

# **Country Case Study 2: Assessment of Burkina Faso's MTEF**

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May 2003

This study forms part of a multi-country study assessing the design and application of the medium-term expenditure framework (MTEF) as a tool for poverty reduction in selected African countries.

It was commissioned by the Africa Policy Department of the Department for International Development (DFID) U.K. in collaboration with the European Commission DG Dev



Centre for Aid & Public Expenditure

# Contents

<b>Contents</b>	<b>2</b>
<b>Abbreviations &amp; Acronyms</b>	<b>4</b>
<b>1. Background</b>	<b>5</b>
1.1 When/Why was the MTEF introduced?	5
1.2 Key Features of the approach to implementing the MTEF	5
<b>2. The MTEF Process and Organisational Framework</b>	<b>5</b>
2.1 The MTEF process and calendar	5
2.2 Political engagement	7
2.3 The role of Parliament	8
<b>3. MTEF Structure and Coverage</b>	<b>8</b>
3.1 Time-frame and out year estimates	8
3.2 Comprehensiveness and classification	8
<b>4. Basis and Process of Setting Resource Projections</b>	<b>10</b>
4.1 Forward projections and aggregate estimates	10
<b>5. Basis and Process of Setting Aggregate Limits and Broad Allocations</b>	<b>12</b>
5.1 MTEF Allocations and Expenditure Limits	12
5.2 Revisions during the preparation process	13
5.3 The role of donors in determining allocations	13
5.4 Revisions to the framework	14
5.5 Links to performance targets	14
<b>6. Policy, Planning, the MTEF and Budgeting</b>	<b>14</b>
6.1 Treatment of new policy proposals	14
6.2 Drivers of policy change	15
<b>7. Basis and Process of Organisational Expenditure Planning</b>	<b>15</b>
7.1 MTEF preparation	15
7.2 Organisational expenditure ceilings	16
7.3 Costing and priority sectors	17
<b>8. The MTEF and the Budget Execution</b>	<b>17</b>
8.1 Revisions during budget execution	17
<b>9. The MTEF and the Poverty Reduction Strategy</b>	<b>19</b>
9.1 Integration of Poverty Reduction Strategy Processes and the MTEF/Budget	19
<b>10. The MTEF and Local Government</b>	<b>20</b>
10.1 Local Government autonomy	20
10.2 Matching of authority and accountability	21
<b>11. Quality of Information</b>	<b>21</b>
<b>12. Conclusions &amp; Recommendations</b>	<b>22</b>
<b>Annex 1: List of people and institutions consulted</b>	<b>24</b>

<b>Bibliography</b>	<b>25</b>
<b>Annex 3: Formal responsibilities of selected MEF ‘Directions’</b>	<b>27</b>
<b>Annex 4: Economic budget classification in Burkina Faso</b>	<b>28</b>
<b>Annex 5: GoB’s expenditure cycle</b>	<b>29</b>

## **Tables**

<b>Table 1: Revenue FCFA</b>	<b>12</b>
<b>Table 2: Real GDP Growth</b>	<b>12</b>
<b>Table 3: MTEFs, budgets and outturns in Burkina Faso (2000-2002)</b>	<b>17</b>

## Abbreviations & Acronyms

CB	Circulaire Budgétaire
CID	Circuit Informatisé de la Dépense
DAF	Direction des Affaires Financières (of each LM)
DCCF	Direction Centrale du Contrôle Financier (MEF)
DCMP	Direction Centrale des Marchés Publics (MEF)
DGB	Direction Générale du Budget (MEF)
DGEP	Direction Générale Economie et Planification (MEF)
DGTCP	Direction Générale du Trésor et de la Comptabilité Publique (MEF)
EPA	Etablissement Public à caractère Administratif
FCFA	Franc de la Communauté Financière Africaine
FY	Fiscal Year
GoB	Government of Burkina Faso
IAP	Instrument Automatisé de Prévision
LdF	Loi de Finances (Finance Law)
LdFR	Loi de Finances Rectificative (Supplementary Finance Law)
LdR	Loi de Règlement (Budget Execution Law – Closure of Accounts)
LM	Line ministry
MEBA	Ministère de l'Enseignement de Base et de l'Alphabétisation
MEF	Ministère de l'Economie et des Finances
PB	Program Budget
PDDEB	Plan Décennal de Développement de l'Education de Base
PEM	Public Expenditure Management
PETS	Public Expenditure Tracking Survey
PIP	Public Investment Program
PRGB	Programme de Renforcement de la Gestion Budgétaire
PRGF	Poverty Reduction and Growth Facility (of the IMF)
PRSC	Poverty Reduction Support Credit (of the World Bank)
RDP	Revue des Dépenses Publiques (PER)
SIP	Sectoral Investment Program
STC-PDES	Sécretariat Technique de Coordination – Programmes de Développement Economiques et Sociaux (MEF)
TA	Technical Assistance
TOFE	Tableau des Opérations Financières de l'Etat (summary table on Consolidated Operations of Central Government)
UEMOA	Union Economique et Monétaire Ouest-Africaine (WAEMU)

# 1. Background

## 1.1 When/Why was the MTEF introduced?

The MTEF was introduced in 2000, on the occasion of the 2001 budget preparation. It is meant to provide a framework for GoB's program budgeting system. By determining for all LMs budgetary ceilings that are in line with macroeconomic and financial equilibria, the credibility of program budgeting was to be improved. From the preparation of the 1999 budget onwards, program budgeting has been introduced in 6 Line Ministries (LMs), i.e. Ministère de l'Enseignement de Base et de l'Alphabétisation (MEBA), Secondary and Higher Education and Research, Health, Agriculture, Transport, and Justice. From 2002 onwards, all LMs are required to apply program budgeting.

The GoB and the World Bank have organised a MTEF workshop end of April 2000, during which the World Bank presented a new projection model named BKF. Immediately thereafter, GoB started preparing the 2001-2003 MTEF for all LMs at once. The MTEF was thus not phased in or piloted by sector. However the MTEF becomes more refined every year.

## 1.2 Key Features of the approach to implementing the MTEF

Officially, the MTEF is owned by the GoB. If this is the case, it seems to be particularly owned by the 'Ministère de l'Economie et des Finances' (MEF) – as opposed to LMs. *The same seems to hold for program budgeting, which the MTEF is meant to give a financial framework.* Some say the MTEF has been pushed through by the World Bank. One could say the MTEF is currently being "internalised", *but at least within one core LM, i.e. the Ministry of Health, there seems very little knowledge about what an MTEF is.*

GoB's agenda of improving the MTEF is included as an annex to the World Bank's PRSC I document (of July 2001).

More generally, UNDP's PRGE program provides technical assistance in the field of overall Public Expenditure Management. The World Bank is in the process of setting up a PEM Trust Fund with other donors, into which the GoB could tap for capacity building as needed.

# 2. The MTEF Process and Organisational Framework

## 2.1 The MTEF process and calendar

1. Consultation workshop between MTEF Committee and civil society<sup>1</sup>/donor community on budgetary priorities, PRSP and PRGB. The 'Programme de Renforcement de la Gestion Budgétaire' (PRGB) was adopted by GoB in September 2001 and aims at addressing deficiencies in budget formulation, execution, monitoring, control and auditing.

2. Technical workshop amongst MTEF Committee members: the various MEF departments concerned ('régies' (revenue departments), DGB (Budget), DGTCP (Treasury), STC-PDES (macroeconomic policy), DCCF (Financial Control), and DGEP (Planning)) (see annex 3 for overview of roles of MEF departments) and LMs: Preparation of the projections for the macroeconomic framework:

- Preparation of the global envelope.

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<sup>1</sup> Civil society in Burkina Faso only includes universities and some NGOs.

- Preparation of the base case budget scenario.
  - Preparation of total envelope to be distributed (budgetary space). (In 2002, this stage occurred in February, within the framework of the PRGF Review, which also took place at that time.
3. First distribution of the overall envelope among ‘titres’<sup>2</sup> (i.e. along the lines of the economic budget classification in Burkina Faso; see annex 4 for an elaboration) and subsequently among LMs/sectors by MEF on the basis of budgetary priorities.
  4. Subsequent feedback workshop between MTEF Committee and civil society/donor community. Donors consistently inquire on the link between the MTEF and the PRSP. The workshop leads to some rather small adjustments to the MTEF envelopes. (March)
  5. Submission to and adoption by Cabinet of the distribution of the envelope. (April)
  6. Publication of the ‘Circulaire Budgétaire’ (CB), signed by the President, and –crucially– including the MTEF as an annex. All MTEF projections listed under 2) are included in the CB (May).
  7. Preparation of ‘avant-projets de budget’ (‘pre-draft’ sectoral budgets) by LMs (covering the next FY only), based on their respective program budget (PB) (covering 3 years). (between May and end July; 20th of June in 2002)
  8. ‘Arbitrage’ by the Budget Commission (MEF and LM concerned), i.e. a reconciliation exercise between the ‘avant-projets de budget’ and the available resources and policy priorities. (end July)
  9. ‘Arbitrage’ by the Cabinet, subsequent final discussion of LM’s ‘avant-projet de budget’ between the LM in case and MEF, and final ‘arbitrage’ by Cabinet. (August and September)
  10. Vote and adjustment of sectoral objectives by Parliament. Parliament regularly increases the budget amounts, benefiting LMs such as Health, but also Security, as the latter has suffered much from the structural adjustment era.<sup>3</sup> The changes made by Parliament however would not be substantial.
  11. On the basis of the final amounts voted by Parliament, LMs should adjust their objectives included in their PBs (rolling character of PBs). However, as GoB’s program budgeting is still mainly a paper exercise, line ministries merely adjust their expenditures, not their objectives. Apart from that, non-approved projects are generally postponed to the next years to come.

The MTEF process is thus fully integrated with the annual budget process, as the MTEF envelopes are included in the subsequent CB, to be respected by the respective LMs during the drafting of their ‘avant-projets de budget’.

Thus far the MTEF has always been prepared with a delay. In 2000, publication of the CB has been delayed to allow for the inclusion of the MTEF sectoral ceilings. The latter had been provided right before the date the ‘avant-projets de budget’ of the LMs had to be handed in at MEF. However, the Budget Commission still used these ceilings as a basis for its ‘arbitrage’. In 2001 – again – publication of the 2002 CB has been delayed to allow for inclusion of the MTEF as an annex. Between 1995 and 2000, LMs had on average only 42 days instead of the legally provided 90 days to prepare their annual ‘avant-projets’.

<sup>2</sup> This first distribution of the overall envelope among ‘titres’ appears e.g. in the 2001-2003 MTEF to have been guided by the principle of increasing the share of investment expenditures in general in total expenditures. An exception to the parallel principle of containing recurrent expenditures was made for social and rural development sectors, in which both investment and recurrent expenditures were allowed to increase.

<sup>3</sup> The Ministry of Security is in charge of domestic security, including the police force etc. It is a LM that is different from the Ministry of Defence.

## 2.2 Political engagement

The key player in the MTEF/budget process, as well as in the PRSP and HIPC processes, is MEF, i.e. STC-PDES, together with DGB. STC-PDES, with a staff of only some 24 people, has simply been overwhelmed with responsibilities during recent years. MEF is also the principal player in the PRSP process (DGEP for political vision ('Burkina Faso Perspectives 2025') and STC for technical implementation).<sup>4</sup> Other important PRSP players are civil society and the donors. Many more participants take part in the PRSP process than in the MTEF process.

The process of political engagement looks like:

1. The President's signature is attached to the MTEF. LMs respect their sectoral ceiling as provided by the MTEF while preparing their sectoral budgets. This is the major progress so far achieved by the introduction of the MTEF. Before LMs practised blue-sky budgeting, while the amount allocated in the actual budget was in the end only a fraction of the requested amount. The President also signs the CB<sup>5</sup>. This is another document of political importance. E.g. the 2003 CB requests LMs to take better control of 'dépenses de transferts courants', i.e. 'allocations scolaires et bourses', recurrent costs of finalised investment projects, and subsidies to 'Etablissements Publics a caractère Administratifs' (EPAs).

2. During the MTEF process *Cabinet* determines upfront which LMs are authorised to propose new policy measures, through the method used to estimate their envelopes. Indeed, the first distribution of the envelope among sectors made by MEF is submitted to and adopted by Cabinet. The eligible LMs themselves can then specify these new policy measures. Also, the LMs' 'avant-projets de budget' are submitted to an 'arbitrage' by Cabinet.

3. As to the role of the *Minister of Finance*, he intervened when an – overoptimistic – growth rate of 10% was set by STC-PDES during the preparation of the 2000 MTEF and the establishment of the resource envelope for the 2000 PRSP. Also, the Minister of Finance presides over the Budget Committee, which checks i.e. if the LMs' 'avant-projets de budget' do not underestimate their 'services votés'.

By 'services votés' is meant the level of service provision resulting from past policy, with past expenditure corrected for inflation and recurrent expenditure of investment projects finalised during the first years to come. The 'services votés' include salaries but exclude recruitment. The relevance of the MTEF is much limited by the high amount of 'services votés' i.e. by the current practice of incremental budgeting. This is because, by definition, determining ceilings and allocating budgetary space only make sense with respect to those expenditures that are not inevitable.

The Budget Committee further implements an 'arbitrage', e.g. by lowering the investment budgets proposed by LMs that did not succeed in spending their previous year's investment budget.

4. As noted above, it is Parliament – rather than Cabinet – that tends to modify LM envelopes determined under the leadership of MEF, hence creating an (additional) gap with the resources that can realistically be expected to become available.

5. After the June 2002 *elections*, the 2003-2005 MTEF has been reviewed as a consequence of the changed composition of government.

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<sup>4</sup> In June 2002, to adjust to new political power relations as a consequence of the elections held, MEF has been split into a Ministry of Finance and Budget, and a Ministry of Economy and Development, each with a different minister in charge. It is not expected that this split will have major consequences for the budgetary and the MTEF process.

<sup>5</sup> This is exceptional in sub Saharan Africa.

6. The recurrent phenomenon of credit freezes during budget execution shows that decision makers, i.e. Cabinet and MEF –as opposed to individual LMs–, do not feel bound by the ceilings in the annual budget and the MTEF. (see question 8.2 for an elaboration on credit freezes) *i.e. the problem is that ceilings are not conservative enough.* During budget execution, for various LMs the ceiling appears to lie at a lower level than predicted by the MTEF or even the annual budget. These credit freezes, mainly caused by a consistent overestimation of revenue collection, are a major shortcoming of the MTEF and the budget system in general in Burkina Faso.

The 1<sup>st</sup> and 4<sup>th</sup> steps in the annual MTEF cycle reflect broader consultations regarding fiscal policy and/or resource allocation around the MTEF process. They consist of consultation/feedback workshops between the MTEF Committee and civil society/donor community on budgetary priorities. (see above; question 2.4) So these come relatively early on in the process. As said, these workshops lead to some minor adjustments to the MTEF envelopes.

## **2.3 The role of Parliament**

The budget is voted by Parliament within the ‘budget-objet’ logic, as this is the nomenclature in which it is proposed to Parliament. The MTEF nor the PBs are transmitted to Parliament. Not even the ‘Loi de Finances’ (annual Budget Law; LdF) is disseminated, apart from some newspaper articles on it.

Dissemination of MTEF information to all departments involved in budget preparation or involved in projections, as well as inclusion of a summary of the MTEF in the LdF would be desirable.

## **3. MTEF Structure and Coverage**

### **3.1 Time-frame and out year estimates**

The time-frame covered by the MTEF is 3 years. The out-year expenditure estimates of the MTEF are very approximate. For non-priority LMs or LMs without a good PB, they only comprise a cost estimate of the ‘services votes.’ For LMs with a developed PB, it is possible to calculate the costs more precisely.

### **3.2 Comprehensiveness and classification**

The MTEF covers all LMs, priority ones as well as non- priority ones. The MTEF does not include most donor resources, nor does the annual budget. If the MTEF would include budget support, envelopes for recurrent expenditures could be larger. The MTEF does not cover local governments’ expenditures either.

MTEF 2002-04 was not able to include sector level HIPC resources. I.e. the MTEF document itself shows that HIPC resources are included per LM but are not allocated by ‘titre’. However MTEF 2003-05 makes an attempt to include HIPC resources. It shows how substantial HIPC resources within GoB’s budgetary process are: Within the baseline scenario of the 2003-05 MTEF, HIPC savings stand for 26, 28, and 28 bn FCFA out of total budgetary space amounts of 47, 51 and 72 bn FCFA for 2003, 2004 and 2005 respectively.

Sectoral envelopes since MTEF 2002-04 present a quite high level of disaggregation, i.e. down to LM and ‘titre’ level<sup>6</sup>, contrarily to MTEF 2001-03. The MTEF uses the same nomenclature as the

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<sup>6</sup> As clarified in annex 4, ‘titres’ distinguish between expenditures on economic criteria.

LdF, but the expenditure breakdown of the latter is much more refined. There is no difference in the treatment of the different LMs.

### 1) Expenditure side

The MTEF breaks overall expenditure down into the 6 ‘titres’, but concentrates on envelopes per LM, which are also split up between the ‘titres’ (mostly only 4, as the 2 ‘titres’ for debt service only concern MEF).

- LM
- ‘Titre’

The LdF on the contrary is organised mainly according to ‘titres’. Expenditures within each ‘titre’ are then grouped per LM. To summarize:

LdF:

- ‘Titre’
  - ‘Section’ (LM)
    - ‘Chapitre’ (agency within LM)
      - ‘Article’ (if under ‘titre IV’, e.g. maintenance)
        - ‘Paragraphe’ (e.g. 4wheel-drives)

‘Avant-projet de budget’ based on the PB: e.g. MEBA 2003 ‘avant-projet de budget’

- ‘Objectif’ (e.g. increase gross enrolment from 41.25% in 1999 to 50.97% in 2003)
- ‘Programme’ (e.g. maintenance)
  - ‘Activité’ (e.g. ‘réfection de batiments endommagés’)

### 2) Revenue side

MTEF:

tax revenue	income and profits
	goods and services
	international trade
non-tax revenue	
capital revenue	

LdF:

- ‘Titre’
  - tax revenue
  - non-tax revenue
  - capital revenue
  - external grants
  - external loans
    - ‘Chapitre’ (e.g. taxes on income and profits)
      - ‘Article’ (e.g. taxes on personal income)
        - ‘Paragraphe’ (e.g. tax on salary)

In sum the main difference as to structure is between the PB on the one hand, and the MTEF and LdF on the other hand. The 2 latter budgets are still prepared according to the ‘budget-objet’ logic (shown above schematically). This logic does not make use of the objectives-activities framework of the PB (e.g. increase gross enrolment), but just allocates resources to the different economic categories of expenditures of administrative entities (or “objects of expenditure”), based on past experiences (e.g. maintenance of 4-wheel-drives of a certain agency within a certain LM). This results in the multitude of line items characterising the annual LdF.

## 4. Basis and Process of Setting Resource Projections

### 4.1 Forward projections and aggregate estimates

To forecast macro-economic performance, GoB at this moment works with 2 models. The eldest is the 'Instrument Automatisé de Prévision' (IAP). It is an accounting model, ill suited for MT projections, and it is built around the TOFE. The 'Tableau des Opérations Financières de l'Etat' (TOFE) is a key summary table on Consolidated Operations of Central Government in Burkina Faso. It is drafted by STC-PDES of MEF and extensively used by the IMF. IAP analyses the impact of economic policy on macroeconomic stability as well as on public finances. Though IAP does not fit the framework of national accounting, it is used to estimate economic growth over the medium term.

The second model is the econometric BKF model, built for MT macroeconomic projections, which the World Bank has helped the GoB to establish in 2000. BKF consists of a number of behavioural equations on the basis of characteristics of the Burkina Faso economy. It has also provided the resource framework for the PRSP. The model however is not compatible with the TOFE.

Generally, the MTEF does not take over IMF projections. In particular, the IMF worried about the financing of the deficit resulting from the resource framework established by the first MTEF. In preparing the TOFE together with STC, including forward estimates, the IMF assured that the deficit was financed, after making this deficit more realistic.

The overall expenditure ceiling is set taking into account the GDP estimate, the revenue target, and the budget deficit. MT expenditure projections are subject to strict macro-economic criteria (current expenditures/GDP, salaries/revenue etc.), which are both imposed by the UEMOA (Union Economique et Monétaire Ouest-Africaine) (see below) and within the IMF framework. These criteria are generally respected and therefore strongly influence the size of the sectoral envelopes. The current PRGF is based on the observance of targets for i.a. fiscal revenue<sup>7</sup> and the fiscal deficit. Both targets are also UEMOA convergence criteria to which Burkina Faso tries to adhere. The IMF systematically integrates these UEMOA criteria in its PRGF framework. Because of systemic revenue overestimations, the aggregate expenditure ceiling is thus lowered with every incoming IMF mission. i.e. the IMF does provide a sustained remedy for revenue overestimations.

First a base case scenario is estimated/prepared. It forecasts the budgetary impact of existing policy. Estimates of current expenditure correspond with a constant level of service provision or with the 'services votés'. Domestically financed investment expenditure is fixed on the basis of –often limited- budgetary savings, but augmented with the percentage of the economic growth target, as investment is a crucial factor in reaching that target. Additionally, budget execution figures for the previous year, the current LdF, and the previous MTEF are taken into account. It is expected that the base case scenario will soon be able to be based on the estimates of the previous year's MTEF. The difference between the aggregate ceiling and the base case scenario gives a first estimate of available budgetary space for new programs (or for a better allocation for existing programs). However, revenue as well as expenditure are projected mainly on the basis of previous budgetary projections.

Also, the economic growth rate would be set at a high level, to which also the IMF adheres. Application of the BKF model then would result in a high level of public investment needed to attain that growth level.

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<sup>7</sup> The fiscal revenue performance target was the only one not met during the April 2002 PRGF Review, resulting for FY 2002 in an offsetting containment of non-essential investment and current expenditures—the latter including in particular public sector wages.

As compared to the PRSP resource framework, this framework exactly consisted of the 2000 MTEF. Thus, the 2000 PRSP had a ‘voluntaristic’ (i.e. optimistic/ambitious) policy in mind. Because it is impossible to substantially reduce poverty without strong economic growth, it assumed a growth rate of 7-8% between 2000 and 2002, in line with the 2000 MTEF. As a consequence, it overestimated tax revenues. Additionally it overestimated external aid flows, which fell considerably in 2000.

External financing and HIPC relief have thus far remained outside the MTEF. Projections of economic growth and government revenue are based on:

- Analysis of the economic situation during previous 3 years.
- Analysis of current economic perspectives as translated into the annual PRGF.
- Revenue projections in preparation of the GoB budget tend to be overestimations. E.g. the 2003-2005 MTEF estimates an increase in domestic revenue from 309 to about 380 bn FCFA during the period covered (also see first table of question 8.5), while in recent years domestic revenue actually decreased.

This is also because of the MEF revenue departments’ optimistic expectations, based on a number of envisaged measures to improve the performance of the tax system, such as new recruitments. Another cause are revenues that are counted but in reality not received because of GoB’s non-transparent system of exemptions (‘exonérations’).<sup>8</sup>

Therefore, programs agreed with the IMF consistently foresee a lower revenue level than indicated in the budget. These lower levels however are still overestimates. There is a political incentive to overestimate revenue and thus envelopes available for LMs. It seems as if one does not wish to face LMs with realistic revenue figures. However, when projection instruments would be solid enough to come up with credible figures, one would no longer be able to promise unrealistic envelopes. In this respect, the World Bank recommends that 1 single entity with sufficient personnel should be entrusted with the responsibility of macroeconomic modelling.

In addition to the harmful effect of these overestimations on expenditure planning, a large part of external financing disbursements, including the World Bank’s, tends to be delayed until the last quarter of the year. The latter will be a particularly important constraint in 2002.

As an attempt to resolve the problem of unreliable estimations, the 2003-05 MTEF has included as an annex additional sectoral resource envelopes within a ‘trend’ scenario and a ‘voluntaristic’ scenario resp. (as recommended in the PRGB document). This generates a ‘precautionary reserve’, which is only allocated if at the time of the actual budget ‘arbitrage’ the optimistic projections still hold. *In the case of the 2003 MTEF, this reserve was 100% allocated to the social sectors.*

Deviations between projections and actual outturns are not explained. The opposite is actually recommended by the ‘Revue des Dépenses Publiques’ (RDP) 2001. Moreover, the currently latest available budget execution figures approved by Parliament (‘Loi de Règlement’; LdR) are 1998’s. LdR for the years 1999 and 2000 have been adopted by the Cabinet in February 2002 and submitted to the General Audit Office (‘Chambre des Comptes’).

Inclusion of the execution results of the previous budgetary year as well as estimates for the ongoing year, in the LdF, would be desirable.

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<sup>8</sup> A next cause is that the link between economic growth and government revenue in Burkina Faso is not straightforward: the primary sector, which generates an important part of GDP, is hard to integrate into the tax system.

- Present MTEF projections prepared and the actual outturns for macro-economic variables, revenue and external financing.

The MTEF does not cover external financing, though the 2003-2005 MTEF makes an attempt to capture external budget support. Due to the recent introduction of the MTEF in Burkina Faso, we have to rely on PRGF estimates and projections for outturns for the few variables for which a data comparison does seem possible.

Most striking from the tables below is the extent to which MTEF projections and PRGF projections for revenue match, at least within the baseline scenario, in contrast to other findings from other sources (see below and above). The IMF itself clarifies the resemblance by the fact that it has worked closely with GoB in preparing revenue projections, and that it has convinced GoB to be realistic. Indeed, MEF states that its MTEF baseline scenario is based on the IMF's assumptions as to economic growth and revenue collection and on UEMOA convergence criteria. As suggested above, a different reason could be that the IMF – at least partly – closes its eyes for GoB's endemic revenue overestimation.

**Table 1: Revenue FCFA**

(Base case)					
<b>Revenue FCFA bn</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
MTEF 2000	248	276	3-6		
MTEF 2001		293	338	398	
MTEF 2002			309	350	380
Actual Outturn	228	274	303	340	375

**Table 2: Real GDP Growth**

<b>Real GDP Growth</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
MTEF 2000	6/9	8.0	8.1		
MTEF 2001		6.6	6.8	7.1	
MTEF 2002			5.5	5.4	5.5
Actual Outturn	6.7	6.7	5.4	5.4	5.3

\* Taken from PRGF Review: estimates for 2001 data; projections for later years.  
Sources: PRGF Review 2002 and MTEF documents.

## **5. Basis and Process of Setting Aggregate Limits and Broad Allocations**

### **5.1 MTEF Allocations and Expenditure Limits**

Because of political discretion and updated projections, the annual budget figures may differ substantially from MTEF figures. Due to overoptimistic revenue projections the first MTEF exercise allocated too ambitious envelopes to the LMs. This was rectified during the actual budget process (before the budget was submitted to Cabinet). The first out-year is taken as the starting point for next year's budget/MTEF but substantial adjustments may take place.

There are separate limits for the recurrent and development budget. MEF provides LMs with envelopes per 'titre', so that LMs have little discretion to reallocate resources between investment and recurrent expenditures.

As to the distribution between recurrent and investment expenditures, Burkina Faso's compliance with a number of convergence criteria of the UEMOA restraining current expenditures is quite strong. These criteria comprise a wages / fiscal revenue ratio of below 35% and a domestically financed investment / fiscal revenue ratio of above 20%.

A first allocation of the budgetary space for new programs between LMs is done by the MEF on the basis of budgetary priorities, within the framework of the PRSP, but also on the basis of the analysis of sectoral allocations during the preceding 3-year period.

Further down the process however, these sectoral envelopes have to be submitted to Cabinet. Cabinet generally adheres to the –social sector oriented- LM envelopes determined under the leadership of MEF.

The same inadequate IAP model to provide the macroeconomic framework for the MTEF and the PRSP is being used for the PIP. The World Bank recommends replacing the IAP by the same BKF model it has helped the GoB to establish to base the MTEF and the PRSP upon.

The PIP is a part of the LdF, i.e. its 'titre VI'. It is no longer a rolling exercise over 3 years. Recurrent and investment expenditures are budgeted in an integrated way, with recurrent expenditures in practice being prioritised over investment expenditures, in particular in case of disappointing revenue collection. This integration is however limited by the exclusion of externally financed investments from the MTEF as well as from the PIP, and thus from the budget execution process in general. There is no particular link between the PIP and the MTEF.

## **5.2 Revisions during the preparation process**

On the basis of final figures laid down by Parliament, LMs have to adjust their objectives included in their (rolling) PBs to make them fall in line with the means provided.

The gaps between the MTEF envelopes and the final LdF adopted by Parliament are not analysed systematically.

On the basis of the PRSP, the social sectors are priority sectors whose envelopes consistently have increased during recent years (also justice and the productive sectors are expected to see their allocations increased during the years to come). Security has obtained a similar status. Envelopes for non-priority LMs, in particular those without a PB, are determined on the basis of a cost estimate of the 'services votés'. Those LMs still use the 'budget-objet' logic. They draft their 'avant-projet de budget' on the basis of informally formulated internal priorities. Thus, incrementalism is an important basis for organisational resource allocation.

## **5.3 The role of donors in determining allocations**

Officially external development partners are not important in setting allocations, but in practice they pushed for a more poverty oriented allocation of HIPC funds and, amongst other things, for spending HIPC resources in the 20 poorest provinces. Donors are the invisible hand behind the prioritisation of social sectors, which is clear from the PRSP document.

As a bottom line, donors refer to the 4 axes and the corresponding priority sectors defined in the PRSP. They also use the 20:20 concept, according to which 20% of priority sector resources should be spent in the provinces (in reality this proportion would be much higher).

## **5.4 Revisions to the framework**

There is no identification nor clarification of changes provided. Every year however, MTEF and budget envelopes are adjusted to disappointing revenue collection, by means of a 'Loi de Finances Rectificative' (Supplementary Finance Law; LdFR). It is mostly voted in the September-November period during the actual FY (i.e. the year following the year of budget preparation). After the June 2002 elections, the 2003-2005 MTEF has been reviewed as a consequence of the changed composition of government.

But in general, *the* policy document is the PRSP, which will during the years to come lead to MTEFs that allocate budgetary space to social sectors, justice and possibly also productive sectors.

## **5.5 Links to performance targets**

Performance targets in Burkina Faso only apply to intra-sectoral allocations (PBs), not to inter-sectoral allocations, apart from general criteria used during MEF's 'arbitrage' such as LMs' absorptive capacity derived from budget execution figures during previous years. (see above) Parliament does not vote the budget on the basis of PBs, thus not on the basis of analysis of the achieved results by past budgets either.

The MTEF exercise does not take into account performance and objectives, also because it is to a large extent based on 'service votés' of previous years. Since a number of years the social sector envelopes have been increased consistently, irrespective of objectives/performance.

# **6. Policy, Planning, the MTEF and Budgeting**

## **6.1 Treatment of new policy proposals**

Since the start of the implementation of the PRSP, the planning and budget processes take the prioritisation made by the PRSP into account, as well as the indicators provided by the PRSP. Monitoring of policy measures and of budget execution has improved since the PRSP. Each new program proposed starts from the question if it fits into the PRSP framework. Thus LMs linked to the PRSP – i.e. LMs involved in social sectors, but also in productive sectors and justice – see their envelopes increase, while the opposite is intended for Defence and the Presidency.

Additionally, in the health sector, two comprehensive sector strategies have recently been developed. In the education sector, the 'Plan Décennal de Développement de l'Education de Base' (PDDEB) has been developed in parallel with the PRSP. While the PRSP aims at increasing the poor's access to basic education, the PDDEB goes a step further by focusing on providing free education in the 20 poorest provinces.

The 2001 PER sees a need for a systematic analysis of policy changes, as these changes result in economies or extra expenditures. There is an annual PRSP review and every 3 years the priority sectors' strategies are reviewed.

Policy is expressed in the PRSP but implemented through the MTEF, i.e. mainly through the budgetary prioritisation of social sectors.

Of the draft budget proposals that are handed in, few are based on *costed* sector policy documents and investment programs. Therefore, the MTEF/Budget Committee tends to perform its ‘arbitrage’ on the basis of the MTEF, LM demands, past budgets and existing policies, rather than on the basis of policy change and potential new programs. Currently, the allocation of budgetary space among LMs is somewhat haphazard. No reference is made to PBs nor to results achieved, also because of capacity constraints within the Budget Committee. The Budget Committee, and DGB in general, are in practice rather budget execution entities than entities that analyse budgetary choices and prepare overall budgetary strategies.

Because of poor use made of PBs handed in, LMs mainly perceive PBs as extra work needed to please MEF. Therefore, MTEF and program budgeting are largely instruments that are being developed in parallel.

In Burkina Faso the sectoral approach (SWAP) has led to the drafting of 10 year strategy documents in the health and education sectors.

## **6.2 Drivers of policy change**

The President drafts the CB, while all major decisions are taken at the level of the Cabinet, the meetings of which the President chairs. In reality, donors are influential in an aid dependent country such as Burkina Faso. 2 models exist: the IFI’s more intrusive conditionality versus the more participatory SWAP model of roughly speaking the SBC (‘Soutien au Budget Conjoint’) donor group (EU, Netherlands, Denmark, Sweden, Switzerland, Belgium). SWAPs however still imply strong donor influence on policy.

SWAPs as well as – though to a lesser extent than it should be – the PRSP underpin the sector strategies, which in turn feed into their PBs. However PBs are poorly integrated with the MTEF/budget. SWAPs and the MTEF/budget share their prioritisation of social sectors.

## **7. Basis and Process of Organisational Expenditure Planning**

### **7.1 MTEF preparation**

Within each LM, the ‘Direction des Affaires Financières’ (DAF) decides on the basis of the PB (covering 3 years) how to allocate resources according to the budget proposals submitted to it by each of the LM’s agencies. MTEF envelopes are respected.

Only those few LMs that were already able to build upon a sector strategy or SIP available (these were still few at the end of 2001) have been able to introduce satisfactory PBs – covering a 3-year period but based on a 10-year strategy – with the MEF. Since the recent start of the implementation of the PDDEB, MEBA is the first LM having the PB method fully at its disposal.

However, even LMs that had no sector strategy available also benefited from the PB exercise in that it obliged them to refocus and sharpen their objectives. The PB exercise is linked to the PRSP process, as sectoral strategies and PBs are based on the PRSP, and as the EU took the lead in insisting on the development of a wide range of PRSP indicators. It is however more correct to say that sector plans and the PRSP *do not conflict*. The 10 year plans in health and education have been developed *in parallel with* rather than based upon the PRSP.

The PB exercise remains to a large extent a formal one. There is little monitoring of the indicators in the field. In practice, only priority sectors continue to put considerable effort in performance

related budgeting. An example is MEBA, which, after having presented its budget within the 'budget-objet' logic to Parliament -as part of the LdF, returns to its PB to monitor budget execution.

The weakest chain in the budget preparation process in Burkina Faso is the necessary interrelationship/interdependence between PBs and the MTEF. PBs need to fit within the macroeconomic framework of the MTEF while the MTEF needs to establish its sectoral allocations on the basis of the PBs prepared. Poor definition of PB objectives leads to a poor resource allocation by the MTEF. Priority ministries get huge resource allocations but may lack the capacity to spend these resources effectively/efficiently.

Gradual improvement of sector strategies and PBs is expected to improve the quality and relevance of the MTEF. Additionally, because of delays in MTEF preparation, LMs are unable to review their sector objectives on the basis of the ceilings fixed by the MTEF. The 2003 CB stipulates that LM 'avant-projets de budget' should include data on execution of previous and current year's budgets.

As to the explicit identification of poverty reduction programs by draft sectoral proposals, the MEBA 'avant-projet de budget' groups a number of programs under a (more limited) number of poverty related objectives. E.g. 'awareness raising in areas with reluctant population groups' is Program 8 under Objective 2 'Increase enrolment in the province with the lowest enrolment from 14.1% in 1999 to 23.39% in 2003'.

The major guidance given by MEF regarding the internal allocation of resources is in the form of a sectoral ceiling, as well as ceilings per 'titre' for each LM. However, possibly in anticipation of donor requirements, sector strategies themselves are generally biased toward investment expenditures.

In preparing their budget proposals, LMs are asked to look for possible 'economies' on existing programs, as well as to fix a 'precautionary reserve' for the 2<sup>nd</sup> and 3<sup>rd</sup> year of the MTEF. The latter is to account for the uncertainty of the projections of the costs of and revenues for existing programs.

It is on GoB's agenda for the 2001-03 period to increase LMs' flexibility to reappportion their credits among the various budget categories, i.e. among articles and paragraphs within a single section. But resource allocation among sub-sectors ('chapitres') under the same ministry may be a matter of policy considerations, and may thus require strict rules concerning credit transfer.

Parliament votes the LdF, the structure of which we repeat here:

- 'Titre'
- 'Section' (LM)
- 'Chapitre' (agency within LM)
- 'Article' (e.g. maintenance if under 'titre IV')
- 'Paragraphe' (e.g. 4wheel-drives)

## 7.2 Organisational expenditure ceilings

MTEF sectoral envelopes are not 100% fixed, as fluctuation of about 2-3% is tolerated. Agencies are however not autonomous enough within ministries to allocate means among the activities of which they are in charge.

## 7.3 Costing and priority sectors

Only the 6 pilot LMs for program budgeting (see above) have so far developed costed sector policy documents and investment programs.

STC considers costing within the MTEF framework not of high quality thus far. It is therefore not convinced of the existence of a solid basis for an increased resource allocation to priority sectors.

For MEBA, unit based costing applies. Each 'Direction', be it in the provinces or in the capital, provides DAF with the quantities it wishes to purchase in the next year. The 'controleurs financiers' of MEBA then allocate prices to these quantities, varying according to the provincial or central location of the Direction. However the sector plans for Health and Education include activity based budgets, though these activities in turn include a multitude of purchases and investments based on unit costing.

In this respect, we repeat here the structure of the 'avant-projet de budget' based on the PB (e.g. MEBA 2003 budget):

- 'Objectif' (e.g. increase gross enrolment from 41.25% in 1999 to 50.97% in 2003)
- 'Programme' (e.g. maintenance)
  - 'Activité' (e.g. 'réfection de batiments endommagés')

The health and education sectors are protected from in-year budget cuts (freezes). Their envelopes have steadily increased during recent years.

## 8. The MTEF and the Budget Execution

### 8.1 Revisions during budget execution

**Table 3: MTEFs, budgets and outturns in Burkina Faso (2000-2002)**

(excluding external financing, debt service, as well as HIPC allocations and expenditures)

(bn FCFA)	Budget Outturn*		Variation (%) (Budget vs. MTEF Budget 2001 2001)	MTEF 2001	Budget 2001	Outturn**		Variation (%) (Budget vs. MTEF Budget 2002 2002)	MTEF 2002	Budget 2002
	2000	2000				Commitments	Payments			
Total	216	208	96.3	216	244	229	208	93.9	317	281
Education	50	49	98.0	56	56	56	54	100.0	62	60
Primary										
education	30	30	100.0	34	32	32	31	100.0	37	35
Health <sup>9</sup>	25	24	96.0	26	26	25	24	96.2	30	30
Agriculture	6	6	100.0	6	7	7	6	100.0	5	7

\* budget execution figures end of August 2001 (reportedly to be close to final figures)

\*\* budget execution figures end of May 2002 (reportedly to be close to final figures)

Source: MEF (STC-PDES), Extracts from CID and MTEFs 2001-3 and 2002-4.

Contrary to what has been mentioned elsewhere in this document (see above and below: credit freezes), outturns appear to be quite close to budgeted amounts. This is not surprising for the health and education sectors, but more so for the total budgeted amount. If however outturns would be measured as early as at the end of the FY itself, and not in August, the variation would be much

<sup>9</sup> Primary Health Care figures could not be provided by STC, because, as STC argues, decentralisation of the health sector has only started.

higher. The latter would hold even more if external financing would be included (poor execution figures for externally financed investments).

Most surprising is the closeness of outturns to budgeted amounts for 2000, as this year was characterised by several shocks, such as the establishment of the ‘Tarif Extérieur Commun’ of the UEMOA – implying a substantial tax revenue loss for GoB, external aid shocks, and petrol price hikes.

Reasons for deviations include the abovementioned overestimated revenue projections in preparation of the GoB budget, as well as the absence of a solid ‘plan de trésorerie’ and unpredictable aid disbursements. Frequent credit freezes (‘régulations’ or ‘gèles’), aiming at avoiding arrears – i.e. commitment of expenditures without disbursement (also see annex 5) – hinder good program execution.<sup>10</sup> Credit freezes have not worsened since the MTEF has been put in place; rather, they have not yet improved as a result of the MTEF.

A committee within the MEF implements these freezes. Freezes are determined by ‘titre’. MEF discusses with LMs which expenditures are most suited to be frozen. Salaries (‘titre II’), debt service (‘titres I et V’) and priority sectors (in particular health and education) are in general protected from such freezes. Freezes particularly aim at ‘titres III et IV’ (‘matériel’ and recurrent expenditure), though also investment (VI) suffers from them. Nevertheless the execution rate of investment expenditures of among others Health and MEBA is quite low, as they typically spend on investment late in the year.

Investment operations in general are overestimated, in terms of revenue as well as expenditures. The result is that during execution they often are simply slashed. Externally financed investments are only to a limited extent included in the LdF. The PRGB aims at improving this.

Another cause of deviation is large carry-over possibilities in GoB’s budget practice. Legally, ordinary budgetary resources lapse if not *committed* by November 15 of the FY concerned, *and* if not *paid* by February 28 of the next year (the first 2 months of the next FY being called the ‘journée complémentaire’). In practice however, commitments are often still made until and including January of the next year, and payments are sometimes made as far in the next year as December. The typical lateness of the drafting of the annual LdR, as well as the multitude of stages in Burkina Faso’s expenditure cycle (see annex 5), make such practice possible.

Finally, the change in the composition of government following the June 2002 elections has led to the drafting of the 2002 LdFR, to be presented before Parliament.

No concrete measures have been taken yet to address these problems, but the PRGB recommends to start preparing the MTEF sufficiently early in the year. But this would conflict with the need for realistic projections. The earlier on projections are made, the less they result in realistic sectoral envelopes. A solution proposed is that projections would include a margin, to be arbitrated upon in case the estimated scenario would not materialise. This approach has been piloted in the 2003-2005 MTEF. (see above: ‘reserves de precaution’)

The gradual shift to budgetary aid (committed by donors in terms of predictable tranches over a number of years) is also expected to improve revenue projections.

Budget execution is tracked through the ‘Circuit Informatisé de la Dépense’ (CID) at DGTCP.

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<sup>10</sup> In principle, such freezes do not have to lead to a *permanent* reduction of the budget envelope for the year concerned.

Hard ceilings (or the so called ‘frozen system’ – not to confuse with the phenomenon of credit freezes) prevent LMs from spending more. In the budgetary system of Burkina Faso, there is little opportunity to commit resources without the means for payment being available, as freezes are implemented at the commitment level.

## **9. The MTEF and the Poverty Reduction Strategy**

### **9.1 Integration of Poverty Reduction Strategy Processes and the MTEF/Budget**

Generally, the PRSP provides the starting point for the elaboration of the PBs, which in turn feed into the preparation of the general budget, after having taken into account the resource envelope provided by the MTEF. Also, each PRSP evaluation comprises a budgetary chapter at the end.

The PRSP identifies a number of priority sectors, which guide MTEF allocations. Since GoB’s budgetary system lacks a functional classification, the LdF does not identify specific poverty reduction programs. Burkina Faso belongs to the large group of Low Income Countries for which it is only possible to establish a ‘*broad mapping*’ of budget data to the poverty-reducing spending categories defined in the PRSP. This means that poverty-reducing programs identified in the PRSP are approximated with the more aggregated budget data. Thus, while basic education, rural health and HIV/AIDS, and rural development –including agriculture, animal resources, water supply and rural roads- are identified in the PRSP as poverty-reducing, data are only available for total health, capital spending on rural roads, women’s welfare, and other social expenditures. Exceptionally, data are available for primary education as well as total education, as MEBA is a separate LM in Burkina Faso.

Priority sectors identified in the CBs 2000 as well as 2003 include national security. There is a need for the inter-ministerial Committee for PRSP follow-up to be more involved in the budget ‘arbitrage’. The PRSP provides a budgetary indicator in the form of the shares of health and education expenditures in total expenditures.

The PRSP has been costed over a number of years and at least in the health sector, the budget process has started from 2001 on by taking into account the amount foreseen in the PRSP. However, even in priority sectors effectively available resources sometimes fall short of budgeted resources.

The only specific poverty reduction program (as opposed to the broad mapping) identified during GoB’s budget cycle is the spending of the HIPC savings. As said, for the first time MTEF 2003-05 makes an attempt to include HIPC resources.

The allocation of 2001 and 2002 HIPC savings has not been part of the regular budget process either. The only HIPC trace to be found in the LdF for FY2002 is an article 74 in the introductory chapter, in which Parliament simply authorises MEF to provide details on the allocation of the total 2002 HIPC amount later on. Upon donors’ insistence, GoB has committed itself to integrate the HIPC savings, i.e. including their sectoral allocation, in the LdF 2003 however. One major difference – at least in principle- with ordinary budgetary revenues resulting from this parallel Special Account management of HIPC savings – is their carry-over possibility. A huge HIPC savings spending delay has been incurred in the meantime.

MEF is the principal player in the PRSP process (DGEP for political vision (‘Burkina Faso Perspectives 2025’) and STC for technical implementation). Other important players are civil society and the donors.

MEF, i.e. STC and DGB, is also the principal player within the MTEF and budget processes. STC would be particularly well positioned because it has a lot of information on external financing flows at its disposal.

Consultations around the PRSP process have included reviews of the expenditure framework, e.g. in the area of rural development, consultations have resulted in a higher budget envelope.

During the 2002 PRSP review, the donor community has questioned the overoptimistic growth rate estimate used.

The 2000 PRSP resource framework exactly consisted of the 2000 MTEF. Reference is made to PRGF projections for the period 2000-03 of the TOFE, including gross as well as recurrent expenditure limits as a percentage of GDP. According to DGB, the PRSP's purpose however is not to take into account resources available, but only to define objectives and orient policy. It is the MTEF's role to discipline these objectives within a resource framework.

The 2000 PRSP shows cost calculations for the first 5 years of the 10 years' plans for Health and Education, i.e. for the 2000-2004 period. For the other priority sectors, costing covers the 2000-2003 period.

Burkina Faso's PRSP has never been properly costed. Donors ask for its integration with the budget cycle and the LdF. Nor does the PRSP include clear sector plans for e.g. agriculture and water.

PRSP costing has been done on the basis of the 2001-03 MTEF as well as of the PBs prepared by priority ministries. PBs indicate the costs of the means identified to attain PRSP objectives. PBs also lay the basis for the LMs' draft budget proposals that are fed into the MTEF / annual budget process. Specific for PRSP costing is that it limits itself to the *additional*, poverty reducing programs identified. In this respect, the HIPC initiative is estimated to be able to provide by itself the bulk of the financing needed for implementing the PRSP. The updated PRSP in the same vein provides an updated table.

After the LdF is published, MEF allocates HIPC savings 'par Arrêté' to specific eligible programs. Upon donors' insistence, GoB committed itself to integrate the HIPC savings, i.e. including their sectoral allocation, in the LdF 2003 however.

HIPC expenditures are however generally executed through normal government procedures in Burkina Faso. Their use is subject to the same public accounting rules ('comptabilité publique') and controls as the spending of ordinary resources is. However, in July 2002, the CID as well as the monthly budget execution reports out of it *were about to* integrate HIPC expenditures. In the meantime, the HIPC Special Account enables GoB to know at any moment the exact amount of HIPC resources spent, i.e. committed and/or paid.

## **10. The MTEF and Local Government**

### **10.1 Local Government autonomy**

The PRSP provides for an increasing part of the budget effectively accruing to the most deconcentrated structures, as well as for an annual survey on the execution of their budgets. Each local government entity is currently only responsible for the *execution* of its budget. The latter is however allocated centrally. Also the financial means of the local governments are lodged centrally with DGTCP.

Only some 5% of total expenditure and less than 10% of health and education expenditures are implemented at the decentralised level. Moreover, there is no systematic exchange of information between the centre and the periphery on budget preparation or on budget execution (letter of budgetary framework, periodical computerised CID budget execution reports)). The central level is thus currently not able to satisfactorily track locally executed expenditures ('crédits délégués'; currently considered as 'transfers'), i.e. due to reporting delays. An extension of the CID, i.e. the computerised tracking system, to the local level is planned to be operational in 2003.

Decentralisation of expenditure is thus most advanced in the health and education sectors. However, the 'délégation de crédits' to the MEBA is still insufficient and ineffective. The system is still centralised. Such delegation needs to be improved as for the Health Ministry too, as well as to be extended to part of the expenditures under 'titre VI' (investment). (So far only expenditures under 'titre III' ('matériel') have been decentralised. ) The actual payment of expenditures is still 'ordered' ('ordonnancé') by the DGB, as the delegation procedure affects commitment only. (also see annex 5) Better decentralisation of payment orders to the LM will free up more time of the DGB to be devoted to the preparation of MTEFs.

STC would be in favour to include in forthcoming MTEFs an indication of the proportion of resources allocated per 'titre' to each LM, to be spent in a decentralised way. Finally, there *seems to be* some experience in Burkina Faso with PETSs, which try to determine the proportion of public expenditures aimed at the local level which effectively reaches that level. PETSs are however not made use of within the broader PER process.

## **10.2 Matching of authority and accountability**

According to DGB, responsibilities at different levels of government are generally clearly pursued in practice, though local governments do not always receive the financial means necessary for the pursuit of their responsibilities in time. However, progress still needs to be made in clarifying the role and responsibilities of local governments (including revenue sources). Currently regions and provinces are not taken into account by the MTEF. Local MTEFs are envisaged.

## **11. Quality of Information**

STC considers information to be generally timely, but not reliable.

As to budget reporting, as stated above, the latest available budget execution figures approved by Parliament (by LdR) are for 1998. LdR for the years 1999 and 2000 have been adopted by the Cabinet in February 2002 and submitted to the General Audit Office ('Chambre des Comptes'). Inclusion of the execution results of the previous budgetary year as well as estimates for the ongoing year, in the LdF, would be desirable.

During the FY, budget execution is however quite satisfactorily tracked through the CID at DGTCP. DGTCP/DCCF generate monthly budget execution reports out of the CID, which are used to draw up the monthly TOFE. Work to integrate HIPC expenditures, domestic revenue and external financing in the CID is in progress.

As to projections, future revenue is consistently overestimated. Major other difficulties with estimating the base case scenario are the obtainment of reliable and detailed recent data, and the problematic grouping of a considerable amount of expenditures under the headline 'common interministerial expenditures' (amounting to at least 1/3 of 'titre III' expenditures, but also including

'titre' II, IV and VI expenditures ). As to the inclusion of recurrent expenditure of investment projects finalised during the first years to come, data on such projects are thus far hard to obtain when externally financed.

RDP 2001 recommends that STC-PDES be provided with a coherent database, easy to update and to access, as well as 'autonomous' with respect to the different models, which it should provide with data. PRGB recommends the accelerated composition of national accounts to increase reliability of data, hypotheses, and thus projections.

The various PBs contain costs per program and activity. A 'tableau de passage' in each PB allows to classify these costs by 'titre'. Program output data are not yet available however, as PBs have so far not been evaluated. No performance information is available yet. The system of PBs is designed to generate such information, but DGB is aware that the requirement for each LM to practise program budgeting fully from 2002 onwards is premature.

It belongs to the merits of the PRSP process to have clarified the policy priorities of GoB. This is not only a prerequisite for a sound budgetary process, but also for a coherent data collection effort to measure the extent to which GoB's clarified objectives have been reached. A device for measurement of impact of expenditures is not yet available.

GoB proposes to elaborate a set of indicators for monitoring and evaluating the PRSP within the 'reformulated conditionality test initiative'. Additionally, a Participatory Poverty Assessment (PPA) is being prepared with the assistance of the World Bank.

In the first place, Burkina Faso needs a sound statistical apparatus of its own. Starting to develop a multitude of indicators as donors do in the PRSP process, is putting the cart before the horse, as the many parallel donor financed surveys show.

## **12. Conclusions & Recommendations**

GoB has made a lot of efforts in recent years to make expenditures more effective, i.e. to bring them more into line with objectives. To this effect, every year so far improvements have been built into the MTEF process (e.g. inclusion of a trend and a 'voluntaristic' scenario, integration of HIPC resources, increasing disaggregation of envelopes contained in the MTEF documents).

The major progress so far achieved by the introduction of the MTEF is that LMs respect their sectoral ceiling as provided by the MTEF while preparing their sectoral budgets. Before LMs practised blue-sky budgeting, while the amount allocated in the actual budget was in the end only a fraction of the requested amount.

The core of the MTEF's limited relevance so far in Burkina Faso is that revenue projections in preparation of the GoB budget tend to be overestimations. A harmful cause of these overestimations are revenues that are counted but in reality not received because of the intransparent system of exemptions ('exonérations'). In addition to the harmful effect of these overestimations on expenditure planning, a large part of external financing disbursements tends to be delayed until the last quarter of the year.

Another threat to the MTEF is that, because most of the large amount of donor financing is excluded from the budget, the total amount of resources available to GoB is not known, which hinders rational allocation and prioritisation.

The recurrent phenomenon of credit freezes during budget execution shows that decision makers do not feel bound by the ceilings in the annual budget and the MTEF i.e. *ceilings are not conservative enough*. During budget execution, for various LMs the ceiling appears to lie at a lower level than predicted by the MTEF or even the annual budget. This is a major shortcoming of the MTEF and the budget system in general in Burkina Faso. The relevance of the MTEF is furthermore much limited by the high amount of ‘services votés’.

The MTEF was introduced to strengthen GoB’s PBs. Despite the introduction of PBs in Burkina Faso, the budget is still voted by Parliament within the ‘budget-objet’ logic, as this is the nomenclature in which it is proposed to Parliament. Of course, the lack of integration between the program budgeting exercises and the MTEF exercise, together with the absence of a functional budget classification in Burkina Faso, considerably limit the impact of the MTEF exercise.

The MTEF nor the PBs are transmitted to Parliament. Additionally, because of the few draft budget proposals based on *costed* sector policy documents and investment programs that are handed in, the MTEF/Budget committee tends to perform its ‘arbitrage’ on the basis of the MTEF, LM demands, past budgets and existing policies, rather than on the basis of policy change and potential new programs. No reference is made to PBs nor to results achieved, also because of capacity constraints within the Budget committee.

Finally, the quality and availability of information needs improvement. E.g. the currently latest available budget execution figures approved by Parliament (by LdR) are 1998’s. Inclusion of the execution results of the previous budgetary year as well as estimates for the ongoing year, in the LdF, would be desirable.

The origin of the 2000 PRSP was the need to indicate how HIPC resources would be spent. The main link between the PRSP and the MTEF process is that the PRSP prioritises a number of sectors -i.e. education, health and rural development-, which get allocated an increasing amount of resources by the successive MTEF exercises. Still, the link between the PRSP and the MTEF needs to be strengthened, through a better translation of the PRSP into sectoral envelopes.

Since 2001 there has been an annual PRSP review to strengthen the link with the budget process. Based on the PRSP, prioritised and operationalised sector plans are being prepared, to be able to allocate budgetary means on a more rational basis.

## **Annex 1: List of people and institutions consulted**

### **Government officials**

#### **MEF**

#### **DCCF**

Mr. Kabiri Pamoussa                      Directeur Adjoint

#### **DGB**

Mr. Jacques Zida

Directeur-Général du Budget

Mr. Abdoulaye Zongo

Chef du Service du Budget et des Comptes

#### **DGEP**

Mr. Bonoudaba Dabire

Directeur-Général

#### **DGTCP**

Mr. Lucien Bembamba

Directeur-Général

#### **IF**

Mr. Pierre Ouedraogo

Inspecteur Général des Finances

#### **STC-PDES**

Mr. Tankien Dayo

Direction du Suivi des Politiques  
Macro-Economiques (DSPM)

#### **MEBA**

Mr. Modibo Ouattara

Directeur DAF

### **Technical Advisors**

#### **EU**

Mr. Hugo Pierrel

Economist, Technical Advisor to the MEF

#### **France**

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### **Annex 3: Formal responsibilities of selected MEF ‘Directions’**

DCCF            Direction Centrale du Contrôle Financier

*Ex ante control of execution of the general budget, annexes, local governments and EPAs, and Treasury Special Accounts.*

DGB            Direction Générale du Budget

*Preparation and execution of LdF, financial supervision of local governments.*

DGEP           Direction Générale Economie et Planification

*Formulation of medium and long term development policy, translation in plans and programmes (PIP).*

DGTCP        Direction Générale du Trésor et de la Comptabilité Publique

*Management of public funds, execution of revenues and expenditures of the government budget and of local governments.*

IF              Inspection des Finances

*General inspection ex post of government services and of all structures receiving, holding and managing public funds.*

STC-PDES    Secrétariat Technique de Coordonnation –  
Programmes de Développement Economiques et Sociaux

*Coordination of implementation and monitoring of economic reforms.*

## **Annex 4: Economic budget classification in Burkina Faso**

The annual LdF's principal classification is according to 'titres' ('titles'):

- Titre I: interest charges (debt service)
- Titre II: salaries
- Titre III: 'matériel', at least 1/3 of this 'titre' being administratively classified as 'common inter-ministerial expenditure'
- Titre IV: current transfers, including locally executed expenditures ('crédits délégués')
- Titre V: amortisation (debt service)
- Titre VI: investments, 'transferts en capital', and external financing

## **Annex 5: GoB's expenditure cycle**

In principle, there are 3 procedures: normal, simplified and urgent. The Ministries of Education and Health on top of that can make use of the 'délégation de crédits' procedure (decentralised budget execution).

The normal procedure is based on the 4 expenditure phases in Burkina Faso:

- commitment
- 'liquidation'
- 'ordonnancement' (order of payment)
- payment

This burdensome procedure has given way to more flexible procedures, to such an extent that the former is still used in 13% of expenditures only. The simplified procedure, which merges the commitment and 'liquidation' phases, is most used as it applies to 60% of expenditures. The urgency procedure, consisting of payment without or before 'ordonnancement' (or 'régularisation'), applies to 20-25% of expenditures. In practice however, payment without 'ordonnancement' never occurs.