Public Disclosure Authorized

Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 30-Mar-2020 | Report No: PIDA28457

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BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Burkina Faso	P170934	Burkina Faso Second Fiscal Management, Sustainable Growth and Health Service Delivery Development Policy Operation (P170934)	P166298
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	05-Jun-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Burkina Faso	Ministere de l'Economie, des Finances et du Developpement		

Proposed Development Objective(s)

The Program Development Objective (PDO) is to support the Government's efforts to: (i) strengthen fiscal management; (ii) improve natural resources management and raise mining and livestock productivity; and (iii) improve health service delivery and social spending efficiency.

Financing (in US$, Millions)

SUMMARY

Total Financing	147.95

DETAILS

Total World Bank Group Financing	147.95
World Bank Lending	147.95

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

Burkina Faso is experiencing a three-fold crisis: security, humanitarian and, more recently, health (related to COVID-19). Increased security challenges, with armed extremist groups' attacks and old antagonisms leading to conflicts between local communities have expanded from the northern and eastern border regions to other parts of the country, including at times the capital city. Attacks have so far only marginally affected mining production and have been sporadic in areas of major economic activity, but output might be affected by coronavirus. The conflict has led to a surge in fatalities to 2,189 in 2019 and to an unprecedented humanitarian challenge**.** The number of internally displaced persons (IDPs) exploded to 779,741 at the end of February 2020, a number seven times more the 101,415 IDPs at end-February 2019.[1] The number of school closures reached 2,410 at end-February 2020, leaving 318,000 students without access to education.[2] Similarly, 120 health centers were closed and 153 others were impaired, leaving 881,000 people with limited or no access to health.[3] The state of emergency remains in force in 6 out of the 13 regions of the country. Both constraints, i.e. security and lack of basic health infrastructure are a major obstacle to articulate an effective national response to the spread of coronavirus countrywide. Indeed, Burkina Faso is currently one of three most affected countries by COVID-19 in Sub-Saharan Africa.

Despite deteriorating security and humanitarian conditions, economic growth has so far remained robust and the fiscal stance has improved, but poverty remains widespread. Following the slowdown during the 2014-15 political transition, the economy has strongly recovered. Growth accelerated to an estimated 6.4 percent over 2018-19, supported by a rebound of the agricultural sector and sustained growth in mining and services. As part of an Extended Credit Facility (ECF) program with the International Monetary Fund (IMF), the Government met the West African Economic and Monetary Union (WAEMU) 3 percent of GDP deficit target in 2019, by reducing the deficit to 2.6 percent of GDP in 2019 (down from 6.8 percent in 2017). Some gains in growth should have helped to further reduce the large share of the population (40.3 percent in 2014), still living in poverty, mainly in rural area. With a Gross National Income (GNI) per capita of US$ 660 in 2018, Burkina Faso is among the 20 poorest countries in the world.

The proposed DPF program continues the reforms started in the first operation in the series, which remain highly relevant and closely aligned with Government and WBG strategy, while accommodating the early response to COVID-19. The DPF series aims to preserve fiscal consolidation as well as promoting economic resilience and public service delivery reforms to improve rural livelihoods and reinforce economic inclusion, social cohesion and efficiency. Implementation progress is broadly satisfactory despite the new and pressing challenges. A few changes are made compared to the initial design of the operation, aiming at strengthening the climate change focus of reforms, reflecting progress on wage bill management and social policy, and support initial response to the coronavirus spread. The operation is complementary to the Emergency Recurrent Cost Financing (P169486) and the Burkina Faso COVID-19 Preparedness and Response (P173858) projects, which will address rapidly escalating security and IDP costs, or additional COVID-19 epidemic costs. Therefore, the operation provides additional concessional financing to a temporarily burdened budget.

The macroeconomic policy framework is adequate for the purpose of this operation. While the economy will remain vulnerable to a range of shocks which might decelerate its growth rate in 2020, Burkina Faso should continue on a positive trajectory of economic expansion as a result of countercyclical, but prudent fiscal and monetary policies and resilient reforms to counter their negative effects. This assessment is underpinned by positive private investment in the growing gold sector and in the cotton sector under rehabilitation, which will support econ0mic activity. The fiscal stance is manageable as the Government has committed to gradually regain the West African Economic and Monetary Union (WAEMU) 3 percent of GDP deficit target in 2022, in tandem with a phasing down fiscal impact of the three-fold crisis. Burkina Faso's Extended Credit Facility (ECF) arrangement with the International Monetary Fund (IMF) provides an anchor for maintaining macroeconomic stability and consolidating fiscal sustainability. Monetary and exchange rate policies are anchored at the regional level by the BCEAO. Public debt is sustainable, and the country should remain at a moderate risk of overall and external debt distress.

Relationship to CPF

The proposed operation is well aligned with the priorities identified by the World Bank Group's SCD and the CPF (FY2018-23). The operation is closely aligned with the Government's 2016-2020 National Development Plan (PNDES), the Country Partnership Framework (CPF) and World Bank Group priorities related to poverty reduction, climate change mitigation and adaptation, and human capital accumulation. The SCD identified three first-tier priorities for Burkina Faso to reduce poverty and promote shared prosperity: improved fiscal and natural resources management, skills development, and greater gender equality. The SCD stressed that Burkina Faso needs to improve the management of its two main assets, land and mineral resources, as well as two scarce resources, water and sources of energy. With respect to gender equality, the SCD emphasized increasing girls' access to education, women's access to maternal health, nutrition, and family planning, access to productive assets and reduced domestic violence. The reform areas supported by this DPF series directly helps address these priorities, namely supporting livestock and mining activities, expanding poor and women access to basic health and social services (including free hospital deliveries and reproductive health services), and improving fiscal management.

C. Proposed Development Objective(s)

The Program Development Objective (PDO) is to support the Government's efforts to: (i) strengthen fiscal management; (ii) improve natural resources management and raise mining and livestock productivity; and (iii) improve health service delivery and social spending efficiency.

Key Results

The achievement of the proposed development objective will be measured against a series of 11 results indicators described in the Program Document. The main results expected from the reforms supported in the fiscal management pillar of the operation consist in increasing the number of taxpayers in the Government's taxpayer database, increasing collection of property taxes, increasing the proportion of public investment projects in the budget that have a feasibility study, and reducing nominal annual wage bill growth rate. For the pillar on natural resources management and raising mining and livestock productivity, the expected results are an increase in the registered exports of artisanal gold mines, an increase in identified and delimited forested areas excluded from the mining cadaster, an increase in the number of miner cooperatives registered with ANEEMAS, and an increase in the share of small ruminant herd vaccinated against

[1] OCHA, https://www.humanitarianresponse.info/fr/operations/burkina-faso/populations-deplacees. Part of the increase in the number of internally-displaced persons should also be attributed to improvements to the registration system and army security interventions in the eastern region, with persons fleeing away from armed confrontations.
2 According to the authorities' estimates, Between January and May 2019, the number of closing schools had been reduced to 1,794, thanks to the army intervention in the eastern region, but the numbers of affected teachers and students had more than doubled, estimated at 8,232 and 289,304, respectively.
[3] Humanitarian health cluster report, February 11, 2020.

Small Ruminants Plague (PPR). For the healthcare service delivery and social spending efficiency pillar, the expected results are to increase the proportion of rural primary health care facilities that meet minimum WISN standards, to reduce the proportion of healthcare facilities that experience shortages of listed essential medications (tracer medicines), and to increase the proportion of indigent individuals who have participated in an *en masse* “intake and registration” mechanism to determine potential eligibility for benefits and services.

D. Project Description

The program supported by the DPF series is organized around three pillars:

- **Pillar 1: Strengthening fiscal management.** The objective is to improve domestic revenue mobilization and the efficiency of public spending. The DPF series supports efforts to widen the tax base through improved identification of tax payers, streamlined processes for filing and paying taxes, and simplification of taxes for micro-enterprises. It also supports reforms aimed at improving the collection of property taxes through better identification of property owners, and the development of a system for assessing property values. With respect to better public expenditure management, the program aims to improve the selection and preparation of public investment, and to support the government’s efforts to contain public wage bill growth.
- **Pillar 2: Improving natural resources management and raising mining and livestock productivity.** The objective is to promote more inclusive growth by raising productivity in two key sectors for rural incomes, namely artisanal mining and livestock, while limiting environmental risks and damages and improving resilience to shocks, in particular those related to climate change. The DPF series supports growth of the artisanal mining sector while strengthening controls and providing incentives for formalization and technical upgrades that improve productivity and reduce adverse environmental impacts. The DPF series also aims to improve productivity in the livestock sector by supporting animal health service delivery, including through the adoption of mechanisms to develop animal vaccination.
- **Pillar 3: Improving health service delivery and social spending efficiency**. The objective is to help the Government achieve its commitment to reduce spatial disparities and income-based social inequalities by improving access and the quality of health services in a cost-effective manner. The program supports the planning and implementation of a more transparent system for allocating personnel across health centers and hospitals. It also aims to improve the management and distribution of pharmaceutical drugs. Finally, the program intends to increase social spending efficiency by supporting the establishment of a concerted and consistent data collection and potential eligibility assessment approach to target the chronically poor (‘indigent”).

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Economy, Finance and Development (MEFD) is the designated implementing agency and has the responsibility for monitoring the overall execution of the measures outlined in the DPF series. MEFD has experience in coordinating and implementing DPF and is the designated implementing agency. Day-to-day monitoring of the program will be the responsibility of the Directorate in charge of Cooperation (DGCOOP) within the MEFD. The MEFD will be responsible for coordinating and reporting to the World Bank on progress for the proposed operation. The World Bank multi-sectoral team will undertake supervision missions and provide technical assistance where needed. The institutional arrangements for the preparation and execution of this operation are within the established framework of the monitoring and evaluation mechanism under the PNDES performance matrix. The dialogue on the PNDES has been escalated to the

Prime Ministry through a unit of coordination covering the fourteen sectorial dialogue frameworks. This operation is incorporated into the ongoing policy reform dialogue, including regular discussions with the IMF and other development partners. PFM and tax reforms will be implemented by the respective technical units in the MEFD and the General Directorate of Taxes *(Direction Générale des Impôts - DGI)*, with overall coordination provided by DGCOOP. Sectoral ministries will furnish relevant information and documentation on the status of their respective reforms to the DGCOOP, which will monitor progress against program objectives. Monitoring of achievements under the DPF will also benefit from leveraging the M&E systems in place for ongoing technical assistance and investment operations in tax administration and public-sector management, mining, livestock development, and health service.

The results matrix that tracks the three operations in the series will provide concrete indicators and empirical benchmarks to monitor progress and facilitate ex-post evaluation following the end of the program in June 2022. The World Bank is currently supporting Burkina Faso and other WAEMU countries to harmonize poverty assessment methods, which will help monitor this DPF series results framework.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The proposed DPF series is expected to support Burkina Faso's growth at a critical time, while preserving poverty and inequality gains in the medium run. An improved public investment management and the management of the public wage bill will not only reduce budget rigidity but also create fiscal space for social and investment expenditure and improve public service delivery. Also, improving formalization in artisanal mining, and improving animal health will benefit two key sources of income for Burkina Faso's rural population. Finally, the service delivery and efficiency improvements in healthcare and insurance scheme for "indigents", including those affected by coronavirus, supported by this operation are expected to benefit the poor and strengthen a national response to COVID-19. The impact of these reforms on poverty will be assessed once the ongoing efforts for updating poverty data under the World Bank Harmonizing and Improving Statistics in West Africa project (P169265, PE) are concluded.

Environmental, Forests, and Other Natural Resource Aspects

The reforms and policy actions supported by the proposed operation are not likely to have significant negative effects on the country's environment, forests and other natural resources, and some may have positive effects. As per policy, the World Bank assessed whether specific country policies supported by the DPF series are likely to cause significant effects on the country's environment, forests, and other natural resources. The assessment concluded that the policies supported by the proposed DPF are not likely to have negative impacts on the country's natural assets. All the actions supported throughout the operation are policy-oriented; they do not support direct investment in environmentally impactful investments or involve policy actions with significant environmental consequences. The institutional framework relating to the environment is underpinned by the Constitution promulgated on June 11, 1991 and its amendments. The assessment of potential risks and negative environmental impacts related to actions supported by the DPF relies on the existing national legal and regulatory framework and will be monitored and addressed through national procedures. Prior actions designed to improve the sustainability of natural resources management are significantly positive for the environment. The reform program will have significant positive effects by improving the institutions for controlling environmental degradation in artisanal mines, discouraging the expansion of mines onto protected areas, and promoting environmentally-friendly technologies. Also, the requirement to conduct feasibility studies for public investments should allow better assessment of environmental risks and potential negative impacts. The new regulatory framework for improving the process for public investment projects appraisal includes provisions on the conditions and procedures for the assessment of social and environmental risks and impacts (negative, positive) of public investment projects in Burkina Faso, including new issues like security, safety and road security.

G. Risks and Mitigation

The overall risk rating for the proposed operation is substantial (S). The most important risk categories for the proposed operation are: (a) Political and governance (H), (b) Macroeconomic (H); (c) Institutional capacity for implementation and sustainability (S), (d) Environmental and social (S).

Political ang governance risk has increased following the 2014-15 events, and security threats related to terrorism have also heightened. Security risks could directly affect the attainment of some results in this program, notably the improved control, formalization, and sustainable expansion of artisanal gold mining, the vaccination of small ruminants, the implementation of an integrated national system for managing the pharmaceutical drugs supply chain, and the deployment of health care personnel to rural areas in greater numbers. Also, new recurrent strikes in the civil service could affect the Government's willingness and ability to implement efficiency reforms in public sector management. The national consultations organized by the Government in 2018 helped gain broader-based support for difficult reforms in this area. These consultations will be replicated in the future. Overall, the proposed operation will contribute to monitor the above issues and address them in close collaboration with the IMF through its focus on fiscal management reform.

Macroeconomic risks are high due to exogenous commodity price shocks, policy slippages and the impact of COVID-19. Rising socio-political, security and humanitarian tensions, and the arrival of the coronavirus might put further pressure on the Government. It might also preclude the implementation of reforms and the Government's intention to achieve a rapid return of the fiscal deficit in compliance with the WAEMU target. Tax collection could be lower than projected, particularly if there is a lower activity due to depressed farming, services, gold exports or investment because of insecurity or the COVID-19 spread in productive areas. Tax administration institutional capacity and tax audits could also be affected by security and spread of COVID-19. Further tax measures and wage bill cuts could in turn contribute to elevate social tensions and endanger the Government's commitment to reforms, especially in a context of rising economic paralysis and outlays due to the coronavirus crisis, or the run up to the November 2020 elections. These policy risks are, however, monitored and mitigated in part through the combination of the IMF program and WAEMU fiscal deficit target, the Emergency Recurrent Cost Financing Project (P169486), the Burkina Faso COVID-19 Preparedness and Response Project (P173858), the reforms supported by this DPF and grants by other donors. The World Bank in collaboration with the IMF, the ADB as well as the EU will continue to provide technical assistance to strengthen the country's capacity in the areas of tax administration and fiscal management, public sector reform, land administration, mining development and water resources management, health systems and containment of the Coronavirus crisis.

The risk of climatic shocks is substantial (S), as they could also reduce economic activity, jeopardize domestic revenue mobilization targets thus narrowing fiscal space for infrastructure and social expenditure. Climate shocks represent a threat to Burkina's agriculture sector, both food crops and cotton production, and consequently to rural livelihoods and food security. As a landlocked country in the environmentally vulnerable Sahel region, Burkina Faso suffers from an extreme and variable climate, with the possibility of both flooding and drought occurring within a few months of each other. The World Bank mining sector project is strengthening capacity to assess, mitigate, manage and monitor environmental and social risks associated with investments in the mining sector.

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APPROVAL

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