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# Oxfam Discussion Paper

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## A Crisis Multiplied

*How the global economic crisis, coming on top of other shocks, is worsening poverty in Burkina Faso*

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*This paper documents the impacts of the global economic crisis on Burkina Faso, which exacerbated the effects of the previous food and fuel price crises and was then made worse by subsequent serious flooding. Based on interviews by the author with a number of international donors, government officials, economists, and civil society organizations in Ouagadougou – as well as a series of interviews with Burkinabe people conducted for Oxfam – the paper reflects how the multiple crises have affected the country's ability to achieve the Millennium Development Goals, and considers the government's response.*

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# 1 Introduction

Burkina Faso is known as a country of paradox.

It is a stable democracy, with an efficient and increasingly transparent government.<sup>1</sup> The entire budget is published online. Strong education and health plans are in place, and the government promotes the use of generic medicines. In recent years growth has been consistently robust, at around 6 per cent. The country hosts a world-renowned film festival. It has consistently sought to reform and modernize, just as the IMF and World Bank have prescribed. And, in turn, donors love to fund it. It was, for instance, one of the first countries to qualify for debt relief under the Heavily Indebted Poor Countries (HIPC) programme. So confident is the international community that its money will be in safe hands that it readily gives budget support – which is very positive, as this form of aid allows the government to fund recurrent expenditures such as teachers’ and doctors’ salaries, though from a donor’s perspective it is more difficult to trace, in large amounts.

**Figure 1: Map of Burkina Faso**



Source: CIA

Despite all this, Burkina Faso remains one of the poorest countries in the world and close to the bottom of the Human Development Index. It lags behind the rest of the sub-Saharan Africa region in its slow pace towards meeting the Millennium Development Goals (MDGs). More than one-third of all births take place without medical assistance. In 2010 the literacy rate for women is just 22 per cent.<sup>2</sup> Hence the Burkinabe paradox.

There are several theories as to the root causes of this paradox. One is, of course, that the reform prescription was the wrong one. And there are other factors, too.

The landlocked country has not been favoured by nature: it is prone to both drought and flooding, factors which may be increasingly exacerbated by climate change. Until recently its export economy was almost entirely dependent on a single sector – cotton – which itself is subject to the vagaries of climate and the volatile international market (although gold is now the number one export). In addition, the high birth rate – on average each woman gives birth to 6.1 children – means that extending basic public services is extremely costly.

What is clear is that this is a country surviving on thin margins. These margins have been eroded still further by a series of exogenous shocks, or crises, that have pummelled it. While focusing on the impact of the global economic crisis on Burkina Faso, this paper will also examine its aggregated impacts together with those of the food and fuel price crises and that of the serious flooding which hit the country in September 2009, causing an estimated 2 per cent loss in GDP.

The paper will show that, so far, the main transmission mechanism for the economic crisis has been the cotton sector, where the 40 per cent drop in prices paid on the global market has reduced government revenue and further impoverished cotton producers. However, in the medium term, this crisis is likely to affect the Burkinabe economy more significantly – and poor people's spending power had already been hit by the increase in the cost of food.

The government has responded to these crises by producing an ambitious plan, including social safety nets and measures to boost the cotton sector. But with donors threatening to cut their aid, there is a real possibility that much of this plan will not become reality.

## 2 The impact of the economic crisis at the macro level

Burkina Faso is one of the poorest countries in the world. As with so many other low-income countries, it is difficult to disentangle the impacts of the financial crisis from those of the previous food and fuel price crises (and in Burkina's case, serious flooding in September 2009). Similarly, it is difficult to separate the effects of this series of exogenous shocks from the ongoing vulnerability faced by such a poor country subject to extreme weather events. As a senior IMF economist put it, for a quarter of low-income countries, 2009 was not even in the top 20 per cent of bad years.<sup>3</sup>

That said, it is possible to observe some discrete – and serious – impacts of the economic crisis in this landlocked, part-desert country that has one of the fastest-growing populations in the world.

### *Transmitting the impact of the global economic crisis: cotton*

The primary transmission channel for the global economic crisis to Burkina Faso has been the cotton sector, which represents the country's most important crop. Approximately 250,000 households and three million people (out of a population of 15 million) depend either directly or indirectly on cotton production for their livelihoods, and nearly one person in six earns cash income from cotton cultivation.<sup>4</sup> In a number of rural areas, the sale of cottonseed is the main source of income.<sup>5</sup> In 2009 the cotton sector accounted for 60 per cent of export revenues, meaning that the country is particularly vulnerable to terms-of-trade shocks in that sector.

As a result of the global economic crisis, demand for cotton plummeted internationally, and the price fell by 40 per cent.<sup>6</sup> While cotton prices are notoriously volatile, a drop of this size is extreme. This price collapse led to a cumulative loss of CFA 12bn (\$25m) for Burkina's three cotton-ginning companies and a severe liquidity problem in the cotton market. At the macro level, the collapse of the cotton sector led to additional expenditure for the government to support the largest cotton-ginning company (SOFITEX) and to subsidise cotton farmers' incomes, which together amounted to 0.7 per cent of GDP in 2009.

The crisis in the cotton sector also hit economic growth in Burkina Faso. In 2008, the growth rate was 5.2 per cent (having risen from an unusually low 3.6 per cent in 2007, due to a poor crop caused by lack of rain – the long-term trend growth rate is around 6 per cent). However, growth was expected to decline to 3.1 per cent in 2009 due to the fall in demand for cotton and therefore in prices.<sup>7</sup>

At a macro level, the problems in the cotton sector have been partly offset by the growth in the country's gold mining sector (and the appreciation of the US dollar against the euro, to which the CFA franc is pegged<sup>8</sup>). In 2008–09, three new mines became operational and others increased their output, doubling gold production.<sup>9</sup> However, the increase in gold exports has not helped to reverse the government's shortfall in revenue: so desperate has the country been to encourage investors that the terms of those investments are massively skewed in favour of companies and away from the government. Most mines have a ten-year concession with a huge seven-year tax holiday, meaning that there is very little

increase in tax revenue, which the country could otherwise allocate to its health and education budgets.<sup>10</sup>

Moreover, the potentially redistributive impact of gold mining is very different from that of cotton in terms of the likely number of local people employed – so that growth in the former does not make up for the loss of employment or household income occasioned by a slowdown in the latter. In 2008 around 13,000 people were employed in the mining sector, with around three times that number employed as sub-contractors.<sup>11</sup> Most of these are Burkinabe nationals, but the majority of skilled positions are held by foreigners. While these figures are not negligible, they are far smaller than the number of people employed, either directly or indirectly, in the cotton industry. In addition, there are serious concerns about the environmental impacts of gold mines.

### *Transmitting the impact of the global economic crisis: aid*

Sadly, these impacts will likely be further exacerbated by an almost inevitable drop in aid (or at best a failure to increase as predicted), the other main transmission mechanism of the global economic crisis for Burkina Faso. While the big multilateral donors have been scaling up their loans and/or grants to Burkina in the wake of the crisis, some bilateral donors, facing a drop in GDP as a result of the economic crisis, are likely to cut aid budgets, and have cut sectoral aid already. Until 2010, aid was becoming steadily more predictable in Burkina, particularly since donors introduced a programme of joint conditionality in 1997,<sup>12</sup> meaning that the government could plan for recurrent expenditures such as teachers' salaries.

Twenty-seven donors currently support the implementation of the government's poverty reduction strategy through general budget support, sector programmes, investment projects, capacity-building projects, and technical assistance. Investment projects account for two-thirds of external aid, while budget support accounts for approximately one-third of total donor support. Budget support is currently provided by the Netherlands, Denmark, France, Sweden, Germany, Switzerland, the European Union, the World Bank, and the African Development Bank.

It now seems very likely that the Netherlands will cut aid further to Burkina Faso, and other donors are also likely to reduce the amounts they give. Donors have not yet made it clear to the government by how much their overall aid to the country will be cut – primarily because they do not yet know. Moreover, Burkina Faso is particularly dependent on aid to finance government expenditures such as teachers' and health workers' salaries (in 2007, aid accounted for 108.9 per cent of central government expenditure<sup>13</sup>), firstly because it is so poor, and secondly because it has few domestic resources. As shown above, the mining sector currently contributes pitifully little revenue, and the formal sector as a whole consists of only 60 companies.<sup>14</sup>

As Yamsekre Tiendrebeogo, director-general of economy and planning in the Ministry of Economy and Finance, says, 'We can't yet see the contraction in aid for Burkina. We can't know by how much they'll cut.' Some officials are stoical about the cuts, but a senior official in one of the education ministries says, 'They tell us they have problems at home, but when you're hungry, you don't have ears.'

### *Transmitting the impact of the global economic crisis: other effects*

The third transmission mechanism for Burkina Faso is foreign direct investment (FDI). In 2008 FDI inflows amounted to \$75m, while in 2009 this fell to a projected \$32m due to the reduction in global investment as a result of the economic crisis.<sup>15</sup> The World Bank also predicts a likely future reduction of FDI flows.<sup>16</sup>

Because the banking sector is over-exposed to the cotton industry, it has felt the impact of the crisis. However, to date, there have been few other effects that can be directly attributed to this crisis specifically, due to the country's isolation from global markets. Burkina Faso is not, for instance, a country that depends on remittances.<sup>17</sup> Indeed, although Burkina is very poor, some Burkinabe are able to send money to people in other countries in the region, such as Mali and Niger. Remittance outflows nearly equal remittance inflows: \$44m as against \$50m in 2007.<sup>18</sup>

Similarly, there is little evidence of an increase in unemployment due to the economic crisis, although this is partly because post-crisis data at a household level have not yet been collected (the last household survey was conducted in 2003, although a new survey is being carried out in 2010). The other key reason for a lack of evidence is that at least half of the active population is employed in the informal sector, where it is very difficult to capture data. However, at the micro level, there is evidence of unemployment attributed to the 'expensive times' following the start of the food price crisis (see below), because of the contraction of the economy. In addition, there was a fall in income tax receipts in 2009, again evidence of a reduction in employment in the formal sector.<sup>19</sup>

What is clear is that the impacts of the financial crisis have compounded a situation that had already worsened due to the food and fuel crises, as well as irregular rainfall patterns. Between January 2007 and January 2008, prices of food items such as maize and cooking oil surged by more than 50 per cent and, as a result, total inflation reached a record 7 per cent.<sup>20</sup>

## The impact on Burkina Faso's potential to meet the MDGs

Burkina Faso is even further off-track to meet many of the Millennium Development Goals (MDGs) than other countries in sub-Saharan Africa, and on the most recent Human Development Index, ranked 173rd out of 179 countries. It has the third lowest adult literacy rate in the world, and has much poorer education completion rates than in the rest of the region.<sup>21</sup> Even before the financial crisis, Burkina had revised downwards its original goal of attaining universal primary education by 2015 to 70 per cent.<sup>22</sup>

One of the few MDGs on which Burkina has made progress, however, is the one concerning maternal mortality: the number of mothers dying per 100,000 live births fell from 484 in 2006 to 307 in 2007.<sup>23</sup> Child mortality rates have improved too, although there is disagreement as to whether the country is on track to meet the relevant MDG.<sup>24</sup> Burkina Faso is likely to meet the goal for access to clean water on time, but while access to water for people living in urban areas is good, it remains very poor for people living in the countryside.

The poverty rate had been falling slowly in Burkina Faso before the crises struck. The proportion of the population living in poverty fell from 46.4 per cent in 2003 to an estimated 42.8 per cent in 2008,<sup>25</sup> although inequality rates have stayed the same. But, according to the World Bank, the deceleration in economic growth in 2007–08, along with rising food and fuel prices, resulted in estimated increases in poverty of 0.5 per cent in 2007 and in 2008 of 4 per cent.<sup>26</sup> It will be difficult to assess the overall poverty impact of the financial crisis until the household survey is finished. However, based on its modelling of the likely impacts, UNICEF predicts that the number of calorie-poor children will rise by 1.1 per cent in 2009, 1 per cent in 2010, and 0.8 per cent in 2011.<sup>27</sup>

In addition, health and education budgets were already under stress. For example, the budget for secondary education fell by between 2 per cent and 5 per cent as a share of the national budget in 2007–08. This stabilized a little in 2008–09, and later rose due to disbursements from the Education For All Fast Track Initiative, a multilateral fund which finances poor countries' education plans.

However, in spite of this strain, it appears that spending targeted specifically at poverty reduction has so far been protected through the crises. According to the Burkinabe authorities and IMF projections, total poverty-reducing social expenditure accounted for 5.6 per cent of GDP in 2007, fell away to 5.4 per cent in 2008, but was set to increase to 6.8 per cent in 2009.<sup>28</sup>

Burkina Faso's 2010 budget indicates that the country is more or less meeting the target recommended by the Global Campaign for Education – and embraced by many African governments – of spending 20 per cent of total budgets on education. The total 2010 allocation to the two education ministries is CFA 176bn (\$366m), which represents 19.9 per cent of the total budget.

However, the total allocation still falls short promises made by African education ministers in the Dakar Framework for Education For All, agreed in 2000. At that time, African ministers agreed to spend 9 per cent of GDP on education by 2010, but this allocation represents only 4.6 per cent of projected GDP. Other ECOWAS governments are also falling short on this target. While the Burkinabe government's efforts to allocate 20 per cent of the budget to education is commendable and should be recognised by donors, the scale of need suggests that it should try to reach the higher target. In any case, there remains a large funding shortfall to be met by donors.

The health budget has increased from 1.6 per cent of GDP in 2008 to 2.1 per cent in 2010. Donors have reported that Burkina Faso is this year budgeting to spend 11.79 per cent of its budget on health, against an agreed target of 12 per cent. This figure falls below the 15 per cent of budget that African governments committed to spend on health in the Abuja declaration of 2001.

Budget monitoring group Centre Pour la Gouvernance Démocratique (CGD) agrees that there has long been a shortfall in the amount of money spent on health and education, despite the fact that both sectors were identified as priorities in Burkina Faso's Poverty Reduction Strategy Paper (PRSP), the document that supposedly sets out national development plans and which should therefore dictate the formulation of the budget.

'We know that the government has to make difficult choices, but if it wasn't prepared to really make health and education a priority then it shouldn't have



put them as priorities in the PRSP. The PRSP was the result of a consultation with all levels of society, so they must respect it,' says Silwe Kaphalo Segorbah of the CGD.

And money is not the only problem. There is a fundamental capacity issue. As Stephane Brossard, head of economic and social sector programmes at the European Commission delegation in Ougadougou, says, the problem is the lack of skilled people, or 'human capital'. 'You need an extra 5,000 classrooms to be built, but even if you had the money, how would that happen? There isn't the construction capacity to produce them, and people who are trained, are already making the materials for extra clinics,' he says. In addition, there is a problem of burdensome bureaucratic procedures, particularly around construction.

The government has put in place policy measures in an attempt to achieve some of the MDGs. Before the crises hit, Burkina Faso was in the process of rolling out a system of free basic education for all children up to age 16, which was initially being piloted in 45 areas (administrative departments). However, this has not yet been rolled out to all primary schools in all provinces, as was originally planned.

In 2000, the government adopted its first ten-year health plan. In 2006, this was revised with a strong focus on intervention packages designed to accelerate progress towards the health MDGs. This was an improvement, as previously health work had been a series of individual projects. 'The system was balkanized,' says Jan van der Horst, of the Dutch Ministry of Foreign Affairs in Ouagadougou.

However, this revised plan is already beset by problems. There is a 'common basket' fund in health, called the PADS (Programme d'Appui au Développement Sanitaire, or Programme for Health Development), which sits outside the national budget and does not use national procedures. In practice, this basket consists predominantly of a patchwork of targeted funding, sustaining a damaging vertical approach to the detriment of a sector approach focusing on health systems. This creates yet more problems for the Ministry of Health.

'Donor fragmentation is getting worse due to the new donors. People say here that the Paris agenda of aid harmonization is dead. Everyone is doing their own thing,' says van der Horst, adding that the World Bank's insistence on using its own procurement systems is slowing down the attainment of health goals. 'It took three years before bed-nets were delivered, and using the Bank's [procurement] system accounted for seven months of that time,' he says.

In addition, funding to the PADS has been cut, meaning that district health plans have had to be scaled down by half compared with projections made in 2008. And with no new funding in 2010 and some donors (for instance, France) likely to end their support for the PADS completely, plans for 2011 will have to be cut in half again.

In the medium term, the government says that it will significantly increase pro-poor spending, and that it is resolved to make progress towards the MDGs. However, this will be much more difficult to achieve if there is a significant drop in aid flows.

**Box 1: Floods – just one aspect of climate unpredictability in Burkina Faso**

While other developing countries have suffered from the combined effects of the food and fuel price and financial crises, Burkina Faso has also been left reeling from the effects of a fourth, highly damaging crisis. In September 2009, exceptionally heavy rain pounded the capital Ouagadougou, leaving 180,000 people homeless and damaging bridges and roads. The city's main hospital was flooded, destroying expensive equipment. Around 1,360 small-scale agricultural producers lost their crops and reserves. The economic impact of the flood is estimated at 2 per cent of GDP.

This flood was an example of increasingly unpredictable and extreme climate-related events, which could be exacerbated by the effects of climate change. As Jan Egeland, then the UN Secretary-General's special advisor on conflict, said when he visited the country, 'Climate change in Burkina Faso does not mean there is less rain, it means that rainfall has got less predictable. And weather overall has become much more extreme in the way it comes – the heat, the cold, and the peaks and troughs of rainfall. People cannot predict when rain will come. And then when it does, it falls in buckets... The alternative to floods is basically no rainfall – it's all or nothing, and either way is a crisis for some of the poorest people on earth, in ways that are just completely unpredictable.'

Source: IMF (2009), IRIN (2008) 'Sahel climate change diary – Day 1'.  
<http://www.irinnews.org/Report.aspx?ReportId=78524>, accessed 19 May 2010.

### 3 The impacts of the crisis at the micro level

No wide-scale surveys have yet been conducted of the impacts of the economic crisis at the household level, but there is already evidence of its effects.<sup>29</sup> As Sarah Hague of UNICEF says, 'Burkina was already one of the poorest countries in the world so people don't really see much proportional difference, but the real difference to people's lives will be substantial. However, there aren't the monitoring systems in place to take the temperature every day.'

And just as the cotton sector has been the primary transmission mechanism at the national level, so too have cotton producers felt its negative effects. One of these has been the lack of credit supply in the cotton sector, because the loans made to cotton companies have not been repaid, and the banking sector is highly exposed to the cotton industry. 'Producers have been forced to sell their livestock or crops because they couldn't get any credit. People have been forced to sell things as they get poorer and poorer,' says Issouf Sonde of the National Union of Cotton Producers of Burkina Faso.

There is also clear evidence of parents being forced to take their children out of school. In a small-scale survey of the impacts of the crisis at the household level carried out for Oxfam,<sup>30</sup> Halidou Kabore, 34 years of age, said: 'Lots of children have had to abandon their desks, for the luckier ones, to sign up for evening classes.'

Sonde adds: 'It's not such a problem for people with children attending public school, because there the subsidies have allowed them to remain in school. But I have spoken to producers who have had to take their children out of private secondary schools, because they could no longer afford the fees. And they have not then been able to enrol these children in public school, because there are not enough places, and a cotton producer does not have the power to negotiate a place in these schools, which are already over-subscribed.'

In fact, even without the crisis, there would be a major problem with over-subscription in secondary schools. Students sit an entrance exam (*concours*), but 70 per cent who sit it are still not able to attend, due to the lack of places.<sup>31</sup>

Even though primary education is officially free, in many cases there are fees to pay to parent-teacher committees. Fidele Ouedraogo is a 42-year-old agricultural worker with three children, two of whom are in school. He says, 'As for sending my children to school, instead of paying all the money upfront or even in instalments, as we don't have any money, we give whatever we earn, especially if you're someone who doesn't get a regular salary at the end of the month. As soon as I earn CFA 2,500, I go and give it to the school and I ask for a receipt. Bit by bit, I pay for the schooling.'

However, as has already been stated, for many people it is difficult to differentiate between the impacts of the various crises. In the Oxfam survey, most people referred to the start of 'the expensive times', meaning the time when food prices started to increase.

Korotimi Ouedraogo (not related to Fidele Ouedraogo. Ouedraogo is a common surname in Burkina Faso) is a 43-year-old widow with five children. She says, 'With the expensive times, things are even more complicated. You spend everything you earn, but even that isn't enough to meet urgent needs such as food. You can't ask for help as everyone has their problems. I have been lucky to have had this job as an office

cleaner. Every year the boss always renews my contract. But last time, he warned us that we will lose our jobs because they are going to cut the number of people working with them, because these are hard times for them too.'

Kabore, quoted above, adds, 'I'm hearing about families where the head of the house who used to be employed as a labourer can't find work. They get up in the morning, go to the site, but are told that there isn't any work for them any more. Several times people have come to see me to borrow CFA 1,000 because they've been out all week looking for daily work and haven't found any, while the rest of the family, especially children, go to sleep hungry.'

While international food prices have fallen from their peak, in Burkina Faso prices remain high: they have dropped by only 5 per cent since the beginning of 2009,<sup>32</sup> and in July 2009 they increased again because food stocks were running low. UNDP is currently carrying out a study on the impact of high food prices on the well-being of the population: initial findings show that all households have seen a 10–18 per cent decrease in their purchasing power (with poorest households at the higher end of that range). There is evidence that people are cutting their consumption. Soumaila Ouedraogo, a 29-year-old linen vendor, says: 'Now that a sack of rice has become more expensive – the price is between CFA 17,000 and CFA 20,000, depending on the quality – my wife buys rice each day, a kilo at a time. But even then, we can't eat enough to be full every day.'

However, even rice is out of reach for very poor people, for whom maize is the staple, formed into a polenta-like substance called *tô*. Aminata Sorgo is a 30-year-old soap seller who lives in Bogodogo, an area of Ouagadougou. She says: 'Among neighbours, I've noticed that it's not easy to have enough to eat. Everyone's trying. No one can help out anyone else. Often it's really hard to earn CFA 100 and buy a sachet of maize flour to make *tô*. Today you can scratch around to get hold of CFA 100, but tomorrow, nothing is certain.' Prosper Compaore, a 36-year-old carpenter, says that he can now only afford to eat once a day. 'We don't dare to prepare food morning, noon, and night. My wife cooks at lunchtime and then we wait until lunchtime the next day.'

Others are increasing their work hours. Antoine Yameogo, a 30-year-old barber, says: 'I often stay late at my workplace in the hope of getting one or two extra clients.'

Similarly, the fuel price crisis had a direct impact on poor people, because food is often imported by land. According to the CGD, in 2004 one litre of petrol cost CFA 400. By 2009, this had risen to CFA 700. While the government – which controls and subsidises the price of petrol – did not increase fuel prices fully in line with international prices when they spiked, it did not immediately lower them again when prices fell globally: in early 2010, a litre of petrol still costs CFA 665.

Some people are not aware of any government welfare programmes introduced since the food or economic crises. Soumaila Ouedraogo says: 'I've heard that the government helps some people, but I don't know what that help is or in what form it comes. As far as I'm concerned, I haven't received anything. Sending children to school is still expensive, and nothing is free.' Aminata Sorgo agrees: 'I haven't received any help with food. I've heard that food is being distributed, but none has arrived in our area.' However, others mention both the generic drugs that the government has made available, which are less expensive than brand-name drugs, and the free books being given to children in public and private schools.

## 4 Government responses

The Government of Burkina Faso is well managed, with increasingly transparent budgets and good quality, if unprioritized, plans. For instance, it responded to the food price crisis in late 2007 by temporarily suspending import taxes on essential food products, including rice, salt, pasta, condensed milk, and infant formula. However, while it has a history of providing social safety nets to its most vulnerable citizens, these have tended to be small-scale and poorly targeted.

The government responded quickly to the economic crisis by putting together a response plan (the *Plan d'actions 2009–2010 du gouvernement pour faire face aux effets de la crise financière et économique sur l'économie burkinabée*), much of which is in the form of a fiscal stimulus. There are three elements to the *plan d'actions*: economic, financial, and social protection.<sup>33</sup>

The social protection element of the plan is designed to increase food security, to improve the health of poor people by better targeting health programmes, and to increase the productive capacity of poor households. The economic element aims to support an expansion of economic activity, including the restructuring of companies in difficulty, the development of infrastructure, and improvement in the performance of the agro-pastoral sector. The latter includes plans to diversify away from cotton production to growing cereals such as sorghum and maize, to rice and chickpeas, and to fishing and forestry. The financial element aims to shore up the banking system.

### **Box 2: Getting the design of social protection programmes right**

Contrasting evidence from programmes in Burkina Faso underlines the importance of policy design. In 2005–06, the World Food Programme assumed responsibility for all school feeding in the country's Sahel region. In some schools, it provided lunches to all pupils every school day; in others, girls with 90 per cent attendance received monthly take-home rations of 10kg of flour. The two models produced different results. While both improved enrolment, take-home rations extended positive nutritional benefits to younger siblings. An evaluation carried out after one year of the programme also found that both approaches increased new enrolment among girls by 5–6 percentage points, but school lunches did not appear to significantly affect boys' enrolment. Absenteeism declined on average, but increased among girls in households facing severe labour constraints. The reason: siblings took over the off-farm labour of girls eligible for school feeding, who in turn took on more domestic labour. This resulted in higher enrolment but periodic absenteeism as girls were occasionally pulled out of school for chores in the home.

Source: UNESCO Education For All Global Monitoring Report 2010

Many of the elements of the *plan d'actions* expand on existing government programmes. For instance, there was already a system of school feeding programmes in place, but it is proposed to double spending on this, and whereas before just 40 per cent of the country was covered, now the government is trying to provide all schoolchildren with one subsidized meal a day (in conjunction with the World Food Programme and the NGO Catholic Relief Services). According to the IMF, in 2009 the government spent an additional CFA 12.3bn over what had been budgeted for this programme, in response to the financial, food, and flooding crises.

In addition, in February 2010 the Ministry of Health recommended that access to obstetric services should be free, whereas previously the government had

covered 80 per cent of costs and individuals had to meet the additional 20 per cent from their own pockets.

'These are very rational measures that have been taken by the government,' says one donor. However, others are more sceptical about the *plan d'actions*, claiming that it is a repackaging of spending that the government already wanted to put in place. Others think that the response is too ambitious. The government managed to fund all of the 2009 costs from the national budget, but has so far been able to allocate enough for only a small proportion of the 2010 costs, amounting to a maximum of 17 per cent of the costs of the plan over its two-year duration. 'If the money was there,' says Alain Siri of UNDP, 'the government could implement this plan, although there are still problems with targeting the poorest and most vulnerable people.'

One issue that will make implementation harder is the fact that the process of decentralization has not yet been fully implemented. Efforts to decentralize are still fairly new in Burkina Faso: the process began in 1995, and the first countrywide elections were held in 2006.<sup>34</sup> But, as with other Sahelian countries, progress has been tortuous. There are concerns that functions, skills, and resources have not been properly transferred to local levels in order to enable councils to carry out the roles theoretically assigned to them. Moreover, an estimated 80 per cent of local councillors are unable to read or write.

Even before the financial crisis (and the preceding food and fuel price crises) hit, the government was working on a new development model. This was driven by the realisation that, despite following the strict conditionalities of the World Bank and IMF for many years, such as trade liberalization, and in spite of steady growth, poverty rates were not falling quickly enough. In addition, GDP per capita, while growing, remained low at only half the average for the region;<sup>35</sup> this disparity is widely referred to as the 'Burkina paradox'. There was also a realization that there is limited land capacity available to expand agriculture.<sup>36</sup>

A new planning process has been expedited by the crises. The 'Stratégie de croissance accélérée et de développement durable' (SCADD, or the Strategy for Faster Growth and Sustainable Development) is still under development but, on first analysis, looks promising. As well as economic growth, this strategy will target poverty reduction, environmental conservation, the management of demographic change, and the reduction of gender inequality.

### **Box 3: Government responses to the crisis in the cotton sector**

Even before the financial crisis, cotton production in Burkina Faso had been hit by late rainfall. Because so many people are dependent on the sector for their livelihoods, the government intervened in three ways:

1. It created a price-setting mechanism that sets producer prices at the start of each growing season;
2. It created a price-smoothing fund that compensates ginning companies when global cotton prices fall below producer prices (however, there is unlikely to be enough money in this fund to compensate ginneries for the expected 2009–10 losses, which are estimated to be about 0.5 per cent of GDP); and
3. It recapitalized the largest ginning company, along with two private ginning companies.

Source: IMF (2009)

## 5 Donor responses

To date, the only donors to have substantially increased the amount of money they lend or give to Burkina Faso in the wake of the crisis have been the multilaterals.

- The World Bank disbursed \$20m extra in budget support in 2009.
- The IMF has provided CFA24.7bn (\$46m) in addition to resources originally planned under the Poverty Reduction and Growth Facility.
- The African Development Bank (ADB) gave 35m Units of Account (UA), equivalent to the IMF's Special Drawing Right, in budget support following the economic crisis. After the food price crisis, the ADB made a rapid disbursement of 3.5m UA (\$5.3m) in 2008 and around 9m UA (\$13.6m) in 2009. It has said it will give an extra \$1m as a result of the floods.
- In addition, the World Bank and the ADB responded by showing useful flexibility, changing their programmes and bringing forward projects that would help alleviate the impacts of the crisis.
- UNICEF spent an additional \$1m in 2009 on nutrition and social protection.

The other important donor response has been the additional fiscal space allowed by the IMF, meaning that Burkina Faso has been able to provide a fiscal stimulus without breaching the terms of its agreement. The deficit target was renegotiated and is now 7.3 per cent, compared with the 5.3 per cent previously projected for 2009. This additional fiscal space could be used to increase investments and to support the health and education sectors. However, this depends on whether the government will be able to access sufficient, affordable, and reliable finance to do this. As one donor says: 'The perception of the government is that if they produce good plans then donors will fund them, but that's not the case any more. Aid is going to go down.'

In addition, there is a problem with harmonization. As Yamsekre Tiendrebeogo in the Ministry of Economy and Finance says, 'Lots of partners created budget lines after the crisis, but they did so before we decided on our priorities. There still needs to be more flexibility. Yes, donors are more flexible in their conditions, but all the donors come with their own glasses on, with their own priorities.' He adds, however, that donors let Burkina Faso use its reserves, which was a positive example of flexibility: 'The most important thing we've had is an increase in fiscal space.'

The government has also issued bonds on the local market. These were CFA-denominated and a mix of short-term three-month bonds and longer-term four-to-five-year ones. They were heavily over-subscribed, and were mostly bought by Burkinabe.

## 6 What are the future prospects for recovery?

Some international donors are optimistic that Burkina Faso can get back on track to its previous growth levels. The IMF, for instance, is predicting that the country's growth rate will be 4.2 per cent in 2010, and that it will return to historical trends of around 6 per cent growth in the medium term.<sup>37</sup> The government says that this is due, in part, to increased diversification of the economy away from its reliance on cotton, and towards mining.<sup>38</sup> The World Bank adds that the mining boom could relieve much of the country's fiscal space constraints, although this will only happen if the mining code is reformed to ensure that revenue is properly managed and stays in the country. Moreover, many mining concessions have several years to run before they can be reformed.<sup>39</sup>

### **Box 4: Future shocks facing Burkina Faso**

- Exchange rates for both exports (cotton) and imports (energy, food products)
- Natural disasters
- Floods and droughts
- Regional instability
- Risks associated with global shocks
- Financial and economic crises.

Source: Presentation on 'Social Safety Nets in Burkina Faso' by the World Bank and UNICEF, Ougadougou, 10 December 2009

The World Bank, however, warns that secondary impacts from the global economic downturn are likely to affect the Burkinabe economy more significantly over the medium term. This will be due to the weakening of the cotton sector (although cotton prices have now increased again) and reduced demand on the global market, as well as further tightening of credit and of global unemployment (which again will reduce demand).<sup>40</sup> In this context, it is worth noting that a significant reduction in US cotton subsidies, most of which have been ruled illegal by the WTO, would lead to increased world prices, ultimately resulting in additional income for cotton farmers in Burkina Faso. Furthermore, while the country could move up the value chain by using cotton to produce textiles, thus reducing its dependence on the global price of raw cotton on international markets, the industry would need more protection from competition from cheap imports at the regional level to allow it to develop.<sup>41</sup>

In addition, further diversification away from cotton towards other crops is hindered by under-investment in the agricultural sector. In 2003, at a meeting in Maputo, African Union (AU) governments committed themselves to allocate at least 10 per cent of national budgets to the agricultural sector. But while the proportion of total public spending on the sector was 26.7 per cent between 1991 and 2006, a large portion of the expenditure recorded in the budget was the result of projects implemented by donors. Thus, as emphasized in a recent study in Burkina Faso, 'It seems the spirit of the Maputo Declaration (...) has not been respected. In 2007, for instance, there was a sharp increase in investment in agriculture for the Ministry of Agriculture (MHARH) mainly due to a major increase in external grants made by donors and not because of the increased investments funded by the State.'<sup>42</sup>



The government is planning to continue to expand investment in health and education, which is very positive, as Oxfam research on the impacts of the economic crisis around the world has shown that countries with good provision of basic social services have been better able to withstand the shock.<sup>43</sup> The IMF has also supported continued spending on social sectors in its programme with Burkina Faso. However, while the Fund has been more flexible with its fiscal deficit targets in the wake of the crises, it is now saying that there will be some fiscal consolidation in 2010, whereas it is clear that the country will need to continue to invest heavily if it is to gain ground on the MDGs. Although officially Burkina Faso ranks as a country at high risk of debt distress, this is only because of its high reliance on a single commodity. On all other debt indicators, the country performs well, so retaining a generous deficit target would be sensible.

The World Bank also warns that the high birth rate (currently at an average of 6.1 children per mother) will continue to put pressure on the government's ability to provide health and education for everyone.<sup>44</sup> The last census, carried out in 2006, revealed that demographic growth stood at 3.1 per cent rather than 2.4 per cent, and so many indicators have already been revised downward to reflect this figure. Naturally, guaranteeing social services for this larger, predominantly young population represents a huge challenge for Burkina Faso.

In terms of other revenue raising mechanisms, the country was already enacting tax reform before the crises hit, and this is set to continue. However, with such a small formal sector, it is unlikely that this will be a major source of finance. In addition, the VAT base is being widened, which could have worrying implications for poverty levels, as this tax is usually regressive.

In addition, because Burkina Faso has an economy that remains undiversified (even if less so than in the past), suffers from both droughts and flooding, and is so dependent on donor funding, it will continue to remain vulnerable to exogenous shocks, both financial and climatic. Because of these factors, the government is clear that it needs to improve social policies, not only in terms of universal measures such as access to free health care and education of sufficient quality, but also of better-targeted safety nets and automatic stabilizers. It has already set in motion a social protection strategy, but again its ability to implement this will depend on donors not making significant cuts to aid, as well as on increased economic diversification.

And while headline economic figures may be set to return to previous levels, these mask the reality for millions of poor people in Burkina Faso, whose lives have been brought closer to the edge because of the crises and who will be that bit more vulnerable the next time a shock hits.

# Notes

<sup>1</sup> The Burkinabe government has made some strong efforts to improve governance and increase transparency. For example, the whole budget is available online and moreover is translated into a number of local languages and distributed throughout the country. This kind of dissemination makes it much easier for citizens to hold the government to account. A number of non-government and civil society organizations – including Oxfam partners in Burkina Faso who work on budget tracking, CIFOEB and CCEB – make use of these documents to keep communities informed and help them to organize their demands for improved and more accountable services.

Attempts to quantify and rank governance can, of course, be rather contentious. On the Mo Ibrahim good governance index, Burkina Faso ranks 27<sup>th</sup> out of 53 African countries overall, indicating a performance that is not amongst the worst, but which leaves considerable room for improvement. It ranks slightly better in terms of safety and rule of law (20<sup>th</sup>) and participation and human rights (23<sup>rd</sup>), with the overall score being lowered by weaker performance in guaranteeing economic rights such as livelihoods and education – in which poverty is, of course, a factor.

On the Transparency International index, which ranks countries on a narrow measure of perceptions of corruption, Burkina Faso does comparatively very well amongst African countries. It is ranked 79<sup>th</sup> out of 180 countries, equal with China. Amongst African countries, it is ranked 8<sup>th</sup> out of 47 on perceptions of corruption – the highest-ranking low-income country in Africa – and third in Economic Community of West Africa (ECOWAS) after Cape Verde and Ghana.

Presidential elections are due in November 2010, and are expected to be won by current President Blaise Compaoré, who has been in power since 1987. The next legislative elections will be held in May 2012.

<sup>2</sup> 2010 World Development Indicators. For a more detailed discussion of literacy issues in the country see 'From Closed Books to Open Doors: West Africa's literacy challenge'. Ancefa/Pamoja West Africa/African Platform for Adult Education/Oxfam International/ ActionAid, Oxfam International, Oxford, April 2009.

<sup>3</sup> Andrew Berg, IMF, at a presentation on the impacts of the crisis in low-income countries in Washington DC, February 2010.

<sup>4</sup> World Bank (2009a).

<sup>5</sup> IMF (2009).

<sup>6</sup> Most of Burkina Faso's cotton is exported to Europe and Asia. IMF (2006).

<sup>7</sup> IMF (2009). However, it is important to note that, as with so many poor countries where statistics are not really robust, the trend in growth figures is more important than the precise numbers, as they are often estimates rather than being based on empirical data. In addition, if per capita demographic growth is factored in, the growth rates in Burkina Faso are significantly lower.

<sup>8</sup> Alfandari (forthcoming).

<sup>9</sup> IMF (2009).

<sup>10</sup> Provisions set forth in a directive issued by ECOWAS create a basis for helping to ensure that mining revenues will be used in ways that reduce poverty, and that local communities enjoy some of the benefits of wealth produced by mining, instead of simply enduring the costs in terms of pollution and loss of farm lands. Uniform standards across the region will help prevent destructive competition for foreign investment that forces governments to relax environmental and financial standards. Oxfam and civil society partners in Burkina Faso are working to spread awareness of the new directive.

<sup>11</sup> World Bank (2009a).

<sup>12</sup> IMF (2006).

<sup>13</sup> World Bank (2007). It should be noted, however, that in terms of the usual measure of aid dependence – i.e. aid as a ratio of GDP – that figure is relatively low for Africa, at around 9–10 per cent for the past 20 years.

<sup>14</sup> The government has been reforming the tax collection system for the past few years, and progress has been made. For example, computerization has been introduced into the system, along with a taxpayer identification number. Exemptions are still widespread, however, and reform efforts

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continue. But some doubt whether there is much further scope for reform, as the taxpayer base is likely to remain small and difficult to reach, other than in the mining sector.

<sup>15</sup> Alfandari. Note that FDI spiked substantially in 2007 to \$344m, but that was due wholly to a one-off privatisation of the telecoms provider.

<sup>16</sup> Alfandari.

<sup>17</sup> Workers' remittances decreased from 3 per cent of GDP in 1990 to 1.3 per cent in 2006 (Alfandari). However, while remittances are not important in Burkina at the macro level, for households that do receive them, they are an important part of their income.

<sup>18</sup> Human Development Report (HDR).

<sup>19</sup> Forthcoming Oxfam research on the impact of the global economic crisis on low-income country budgets.

<sup>20</sup> For a more complete analysis of the impact of the food price crisis on Burkina Faso, and detailed proposals as to how these impacts can be mitigated, see E. Hazard et al. (2008) 'Rising Food Prices in the Sahel: the urgency of long-term action', Oxfam International and Save the Children, Oxford: Oxfam International.

<sup>21</sup> HDR.

<sup>22</sup> UNESCO (2010). [Education for All]

<sup>23</sup> 2006 figure from HDR, 2007 figure from the most recent census.

<sup>24</sup> The government, using data from the latest census, says that it is on track to meet the maternal and child mortality MDGs. However, UNDP, using data from the National Institute of Statistics and Demography, which it says are more accurate than census data, believes that the country is off-track in both instances.

<sup>25</sup> Estimation made by the Ministry of Economy and Finance in March 2009.

<sup>26</sup> Alfandari. There are differing expectations of what the new household survey will show, but in any case it will be difficult to compare it with previous surveys, for methodological reasons.

<sup>27</sup> Balma et al. (forthcoming), UNICEF. These figures should be treated with caution as they are the result of computable general equilibrium modelling, which is essentially a hypothetical exercise, rather than being derived from empirically observed results.

<sup>28</sup> Cited in Alfandari.

<sup>29</sup> Other than the cotton producers, who are directly affected by the economic crisis, many respondents in this section are referring to the impact of the food and fuel crises as much as the spillover effects of the economic crisis.

<sup>30</sup> This small (20 respondents) qualitative survey on the impact of the economic crisis at the household level was conducted in February 2010 by two researchers on behalf of Oxfam. The sample was not intended to be representative.

<sup>31</sup> Interview with K.Y. Jacques, Director of Studies and Planning, in the Ministry of Secondary Education (MESSRS).

<sup>32</sup> Alfandari.

<sup>33</sup> There have been several versions of the *plan d'actions*, the latest of which will soon be put together with the flood response. However, at its core, the *plan d'actions* remains unchanged.

<sup>34</sup> Gerster.

<sup>35</sup> Alfandari.

<sup>36</sup> Alfandari.

<sup>37</sup> IMF (2009).

<sup>38</sup> Cited in Alfandari.

<sup>39</sup> Currently it does not seem likely that the expansion of the mining sector will provide positive spillovers. There is no strategic plan to try to increase the participation of Burkinabes in the mining industry, either directly or through sub-contracting. The Mining Code calls on companies to steadily increase the number of Burkinabe workers, but it is not clear how Burkinabes will be trained to take more highly-skilled jobs. Moreover, the contribution of the mining sector to sustainable local

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community development is largely being left to the good will of the mining companies, with some pressure from NGOs. Similarly, there is a real danger that the macroeconomic benefits of the growth in tax and foreign exchange revenues generated by the mining sector will not be captured by the government. Although the country has taken the first steps towards implementation of the Extractive Industries Transparency Initiative (EITI), the government has not formulated a plan as to how it will use the increased fiscal revenues that will accrue once the tax holidays extended to the mining companies have run out to further the development of the country, and avoid the 'natural resource curse' so common in mineral-dependent countries.

<sup>40</sup> It should also be noted that cotton prices at the start of 2010 had risen to record levels. According to the World Bank's 'Commodity Market Review', 9 March 2010, prices in January–February 2010 rose to 173 cents per kg, up from 138 cents per kg in January–December 2009.

<sup>41</sup> ECOWAS is currently defining a common external tariff (CET) for the region, based on the CET of the the West African Economic and Monetary Union (in French, *Union économique et monétaire ouest-africaine*, or UEMOA). The decision has been taken to create a 35 per cent tariff band applicable to products strategic for the region, such as textiles, but this will still be inadequate to protect local industries from competition: in addition to a higher tariff rate, other protections will also be needed. Management of textile companies in Burkina Faso will also need to improve.

<sup>42</sup> Crola (2009).

<sup>43</sup> D. Green et al. (2010).

<sup>44</sup> Alfandari.

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