telecom, which allowed the government to generate CFAF 144.3 billion in 2007 for the national budget. This reform has helped to introduce competition into the telecommunications sector and significantly reduce costs. However, no progress was made on the privatisation of the national electricity company, SONABEL, and the national oil and gas company, SONABHY. In 2010, the government withdrew SONABEL from the portfolio of companies to be privatized.

2.17 On **land**, a law on land tenure security in rural areas was adopted in 2009 after a lengthy participatory process launched following the adoption of the policy on land tenure security in rural areas in 2007. This law is intended to promote productive investments in the agricultural sector and lay the foundation for the modernisation of agriculture and its mainstreaming into the market economy. The implementing instruments are being prepared. Moreover, the September 2009 floods highlighted the need to factor in the urban dimension and cadastral reform.

2.18 With regard to the **business climate**, the reforms initiated led to: (i) the simplification of the procedures for starting a business with the opening of a centre to handle business creation formalities; (ii) ownership transfer through the setting up of a construction permit facilitation centre and a one-stop shop for land transactions; and (iii) improvement of labour laws through the adoption of a new labour code to ensure more flexibility in the labour market. These advances helped to improve the country's ranking in Doing Business Report 2010, moving from 155th in 2009 to 147th among 183 pays. Burkina Faso has thus become the best reformer of the WAEMU community. Despite these advances, other constraints remain and hinder the country's economic competitiveness: high cost of inputs, internal and external isolation compounded by lack of amenities (electricity, water), weaknesses in the execution of contracts, investor protection, cross-border trade formalities, taxation and access to credit.

3. STATUS OF IMPLEMENTATION OF THE RBCSP 2005-2009

3.1 Through this RBCSP, the Bank is supporting the Government's efforts in achieving the following outcomes: (i) consolidate the stability of the macro-economic framework and improve governance in order to foster sustainable growth; (ii) increase productivity and competitiveness in the agricultural sector and develop sustainable income-generating activities; (iii) build the country's administrative capacity; and (iv) improve the living conditions of the population, particularly vulnerable groups (health, water and rural electrification). To that end, implementation of the RBCSP was based on the execution of ongoing projects (aligned on the SFFP) and new operations approved over the 2005-2009 period. The new operations were financed with resources from: (i) ADF X, for UA 90 million, (ii) ADF XI, for UA 125.5 million; (iii) RWSSI, for UA 10.1 million; (iv) AWF, for UA 0.8 million; and (v) SRF, for UA 0.64 million. Table 2 below shows details of approved projects and programmes as well as operations planned for the utilisation of the remaining ADF XI resources.

Table 2
Operations Approved under the RBCSP 2005 – 2009 and the 2010 Intervention Programme

Sector	Projects	Window	Amounts of Approved Projects and Programmes (in UA million)					Programme (in UA million)	Total (in UA million)
			2005	2006	2007	2008	2009	2010	
Agriculture	Gnagna and Kouritenga Rural Development Support Project	ADF		12.50					12.50
	PPF PAGEREN-MOCOP	ADF				0.49			0.49
Infrastructure	Koupela-Bitou Road Project	ADF					62		62.00
	Supplementary Loan Ouaga-Pô Road Works	ADF				18.00			18.00
	DWSS Project in Rural Areas (4 Regions)	ADF			20.00				20.00
		RWSSI			10.10				10.10
	Capacity Building for Decentralisation in the Rural DWSS Sector	AWF				0.41			0.41
	Sanitation in Ouagadougou Suburbs Sanitation Study	AWF				0.35			0.35
	Electrification Project	ADF						25.10	25.10
Social	Centre-East and North Regions Health Development Support Project	ADF	25						25.00
	Emergency Relief for Flood Victims	SRF					1		0.64
Multi-sector	PRSSP III	ADF	30						30.00
	Public Expenditure and Control Institutions Support Project	ADF		2.46					2.46
	PRSSP IV	ADF				45.00			45.00
	PRSSP V	ADF						10.00	10.00
Total			55	14.96	30.10	64.25	63	35.10	262.06

3.2 As at 31 December 2009, seven (7) projects, one supplementary loan, two budget support operations and two studies had been approved for the period 2005-2009. The operations approved are mainly in infrastructure (49% of the amount of approved operations) and multi-sector (34%). Social and agriculture accounted for 11% and 6%, respectively.

3.3 In terms of implementation, six operations under Pillar 1, which were ongoing at the time of the adoption of the RBCSP, as well as two budget support operations approved during the RBCSP, have been completed. These completed projects and the ones in the current portfolio such as the Comoe, Leraba and Kenedougou Development Project and the Soum Livestock Development Project II contributed to the first three outcomes cited in §3.1. Additionally, multinational projects such as the Niger Basin Siltation Control Project and Road Programme I (Ouagadougou-Pô- Ghana Border) were also a contributing factor. For Pillar II, eight (8) projects which were in progress at the time of adoption of the RBCSP, were completed and contributed to the outcome of the Pillar.

3.4 The projects implemented over the RBCSP period (completed and ongoing projects that have reached full development), have contributed to the results shown in the table below. Thus, most of the social indicators (health and education) seem to have improved. With regard to drinking water, in view of the change in methodology that occurred in 2008, the 2009 data could not be compared with that of the previous years.

Table 3
Indicators of Progress towards the RBCSP 2005-2009 Outcomes and 2011 Objectives

Indicators	2004	2005	2007		2009			2011
	Bases (%)	Outcomes (%)	Objectives (%)		Targets (%)			Targets (%)
			Estimated	Actual	Estimated	Revised	Actual	
1. Growth								
Growth rate	4.6	7.1	7	3.6	7	6	3.6	5.3
Inflation rate	-0.4	6.4	<3	-0.3	<3	2.4	2.6	2
2. Poverty Reduction								
Incidence of overall poverty	46.3	42.7	-	43.6	40	34.8	43.2	38.8
Incidence of urban poverty	18.2	17.8	-	19.2	-	12.3	20.6	19.1
Incidence of rural poverty	52.3	48.6	-	50.4	-	41.1	48.8	44.4
3. Access to Drinking Water								
Rate of access to drinking water (rural areas)	55		64	64	74.3	90	56.6	63
Rate of sanitation coverage (urban)	12.5		-	14	30	30	19	28
4. Energy								
Electrification rate (national)	12.5	15	19	18	30	30	23	29
5. Health								
Health coverage rate	32	33	-	43	40.4	40	51	55
Rate of births attended by skilled personnel		37.7	-	54.6	-	46	70	76
6. Education								
Gross enrolment rate (national)	52	60.7	62	67	65	74	72.4	82.4
Gross enrolment rate for girls	49.2	55.1	58	61.2	60	67.8	67.7	80.2
Primary school completion rate		34.1	-	36.4	-	49	41.7	56.3

Sources: MEF PAP-SFPP Implementation Report (2010)

4. STATUS OF THE PORTFOLIO

4.1 The portfolio review conducted in May 2009 concluded that overall performance was satisfactory with a score of 2.2 points. There was no problem project; 14% of the portfolio was made up of potentially problematic projects, or 14% were at risk compared to 33% in 2006. The portfolio had also been rejuvenated by moving from a mean age of 5.3 years in 2006 to 3.7 years in 2009. The relatively low disbursement rate of 34.3% was due to the completion of old projects and the entry of new large-sized projects (see Annex 1). This performance was made possible through BFFO striving daily to provide assistance to executing agencies and the Government, in close collaboration with sector departments at Headquarters. Despite this appreciable improvement, problems remain, including: (i) the slow procurement processes; (ii) weak project monitoring/evaluation mechanisms; and (iii) the poor performance of contractors. To address these constraints, an action plan to be implemented by the Government and the Bank, was prepared and continues to be implemented fairly satisfactorily.

4.2 As at 20 May 2010, the active portfolio was widely diversified and included 16 projects totalling UA 276.71 million. The key sectors are: infrastructure, including drinking water and sanitation (58.1%), agriculture (25.8%), social (15.2%) and multi-sector (0.9%). The portfolio performance has further improved. However, there are still some old projects, mainly in the agricultural sector. These include the Comoe, Leraba and Kenedougou Local Development Support Project (PADL-CLK), eight years old and with a disbursement rate of 68.66%, the Sustainable Forest Resources Management Project in the Centre-East, Eastern and South-West Regions (PROGEREF), seven years old with a disbursement rate of 46.16%, and the Rural Roads Project, six years old with a disbursement rate of 82.26%. These three projects have already had their final disbursement deadlines extended. Others include the Decentralised Rural Development Support Project in Gnagna and Kouritenga (PADER-GK) provinces, which is four years old and has a low disbursement rate of 4.47%, and the Project Preparation Fund of the Mouhoun Loop, Centre West and Central Plateau Natural Resource Management Support Project (PAGEREN-MOCOP), planned for one year, but has not started despite the extension of the deadline for final disbursement. Finally, in terms of multinational operations, the Cotton/Textile Sector Support Project (PAFICOT) also has a low disbursement rate for an age of about four years. To preserve the portfolio quality, the Government has submitted a request for the restructuring of the portfolio and the reallocation of loan balances.

5. GOVERNMENT STRATEGY FOR THE 2010-2011 PERIOD

5.1 The development policy framework, the Poverty Reduction Strategic Framework (PRSF), adopted in 2000 and reviewed in 2004, is undergoing change. In 2009, the Government embarked on a process to formulate a new Accelerated Growth and Sustainable Development Durable Strategy (SCADD), which is now geared at giving more prominence to the growth-bearing sectors and sustainable development. This strategy, which is scheduled for adoption by end 2010, will cover the 2011-2015 period. The broad outlines of the new strategy include: (i) strengthening the economy and accelerating growth; (ii) promoting the private sector; (iii) developing human capital and economic infrastructure, and (iv) promoting good governance.

5.2 However, pending the outcome of this strategy, the Government has adopted an ambitious action programme to address the effects of the floods and the global financial and economic crisis. It has five components, namely: (i) situation monitoring; (ii) relief activities following the 1 September 2009 floods; (iii) revival and support of economic activities; (iv) strengthening of social welfare programmes; and (v) preserving the viability of the financial system in Burkina Faso and WAEMU. The total programme cost is estimated at CFAF 434.6 billion, of which CFAF 309 billion for the crisis (71.1%) and CFAF 125.5 billion for the floods (28.9%). Of that amount, CFAF 126.9 billion will be financed from the national budget. The financing gap is estimated at CFAF 307.7 billion.

6. BANK STRATEGY FOR THE 2010-2011 PERIOD

a) Objectives

6.1 During the period of extending its strategy to 2011, the Bank will continue to contribute to the expected outcomes of the pillars, by: (1) promoting economic diversification; and (2) improving the living conditions of the population, particularly vulnerable groups.

6.2 For Pillar 1: the country is currently experiencing the effects of the various crises – cotton, energy, food, financial and the 2009 floods. Managing the aftermath of these crises has exerted strong pressure on the national budget, which could record a deficit of up to 5.4% of GDP in 2010. This deficit level implies a financing gap of CFAF 157 billion. Therefore, the Government has requested that part of the resources of the final year of ADF XI be used to finance general budget support. This is in line with the priorities of the RBCSP and will contribute to achieving Outcome 1: “Strengthen macro-economic stability and improve governance in order to foster sustainable growth”. The other ongoing projects in the portfolio, already mentioned in section 3.3, will also contribute to achieving the objectives of this Pillar.

6.3 For Pillar 2: the country’s low electrification rate (23% nationally, in 2009, of which 4% in rural areas) is a major constraint to national development. The Bank will contribute in this domain through an Electricity Infrastructure Strengthening and Rural Electrification Project. This project is consistent with the priorities of the 2005-2009 RBCSP. The other ongoing projects in the Bank’s portfolio, already mentioned in section 3.4, will also contribute to achieving the objectives of this Pillar. In addition, the budget support intervention will help to mitigate the effects of the crises and the floods on the most vulnerable population. The fiscal impact of the flood is particularly significant because of the amount of spending required to finance temporary re-housing, cover the basic needs of the population and rehabilitate social infrastructure (hospitals, health centres, schools, irrigation dams, etc.). These requirements are estimated at nearly CFAF 82 billion, or more than half of the budget deficit.

b) Activities

6.4 The mid-term review of RBCSP 2005–2009, conducted in April 2007, resulted in maintaining the strategy and the pillars. In addition to the ongoing operations in the Burkina Faso portfolio, the lending programme decided on in 2008 during this review was revised under Pillar 1. Thus, instead of the projects planned, particularly the Sustainable Resource Management Project, a fifth budget support operation has been envisaged to deal with the effects of the crises and the 2009 floods, in view of the resources allocated to the country. For Pillar 2, the Rural Electrification Project planned has been maintained.

6.5 **Budget Support:** given the difficult economic context, the Bank will give priority to maintaining macro-economic stability and pursuing reforms for strengthening economic and financial governance. Bank support will be provided through a fifth budget support intervention, to be disbursed over 2010. The amount available for carrying out this operation is UA 10 million while, for reasons of predictability, the Government has budgeted a UA 35 million ADF budget support for 2010, based on the 2009 country allocation (which was UA 185.49 million but is no longer current (see §6.8)). The purpose of this programme is to support the implementation of Government’s action plan for dealing with the effects of the financial and economic crises and the floods. It will contribute to ensuring the stability of the macro-economic framework, strengthening public finance management and laying the foundation for improved indicators of debt sustainability, particularly through the revival of the cotton sector.

6.6 **Electricity Infrastructure Strengthening and Rural Electrification Project:** this project will help to increase access to electricity. It was approved in January 2010 for UA 25.15 million. It will enable: (i) construction of 400 km low voltage (LV) networks and 1,400 km of medium-voltage (MV) networks; (ii) installation of 450 MV/LV transformer stations;

(iii) provision of 10,000 pre-paid meters and 350 public lighting units; and (iv) electrification of 272 educational institutions.

c) Expected Outcomes of the Strategy

6.7 Implementation of the Bank's 2010-2011 strategy will help to achieve the outcomes expected in 2011. Thus, the incidence of poverty is expected to drop from 43.2% in 2009 to 38.8% in 2011, and social indicators to improve substantially, particularly in the area of basic education, health, drinking water and sanitation, and electrification. Details of these outcomes are shown in Table 2 - "Indicators of Progress towards RBCSP 2005-2009 Outcomes and 2011 Objectives" (§3.4).

d) Risks Related to Implementation of the Strategy

6.8 The main risk relates to the fact that the 2010 intervention programme may not be fully implemented, given the limited resources available from the country allocation under ADF 11 (see §6.5), compared to the country's needs. Indeed, the latest long-term debt sustainability analysis shows a deterioration of the present value of debt to export ratio, which is expected to rise from 113.9% in 2009 to 184% by 2018. This has led to Burkina's classification as a "red coded" country, i.e. in the category of grant only countries. Consequently, following a drastic reduction, Burkina's final 2010 allocation fell to UA 160.8 million for a base allocation of UA 193.9 million. The remaining allocation for 2010 (minus the loans and grants approved in 2008 and in 2009 to the tune of UA 125 million) is UA 35 million. With the electrification project approved in January 2010 (UA 25 million), the balance of ADF-11 is now only UA 10 million, which is insufficient compared to the initial expectations for financing the budget support. To raise additional resources, the Government intends to submit a portfolio restructuring request to the Bank.

6.9 The other risks relate to the low implementation of several projects and programmes, and the prospect of reviewing the provision limiting the number of presidential terms of office (see § 2.3). The first risk will be mitigated by the Bank's presence on the ground with the close monitoring of projects, and the trend towards consolidation and greater selectivity. Concerning the second risk, the campaign conducted by the religious authorities and civil society to sensitize the public and the political class are likely to calm the situation.

e) Portfolio Restructuring

6.10 The Bank received two official request (see last one in annex 4) for portfolio restructuring and reallocation of the balance of projects concerned to refinance (in the form of a quick-disbursing operation) Government's action plan for addressing the effects of the floods and the global financial and economic crisis. Bank Management considered the request and decided that it was in accordance with the exceptional arrangements approved by the Bank in response to the financial crisis (ADB/BD/WP/2009/27, Bank Response to Economic Impact of the Financial Crisis).

6.11 The projects to be restructured (cf. § 4.2 and Annex 2) include: the Cotton/Textile Sector Support Project (PAFICOT) for the Four Countries of the Cotton Sector Initiative; the Decentralised Rural Development Support Project in Gnagna and Kouritenga (PADER-GK) Provinces; the Sustainable Forest Resource Management Project in the Centre-East, Eastern and South-West Regions (PROGEREF); the Comoe, Leraba and Kenedougou Local Development Support Project (PADL-CLK); the Mouhoun Loop, Centre West and Central Plateau Natural Resource Sustainable Management Support Project (PAGEREN-MOCOP);

and the Rural Roads Project. However, the PAGEREN-MOCOP has been cancelled on June 11, 2010.

6.12 PAFICOT is the national component of a multinational project (WAEMU, Benin, Burkina Faso, Mali and Chad). The proposed restructuring of this national component will not affect the multinational programme. Moreover, the Government undertakes to prepare and implement a new project that will fit better into the future development strategy being finalised. PROGEREF and PADL/CLK will be fully implemented; however, according to the activities scheduled up to the deadline for final disbursement, a balance is obtained from each project, which the Government has decided to reallocate. PADER-GK will also be fully implemented; however, the Government has decided to adjust the volume of activities to match the capacity of the executing agency. The completion report for the Rural Roads Project is being finalized; the Government would also like the loan balance reallocated. The table below presents the status of the projects to be restructured.

Table 4
Status of Projects to be Restructured (amount in UA)

Project	Approval Date	Amount Approved	Disbursement Rate	Final Disbursement Deadline	Undisbursed Amount	Amount Disbursed	Issues
PAFICOT	29/11/2006	10 000 000.00	3.96%	31/12/2013	9 603 791.79	5 500 000.00	Quality at entry. Several prior actions to be taken (staff recruitment and studies), review of procurement methods, updating of costs and revision of list of goods and services while actual implementation has not started. For all these reasons, the project has not started.
PADER-GK	21/07/2006	12 500 000.00	10.14%	31/12/2012	11 231 913.41	5 500 000.00	Quality at entry. The bulk of the project consists of irrigation works. All the engineering studies have to be repeated before execution of these works, hence the low disbursement rate. According to the procurement schedule, these studies extend to 2012. The implementation costs of these works have skyrocketed, resulting in insufficient resources to undertake all planned infrastructure.
PROGEREF	21/05/2003	12 000 000.00	46.16%	31/12/ 2010 Revised date	6 460 356.95	3 500 000.00	The project has already had its final disbursement deadline extended and the government does not intend to have another extension after the revised date of 31 December 2010
PADL-CLK	27/11/2002	15 000 000.00	67.49%	30 April 2011 Revised date	4 876 753.85	500 000.00	The project has already had its final disbursement deadline extended and the government does not intend to have another extension after the revised date of 30 April 2011.
RURAL ROADS	29/09/2004	15 710 000.00	82.26%	30/06/2010 Revised Date	2 641 358.66	1 685 075,90	The Bank initiated preparation of the Completion Report in May 2010. At the end of the project, the balance was estimated at UA 1 685 075,90.
Total		65 210 000,00			20 940 902,59	16 685 075,90	

6.13 Outcome of Restructuring: the restructuring exercise has yielded a total UA 16 685 075,90. This amount takes into account provisions made for the continuation of activities already initiated and the settlement of pending payment requests. The expected outcomes of the restructuring are: (i) improved portfolio quality; and (ii) the reallocation of resources obtained for the financing of quick-disbursing operations (budget support).

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 **Conclusions:** in 2009, the Government of Burkina Faso initiated the preparation of its new development policy document – the Accelerated Growth and Sustainable Development Strategy (SCADD). This strategy is scheduled to be finalised in September 2010. To allow the alignment of the next strategy on the Government’s strategy, the Bank is proposing this Note to extend the RBCSP 2005-2009 to 2010–2011.

7.2 **Recommendations:** the Boards are invited to approve the extension of RBCSP 2005-2009 to 2010–2011, and the reallocation of the balance of the loans for the PAFICOT, PADER/GK, PROGEREF, PADEL/CLK, and RURAL ROADS projects, amounting to UA 16 685 075,90, to budget support financing.

Status of the Portfolio as at 20 May 2010

Last update: 20/05/2010									
Long name	Approval	Signature	Effect. Date	Disburs.	Décaissé	A décaisser	Eng. Net	Taux Déc.	
COMMUNITY AGRIC FERTILITY INVESTMENT PROJECT (PICOFA)	27/10/2004	23/03/2005	24/02/2006	30/06/2012	4 394 363,47	2 005 636,53	6 400 000,00	68,66	
PROJ. GESTION DURABLES DES RESSOURCES FORESTIERES (PROGEREF)	21/05/2003	04/06/2003	10/11/2004	29/12/2010	5 539 643,05	6 460 356,95	12 000 000,00	46,16	
PROGRAMME DE MISE EN VALEUR ET DE GESTION DUR DES PETITS BARRAGES	12/12/2002	21/03/2003	22/10/2003	31/12/2011	3 549 515,57	6 450 484,43	10 000 000,00	35,50	
APPUI DEVELOPPEMENT DE COMOE, LERABA, KENEDOUGOU (PADL-CLK)	27/11/2002	21/03/2003	22/10/2003	30/04/2011	10 204 637,02	4 795 362,98	15 000 000,00	68,03	
DEVELOP. RUR. DECENTR. ET PARTI. PROVIN. BAZEGA-KADIOGO	18/04/2001	30/05/2001	27/03/2002	30/06/2010	14 080 908,58	919 091,42	15 000 000,00	93,87	
APPUI AU DEVELOP. DE GNAGNA ET KOURITTENGA (PADER-GK)	21/07/2006	18/08/2006	21/02/2007	31/12/2012	1 268 086,59	11 231 913,41	12 500 000,00	10,14	
PPF PAGEREN-MOCOP	03/08/2008	03/08/2008	03/08/2008	30/12/2010	0,00	492 742,00	492 742,00	0,00	
Total secteur agriculture					39 037 154,28	32 355 587,72	71 392 742,00	55%	
PROJET DE PISTES RURALES	29/09/2004	21/10/2004	07/07/2005	30/06/2010	12 922 900,63	2 787 099,37	15 710 000,00	82,26	
PROJET ROUTIER KOUPELA BITOU					0,00	0,00	0,00	0,00	
PRÊT	31/03/2009	03/04/2009	25/09/2009	30/06/2014	0,00	31 000 000,00	31 000 000,00	0,00	
DON	11/02/2009	03/04/2009	03/04/2009	30/06/2014	0,00	31 000 000,00	31 000 000,00	0,00	
PRÊT SUPPLEMENTAIRE TRVX ROUTE OUAGA-PÖ	25/11/2008	10/12/2008	14/07/2009	30/06/2012	2 794 639,68	15 205 360,32	18 000 000,00	15,53	
Total Transports					15 717 540,31	79 992 459,69	95 710 000,00	16%	
RENFORC. INFRASTR.. ELECTRIQUES ET ER *									
PRÊT	27/01/2010	12/02/2010		31/12/2014	0,00	24 200 000,00	24 200 000,00	0,00	
DON	27/01/2010	12/02/2010		31/12/2014	0,00	950 000,00	950 000,00	0,00	
Total électricité					0,00	25 150 000,00	25 150 000,00	0%	
PROGRAMME d'AEPA AU BURKINA									
PRÊT	11/09/2003	18/12/2003	02/12/2004	31/12/2010	13 097 726,05	1 902 273,95	15 000 000,00	87,32	
DON	11/09/2003	18/12/2003	18/12/2003	31/12/2010	3 139 891,65	1 860 108,35	5 000 000,00	62,80	
PROGRAMME d'AEPA EN MILIEU RURAL 4 REGIONS	24/07/2007	06/09/2007	11/03/2008	31/12/2011	628 778,76	19 371 221,24	20 000 000,00	3,14	
Total Equipements collectifs					16 866 396,46	23 133 603,54	40 000 000,00	42%	
PROJET EDUCATION V									
PRÊT	16/07/2003	02/09/2003	12/05/2005	30/12/2011	3 294 092,08	8 705 907,92	12 000 000,00	27,45	
DON	16/07/2003	02/09/2003	12/05/2005	30/12/2011	1 315 019,75	3 684 980,25	5 000 000,00	26,30	
APPUI AU DEV SANIT REG CEN -EST ET NORD	27/07/2005	31/08/2005	13/04/2006	31/12/2011	6 046 388,70	18 953 611,30	25 000 000,00	24,19	
Total secteur social					10 655 500,53	31 344 499,47	42 000 000,00	25%	
APPUI AUX INSTITU. CHARGES DE LA GESTION DES RESSOURCES PUBLIQUES	27/10/2006	16/11/2006	15/08/2007	31/12/2011	1 001 168,31	1 458 831,69	2 460 000,00	41%	
Multisecteur					1 001 168,31	1 458 831,69	2 460 000,00	41%	
Total général					83 277 759,89	193 434 982,11	276 712 742,00	30,10%	
Taux de décaissement hors Projet d'électrification non encore mis en vigueur								34,30%	

Information Sheets on Projects to be Restructured

(The Sheet on the Rural Roads Project is not included since the Project has been completed)

A. FOREST RESOURCE MANAGEMENT PROJECT (PROGEREF)

1. Project Basic Data

ADF Loan Number: No. 9900015575	ADF Loan Amount: UA 12 000 000 Government: UA 1 000 000 Beneficiaries: UA 490 000	Estimated Project Duration: 5 years Project Age: 7 years
Approval Date: 21/05/2003	Signature Date: 04/06/2003	Effectiveness Date: 10/11/2004 First Disbursement Date: 10/03/2005
Final Disbursement Date: 29/12/2010	Loan Disbursement Rate: (30/05/2010): 46.16 %	

2. Project Objective

The sector goal is to contribute to poverty reduction and environmental protection. The specific objectives of the project are: (i) *improving the management of forest resources and wildlife*; and (ii) *increasing the income of the population*.

3. Project Main Expected Outcomes

The main project activities are: (i) inventory and development of 202,400 ha of forests (82,400 ha of classified forests and 120,000 ha of protected forests); (ii) reforestation of 53,350 ha of forests (50,000 ha by direct planting and 3,350 ha by improved planting) and the banks of dam reservoirs covering 4,800 ha (2,800 ha by direct planting and 2,000 ha by improved planting); (iii) wildlife management; (iv) development and management of the Bonito Wildlife Reserve and the Koulbi-Bontioli Corridor; (v) rehabilitation of 300 km of feeder roads; (vi) construction of miscellaneous facilities; and (viii) promotion of income-generating activities. The project components are: (A) sustainable management of forest resources; (B) capacity-building and attendant measures; and (C) project management.

4. Status of Project Implementation as at 30 May 2010

Four (4) out of six management plans have been prepared by the project and validated locally. The project has also completed the demarcation of four (4) protected forests covering 220,000 ha and proposed the creation of 42 village hunting areas. Three hundred (300) ha of sub-soiling works have been carried out, 205,000 seedlings produced and 881 ha reforested with an average survival rate of 60%. An inventory of the vegetation cover of banks and an identification of needs in plant material has been carried out. The project has also carried out an inventory of the main feeder roads and forest tracks already established around the forests of the South-West and East. However, the lack of proposals for the study on feeder roads in the East Region has led the project to agree with the Bank to cancel this aspect in view of the time remaining for the project. The project will therefore be unable to construct the 300 km of forest tracks and create the firebreaks. Two wildlife surveys have nonetheless been conducted in the Koulbi Forest Reserve and the Bonito Wildlife Reserve as part of the cooperation agreement with DES. In addition, one forest station and five checkpoints have been built, while one forest station and four checkpoints are about to be completed.

5. Main Problems and Risks Related to Project Implementation

The problems associated with this project were the lengthy process of negotiating with the people for the preparation and implementation of the forest development and management plans. This did not permit completion of all the six management plans envisaged as well as the additional works, including the feeder roads and firebreaks. Four (4) out of 6 management plans were prepared, representing an implementation rate of 67%.

6. Analysis and Restructuring Proposals

The project will be fully implemented by 29 December 2010. It is envisaged that, by this date, all the remaining activities will be carried out for about UA 3 million. The remaining balance on the loan is **UA 3 500 000**.

7. Amount that Could be Reallocated to Budget Support

Based on the foregoing, it may be concluded that PROGEREF will run until its final disbursement deadline or 29 December 2010. Since all the resources would not be fully utilised, **the UA 3 500 000 could be reallocated to budget support. Part of the balance should be reallocated to financing additional investments in forest development and management plans, including the creation of firebreaks to help to consolidate project achievements.**

B. COMOE, LERABA AND KENEDOUGOU PROVINCE LOCAL DEVELOPMENT SUPPORT PROJECT (PADL-CLK)

1. Project Basic Data

ADF Loan Number: No. 100150007025	ADF Loan Amount: UA 15 million Government: UA 2.5 million Beneficiaries: UA 0.64 million	Estimated Project Duration: 5 years Project Age: 7.7 years
Approval Date: 27/11/2002	Signature Date: 21/03/2003	Effectiveness Date: 21/03/2003 First Disbursement Date: 24/02/2004
Final Disbursement Date: 30/04/2011	Loan Disbursement Rate: (30/05/2010) : 68.03%	

2. Project Objective

The project goal is to contribute to poverty reduction by improving purchasing power. The specific objective is to strengthen food security by increasing agricultural production by approximately 40% in the project area.

3. Project Main Expected Outcomes

The main expected outcomes of the project are: integrated soil fertility management, the development of 77 100 ha of cereals, 1 620 ha of legumes, 410 ha of yams, 5 730 ha of groundnuts, 600 ha of bottomlands rice and 24 290 ha fruit trees, capacity building and professionalization of 409 village communities, local government bodies, 280 agricultural cooperatives and 15,200 producers, as well as the establishment of a Local Development Fund.

4. Status of Project Implementation as at 30 May 2010

The project is almost in its second year of implementation after the extension of the final disbursement deadline. The overall physical implementation rate is 79%, with a disbursement rate of 83.62%. The project's impact on production and the income of beneficiaries is being felt on the ground. The annual cropped area targets for 2010 and crop yields are nearly met or even exceeded with the success of the integrated soil fertility management programme. The remaining project activities comprise building the capacity of producers and professional organisations, and completing the final activities of the Local Development Fund.

5. Main Problems and Risks Related to Project Implementation

The project is proceeding normally but attention should be paid to monitoring the implementation of the remaining activities, particularly those planned for the Local Development Fund and the Local Investment Fund.

6. Analysis and Restructuring Proposals

The final disbursement deadline has been extended to 30 April 2011. The agriculture portfolio improvement mission (May 2010) reviewed progress on the remaining activities and the procurement plan with the project, to ensure the project completion by the above date. It noted that all project activities will be completed on schedule and the project will yield a balance.

7. Amount that Could be Reallocated to Budget Support

After reviewing the progress of the project and the procurement plan and in consultation with the Project Team, **there is a balance of UA 500 000, which may be reallocated to budget support.**

C. GNAGNA AND KOURITENGA PROVINCE DECENTRALISED RURAL DEVELOPMENT PROJECT (PADER-GK)

1. Project Basic Data

ADF Loan Number: No. 2100150012405	ADF Loan Amount: UA 12.50 million Government: UA 1.58 million Beneficiaries: UA 1.20 million	Estimated Project Duration: 5 years Project Age: 3.8 years
Approval Date: 21/07/2006	Signature Date: 18/08/2006	Effectiveness Date: 21/02/2007 First Disbursement Date: 19/03/2007
Final Disbursement Date: 31/12/2012	Loan Disbursement Rate: (30/05/2010): 10.14%	

2. Project Objective

The sector goal is to contribute to Burkina Faso's food security. The project's specific objectives are to increase agricultural production and improve the living conditions of the rural population in the project area.

3. Main Expected Outcomes

The project's main expected outcomes are: the development/rehabilitation of 154 ha of irrigated areas downstream and 600 ha upstream of existing small dams, 780 ha of irrigated areas, the construction of the Koala dam feeder road, the rehabilitation of 7 existing small dams, the rehabilitation of 114 km of feeder roads, the preparation of two provincial land use management plans, 16 Municipal Production and Conservation Area Development Plans, 16 Municipal Development Plans, organising training and literacy courses for village communities and beneficiaries, disseminating production methods and setting up a Local Development Plan.

4. Status of Project Implementation as at 30 May 2010

The project is in its third year of implementation. The physical implementation rate (33%) and the disbursement rate (10.14%) are below expectation. It should be noted that the project has recruited consulting firms for the various services envisaged. Agreements have been signed with partners. The results of studies are being received by the project and works have started, while contracts for others are being awarded. The Local Development Fund is not yet operational.

5. Problems and Risks related to Project Implementation

Project activities are considerably behind schedule compared to the initial programme. It particularly suffered from: (i) the time needed for updating and again conducting the initial studies for the developments; (ii) the slow procurement process; and (iii) the low capacity for planning and monitoring activities by the Project Implementation Unit (PIU). At this pace, the project runs the risk of not completing most of the activities planned. Given the need to clean up the Bank's portfolio, the problems encountered by the project and the risk of not attaining the initial objectives, its restructuring has become necessary in order to mobilise resources for the Borrower's other priorities.

6. Analysis and Restructuring Proposals

Upon receiving the Government's request No. 1199/MEF/SG/DG-COOP/DCM/SN of 17 May 2010, the portfolio improvement mission examined the status of project implementation in consultation with the Project Team in order to adopt proposals on measures and guidelines for project restructuring. The restructuring proposals were made on the basis of the following technical considerations:

1. Contracts for studies and works in progress must be completed;
2. Dams and irrigation schemes are hydraulically connected. If a dam is constructed, its irrigation scheme upstream or downstream must also be built;
3. Study and works contracts signed or being signed should be executed; and
4. Activities without studies will not be started as they will not be completed before the final disbursement date of the project.

Hence, the project objectives will be scaled down as some activities cannot be executed before the final disbursement deadline.

7. Amount that Could be Reallocated to Budget Support

Upon review of the progress of the project and the procurement plan, in consultation with the Project Team and on the basis of the considerations mentioned above, **UA 5 500 000 could be reallocated to budget support.**

D. COTTON/TEXTILE SECTOR SUPPORT PROJECT (PAFICOT)

1. Project Basic Data

Loan Number: ADF Loan No. 9900015575	ADF Loan Amount: UA 10 000 000 Government: UA 1 280 000	Project Duration: 5 years Project Age: 3.5 years
Approval Date: 29/11/2006	Signature Date: 27/04/2007	Effectiveness Date: 27/03/2008 First Disbursement Date: 06/02/2009
Final Disbursement Date: 31/12/2013	Loan Disbursement Rate: (30/05/2010): 3.96%	

2. Project Objective

The sector goal of the programme is to contribute to poverty reduction in the Bank's cotton-producing Regional Member Countries. The specific objective of the programme is to sustainably safeguard and improve the income of cotton sector stakeholders (producers, spinners, traders, etc.) of cotton-producing Regional Member Countries.

3. Project Main Expected Outcomes

- Component A – ***Improvement of Production and Productivity***: dissemination of good farming practices; promotion of improved seed production and support research.
- Component B – ***Support to Marketing and Artisanal Processing***: rehabilitation of rural roads, construction of cotton warehouses and rural markets, and promotion of artisanal processing.
- Component C – ***Capacity-Building***: the sensitization, organisation and structuring of cotton producers' groups (GPC); training on gender issues; functional literacy; support to sub-sector training and research institutions, counselling/support to farmers; training of GPCs and staff from public agencies involved in the cotton sub-sector in new farming methods and practices and environmental education; strengthening of communication system and awareness, and prevention campaigns on HIV/AIDS and malaria.

4. Status of Project Implementation as at 30 May 2010

Three and a half years after approval of the loan, 37 months after the signing of the loan agreement and 26 months after loan effectiveness, the project is still at the start-up stage. There was a lot of delay in fulfilling the only condition precedent to first disbursement due to the appointment of the coordinator in January 2009. Since the last supervision mission in December, some progress is observed and field activities are starting up with the commencement of the farming season, which is being prepared (early June). The main activities undertaken are: (i) signing of agreements for implementation of project “flagship” activities (dissemination of good farming practices, research and development, support to artisanal processing) ; (ii) revision of the list of goods and services to permit good working conditions; (iii) approval of the 2010 work programme; and (iv) recruitment of an accounting assistant. Several bidding documents have been prepared, gone through the Borrower’s administrative circuits and been received by the Bank. This could lead to the speeding up of project implementation in the coming months.

5. Main Problems and Risks related to Project Implementation

The main problems are related to the general state of the industry resulting from the world prices of cotton, slowness in the processing and validation of documents within the Borrower’s administrative circuits, the lack of clarity in the cotton seed control and certification mandate (according to the Ministry of Agriculture this mandate lies with the Department of Crop Production, but according to the Inter-professional Cotton Association of Burkina Faso, the mandate is within their purview, in accordance with the general conditions that link the association with the State). WAEMU has drawn up an action plan to revitalize its regional initiative on cotton. However, the low absorptive capacity may prevent the project from being fully implemented by the final disbursement deadline.

6. Analysis and Restructuring Proposals

A detailed review of project activities was carried out with the Project Team, taking into account the final disbursement deadline (end December 2013) and the current absorptive capacity. It emerged that only UA 4.5 million may be disbursed by the final disbursement deadline. The activities hampering implementation (seed certification and control component, etc.) will be cancelled and capacity building will now be more focused. The restructured project will certainly be scaled down in the field, but retains the same strategic activities, namely improvement of marketing facilities, targeted capacity building of key sector stakeholders, improvement of productivity upstream and support to artisanal processing downstream.

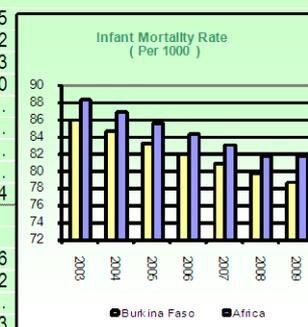
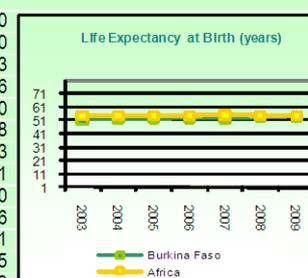
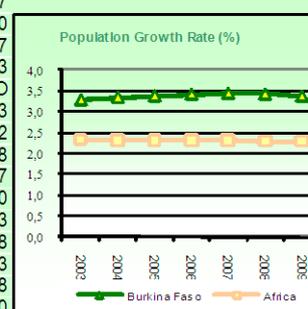
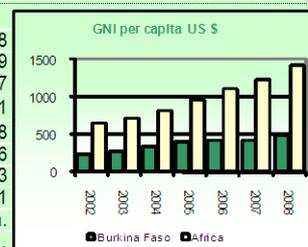
7. Amount that Could be Reallocated to Budget Support

Based on the foregoing, it may be concluded that PAFICOT cannot be fully implemented by the final disbursement deadline and should be restructured by focusing it on strategic and achievable activities. **A total amount of approximately UA 5.5 million could be reallocated to budget support.**

Burkina Faso

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Burkina Faso	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)		274	80 976	80 976	54 658
Total Population (millions)	2009	15,8	1 008	5 629	1 069
Urban Population (% of Total)	2009	20,0	39,6	44,8	77,7
Population Density (per Km²)	2009	57,5	3,3	66,6	23,1
GNI per Capita (US \$)	2008	480	1 428	2 780	39 688
Labor Force Participation - Total (%)	2009	45,4	41,2	45,6	54,6
Labor Force Participation - Female (%)	2009	47,1	41,2	39,8	43,3
Gender -Related Development Index Value	2005	0,364	0,525	0,694	0,911
Human Develop. Index (Rank among 182 countries)	2007	177	0,514	n.a	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2006	...	50,8	25,0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2009	3,4	2,3	1,3	0,7
Population Growth Rate - Urban (%)	2009	5,6	3,4	2,4	1,0
Population < 15 years (%)	2009	46,3	56,0	29,2	17,7
Population ≥ 65 years (%)	2009	2,0	4,5	6,0	15,3
Dependency Ratio (%)	2009	93,5	78,0	52,8	49,0
Sex Ratio (per 100 female)	2009	99,8	100,7	934,9	948,3
Female Population 15-49 years (% of total population)	2009	23,1	48,5	53,3	47,2
Life Expectancy at Birth - Total (years)	2009	53,4	55,7	66,9	79,8
Life Expectancy at Birth - Female (years)	2009	54,7	56,8	68,9	82,7
Crude Birth Rate (per 1,000)	2009	46,8	35,4	21,5	12,0
Crude Death Rate (per 1,000)	2009	12,7	12,2	8,2	8,3
Infant Mortality Rate (per 1,000)	2009	78,7	80,0	49,9	5,8
Child Mortality Rate (per 1,000)	2009	153,0	83,9	51,4	6,3
Total Fertility Rate (per woman)	2009	5,8	4,5	2,7	1,8
Maternal Mortality Rate (per 100,000)	2005	700,0	683,0	440,0	10,0
Women Using Contraception (%)	2006	61,0	75,0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2006	2,1	42,9	78,0	287,0
Nurses (per 100,000 people)*	2006	25,9	120,4	98,0	782,0
Births attended by Trained Health Personnel (%)	2006	53,5	50,5	63,4	99,3
Access to Safe Water (% of Population)	2006	72,0	64,0	84,0	99,6
Access to Health Services (% of Population)	2005	33,2	61,7	80,0	100,0
Access to Sanitation (% of Population)	2006	13,0	38,5	54,6	99,8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	1,6	4,5	1,3	0,3
Incidence of Tuberculosis (per 100,000)	2007	226,0	313,7	161,9	14,1
Child Immunization Against Tuberculosis (%)	2007	99,0	83,0	89,0	99,0
Child Immunization Against Measles (%)	2007	94,0	74,0	81,7	92,6
Underweight Children (% of children under 5 years)	2006	37,7	25,6	27,0	0,1
Daily Calorie Supply per Capita	2005	2 668	2 324	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	3,6	5,5	4,0	6,9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2008	73,4	100,2	106,8	101,5
Primary School - Female	2008	68,1	91,7	104,6	101,2
Secondary School - Total	2008	18,4	35,1	62,3	100,3
Secondary School - Female	2008	15,7	30,5	60,7	100,0
Primary School Female Teaching Staff (% of Total)	2008	32,9	47,5
Adult Illiteracy Rate - Total (%)	2007	71,3	59,4	19,0	...
Adult Illiteracy Rate - Male (%)	2007	63,3	69,8	13,4	...
Adult Illiteracy Rate - Female (%)	2007	78,4	57,4	24,4	...
Percentage of GDP Spent on Education	2007	3,7	4,5	...	5,4
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2007	19,0	6,0	9,9	11,6
Annual Rate of Deforestation (%)	2006	...	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2006	...	10,9
Per Capita CO2 Emissions (metric tons)	2008	0,1	1,1	1,9	12,3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update :

mai 2010

UNAIDS; UNSD; WHO; UNICEF; WRI; UNDP; Country Reports.

Note : n.a. : Not Applicable; ... : Data Not Available.

MINISTERE DE L'ECONOMIE
ET DES FINANCES

CABINET



BURKINA FASO
Unité - Progrès - Justice

Ouagadougou, le 04 JUN 2010

N°2010 1199 /MEF/SG/DG-COOP/DCM/PP

Le Ministre
A

Monsieur le Président
de la Banque Africaine de Développement
Angle des Trois Rues, Rue du Ghana,
Rue Pierre de Coubertin, Rue Hedi Nouira,
BP 323, 1002 Tunis Belvédère,
TUNISIE

Objet : Requête pour le financement du programme
d'actions du Gouvernement pour faire face
aux effets des inondations et de la crise financière
et économique internationale

Monsieur le Président,

Par lettre n°2010/1199/MEF/SEG/DGCOOP/DCM/SN du 17 mai 2010, j'ai sollicité auprès de votre Institution la restructuration du portefeuille actif des projets et programmes financés par la Banque Africaine de Développement au Burkina, en vue de dégager des ressources à réaffecter sous forme d'appui budgétaire à l'Etat, pour le financement de la mise en œuvre du programme d'actions du Gouvernement pour faire face aux effets des inondations et de la crise financière et économique internationale.

Aussi, au regard de l'état actuel du portefeuille des projets actifs de la BAD et suite aux travaux que les services compétents du Gouvernement ont eu avec le BFFO sur les modalités pratiques de restructuration des projets concernés, j'ai l'honneur par la présente de vous communiquer les propositions ci-après :

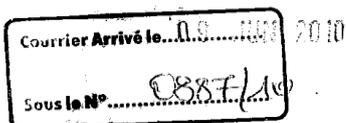


TABLEAU DES PROJETS A RESTRUCTURER

Projet	Montant En UC	clôture	Taux d'absorp	Proposition sur la base des engagements au 30/05/2010	Montant dégagé à réaffecter en UC
PADER/GK	12 500 000	31/12/2012	10,14%	Restructurer le projet pour dégager un montant réaffecter	5 500 000
PADL/CLK	15 000 000	30/04/2011	68,03%	Réaffecter le solde à l'appui budgétaire	500 000 UC
PAFICOT	10 000 000	31/12/2013	3,96%	Restructurer le projet pour dégager des ressources pour l'appui budgétaire	5 500 000
PPF/PAGEREN	492 742	31/12/2010	0%	Réaffecter tout le montant à l'appui budgétaire	492 742
PROGEREF	12 000 000	29/12/2010	46,16%	Réaffecter le solde à l'appui budgétaire	3 500 000
PISTES RURALES	12 515 000	30/06/2010	88,27%	Réaffecter le solde à l'appui budgétaire	2 510 000
TOTAL					18 002 742

Il ressort ainsi un montant total de 18 002 742 d'UC dont le Gouvernement sollicite la réaffectation à l'appui budgétaire.

Convaincu de votre constante disponibilité et de celle de votre institution à soutenir nos efforts dans la recherche de la croissance économique pour l'amélioration des conditions de vie de nos populations, je ne doute pas de la bienveillante attention que vous accorderez à la présente requête.

Dans l'attente d'une suite favorable, je vous prie d'agréer, **Monsieur le Président**, l'assurance de ma haute considération.

Ampliation : - Monsieur l'Administrateur représentant le Burkina Faso à la BAD ;
- Madame la Représentante Résidente de la BAD



Lucien Noël Bembamba

Lucien Noël BEMBAMBA

 Officier de l'Ordre National