



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 07/24/2018 | Report No: 128780-BF



BASIC INFORMATION

A. Basic Project Data

Country Burkina Faso	Project ID P166298	Project Name First Fiscal Management, Human Development and Sustainable Growth DPF	Parent Project ID (if any)
Region Africa	Estimated Board Date 12/17/2018	Practice Area (Lead)(s) MTI	Financing Instrument Development Policy Financing
Borrower(s) Republic of Burkina Faso	Implementing Agency Ministry of Economy, Finance and Development		

Proposed Development Objective(s)

The objective is to:

- * strengthen fiscal management;
- * improve natural resources management and raise mining and agricultural productivity;
- * improve healthcare service delivery.

Financing (in US\$, Millions)

SUMMARY

Total Financing	US\$ 50 million
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DETAILS

Source: IBRD/IDA/Others (Specify) Co-financing	IDA
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Decision

The team is authorized to continue to prepare the DPF operation.



B. Introduction and Context

Country Context

Despite security and weather-related shocks, economic growth remained strong in 2017. GDP growth accelerated from 5.9 percent in 2016 to 6.4 percent in 2017, driven by a substantial increase in public investment and buoyant mining activity. This performance reflected considerable resilience in the face of shocks including terrorist attacks in the capital, deteriorating security in the border regions, and poor rainfall.

Fiscal performance has, however, sharply deteriorated. The fiscal deficit soared from 3.4 percent of GDP in 2016 to 7.7 percent in 2017. Most of the fiscal expansion was due to increased public investment. Moreover, deteriorating security has called for large increases on security-related expenditure. With recurrent and prolonged strikes in the civil service, social unrest put upward pressure on wages and recurrent transfers to the energy sector, thereby increasing the rigidity of the budget. In this context, fiscal space for the government's ambitions to address large deficits in infrastructure and social services has further narrowed.

The government has taken steps to restore fiscal sustainability. As part of a new program with the International Monetary Fund (IMF), the government has committed to a deficit of 5 percent of GDP in 2018, and to the WAEMU convergence criterion of an overall deficit not exceeding 3 percent of GDP in 2019. To achieve this substantial fiscal adjustment, the authorities have reduced domestically-funded public investment. The government has also begun to tackle the rapid rise in the wage bill by organizing national consultations (including with the trade unions and civil society) on remunerations in the civil service. It has reduced new hiring into the civil service by 40 percent in 2018 (compared to 2017). In addition, government has taken steps to lower spending on goods and services, including by strengthening public procurement. It is striving to increase the efficiency of its reduced public investment program, notably by improving project preparation and execution, and controlling the fiscal risks associated to Public Private Partnerships. On the revenue side, efforts have focused on strengthening tax and customs administration.

Poverty remains high and vulnerability to climatic shocks is widespread. The share of the population living below the national poverty line has decreased from 46.7 percent in 2009 to 40.3 percent in 2014, thanks to strong economic growth. Nevertheless, with a Gross National Income (GNI) per capita of US\$610 in 2017, Burkina Faso is among the 20 poorest countries in the world. Poverty continues to be overwhelmingly concentrated in rural areas, which are home to 90 percent of poor households, due to limited improvements in agricultural productivity. Poverty outcomes across regions reveal significant regional disparities. Indeed, poverty incidence ranges from less than 10 percent in the Central region to more than 70 percent in the Nord region. Vulnerability is also high: in 2014, two thirds of households reported that they had been negatively impacted by shocks, mostly natural hazards. In 2017, poor rainfall, pests and bird attacks have reduced agricultural output and significantly increased food insecurity.

Relationship to CPF

The proposed operation is well aligned with Burkina Faso's CPF for FY18-FY23, scheduled for Board consideration on July 3, 2018. It was prepared in close coordination with other partners, including the International Monetary Fund (IMF). It also incorporates lessons from previous budget support operations in Burkina. The proposed operation focuses on critical areas such as human capital development, fiscal management, and natural resources management and productivity growth, which the 2017 SCD and upcoming CPF have identified as key drivers of economic growth and shared prosperity in Burkina Faso. The overall risk is considered substantial but remain manageable.



C. Proposed Development Objective(s)

The policy program supported by the DPF series aims at: (i) improving fiscal management; (ii) improving natural resources management and raising mining and agricultural productivity; and (iii) improving healthcare service delivery. The focus on fiscal policy, natural resources management, mining, agricultural productivity and health is based on the combination of the Government's priorities as defined in the PNDES, the recent findings of the Systematic Country Diagnostic (SCD) and other analytical work, and the lessons derived from previous budget support's operations in Burkina Faso and in other low-income countries.

Key Results

The achievement of the proposed development objective will be measured against a series of 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, reducing tax expenditures and increasing the proportion of public investment projects in the budget that have a feasibility study. For the pillar on natural resources management and raising mining and agricultural productivity, the expected results are an increase in the registered exports of artisanal gold mines, an increase in the number of land certificates granted, and an increase in the share of small ruminant herd vaccinated against Small Ruminants Plague (PPR). For the healthcare service delivery 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 the population covered by universal health insurance.

D. Concept Description

To support the Government's reforms in the areas of fiscal management, natural resources management, mining, agricultural productivity and health, the series is organized around four pillars:

- **Pillar 1: Improving fiscal management.** The Government aims to increase domestic revenue mobilization to finance its ambitious program of infrastructure and social spending and to maintain public debt at a manageable level. Concurrently, the efficiency of public spending must be improved, especially by improving the selection and preparation of public investments, and by containing public wage bill growth.
- **Pillar 2: Improving natural resources management and raising mining and agricultural productivity.** The objective is to support the 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 series also supports efficient land management through greater formalization of land rights. In addition, it aims to improve productivity in the livestock sector by supporting animal and public veterinary health, including through the adoption of mechanisms to develop animal vaccination.
- **Pillar 3: Improving healthcare service delivery.** The objective is to improve access and the quality of services in a cost-effective manner. The program supports the planning and implementation of a more equitable and transparent system for allocating personnel across health centers and hospitals. It also aims to improve the management and distribution of pharmaceutical drugs in hospitals. Lastly, it supports the rationalization of social insurance and free health care schemes, and the efficient provision of health insurance to vulnerable persons.

E. Poverty and Social Impacts and Environment Aspects



Poverty and Social Impacts

The proposed DPF series is expected to help alleviate poverty and inequality in Burkina Faso. First, increased fiscal space through tax reform and improved tax collection should enable the Government to increase its contribution to the PNDES, which aims at promoting inclusive growth and achieving the objectives of the sustainable development goals. Second, the service delivery and efficiency improvements in healthcare supported by this operation should allow more equitable deployment of health care providers in public health facilities. This should benefit the rural and more remote areas where most of the poor live. Likewise, the improvements in the distribution of essential generic medications in public health facilities are expected to benefit the poor. The implementation of universal health insurance is a pro-poor policy. Third, the improved institutional framework for managing artisanal mines should encourage the creation of more decent jobs by improving security in the workplace and helping raise productivity and incomes. Upgrades to animal health management, including by improving access to an affordability of animal vaccination will benefit the poor. Livestock contributes to food and nutrition security, it remains the primary source of cash income (39 percent) for rural households, it serves as a store of wealth to cope with climatic and economic shocks, and it is resilient since it can rebuild or restock rather quickly after climatic shocks, particularly drought.

Environment Impacts

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. Furthermore, land titling reinforces the incentives for sustainable management of resources.

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