Report Number: ICRR14690

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted:	05/04/2015	
Country:	Burkina Faso			
Project ID:	P071443		Appraisal	Actual
Project Name:	Bf-competitiveness & Enterprise Development Project	Project Costs (US$M):	34.30	51.19
L/C Number:		Loan/Credit (US$M):	30.70	47.419
Sector Board:	Financial and Private Sector Development	Cofinancing (US$M):		
Cofinanciers:		Board Approval Date:		03/04/2003
		Closing Date:	06/30/2008	12/31/2013
Sector(s):	Other industry (30%); Telecommunications (30%); Law and justice (20%); Central government administration (20%)			
Theme(s):	Regulation and competition policy (25%); State-owned enterprise restructuring and privatization (25%); Micro; Small and Medium Enterprise support (24%); Legal institutions for a market economy (13%); Judicial and other dispute resolution mechanisms (13%)			

Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
Unurjargal Demberel	Fernando Manibog	Lourdes N. Pagaran	IEGPS2

2. Project Objectives and Components:

a. Objectives:

The original project development objective (PDO) as stated in the Development Financing Agreement (2003, DFA, Schedule 2, p.18) was "to assist the Borrower to improve the competitiveness of its economy through private sector development, mitigation of constraints to SMEs development, and improved producer to market linkages".

The PDO as stated in the Project Appraisal Document (PAD, p.2) was "to assist Burkina Faso to improve the competitiveness of its economy through privatization and utility reform, investment climate improvement and private sector institutional development, and mitigation of constraints to small and medium enterprise development".

The PDO was simplified and refined at the project's first restructuring (2008, Project Paper, Annex 2, p.9) as "to assist the Borrower to create conditions for improved competitiveness and more dynamic enterprise development".

Further, the PDO was revised in the Additional Financing Agreement (2011, AF, Schedule 1, p.5) as "to contribute to private sector development in Burkina Faso by creating conditions for improved competitiveness, enterprise development and investment promotion".

For the purpose of this IEG ICR Review, and in line with IEG evaluation guidelines, the statement of the original objectives from the 2003 DFA will be assessed in terms of the overall objective of improving the competitiveness of Burkina Faso's economy, which would be pursued through three specific sub-objectives: (1) private sector development; (2) mitigation of constraints to SMEs development; and (3) improved producer to market linkages.

The 2008 and 2011 re-statements of the project objectives are substantively similar, except for the addition of an investment promotion sub-objective in 2011. For the purpose of the split rating approach in this IEG ICR Review, and in line with IEG evaluation guidelines, the revised objectives from the 2011 restructuring and Additional Financing will be assessed in terms of the overall objective of creating conditions for improved competitiveness of Burkina Faso's economy, which, after the 2011 restructuring, would be pursued through three specific sub-objectives: (1) private sector development; (2) enterprise development; and (3) investment promotion.

b.Were the project objectives/key associated outcome targets revised during implementation?
Yes
If yes, did the Board approve the revised objectives/key associated outcome targets?
Yes
Date of Board Approval: 12/20/2010

c. Components:

Original Components

1. Privatization and utility reform (appraisal US$ 15.48 million; actual US$ 7.76 million): Through privatization, this component sought to support the government through consulting services and training for (i) streamlining privatization regulations, procedures and decision-making processes; (ii) implementing specific transactions; and (iii) carrying out a privatization communication campaign. The utility reform sought to deepen the reforms in areas including telecommunications, energy, and air transport by assisting the government in (i) strengthening capacity of the Ministry of Posts and Telecommunications and the telecommunications regulator; (ii) supporting the development of information and communication technologies; (iii) devising regulatory framework for the energy sector and building and strengthening capacity of the energy regulator; and (iv) strengthening capacity of the national civil aviation authority to regulate the air transport sector and streamlining Civil Aeronautic Code and air transport regulations.

Note: With the project's first restructuring in 2008, privatization of the national electric and hydrocarbons companies was no longer pursued and a new focus was placed on improving their performance and operational efficiency. The project's activities for rural telecoms were dropped, while new efforts were added to support the Ministry of Energy and Mines.

2. Enterprise development (appraisal US$ 11.22 million; actual US$ 19.83 million) aimed to assist the government through consulting services and training in: (i) improving the commercial legislative and regulatory framework through the preparation and implementation of an action plan for the harmonization of the Organisation for Harmonisation of African Business Laws and national laws; capacity building of judges, magistrates and court administrators; strengthening of the commercial courts and an arbitration center; strengthening of the Register of Commercial and Personal Property Transactions, the Antitrust Commission and the Ministry of Commerce, Enterprise Promotion and Handicrafts; implementation of policy proposals and an action plan for removing administrative barriers to investment and streamlining administrative regulations and procedures; and annual conferences on national economic competitiveness; (ii) the provision of non-financial business development services to SMEs through capacity building of the government's entrepreneurship center (MEBF); matching grants for firm level consultancies and development and delivery of training services; and (iii) the development of microfinance services through strengthening of the supervisory agency for microfinance; development and implementation of a national policy and strategy for the financing of the rural sector and for SMEs development; and (c) design and implementation of a program to build an effective partnership in the microfinance sector.

Note: With the project's first restructuring in 2008, the resources were increased for strengthening the MEBF and expanding the scope of investment climate activities. The 2011 AF further scaled up enterprise development activities, added new activities on investment promotion, investment climate and access to financial services.

3. Project implementation and audit (appraisal US$ 2.23 million; actual US$ 3.35 million) entailed the provision of technical assistance and financing to the Project Coordination Unit (PCU) to implement, coordinate, monitor, evaluate and audit the Project.

Revised Components

1. Enterprise development, investment promotion and investment climate activities (original AF US$ 12 million; actual US$ 13.15 million) covered consulting services, training and operational costs related to (i) continuation of the administrative and regulatory reforms to improve the business environment by assisting the government to formulate a policy framework for reforming the existing legislation and policies on investments; strengthen the Permanent Secretariat of the Presidential Investment Council; and create and build capacity of the Investment Promotion Agency; and rationalize investment and export promotion agencies; and (ii) scaling up the existing matching grant to help SMEs increase labor productivity and enhance competitiveness and supporting the MEBF in implementation of its 2010-2013 strategic business plan.

2. Access to financial services (original AF US$ 6 million; actual US$ 3.23 million) covered (i) studies in the areas of warehouse receipt-financing, mobile banking, non-bank outsourcing, electronic money service and leasing in order to improve access to financial services for SMEs through regulatory reforms; and training for strengthening the Ministry of Economy and Finance and its directorate responsible for microfinance; (ii) technical assistance and training to financial institutions to develop new lending techniques, new instruments and financial products for SMEs and rural finance; and (iii) strategy support for non-bank financial institutions such as the government's entity responsible for postal services, the public and private sector pension schemes and the credit guarantee scheme for SMEs.

3. Project management (original AF US$ 1.5 million; actual US$ 6.18 million) was to finance activities to strengthen the project implementing entity's capacity to manage the project.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: Total project costs at closure amounted to US$ 51.19 million compared with US$ 34.30 million estimated at appraisal. The difference was primarily due to the additional financing of US$ 20 million approved at the second restructuring.

Financing: The project was financed by an IDA credit and grant of US$ 47.19 million relative to US$ 30.70 million estimated at appraisal, with the difference being primarily due to the additional financing of US$ 20 million approved at the second restructuring. There was no other external financing.

Borrower Contribution: The government provided financing in the amount of US$ 3.77 million, slightly higher than US$ 3.6 million estimated at appraisal.

Dates:
- The project closed on December 31, 2013, 5 and half years after the original closing date at appraisal.
- <u>The first restructuring (June 12, 2008)</u> that was approved at the level of bank management refined the PDO and performance indicators; increased IDA cost-sharing to 100 percent; introduced a steering committee to oversee the activities of the project coordination unit (PCU); and extended the project closing date from June 30, 2008 to December 31, 2010.
- <u>The second restructuring (November 24, 2010)</u> that was approved by the Board revised the PDO and performance indicators; provided an additional financing of US$ 20 million through IDA grant; closed the PCU with MEBF taking over the implementation, coordination and oversight of the project; and extended the project closing date to December 31, 2013.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

<u>Original Objective</u>

Substantial

The original PDO was "to improve the competitiveness of Burkina Faso's economy, which would be pursued through three specific sub-objectives: (1) private sector development; (2) mitigation of constraints to SMEs development; and (3) improved producer to market linkages". While the PDO would seem ambitious when seen within the context of this TA project alone, it was consistent with Burkina Faso's 2011-2015 Strategy for Accelerated Growth and Sustained Development that incorporates promotion of private sector-led growth (growth poles; SMEs), structural reforms in the area of the business environment; and building up of economic infrastructure. The objectives were also relevant to the latest Bank Country Partnership Strategy (FY13-16) whose first strategic objective (Accelerate inclusive and sustained economic growth) included measures to enhance the business environment for investors by promoting competitiveness, productivity, and employment; facilitate access to financing, especially for micro, small, and medium enterprises (MSMEs); and improve access to energy, transport, and information and communications technology (ICT). Moreover, the PDO was relevant to country conditions at the time of appraisal addressing the government's Poverty Reduction Strategy Paper (PRSP) objectives to promote the private sector through lowering input costs, increasing factor productivity, encouraging private initiative and supporting activities to generate income and create jobs. It therefore was consistent with the objectives of six Poverty Reduction Support Credits (PRSCs) that pursued major policy and reform actions, including legal and regulatory decisions, structural reforms among institutions, privatizations, etc., with this TA project supporting the institutional and other capacity-building needs to facilitate the achievement of those PRSC outcomes.

Revised Objective

Substantial

The revised PDO was " to create conditions for improved competitiveness of Burkina Faso's economy, which would be pursued through three specific sub-objectives: (1) private sector development; (2) enterprise development; and (3) investment promotion". The sub-objective for investment promotion was added at the AF and second restructuring in 2011. These revised objectives were relevant to the Burkina Faso's 2011-2015 Strategy for Accelerated Growth and Sustained Development and the latest Bank Country Partnership Strategy (FY13-16). They were also responsive to the government's increased focus on investment climate reforms and strengthening of related institutions.

b. Relevance of Design:

Original Objective

Substantial

Looking at this TA project alone, its original results framework had significant shortcomings as the causal link between the project's activities, outputs, outcomes and objectives was weak. In particular, the objective "to improve the competitiveness of the economy" was ambitious given the technical assistance nature of the project. Also, many indicators were vague and posed difficulties in measuring or attributing results of the project.

The activities of the project were diverse with a range of interventions at both the economy-level and enterprise level:

- The divestiture from the public utilities was expected to result in reduced factor costs and increased access to these services. In this regard, the project design included activities to support reform and regulatory capacity building in the telecommunications, power, hydrocarbons and air transport sectors (Component 1). While the project clearly envisaged a specific privatization transaction in the telecommunications sector, the options were not clear for other sectors. As privatization depends not only on government commitment, but also the interest of the private sector as well, the project's regulatory reform and capacity building activities alone could not have been realistically expected to lead to divestiture of all public utilities.
- The mitigation of constraints was expected to accelerate the enterprise development. In this regard, the project design included activities to improve the legal and regulatory environment, remove administrative barriers to investment, improve access to business development services and ease access to financing (Component 2). It was reasonable to expect that the streamlining of regulations and procedures would lower cost of doing business in Burkina Faso, although these usually have a long gestation time due to policy lags. As the project used the matching grant scheme for cost sharing, it was plausible to anticipate that the availability and access to business development services would improve for the targeted enterprises. The project targeted to deliver the business development services to 300 enterprises and associations, which represented about 15 percent of the total number of registered private sector enterprises at the time of project appraisal (PAD, p.9). In the microfinance sector, the project design involved the support for supervisory agency, development of a national policy and strategy for the financing of the rural sector and for SME development and support to the microfinance apex institution. These activities could not have been realistically expected to lead to the increased volume of lending by microfinance institutions to enterprises.

The institutional capacity constraints have not been taken into account and addressed at the project design stage, especially with regards to the Project Coordination Unit (PCU) that coordinated the public sector and ministry level reforms and activities of the project. As ICR (p.5) reports, the PCU had a longer learning curve and had a difficulty engaging effectively all participating ministries. Ultimately, this contributed to substantial delays in the project implementation and lower than expected performance especially prior to the project's first restructuring.

Hence, when assessed in isolation, the project's relevance of design seem modest. However, the relevance of design would be substantial when the project is assessed in the larger context of what the Bank was pursuing in the Private Sector Assistance Project (PSAP), the six parallel Poverty Reduction Support Credits (PRSCs) and this TA project to support the country's longer-term PRSP objectives:

- As the ICR (p.1) notes, "The project was designed to assist the government in implementing its poverty reduction strategy. The strategy targeted long-term, private sector development objectives including the lowering of input costs, increasing productivity, encouraging entrepreneurial behavior and supporting income generating and job creating activities through SME development."
- Key policy issues related to this privatization program and to market liberalization were to be dealt with in coordination with the PRSCs (PAD p. 10). Also, there was a separate energy sector reform project that dealt with operational aspects in the electricity sector;
- According to the IEG ICR Review for PRSC IV project, the first component of which was on growth and employment creation included reforms in the rural, telecom, and energy sectors as well as investment climate (labor market, regulatory framework) to lower factor costs, increase productivity and favor new investments. The outcomes were reported as: "The privatization of ONATEL was completed; according to the ICR, the average cost of a telephone call decreased by about 10% between 2005-2006 and the number of subscribers to mobile phones increased by 61 percent. There was no progress in the liberalization of the energy sector, a key factor in reducing costs and improving competitiveness.", "In privatization, progress was slow as political consensus had to be built and, in PSD, many bureaucratic impediments need to be removed to attract investors, a time consuming process."

Revised Objective

Substantial

The project's PDO and results framework have been refined at the first restructuring, enhancing the measurability of outcome indicators and dropping those that could not be measured in the project timeframe or attributed to it.

The first restructuring scaled up the project's enterprise development and investment climate activities through the MEBF (Original Component 2, Revised Component 1) that were reasonably expected to lead to lower cost of doing business in Burkina Faso. These efforts were further scaled up and strengthened by the AF and second restructuring.

The AF and second restructuring added new activities for investment promotion and access to financial services. The strengthening of the investment promotion institutions (Revised Component 1) was expected to facilitate private investment, though it could not have been reasonably expected to materialize within the project implementation timeframe. The technical assistance to financial institutions (Revised Component 2) was expected to ease financing for enterprises, which however is also dependent on the lending resorces available to these institutions.

The institutional capacity of the public sector PCU has been strengthened at the first restructuring, whilst the MEBF's performance on the private sector side has been satisfactory. At the second restructuring later, MEBF took over the responsibility for the project management and coordination.

4. Achievement of Objectives (Efficacy):

Original objective

The original overall objective was to improve the competitiveness of Burkina Faso's economy, which was to be pursued through three specific sub-objectives: (1) private sector development; (2) mitigation of constraints to SMEs development; and (3) improved producer to market linkages."

PDO 1: Private Sector Development - Substantial

Outputs

- The divestment options have been prepared by the Privatization Committee for 23 state enterprises (the ICR Annex 2, Table 3, p.25).
- The privatization transaction was prepared for the national telecommunication company (ONATEL). The capacity building technical assistance was carried out for the telecommunications regulator (ARTEL). It should be noted that a significant groundwork (e.g., the legal and regulatory framework, regulator in place, etc.) for this privatization had been done by the previous and parallel Bank projects, such as PSAP and PRSCs. The ICT legislation was drafted.

- The energy sector law was revised, but it came with delays. The ICR does not elaborate on this, but according to the IEG's review of the simplified ICR for the PRSC 4 (p078994) project in 2006, there was a disagreement between government and donors on revision of a 1998 law to adapt the legal and regulatory framework in the energy sector. The decree for the creation of the energy regulator had been prepared by the time of the restructuring (the ICR Annex 2, Table 3, p.25). The ICR p.9 notes that privatization of the energy sector was eventually abandoned with the project settling for improvement of management and service delivery. Upon IEG's request, the team clarified that the reason was a lack of political will, and the lack of a compelling enough case for privatization to overcome it. Also, the team explained that there were other power utility privatizations in West Africa (Senegal, Mali) at the time that did not go well and did not improve those countries' power situation that provided a case to focus on the efficiency of the organization rather than privatization.
- The ICR (p.10) reports that the project made major contributions to the mining code and helped build the capacity of the Ministry of Mines and Energy to manage the sector.

Outcomes
- The ONATEL was privatized in December 2006. The teledensity in Burkina Faso increased from 1.5 lines to 31.3 lines per 100 inhabitants by 2010 (the ICR Annex 2, Table 3, p.25). The ICR (p.25) notes that increase in the revenue collected by ARTEL from enhanced spectrum and frequency of management reached 16.39% in 2009 and -2.7% (through September) in 2010, compared to the respective year targets of 10% and 15%. The ICT legislation was adopted in 2009. No information is available in the ICR with respect to the project's impact on cost reduction for the telecommunications services (the indicator was dropped).
- The energy sector law was adopted in November 2007 (the ICR Annex 2, Table 3, p.24). The electricity regulatory agency was created and regulator appointed in 2009 (the ICR Annex 2, Table 3, p.24). The M&E data in the ICR Annex 2, Table 3, p.25 suggests that the national electric company (SONABEL) improved its bill collection rate from 95% in 2009 to 98.75% in 2013, surpassing the target of 98%. This data was also referenced in the government's comments to the ICR (the ICR Annex 5, p.38).
- The ICR (p.28) notes that objectives were met for indicators tracking the performance of the Ministry of Mines and Energy. However, the actual M&E data presented in the ICR (p.25) suggests that there was no change in the Number of inspection mission of mining field activities and the Number of EITI reports disclosed in 2009 and 2010, while the data was not reported for the Number of mineral samples analyzed per day.

PDO 2: Mitigation of constraints for SMEs development - Substantial

Outputs
- 140 magistrates were trained in business law by 2007 (the ICR p.6). The arbitration and mediation center became operational in early 2008 (the ICR p.24).
- The Decree was signed by the Ministry of Justice to transfer old records of the registered companies to the new public business register (RCCM). The one-stop shop for business creation (CEFORE) was created (the ICR p.9). The one-stop shop for construction permit (CEFAC) became operational in the government's entrepreneurship center (MEBF) in 2009 (the ICR p.26). 10 branches of the MEBF were opened in the country's main economic regions by 2013 (the ICR p.11).
- As the ICR (p.11) reports, the project helped establish the legal framework for leasing and related regulations and supported the strengthening of the Burkina Faso Interbank Guarantee Corporation (SOFIGIB). With respect to national post office (SONAPOST), the ICR contains little information, however the team clarified upon IEG request that the project assisted its strengthening by developing a strategy and supporting the interconnection of field offices. The Terms of Reference for Public Sector Employee Pension Fund (CARFO) and National Social Security Fund (CNSS) study was adopted in 2012 and study on best practices for the new regime was completed in 2013 (the ICR p.31).

Outcomes
- 267 commercial cases were resolved by arbitration and mediation by 2012, releasing about $504 million that was in disputes (the ICR p.9).
- 83% of old records of registered enterprises were transferred to the new RCCM (the ICR, the summary indicator results table). The number of days needed to create an enterprise decreased from 45 days in 2004 to 7 days in 2010 and 5 days in 2013 (the ICR p.30). The number of days to obtain a construction license decreased from 226 days in 2004 to 30 days in 2010 (the ICR p.26). The number of enterprises registered with assistance from the project reached 28,516 by 2013, compared to the original target of 15,000 and the AF target of 27,000 (the ICR p.30). The number of enterprises and business associations using MEBF business development services reached 594 by 2010 (the ICR p.26), compared to the original target of 300. Under AF, the number of additional enterprises receiving support from MEBF reached 1,383 in 2013 (the ICR p.30), surpassing the AF target of 850 for the year. The MEBF's operating cost covered by its for fee activities and member contribution increased to 85% in 2012 from 70% in 2010 and in line with the year's

target of 85% (the ICR p.30; no data was available for 2013). The project was not able to quantify the effects of the matching grants that were used to enable the development of business development services by private providers and access to these services by enterprises. However, the beneficiary survey results suggest that the subsidies overall had a direct positive impact on improving the performance of the beneficiary enterprises (the ICR Annex 5, p.35).

- The M&E data in the ICR (p.24) suggests that by 2010 the project exceeded targets for the annual increase in microfinance institutions (MFIs)' lending volume and ratio of non-performing loans in their portfolios. As the project did not provide direct support to financial institutions before 2010, these results could not be reasonably attributed to the project. The AF and second restructuring in 2011 added new activities for technical assistance to bank and non-bank financial institutions. In this period, ratio of non-performing loans in MFI portfolios was reported as ranging between 4.5-5.2% in 2011-2013, which was in line with targets except in 2013 (the ICR p.31). Moreover, the ICR (p.11) reports that with the project's assistance the Interbank Guarantee Corporation (SOFIGIB) grew its customer base to reach over 900 clients. The ICR also mentions that SOFIGIB was created during the life of the project and catalyzed over $20 million in bank credit to the private sector through the provision of partial credit guarantees. However, IEG notes that establishment of this institution was not due to the project and hence the above results cannot be accurately attributed to the project. Nevertheless, the beneficiary survey results suggest that the project helped improve the visibility of SOFIGIB (the ICR, Annex 5 p.39). The ICR contains little information on results of project's activities with respect to the national post office (SONAPOST), however, the beneficiary survey results suggest that the quality of their services improved (the ICR Annex 5, p.39). Also little information was available in the ICR on the results of the project's assistance to the pension schemes, although the M&E data suggests that the targets were not met due to delays. Based on the M&E data presented in the ICR (p.31), 51,200 mobile banking accounts have been opened by 2013, surpassing the target of 50,000. However, the ICR provides no elaboration on how this was achieved and how it further contributed to facilitating access to financing for enterprises.
- By 2013, 19,862 jobs on a cumulative basis have been created (the ICR p.12) by enterprises supported by the project, compared to the original target of 2,000 and the AF target of 15,792.

PDO 3: Improved producer to market linkages - Modest

Outputs

- The civil aeronautic code was updated to be in line with ICAO standards in 2009. As per the Project paper in 2008, the support in the air transport regulation was no longer needed as much as originally anticipated.

Outcomes

- The civil aeronautic code was adopted in 2010 (the ICR Annex 2, Table 3, p.25).

Efficacy is rated substantial for two objectives and modest for the third objective. As such it is reasonable to conclude that the project made a substantial progress in achieving the overall objective of increasing the country's competitiveness.

Revised objective

The revised overall objective was to create conditions for improved competitiveness of Burkina Faso's economy, which was to be pursued through three specific sub-objectives: (1) private sector development; (2) enterprise development; and (3) investment promotion.

PDO 1: Private Sector Development - Substantial

Outputs

- The divestment options have been prepared by the Privatization Committee for 23 state enterprises (the ICR Annex 2, Table 3, p.25).
- The privatization transaction was prepared for the national telecommunication company (ONATEL). The capacity building technical assistance was carried out for the telecommunications regulator (ARTEL). It should be noted that a significant groundwork (e.g., the legal and regulatory framework, regulator in place, etc.) for this privatization had been done by the previous and parallel Bank projects, such as PSAP and PRSCs. The ICT legislation was drafted.
- The energy sector law was revised, but it came with delays. The ICR does not elaborate on this, but according to the IEG's review of the simplified ICR for the PRSC 4 (p078994) project in 2006, there was a disagreement between government and donors on revision of a 1998 law to adapt the legal and regulatory framework in the energy sector. The decree for the creation of the energy regulator had been prepared by the time of the restructuring (the ICR Annex 2, Table 3, p.25). The ICR p.9 notes that privatization of the

energy sector was eventually abandoned with the project settling for improvement of management and service delivery. Upon IEG's request, the team clarified that the reason was a lack of political will, and the lack of a compelling enough case for privatization to overcome it. Also, the team explained that there were other power utility privatizations in West Africa (Senegal, Mali) at the time that did not go well and did not improve those countries' power situation that provided a case to focus on the efficiency of the organization rather than privatization.

- The ICR (p.10) reports that the project made major contributions to the mining code and helped build the capacity of the Ministry of Mines and Energy to manage the sector.

Outcomes

- The ONATEL was privatized in December 2006. The teledensity in Burkina Faso increased from 1.5 lines to 31.3 lines per 100 inhabitants by 2010 (the ICR Annex 2, Table 3, p.25). The ICR (p.25) notes that increase in the revenue collected by ARTEL from enhanced spectrum and frequency of management reached 16.39% in 2009 and -2.7% (through September) in 2010, compared to the respective year targets of 10% and 15%. The ICT legislation was adopted in 2009. No information is available in the ICR with respect to the project's impact on cost reduction for the telecommunications services (the indicator was dropped).
- The energy sector law was adopted in November 2007 (the ICR Annex 2, Table 3, p.24). The electricity regulatory agency was created and regulator appointed in 2009 (the ICR Annex 2, Table 3, p.24). The M&E data in the ICR Annex 2, Table 3 (p.25) suggests that the national electric company (SONABEL) improved its bill collection rate from 95% in 2009 to 98.75% in 2013, surpassing the target of 98%. This data was also referenced in the government's comments to the ICR (the ICR p.38).
- The ICR (p.28) notes that objectives were met for indicators tracking the performance of the Ministry of Mines and Energy. However, the actual M&E data presented in the ICR (p.25) suggests that there was no change in the Number of inspection mission of mining field activities and the Number of EITI reports disclosed in 2009 and 2010, while the data was not reported for the Number of mineral samples analyzed per day.

PDO 2: Enterprise development - Substantial

Outputs

- 140 magistrates were trained in business law by 2007 (the ICR p.6). The arbitration and mediation center became operational in early 2008 (the ICR p.24).
- The Decree was signed by the Ministry of Justice to transfer old records of the registered companies to the new public business register (RCCM). The one-stop shop for business creation (CEFORE) was created (the ICR p.9). The one-stop shop for construction permit (CEFAC) became operational in the government's entrepreneurship center (MEBF) in 2009 (the ICR p.26). 10 branches of the MEBF were opened in the country's main economic regions by 2013 (the ICR p.11).
- As the ICR (p.11) reports, the project helped establish the legal framework for leasing and related regulations and supported the strengthening of the Burkina Faso Interbank Guarantee Corporation (SOFIGIB). With respect to national post office (SONAPOST), the ICR contains little information, however the team clarified upon IEG request that the project assisted its strengthening by developing a strategy and supporting the interconnection of field offices. The Terms of Reference for Public Sector Employee Pension Fund (CARFO) and National Social Security Fund (CNSS) study was adopted in 2012 and study on best practices for the new regime was completed in 2013 (the ICR p.31).

Outcomes

- 267 commercial cases were resolved by arbitration and mediation by 2012, releasing about $504 million that was in disputes (the ICR p.9).
- 83% of old records of registered enterprises were transferred to the new RCCM (the ICR, the summary indicator results table). The number of days needed to create an enterprise decreased from 45 days in 2004 to 7 days in 2010 and 5 days in 2013 (the ICR p.30). The number of days to obtain a construction license decreased from 226 days in 2004 to 30 days in 2010 (the ICR p.26). The number of enterprises registered with assistance from the project reached 28,516 by 2013, compared to the original target of 15,000 and the AF target of 27,000 (the ICR p.30). The number of enterprises and business associations using MEBF business development services reached 594 by 2010 (the ICR p.26), compared to the original target of 300. Under AF, the number of additional enterprises receiving support from MEBF reached 1,383 in 2013 (the ICR p.30), surpassing the AF target of 850 for the year. The MEBF's operating cost covered by its for fee activities and member contribution increased to 85% in 2012 from 70% in 2010 and in line with the year's target of 85% (the ICR (p.30); no data was available for 2013). The project was not able to quantify the effects of the matching grants that were used to enable the development of business development services by private providers and access to these services by enterprises. However, the beneficiary survey results

suggest that the subsidies overall had a direct positive impact on improving the performance of the beneficiary enterprises (the ICR Annex 5, p.35).

- The M&E data in the ICR (p.24) suggests that by 2010 the project exceeded targets for the annual increase in microfinance institutions (MFIs)' lending volume and ratio of non-performing loans in their portfolios. As the project did not provide direct support to financial institutions before 2010, these results could not be reasonably attributed to the project. The AF and second restructuring in 2011 added new activities for technical assistance to bank and non-bank financial institutions. In this period, ratio of non-performing loans in MFI portfolios was reported as ranging between 4.5-5.2% in 2011-2013, which was in line with targets except in 2013 (the ICR p.31). Moreover, the ICR (p.11) reports that with the project's assistance the Interbank Guarantee Corporation (SOFIGIB) grew its customer base to reach over 900 clients. The ICR also mentions that SOFIGIB was created during the life of the project and catalyzed over $20 million in bank credit to the private sector through the provision of partial credit guarantees. However, IEG notes that establishment of this institution was not due to the project and hence the above results cannot be accurately attributed to the project. Nevertheless, the beneficiary survey results suggest that the project helped improve the visibility of SOFIGIB (the ICR, Annex 5 p.39). The ICR contains little information on results of project's activities with respect to the national post office (SONAPOST), however, the beneficiary survey results suggest that the quality of their services improved (the ICR Annex 5, p.39). Also little information was available in the ICR on the results of the project's assistance to the pension schemes, although the M&E data suggests that the targets were not met due to delays. Based on the M&E data presented in the ICR (p.31), 51,200 mobile banking accounts have been opened by 2013, surpassing the target of 50,000. However, the ICR provides no elaboration on how this was achieved and how it further contributed to facilitating access to financing for enterprises.
- By 2013, 19,862 jobs on a cumulative basis have been created (the ICR p.12) by enterprises supported by the project, compared to the original target of 2,000 and the AF target of 15,792.

PDO 3: Creating conditions for investment promotion - Modest

Outputs

- The Investment Code provisions on investor-state disputes and capital transfers was revised in 2011 (the ICR p.30). The ICR did not provide sufficient information with respect to outputs of tax reform activities.
- The Investment Promotion Agency (API) was created in 2012. The Director General was Recruited and the Business plan was adopted in 2013 (the ICR p.30). Prior to the second restructuring, the project supported creation and operation of the Presidential Investment Council (CPI). The M&E framework was established for tracking the impact of investment promotion efforts (the ICR p.11).

Outcomes

- The revised investment code was targeted to be adopted in 2013, but it did not materialize by the project closure. The ICR is silent with respect to outcomes of tax reform activities, however, the project team clarified that these were not core activities and hence no detail was provided in the ICR.
- No international firms have been attracted by the CPI and API by 2013 (the ICR p.30). The ICR attributed this to delays in establishing the agency due to the lengthy recruitment process for the director and some procurement issues.

Efficacy is rated substantial for two objectives and modest for the third objective. As such it is reasonable to conclude that the project made a substantial progress in achieving the overall objective of creating conditions for increased competitiveness of the country.

5. Efficiency:

Modest

Economic Efficiency

At appraisal, a cost-benefit analysis was carried out based on the economic impact of 2,120 jobs expected to be created through privatization of public enterprises with the project's assistance and provision of matching grants to SMEs throughout the expected 5-year lifetime of the project. The ICR (p.12) pointed out that the economic analysis at closure varies from the one done at appraisal and hence the results are not comparable. The ICR's ERR estimate of the minimum 26.62% was based on the economic impact of over 19,000 jobs created by the project against total project disbursements over the project's 10-year actual lifetime. Given that not all the project funds were devoted to job creation, the ICR noted that the ERR is likely higher.

Administrative & Implementation Efficiency

There were a number of efficiency issues during the project implementation. The project took more than nine months to put in place staff and operating procedures for the project implementing units (PCU and MEBF) and comply with conditions for effectiveness (the ICR p.5). There were delays in procurement and disbursement of the project especially prior to the first restructuring. The ICR reports that opinions of non-objection seemed to take longer than usual (p.16) and that slow disbursement was a major reason for the project's unsatisfactory implementation progress rating (p.6) during this period. Moreover, the project overspent both the original and additional financing budget for the project implementation and management (US$ 3.35 million vs. US$ 2.23 million at appraisal and US$ 6.18 million vs. US$ 1.5 million estimated at additional financing).

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	28.2%	78%
ICR estimate	Yes	26.62%	100%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

This IEG ICR Review is based on the original and revised objectives with weighted ratings for outcomes, in line with the harmonized IEG and OPCS Guidelines and the OPCS Guidelines for Implementation Completion & Results Reports.

Under the original project objectives, both relevance of objectives and relevance of design are **substantial**. Efficacy is rated **substantial** for two objectives and modest for the third objective. Efficiency was **modest**.

Under the revised project objectives, both relevance of objectives and relevance of design are **substantial**. Efficacy is rated **substantial** for two objectives and modest for the third objective. Efficiency was **modest**.

Given the 47%/53% split in disbursements (out of the actual IDA disbursement of US$ 47.419 million) between the periods before and after the revision of objectives as part of project restructuring, and taking into account the modest efficiency ratings under the original and revised project objectives, the overall project outcome is rated as **moderately satisfactory**.

a. Outcome Rating: Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The project's impacts in terms of creating conditions for enterprise development will likely be sustained given that MEBF demonstrated itself as a capable and effective entrepreneurship center advocating for and catering to the private sector's needs. There is a moderate risk that the discontinuation of the matching grants would limit access to the business development services for some enterprises. However, the fact that MEBF was covering 85% of its operational costs by its for fee activities and member contribution (the ICR p.30) in 2012 provides some assurance that this risk would be mitigated. As the matching grants supported both demand and supply of these services, it is reasonable to assume that there would be a functioning market. With regards to the project's other objectives, the capacity was built or strengthened for key institutions in the respective areas such as the Privatization Commission, energy regulator, ARTEL, CPI, API, etc. However, continued efforts will be required to have the desired results.

a. Risk to Development Outcome Rating: Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The design was informed by evidence and research, involving consultation with client organizations, beneficiaries, donors and NGOs (ICR p.15) and drew on experience and incorporated the lessons from the previous Private Sector Assistance project. Though complex, the design corresponded to the larger Bank engagement in the country through the six PRSC projects that pursued major policy and reform actions, including legal and regulatory decisions, structural reforms among institutions, privatizations, etc., with this TA project supporting the institutional and other capacity building needs to facilitate the achievement of those PRSC outcomes. The design of the matching grant fund benefited from the lessons learned and the best' practices formulated during the first Africa regional conference of managers of matching grant funds in 2000. Safeguards put in place and risk assessment were satisfactory. The minor shortcomings related to the government’s implementation capacity and indicator quality, which affected the project's performance at the beginning of the project and led to its restructuring as the project took more than nine months to become effective, disbursed less than 50% of the planned disbursement at entry in the first five years of implementation and completed the Monitoring and Evaluation (M&E) framework and baseline data only by mid-2005. The ICR finds that indicator quality (with respect to measurability, attribution and timeliness) was the most problematic shortcoming that had to be addressed during the implementation.

Quality-at-Entry Rating: Moderately Satisfactory

b. Quality of supervision:

The ICR reports that supervision was regular with about two field missions held per year during most of the project duration and that the task team had adequate skill mix. As described by the ICR, the team maintained an open and constructive relationship with the client teams. The team made a number of adjustments over the years to adapt with the disbursements and some activities. However, as ICR also points out there were shortcomings in the supervision quality prior to the first restructuring. First, issues with the underperformance of the PCU were not addressed and the restructuring did not happen until the project was about to close in six months. The ICR reports that supervisory mission aide memoires during 2005-2007 could not be located and there were cases where opinions of non-objection took longer than usual. These suggest major shortcomings in the supervision and administration of the project during this period. However, given that the supervision quality eventually improved over the life of the project, IEG agrees with a Moderately Satisfactory rating.

Quality of Supervision Rating: Moderately Satisfactory

Overall Bank Performance Rating: Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The government pursued this ambitious project to advance its PRSP objectives to promote the private sector through lowering input costs, increasing factor productivity, encouraging private initiative and supporting activities to generate income and create jobs. The government worked closely with the Bank to design the project and committed resources for its implementation. While the ICR commends the government's willingness to address a wide range of issues through this project, it points out to challenges that the government have had in securing sufficient buy-in from ministries and public organizations and coordinating effectively the project activities. The project goals such as privatizing the power and hydrocarbon utilities were too difficult to achieve and were abandoned. Nonetheless, the ICR reports that the government was responsive to recommendations of the Bank and the PCU. It addressed the weakness in the PCU capacity by establishing a Steering Committee. The ICR also notes that the government worked constructively with the Bank making necessary adjustments in the project to better meet the emerging priorities.

Government Performance Rating Moderately Satisfactory

b. Implementing Agency Performance:

The public sector and ministry level reforms and activities of the project were executed by the PCU whereas the private sector part was executed by MEBF. The ICR reports that the performance of the implementing units was uneven, with PCU having had a difficulty in effectively engaging all participating ministries and disbursing the project funds, while MEBF having been more effective and proactive in delivering results. The PCU's weaknesses in financial management and procurement have been addressed at the first restructuring, but they continued to require attention from the Bank and the client until the PCU was closed and the project management was transferred solely to MEBF at the second restructuring. Another criticism of the PCU relates to the fact that the project's baseline and a detailed M&E framework were not completed prior to the project effectiveness, but about a year and half later by mid-2005. Safeguards compliance was satisfactory as the project complied with the only triggered safeguard policy for Environmental Assessment and there were no environmental issues during the project implementation as described by the ICR. With respect to MEBF, the ICR reports that it evolved from the project beneficiary to an implementing unit, by taking more responsibility for implementation as the project increased focus on access to finance and technical assistance for enterprises. The ICR attributes the MEBF's strength to its financial independence, strong management and value proposition to constituents.

Implementing Agency Performance Rating : Moderately Satisfactory

Overall Borrower Performance Rating : Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The original project results framework had a mix of PDO related key outcome indicators and intermediate outcome indicators (PAD Annex 1, p.32; DFA Schedule 7, p.34). The baselines were not set up until mid-2005 even though the project implementation started in late 2003. The results framework had to be revised at the project's first restructuring by refining some outcome indicators to enhance their measurability and dropping indicators that could not be measured in the project timeframe or attributed to it.

b. M&E Implementation:

The ICR notes significant changes in the project activities and indicators due to restructurings and reports that indicators that had already exceeded or met targets and thus no longer remained a focus of the project activities were dropped. Also, the baselines for indicators were re-based and the targets in many cases were reset to higher levels to reflect the AF and strengthened efforts of the project. Similarly, new indicators were implemented for new activities added at the AF and second restructuring.

c. M&E Utilization:

The ICR provides limited evidence with respect to the M&E utilization by the project’s stakeholders. The ICR reports that the project established the M&E framework for tracking investments in Burkina Faso for implementation and use by the API and the CPI. The ICR also reports that MEBF performed an impact and performance evaluation shortly after project closure. On the Bank’s side, the ICR notes that the mid-term review was used to adjust the project activities and address the M&E framework and indicator shortcomings.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

This was a technical assistance loan project that was categorized as a Category B project and triggered only the safeguard policy for Environmental Assessment (OP/BP4.01). The ICR (p.6) reports that an environmental pre-audit was performed during project preparation and disclosed to the public. The ICR further reports that no environmental issues arose during project implementation.

b. Fiduciary Compliance:

Financial management. The ICR (p.6) reports that there were weaknesses in financial management, which were addressed in terms of staffing and systems at the project's first restructuring. The ICR (p.16) mentions that auditors endorsed the financial statements of the projects implementation entities. No indication was found in the audit reports and project documents that waste of resources was discovered, indicated or implied (ICR, p.13).

Procurement. The ICR (p.6) reports that the project had difficulty disbursing prior to the first restructuring as only about 50 percent of the planned disbursement had occurred by that time. The ICR attributes this to slow learning curve of the PCU, cumbersome procurement processes of the client and the Bank, and difficulties in moving forward particularly in the areas of energy and rural telecommunications. While actions were taken to strengthen procurement capacity of the PCU, the workload issues still required attention from the Bank and the client until the PCU was closed and project management reverted to MBEF at the second restructuring.

c. Unintended Impacts (positive or negative):

There were no apparent unintended impacts.

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement/Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance:	Moderately Satisfactory	Moderately Satisfactory	
Quality of ICR:		Unsatisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

Selected lessons from the ICR, with some adaptation of language:

Broad economic reform and private sector development projects require a proactive portfolio management approach. The Bank teams need to be prepared to make adjustments during the project implementation to address the changing country context and the client needs.

Projects addressing multiple sector issues and working with multiple beneficiaries need robust implementing partners to be successful. A successful implementation of any complex project requires that the project implementation unit has an adequate capacity to effectively manage the project.

Adequate M&E framework needs to be put in place prior to the project effectiveness to capture the impacts accurately. It is essential to design a robust M&E framework ex ante to enable proper evaluation and attribution of results.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR was candid and analytical in many aspects, but there were significant shortcomings:

- The ICR did not bring out adequately the larger policy and operational context wherein the six parallel PRSCs pursued major policy and reform actions, including legal and regulatory decisions, structural reforms among institutions, privatizations, etc., with this TA project supporting the institutional and other capacity-building needs to facilitate the achievement of those PRSC outcomes.
- Although much information was provided in the ICR, the weight and validity of evidence were weak in some aspects: i) the evidence was not clear with respect to results in facilitating access to finance, including new retirement regime and mobile banking; ii) a discussion on results of tax reform activities would have been useful; and iii) a discussion on all project activities (irrespective of whether they were no longer a focus of the project post restructuring), such as energy, hydrocarbons and air transport sector would have been also useful so as to provide a full picture for the project. Although the M&E data in the ICR Annex 2 suggested some clues, the quality of the ICR could have been strengthened by adding more analyses and discussion on these areas.
- There were a few inconsistencies between the M&E tables in the ICR's Results Framework Analysis section and the Annex 2 (e.g., number of MEBF branches in 2013, % of records computerized in the RCCM in 2012). Also, the number of days needed to obtain a construction permit in 2010 was 30 days per the M&E data in the Annex 2 (p.26), while the ICR p.10 reported it as 130 days. In the Annex 1, the total actual for the AF Component 1 did not match the sum of the sub-component actuals.

There were other minor errors. There was also a typographical error on p.12 paragraph #63, where a reference to the Annex 5 should be corrected to Annex 3. Another typo was found on p.17 paragraph #83, where the amount underspent should be $8.5 million instead of $8.5. Lastly, the official version of the ICR submitted to IEG had a watermark “Draft” in it and the publicly disclosed version of the ICR could not be found in the Bank’s system. The team confirmed that this was the final official version.

a.Quality of ICR Rating: Unsatisfactory