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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED CREDIT

IN THE AMOUNT OF EUR 87.6 MILLION (EQUIVALENT TO US$100 MILLION) TO

BURKINA FASO

FOR THE

FIRST FISCAL MANAGEMENT, SUSTAINABLE GROWTH AND HEALTH SERVICE DELIVERY DEVELOPMENT POLICY OPERATION

March 28, 2019

Macroeconomics, Trade And Investment Global Practice
Africa Region

**GOVERNMENT FISCAL YEAR**

*January 1 – December 31*

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of February 28, 2019)

| | |
|---|---|
| Currency Unit = | CFA Franc (CFAF) |
| US$1.00 = | CFAF 576.2602 |
| US$1.00 = | EURO 0.87596356 |

**ABBREVIATIONS AND ACRONYMS**

| | |
|---|---|
| ADB | African Development Bank |
| ANEEMAS | National Agency for Management of Mining and Semi-Mechanized Operations (*Agence Nationale d'Encadrement des Exploitations Minières Artisanales et Semi-mécanisées*) |
| BCEAO | Central Bank of West African States *(Banque Centrale des Etats de l'Afrique de l'Ouest)* |
| BUNEE | National Environmental Agency *(Bureau National des Evaluations Environnementales)* |
| CAMEG | *Centrale d'achat de médicaments essentiels génériques et des consommables médicaux* |
| CBHI | Community-Based Health Insurance |
| CFAA | Country Financial Accountability Assessment |
| CFAF | African Financial Community Franc (*Franc de la Communauté Financière Africaine*) |
| CGAB | Multi-Donor Budget Support Group *(Cadre Général d'Organisation des Appuis Budgétaires)* |
| CIDPH | Inter-ministerial Committee for the Determination of Hydrocarbon Prices (*Comité Interministériel de Détermination des Prix des Hydrocarbures*) |
| CMS | Commercial Management System |
| CNAMU | Caisse Nationale d'Assurance Maladie Universelle |
| CNT | National Transition Council *(Conseil National de Transition)* |
| CPI | Consumer Price Index |
| CPS | Country Partnership Strategy |
| CPF | Country Partnership Framework |
| CSPS | Health and Social Promotion Center (*Centre de Santé et de Promotion Sociale*) |
| DANIDA | Danish International Development Agency |
| DeMPA | Debt Management Performance Assessment |
| DGB | General Directorate for the Budget (*Direction Générale du Budget*) |
| DGCOOP | General Directorate in charge of Cooperation (*Direction Générale de la Coopération*) |
| DGD | General Directorate for Tax *(Direction Générale des Impôts)* |
| DGI | General Directorate for Customs (*Direction Générale des Douanes*) |
| DGMP | General Directorate for Procurement Contracts *(Direction Générale des Marchés Publics)* |
| DGTCP | General Directorate of the Treasury and Public Accounts (*Direction Générale du Trésor et de la Comptabilité Publique*) |
| DP | Development Partners |
| DPF | Development Policy Financing |
| DPO | Development Policy Operation |
| DRD | District Dispatcher Depots (*Dépôts Répartiteurs de Districts*) |
| DSA | Debt Sustainability Analysis |
| ECF | Extended Credit Facility |
| ECOWAS | Economic Community of West African States |

| | |
|---|---|
| EIA | Environmental Impact Assessments |
| ESIA | Environmental and Social Impact Assessments |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FDI | Foreign Direct Investment |
| GCC | Growth and Competitiveness Credits |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GoBF | Government of Burkina Faso |
| GRS | Grievance Redress Service |
| HIPC | Heavily Indebted Poor Countries |
| ICCR | Implementation Completion and Results Report |
| ICT | Information and Communication Technology |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| INDC | Intended Nationally Determined Contribution |
| IRS | Internal Revenue Service |
| ISA | International Standards of Auditing |
| LDP | Letter of Development Policy |
| M&E | Monitoring and Evaluation |
| MEFD | Ministry of Economy, Finance and Development (*Ministère de l'Economie, des Finances et du Développement*) |
| MIGA | Multilateral Investment Guarantee Agency |
| MPC | Monetary Policy Committee |
| MT | Medium Term |
| MTEF | Medium-Term Expenditure Framework |
| MTI | Macroeconomics, Trade and Investment |
| NDC | Nationally Determined Contribution |
| NPV | Net Present Value |
| OIE | World Organization for Animal Health |
| PDO | Project Development Objective |
| PEFA | Public Expenditure and Financial Assessment |
| PER | Public Expenditure Review |
| PFM | Public Financial Management |
| PIMA | Public Investment Management Assessment |
| PIU | Project Implementation Unit |
| POSEF | Country's Economic and Finance Sector Policy *(Politique du Secteur de l'Economie et des Finances)* |
| PNDES | National Plan for Economic and Social Development *(Plan National de Développement Economique et Social)* |
| PPP | Public-Private Partnerships |
| PPR | Small Ruminant's Plague (*Peste des Petits Ruminants*) |
| PRGB | Budget Management Reform Plan (*Programme de Renforcement de la Gestion Budgétaire*) |
| PRSP | Poverty Reduction Strategy Paper |
| PS | Permanent Secretary |
| SCADD | Strategy for Accelerated Growth and Sustainable Development (*Stratégie de Croissance Accélérée et de Développement Durable*) |
| SCD | Systematic Country Diagnostic |
| SDR | Special Drawings Right |

| | |
|---|---|
| SESA | Strategic Environmental and Social Assessment |
| SME | Small and Medium Enterprises |
| SONABEL | State-owned Electricity Provider *(Société Nationale d'Electricité du Burkina)* |
| SONABHY | Public Oil Importing Company *(Société Nationale Burkinabè d'Hydrocarbures)* |
| SORT | Systematic Operations Risk-rating Tool |
| SSA | Sub-Saharan Africa |
| SWEDD | Sahel Women's Empowerment and Demographics |
| US$ | United States dollar |
| US$c | United States cent |
| VAT | Value Added Tax |
| WAEMU | West African Economic and Monetary Union |
| WBG | World Bank Group |
| WISN | Workload Indicators of Staffing Need |

| | |
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**BURKINA FASO**

# FIRST FISCAL MANAGEMENT, SUSTAINABLE GROWTH AND HEALTH SERVICE DELIVERY DEVELOPMENT POLICY FINANCING

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## SUMMARY OF PROPOSED FINANCING AND PROGRAM

### BASIC INFORMATION

| Project ID | Programmatic | If programmatic, position in series |
|---|---|---|
| P166298 | Yes | 1st in a series of 1 |

#### Proposed Development Objective(s)

The objective of the first Development Policy Operation 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.

#### Organizations

| | |
|---|---|
| Borrower: | GOVERNMENT OF BURKINA FASO |
| Implementing Agency: | MINISTRY OF ECONOMY, FINANCE AND DEVELOPMENT |

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

| | |
|---|---|
| **Total Financing** | **100.00** |

#### DETAILS

| | |
|---|---|
| International Development Association (IDA) | 100.00 |
| IDA Credit | 100.00 |

### INSTITUTIONAL DATA

#### Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

#### Overall Risk Rating

Substantial

## Results

| Indicator Name | Baseline | Target |
|---|---|---|
| **1. Strengthening fiscal management** | | |
| Number of taxpaying firms and individuals recorded in the government's taxpayer database | 95,515 (2017) | 115,000 (2022) |
| Property taxes collected by general government | 0.3% of GDP (2017) | 0.5% of GDP (2022) |
| Proportion of public investment projects included in the approved budget that have a feasibility study validated by the inter-ministerial committee | 23% (2017) | 80% (2022) |
| Annual nominal wage bill growth rate | 11.4% (2017) | 3.3% (2022) |
| **2. Improving Natural Resources Management and Raising Mining and Livestock Productivity** | | |
| Registered exports from artisanal gold mines (tons) | 0.2 (2016) | 2.0 (2022) |
| Number of cooperatives registered with ANEEMAS | 0 (2017) | 20 (2022) |
| Share of small ruminant herd vaccinated against PPR. | 3% (2017) | 60% (2022) |
| **3. Improving Health Service Delivery** | | |
| Proportion of rural primary health care facilities that meet minimum WISN standards. | To be established by May 2019. | 40 (2022) |
| Proportion of health facilities that experience shortages of listed essential medications (tracer medicines) | 81% (2017) | 30% (2022) |
| Proportion of the population covered by universal health insurance. Baseline (2017): 0%. Target (2022): 20% | 0% (2017) | 20% (2022) |

**IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT TO BURKINA FASO**

## 1. INTRODUCTION AND COUNTRY CONTEXT

1.1. **This program document proposes a first operation in a programmatic series of three Development Policy Financing (DPF) operations.** The proposed first DPF is a single-tranche disbursement of Euro 87.6 million (US$100 million equivalent) as an IDA credit. The policy program supported by this DPF series aims at: (i) strengthening fiscal management; (ii) improving natural resources management and raising mining and livestock productivity; and (iii) improving health service delivery.

1.2. **The operation is prepared in a highly challenging country context.** In 2018, Burkina Faso experienced a combination of simultaneous shocks related to terrorist attacks in the capital and deteriorating security in the border regions, a food security crisis following poor rainfall, and high international oil prices. In this context, the DPF series aims to contribute to fiscal stabilization as well as promoting structural and public service delivery reforms to improve rural livelihoods and reinforce economic inclusion, social cohesion and stability. The DPF series supports reforms aiming at safeguarding fiscal sustainability and creating fiscal space for much-needed public investment in physical and human capital. It also supports structural reforms to promote productivity growth and climate-change adaptation in artisanal mining and livestock. At the same time, in a context of high poverty and vulnerability, the DPF series supports efficiency gains in the health sector to help the government achieve its commitment to expand access to health care and improve service delivery throughout the country. The DPF series complements other WBG operations in Burkina Faso, including the Emergency Recurrent Cost Financing Project (P169486) that was approved in November 2018 to help mitigate risks and strengthen public-sector capacity in critical sectors and regions.

1.3. **Despite security and weather-related shocks, economic growth has remained robust.** Following the slowdown during the 2014-15 political transition, the economy has recovered. In 2017, growth reached 6.3 percent, driven by expansionary fiscal policy and buoyant gold mining activity. In 2018, growth is estimated at 6 percent, driven by the gold mining sector and a rebound of the agricultural sector.

1.4. **The Government has taken steps to restore fiscal discipline, after a sharp deterioration in 2017.** The fiscal deficit soared from 3.4 percent of GDP in 2016 to 7.8 percent in 2017 (Table 2.1). Most of the fiscal expansion was due to increased public investment. Deteriorating security has called for increases in 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 reducing the quality of public spending. In this context, fiscal space for the Government's ambitions to address large deficits in infrastructure and social services has further narrowed. As part of a new Extended Credit Facility (ECF) with the International Monetary Fund (IMF), the Government has committed to a deficit of 5 percent of GDP in 2018, and to the West African Economic and Monetary Union (WAEMU) convergence criterion of 3 percent of GDP in 2019. To achieve this substantial fiscal adjustment, the authorities have reduced domestically-funded public investment and begun to tackle the rapid rise in the wage bill. On the revenue side, efforts have focused on strengthening tax and customs administration. The fiscal deficit is estimated at 4.7 percent of GDP in 2018.

1.5. **The macroeconomic policy framework is adequate for the purpose of this operation.** While the economy will remain vulnerable to a range of shocks, the medium-term growth outlook is positive, driven by private investment in the growing mining sector. The IMF ECF program provides an anchor for maintaining macroeconomic stability and further consolidating fiscal sustainability. WAEMU membership provides an anchor for monetary and exchange rate policies. Debt is sustainable, and the risk of external debt distress is moderate.

1.6. **Reforms are undertaken in a context of widespread poverty, fragility, and vulnerability to climatic shocks**. The share of the population living below the national poverty line decreased from 46.7 percent in 2009 to 40.3 percent in 2014, thanks to strong economic growth[1]. 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 north of the country. Vulnerability is also high: in 2014, two thirds of households reported that they had been negatively impacted by shocks, mostly natural hazards. Poor rainfall, pests and bird attacks in 2017 have reduced cereal output and led to a food security crisis in 2018. About half of the country's 45 provinces and an estimated 950,000 persons have been affected by food insecurity during June-August 2018.

1.7. **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 the planned adjustment of expenditures, 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. 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**. The objective is to reduce spatial disparities and income-based social inequalities by improving access and the quality of 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

[1] The latest data available is for 2014. In the absence of new data, the impact of robust GDP growth on poverty in recent years is difficult to establish. Based on past trends, the share of the population living on less than $1.90 a day in 2011 PPP is estimated to have declined from 43.1 percent in 2015 to 39.1 percent in 2017. A new household survey, conducted in close collaboration with the WBG, will provide updated data in 2019.

distribution of pharmaceutical drugs. Lastly, it supports the rationalization of social insurance and free health care schemes, and the efficient provision of health insurance to vulnerable persons.

## 2. MACROECONOMIC POLICY FRAMEWORK

### 2.1. RECENT ECONOMIC DEVELOPMENTS

2.1. **Burkina Faso is facing a combination of simultaneous shocks.** Increasingly, over the past two years, terrorist attacks have struck the capital and a surge of terrorist attacks deteriorated security in the northern and eastern border regions. There has been a growing number of internally displaced persons, estimated at 83,000 as of January 2019, up from an estimated 47,000 in December 2018 and 39,000 in October 2018[2]. There has also been an increasing number of school closures as civil servants have been targeted[3]. In addition, poor rainfall and pests in 2017 have reduced cereal production and resulted in a food crisis during 2018. Social unrest following the political transition in 2014-15 has contributed to an unsustainable wage bill, which needs to be tackled to create the fiscal space necessary for public investment in infrastructure and social services. Also, increases in world oil prices during 2016-18 were not transmitted to the domestic market (until a partial adjustment in November 2018), creating large quasi-fiscal liabilities.

2.2. **Despite the challenging national context, growth has been solid in 2017 and 2018.** In 2017, growth was driven by substantially higher public investment and mining, reaching 6.3 percent (up from 5.9 percent in 2016, see Table 2.1). Public investment jumped to 11.6 percent of GDP in 2017 from 8.2 percent in 2016 (Table 2.2), with the execution of new projects in growth-enhancing infrastructure in energy, rural and urban roads, water and sanitation, health, education, and ICT. Meanwhile, gold production increased by 20.4 percent, thanks to the entry into production of four new mines, as well as expansion of artisanal mining. Increased recurrent spending (wages and transfers) also supported domestic demand. In 2018, growth is estimated to have remained strong, at 6 percent of GDP but with different drivers. Better rainfall, increased access to agricultural inputs (fertilizers and seeds), and higher prices to local cotton producers boosted agricultural output. The entry into production of a new mining company also helped. The continued dynamism of the ICT and financial sectors also contributed.

2.3. **The external current account deficit deteriorated in 2017 but it is expected to have narrowed in 2018.** In 2017, the deficit had widened to 9.7 percent of GDP (from 7.6 percent in 2016). This was driven by a deterioration of the trade deficit, as a result of higher public capital imports, and oil and food imports. In 2018, fiscal consolidation dampened import growth, and greater export volumes offset deteriorating terms of trade. The trade deficit is therefore estimated slightly lower. Together with increased official transfers, this allowed a decline in the current account deficit, estimated at 8.1 percent of GDP. The current account deficit is financed in large part by FDI inflows (about 3.0 percent of GDP) and concessional financing (about 2.2 percent of GDP) with other external public borrowing filling the gap.

[2] Source: OCHA. The number of internally displaced persons has been rapidly increasing. It was estimated at 24,500 in May 2018. https://www.humanitarianresponse.info/fr/operations/burkina-faso/populations-deplacees

[3] According to the authorities' estimates, as of January 2019, more than 2,000 schools closed, affecting over 4,000 teachers and 140,000 students.

2.4. **Fiscal performance deteriorated sharply in 2017.** The fiscal deficit widened to 7.8 percent of GDP in 2017 (Table 2.2). This marked a steep deterioration compared to historical patterns, as fiscal deficits had typically ranged from 2 to 4 percent of GDP and had not exceeded 5 percent of GDP since 2008. The relatively good performance in revenue mobilization (up by 0.6 percentage point of GDP) was offset by a substantial increase in public spending. Most of the fiscal expansion was related to increased public investment, in line with Burkina Faso's ambitious national development plan (PNDES). The wage bill (8.6 percent of GDP) also increased by 11.6 percent (in nominal terms), owing to the implementation of previous wage increase agreements and weak controls of recruitment into the civil service. Current transfers increased by 0.7 percent point of GDP (to 6.4 percent of GDP in 2017), mostly due to arrears clearance in the energy sector as well as the implementation of new free health care policies. The fiscal expansion was financed by drawing on deposits at the Central Bank and a combination of concessional credits and borrowing on the regional market.

2.5. **It is estimated that the Government has reduced the fiscal deficit below 5 percent of GDP in 2018 amid increasing challenges related to security, fuel prices and the wage bill.** Consistent with the IMF ECF program approved in March 2018, preliminary estimates indicate that the fiscal deficit was reduced to below 5 percent in 2018, at an expected 4.7 percent of GDP. On the revenue side, tax revenue was lower than projected, at 16.7 percent of GDP, compared to 17.3 percent of GDP in 2017. This was in large part due to prolonged strikes[4] at the Ministry of Economy, Finance and Development in the first half of the year, which significantly weakened tax collection efforts. Nevertheless, an increase in grants (from 2.7 percent of GDP in 2017 to 4.1 percent in 2018) more than offset the shortfall in tax revenue. On the expenditure side, security-related expenditures rose by 0.6 percent of GDP between 2017 and 2018. Most of the fiscal adjustment rested on cutting domestically-financed capital expenditures (from a historical high of 8.2 percent of GDP to 6.3 percent of GDP).

2.6. **The authorities have started addressing liabilities stemming from fuel price subsidies.** As increases in world oil prices since 2016 had hitherto not been transmitted to consumers on the domestic market, this led to large quasi-fiscal losses (1.2 percent of GDP in 2018) that were sustained by SONABHY, the state-owned fuel importer. In November 2018, the Government decided that 0.3 percent of GDP would be paid immediately to SONABHY, and that the remainder (about 1 percent of GDP) would be securitized. To reduce the cost of fuel price subsidies, the Government also proceeded to a partial adjustment in November 2018, by raising retail gasoline and diesel prices by 12.5 and 14.3 percent, respectively. It also adopted a retail fuel price adjustment mechanism that aims to adjust domestic retail fuel prices on a quarterly basis to align them with international market prices[5]. Prices for electricity and butane gas (a fuel used for cooking) remained unchanged.

2.7. **The Government is taking measures to contain the rapid growth of the wage bill in a highly challenging social and political context involving prolonged strikes and protests.** Due to the implementation of wage agreements and recruitments (including in security forces) over 2016-2017 and up to February 2018, the public wage bill has increased to 8.9 percent of GDP in 2018. The fiscal impact

[4] Strikes in the Ministry of Finance were in large part related to wage-bill reform and other cost-saving measures.
[5] Retail fuel prices for gasoline and diesel are to be adjusted at least quarterly to converge to cost-recovery prices. The adjustment at any given time will not exceed CFAF 75 per liter. An adjustment would be triggered if the difference between the market and the retail price exceed CFAF 50 liter within a quarter. Under this fuel price adjustment mechanism, a fuel price reduction was implemented in early January 2019.

of past hiring and compensation decisions is lagged because of the time needed for new recruits to complete their training and appear on payroll (often two years[6]) and because many negotiated salary agreements have deferred effectiveness dates. In 2018, the Government reduced the number of recruitments by 40 percent (compared to the historical trend). In June 2018, it also organized a tripartite national conference (involving the Government, labor unions and civil society organizations) to identify a series of measures aimed at stabilizing the wage bill and improving the deployment of civil servants across the country (see Section 4). The conference aimed to build political consensus to implement a sustainable reform package over time. Implementation of wage bill reforms is to be supported by the proposed DPF series.

2.8. **Public debt levels in Burkina Faso remain moderate.** Total public debt decreased to 38.4 percent of GDP in 2017[7] from 39.2 percent of GDP in 2016 (Table 2.1). Total public-sector debt service represented 22.6 percent of revenues and grants. The composition of debt has continued to shift towards domestic debt but remains predominantly external and concessional. The stock of domestic debt has increased to 14.3 percent of GDP in 2017, up from 11.3 percent of GDP in 2016. External debt declined to 24.1 percent of GDP in 2017, and thanks to its high degree of concessionality, external debt service was limited to 3.9 percent of exports.

2.9. **Monetary and exchange rate policies are managed at the regional level** by the Central Bank of West African States (BCEAO), which pools reserves and maintains a hard peg between the CFA Franc and the Euro. In December 2018, the Monetary Policy Committee (MPC) kept its key policy rate and the reserve requirement ratio at 2.5 percent and 3 percent respectively, consistent with the baseline inflation outlook and the WAEMU convergence criteria[8]. Because the two largest WAEMU sovereigns (Côte d'Ivoire and Senegal) have opted to finance internationally rather than regionally, Burkina Faso has been able to issue securities in the regional bond market at affordable rates during 2018. Eurobond issuances by Côte d'Ivoire and Senegal supported regional reserves which reached 4.4 months of prospective imports of goods and services at end-2018, up from 3.8 months at end-2017. Prudent regional monetary policies have successfully contained inflation in Burkina Faso to about 0.4 percent in 2017. Lower cereal production led to higher food prices, but overall inflation reached 2.0 percent in 2018, well below the 3 percent regional threshold of WAEMU.

2.10. **Burkina Faso's financial sector is sound but of limited scope.** The domestic banking sector is healthy, and the Central Bank has pursued its efforts to enhance compliance with regional prudential norms. Reflecting the economic growth acceleration, broad money supply increased by 21.6 percent in 2017, and it is estimated to have increased at the same rate in 2018. Likewise, credit to the private sector has grown by 14.4. percent in 2017 and is estimated to have grown by 12.3 percent in 2018. Credit to the private sector reached 32 percent of GDP in 2018, illustrating the low level of development of the financial sector.

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[6] For example, newly recruited teachers undergo two years of training at an *Ecole Nationale de l'Enseignement du Primaire* (ENEP) prior to their integration.
[7] The appreciation of the euro against the dollar and robust GDP growth have offset the impact of new borrowing on the debt-to-GDP ratio.
[8] Inflation in the region is projected at 1.4 percent in the medium-term horizon (24 months).

**Table 2.1: Selected Economic and Financial Indicators, 2015-2022**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | Annual percentage change, unless otherwise indicated | | | | | | | |
| National income and prices | | | | | | | | |
| Real GDP | 3.9 | 5.9 | 6.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Per capita GDP | 0.9 | 2.9 | 3.3 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Per capita GDP (In US$) | 576 | 584 | 643 | 732 | 759 | 810 | 858 | 911 |
| Imports (f.o.b.) | 3.3 | 8.8 | 17.2 | 4.8 | 6.8 | 1.6 | 3.8 | 3.5 |
| Exports (f.o.b.) | 2.6 | 19.9 | 5.7 | 4.5 | 6.0 | 3.6 | 4.9 | 0.6 |
| GDP deflator | -3.1 | -1.1 | 4.5 | 3.5 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer price inflation (average) | 0.9 | -0.2 | 0.4 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| | Percent of GDP, unless otherwise indicated | | | | | | | |
| Fiscal Accounts | | | | | | | | |
| Revenues | 20.7 | 21.8 | 22.1 | 22.8 | 22.8 | 23.0 | 23.3 | 23.5 |
| Expenditures | 22.9 | 25.3 | 29.9 | 27.5 | 25.8 | 26.0 | 26.3 | 26.6 |
| General Gov. Bal., incl. grants (commit.) | -2.2 | -3.5 | -7.8 | -4.7 | -3.0 | -3.0 | -3.0 | -3.0 |
| | Annual percentage change, unless otherwise indicated | | | | | | | |
| Selected Monetary Accounts | | | | | | | | |
| Broad Money (M3) | 19.3 | 11.8 | 21.6 | 21.6 | 12.4 | 12.7 | .. | .. |
| Credit to the private sector | 8.7 | 12.1 | 14.4 | 12.3 | 12.9 | 12.7 | .. | .. |
| | Percent of GDP, unless otherwise indicated | | | | | | | |
| Balance of Payments | | | | | | | | |
| Current Account Balance | -8.6 | -7.6 | -9.7 | -8.1 | -8.3 | -7.0 | -7.3 | -7.5 |
| Imports (f.o.b.) | 25.0 | 26.0 | 27.4 | 26.1 | 25.8 | 24.3 | 23.3 | 22.3 |
| Exports (f.o.b.) | 22.7 | 26.0 | 24.7 | 23.5 | 23.1 | 22.1 | 21.4 | 19.9 |
| Trade balance | -2.3 | 0.0 | -2.7 | -2.6 | -2.8 | -2.2 | -1.9 | -2.3 |
| Services, net | -7.4 | -7.3 | -7.0 | -6.5 | -5.7 | -5.2 | -5.6 | -5.4 |
| Incomes, net | -3.2 | -3.6 | -3.2 | -2.9 | -2.7 | -2.5 | -2.3 | -2.1 |
| Current transfers | 4.4 | 3.3 | 3.2 | 3.9 | 2.8 | 2.8 | 2.5 | 2.4 |
| Foreign Direct Investment | 2.1 | 3.1 | 3.0 | 3.0 | 2.9 | 2.8 | 2.4 | 1.7 |
| Gross Reserves (in billions of USD) | 12.5 | 10.5 | 12.9 | 16.0 | 16.1 | 16.9 | 18.4 | 20.1 |
| In months of next year imports | 5.0 | 3.8 | 3.8 | 4.4 | 4.1 | 4.0 | 4.2 | 4.4 |
| Total Public Debt | 35.6 | 39.2 | 38.4 | 42.5 | 42.0 | 41.7 | 41.4 | 41.2 |
| of which: external Debt | 26.3 | 27.8 | 24.1 | 24.2 | 23.4 | 22.5 | 21.3 | 20.6 |
| Terms of Trade | 13.2 | 8.7 | 0.4 | -4.9 | -3.4 | 2.6 | 2.3 | 1.1 |
| Other memo items | | | | | | | | |
| GDP nominal (CFAF billions) | 6,163 | 6,457 | 7,174 | 7,873 | 8,512 | 9,202 | 9,952 | 10,763 |

Sources: Burkinabe authorities; World Bank and IMF staff estimates and projections.

**Table 2.2: Consolidated Operations of the Central Government, 2015-2022**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | (In percent of GDP, unless otherwise specified) | | | | | | | |
| Total Revenue and Grants | 20.7 | 21.9 | 22.1 | 22.8 | 22.8 | 23.0 | 23.3 | 23.5 |
| Tax revenue | 15.1 | 16.7 | 17.3 | 16.7 | 17.8 | 18.3 | 18.7 | 19.0 |
| Non-tax revenue | 1.9 | 2.4 | 2.1 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 |
| Grants | 3.7 | 2.8 | 2.7 | 4.1 | 2.8 | 2.6 | 2.5 | 2.5 |
| Expenditure | 22.9 | 25.4 | 29.9 | 27.5 | 25.8 | 26.0 | 26.3 | 26.6 |
| Current expenditure | 15.0 | 17.2 | 18.4 | 17.3 | 18.8 | 17.6 | 16.8 | 17.0 |
| Wages and compensation | 7.6 | 8.6 | 8.6 | 8.9 | 9.8 | 9.5 | 9.2 | 8.8 |
| Goods and services | 1.8 | 2.0 | 2.4 | 1.9 | 1.8 | 1.8 | 1.6 | 1.8 |
| Transfers | 4.9 | 5.7 | 6.4 | 5.3 | 5.8 | 4.9 | 4.6 | 4.9 |
| Interest | 0.7 | 1.0 | 1.0 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 |
| Domestic | 0.5 | 0.8 | 0.7 | 0.8 | 1.1 | 1.1 | 1.2 | 1.2 |
| External | 0.3 | 0.3 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 |
| Capital expenditures | 7.9 | 8.2 | 11.6 | 10.2 | 7.0 | 8.5 | 9.5 | 9.6 |
| Domestically financed | 5.4 | 4.9 | 8.2 | 6.3 | 3.6 | 5.3 | 6.6 | 6.7 |
| Foreign financed | 2.5 | 3.2 | 3.4 | 3.9 | 3.4 | 3.2 | 2.9 | 2.9 |
| Overall Balance (commitment) | -2.2 | -3.5 | -7.8 | -4.7 | -3.0 | -3.0 | -3.0 | -3.0 |
| Cash basis adjustment | -1.2 | 1.3 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing | 2.4 | 2.2 | 6.1 | 4.7 | 3.0 | 3.0 | 3.0 | 3.0 |
| External (net) | 1.4 | 1.6 | 1.0 | 1.5 | 1.1 | 0.8 | 0.8 | 1.2 |
| Domestic (net) | 1.0 | 0.6 | 5.1 | 3.2 | 1.9 | 2.2 | 2.2 | 1.9 |
| Memorandum items | | | | | | | | |
| Security items* | .. | 2.6 | 2.5 | 3.1 | 3.7 | .. | .. | .. |

Sources: Burkinabe authorities; World Bank and IMF staff estimates and projections.
* includes wages, goods and services and capital expenditures.

**Table 2.3: Balance of Payments Financing Requirements and Sources, 2015-2022**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | (In millions of $US) | | | | | | | |
| **Financing requirements** | **-1,421.1** | **-1,354.9** | **-1,602.3** | **-1,098.3** | **-1,506.0** | **-1,380.8** | **-1,475.8** | **-1,512.9** |
| Current Account deficit | -877.2 | -784.3 | -1,255.8 | -1,131.9 | -1,272.4 | -1,170.6 | -1,324.2 | -1,489.0 |
| Amortization of loans | -54.7 | -62.7 | -90.2 | -88.6 | -127.6 | -106.9 | -116.9 | -123.2 |
| Other Short-term capital outflows | -489.2 | -507.9 | -256.2 | 122.2 | -106.0 | -103.3 | -34.7 | 99.3 |
| **Financial Sources** | **1,421.1** | **1,354.9** | **1,602.3** | **1,098.3** | **1,506.0** | **1,380.8** | **1,475.8** | **1,512.9** |
| FDI (net) | 213.9 | 324.7 | 384.3 | 421.6 | 447.5 | 462.1 | 427.4 | 338.2 |
| Portfolio investments (net) | 5.0 | 12.9 | 27.1 | 21.3 | 23.4 | 25.4 | 27.4 | 29.4 |
| Capital grants | 255.4 | 265.2 | 304.9 | 395.0 | 373.8 | 317.1 | 314.2 | 332.7 |
| Short-term debt disbursements | 13.3 | 56.3 | 124.5 | 17.7 | 73.7 | 65.2 | 137.0 | 185.7 |
| Long term debt disbursements (excl. IMF) | 547.2 | 567.4 | 519.7 | 97.4 | 445.7 | 367.9 | 549.8 | 786.8 |
| Change in reserves | 374.8 | 117.3 | 261.6 | 109.8 | 124.0 | 119.6 | 51.1 | -132.4 |
| IMF credit (net) incl Prospective financing | 11.6 | 11.3 | -19.8 | 35.4 | 18.0 | 23.6 | -31.1 | -27.6 |

Sources: Burkinabe authorities; World Bank staff estimates and projections.

## 2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.11. **GDP growth is projected to remain around 6 percent in 2019-22.** It will be supported by the agriculture, services and mining sectors. Agricultural output is expected to expand as a result of scaled up irrigation efforts, the expansion of agricultural growth poles, and improved support (fertilizers, seeds, and mechanization) for producers. Investment in the mining sector (including towards industrial mines and smaller-scale semi-mechanized operations) is also expected to continue to accelerate.[9] The services sector is expected to grow on the back of government's efforts to remove regulatory barriers and enhance the ease of doing business. It will also be supported by growth in telecommunication services, in connection with the implementation of the National Backbone project, the deployment of optical fiber and the development of new services by telecommunications and financial companies. On the demand side, private consumption and private investment (notably in the mining sector) will continue to be the main drivers of growth, as in 2018. This is in contrast to 2017, when fiscal expansion had led to an acceleration of growth. Improved financial inclusion as well as increased artisanal mining production will support private consumption. Reflecting fiscal adjustments, the growth contribution of government consumption will decline over time[10], and the contraction of public investment will weigh on growth. Projected increases in gold exports will reduce the negative contribution of net trade to GDP growth.

**Table 2.4. Burkina Faso: Contribution to GDP Growth, Demand and Supply Side (Percentage Points)**

| Demand Side | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Consumption | 35.8 | 2.9 | 4.7 | 4.9 | 5.5 | 5.5 | 5.2 | 5.3 |
| Government consumption | 9.6 | 1.4 | 2.8 | 2.2 | 2.1 | 2.0 | 1.8 | 1.9 |
| Private consumption | 26.3 | 1.5 | 1.9 | 2.7 | 3.4 | 3.5 | 3.4 | 3.4 |
| Investment | -16.2 | 1.4 | 8.6 | 2.4 | 1.5 | 1.6 | 1.8 | 1.8 |
| Public investment | -18.1 | -0.7 | 6.2 | -0.1 | -1.2 | -0.3 | -0.1 | -0.1 |
| Private investment | 1.9 | 2.1 | 2.4 | 2.4 | 2.7 | 1.9 | 1.9 | 1.9 |
| Net exports | -15.6 | 1.6 | -7.0 | -1.3 | -1.0 | -1.1 | -1.0 | -1.1 |
| GDP growth rate | 4.0 | 5.9 | 6.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |

Sources: Burkinabe authorities; World Bank staff estimates and projections.

| Supply Side | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Agriculture | -0.7 | 0.8 | -0.7 | 0.8 | 0.9 | 0.8 | 0.8 | 0.9 |
| Industry | 0.9 | 0.9 | 1.7 | 1.7 | 1.9 | 1.7 | 1.6 | 1.5 |
| Services | 3.8 | 4.3 | 5.3 | 3.5 | 3.2 | 3.5 | 3.6 | 3.6 |
| GDP growth rate | 4.0 | 5.9 | 6.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |

Sources: Burkinabe authorities; World Bank staff estimates and projections.

2.12. **The external current account deficit is expected to remain broadly stable at around 8 percent of GDP in 2019 and decline to about 7.3 percent of GDP in 2020-22 (Table 2.1).** This will be driven by the

[9] Between February 2018 and February 2019, the government has signed 7 gold mining agreements with foreign investors.
[10] The forecast is based on the assumption of a negative impact on growth of decreased public investment. The multiplier used (a 1 percent of GDP change in public investment changes output by about 0.1 percent in the same direction in the year of the shock and 0.7 percent three years after) were developed in the IMF Regional Economic Outlook ("Sub-Saharan Africa: Fiscal Adjustment and Economic Diversification", October 2017).

expected decline of the trade deficit from 2.8 to 2.3 percent of GDP between 2019 and 2022. Gold and cotton exports are expected to increase as the result of rising production and projected increased world prices for cotton. Fiscal consolidation will continue to dampen import demand, but the growth rate of imports will remain positive because of higher petroleum prices and higher imports of equipment for mining companies. Current transfers are expected to decline slightly, from 2.8 percent of GDP to about 2.5 percent of GDP over the period 2019-22. The projected current account deficit will continue to be financed by FDI inflows in the mining sector and concessional borrowing.

2.13. **The fiscal deficit is projected to converge to the WAEMU's target of 3 percent of GDP by 2019.** Tax collection is expected to recover after the disruptions of 2018. It is projected to increase by 1.1 percent points of GDP in 2019 and by about 0.4 percent of GDP per year in 2020-22 as the result of tax administration efforts and higher excise taxes (notably on beverages, cosmetic products, petroleum products, airline tickets and plastic bags). Controls will be strengthened thanks to the introduction of e-filing and e-payment of taxes, improved registration of taxpayers (with the reform of the unique fiscal identifier, IFU, prior action 1 of this DPF), and improved information on the basis of the 2018 general census of taxpayers in Ouagadougou and Bobo Dioulasso. The collection of past-due taxes will also contribute, aided by stronger sanctions and penalties. In addition, improved controls at the borders with Benin, Cote d'Ivoire, Ghana, and Togo will help reduce fraud. The interconnection of Burkinabe customs with those of neighboring countries (Mali, Cote d'Ivoire and Ghana) will also contribute to lower fraud. Several tax administration measures, including the creation of tax centers for medium-sized enterprises in Ouagadougou, the extension of standardized VAT invoicing to all segments of taxpayers, and continued efforts to streamline merchandise valuation at customs will also contribute to improving tax collection. Grants would stabilize around 2.5 percent of GDP.

2.14. **Wage bill growth is expected to increase in 2019 but would be curbed in the medium term by the implementation of compensation reforms.** The wage bill is projected to peak at 9.8 percent of GDP in 2019, due to the implementation of past wage agreements and recruitments (including in security forces) over 2016-2017 and up to February 2018. However, the Government is designing a reform package to control wage bill growth that should be implemented starting in 2019. This reform may imply additional transition costs, but it is expected to lead to a gradual decline in the wage-to-GDP ratio in 2020-22. The reform package will include rationalization of civil service compensation (through an organic law and accompanying decrees under preparation), rationalization of hiring, and staff deployment from highly concentrated to under-served areas. The World Bank will provide technical assistance to help define priorities and implementable actions that will be supported under the second and third operations of this series.

2.15. **Current expenditures will be reduced over 2019-2022 to make way for public investment.** Recurrent transfers are expected to increase to 5.8 percent of GDP in 2019 before declining to 4.9 percent of GDP in 2022. This is assuming reduced fuel subsidies under the new price adjustment mechanism. The cost of free health care policies is expected to remain broadly stable around CFAF30 billion in 2019, equivalent to about 0.4 percent of GDP. While reproductive health will be added to free health care policies in June 2019, additional costs in the medium term are expected to be partly offset by cost-savings in expanding access through health insurance rather than the existing free health care programs (see section 4). Expansion of national health insurance coverage to vulnerable persons could entail annual costs equivalent to about 0.5 percent of GDP in 2020-22, for which the government is seeking external funding. Ongoing efforts to improve procurement, reduce in-kind and other supplementary payments to civil servants are expected to stabilize expenditure on goods and services to around 1.8 percent of GDP in 2020-22. Capital expenditure is expected to further decline in 2019 (to 7 percent of GDP) but would gradually recover to 9.5 percent of GDP in 2021-22, lower than its peak in 2017 (but in line with its average value over the past decade).

2.16. **Regional monetary policies are expected to contain inflation under the 3 percent WAEMU target.** Higher oil prices are expected to be compensated by lower food prices (as the result of the improved performance of the agricultural sector), thereby stabilizing the inflation rate to about 2 percent in the coming years.

**Table.2.5. Public debt and external debt stock composition**

| . | 2015 | 2016 | 2017 | 2018 | 2019(p) | 2020(p) | 2021(p) | 2022(p) |
|---|---|---|---|---|---|---|---|---|
| | Billions USD | | | | | | | |
| Public debt | 3.6 | 4.1 | 5.0 | 5.9 | 6.4 | 7.0 | 7.5 | 8.2 |
| External debt | 2.7 | 2.9 | 3.1 | 3.4 | 3.6 | 3.8 | 3.9 | 4.1 |
| Domestic debt | 0.9 | 1.2 | 1.9 | 2.5 | 2.8 | 3.2 | 3.6 | 4.1 |
| | (percent of GDP) | | | | | | | |
| Public debt | 35.6 | 39.2 | 38.4 | 42.5 | 42.0 | 41.7 | 41.4 | 41.2 |
| External debt | 26.3 | 27.8 | 24.1 | 24.2 | 23.4 | 22.5 | 21.3 | 20.6 |
| Domestic debt | 9.3 | 11.3 | 14.3 | 18.3 | 18.6 | 19.2 | 20.1 | 20.6 |

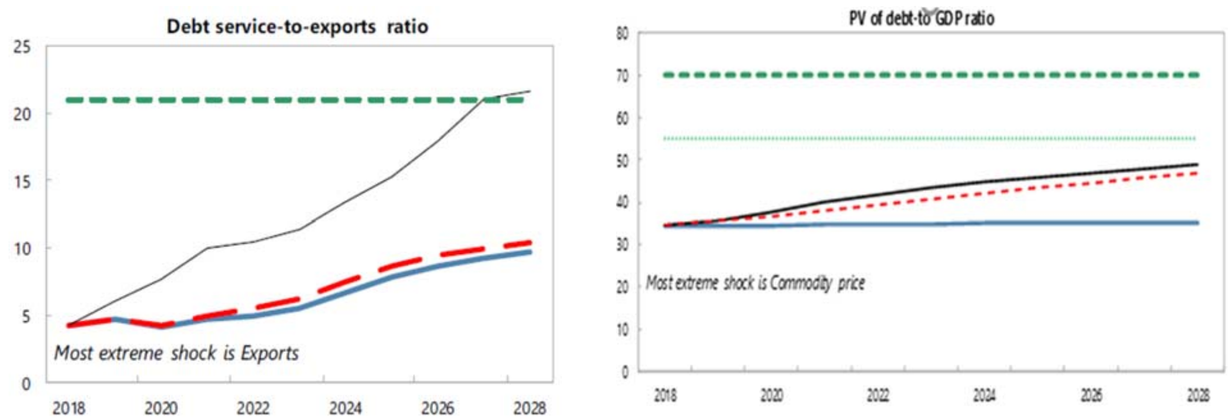
Source: Burkinabe authorities and IMF estimates, December 2018.

2.17. **The joint World Bank/IMF Debt Sustainability Analysis (DSA) completed in December 2018 concluded that Burkina Faso remains at moderate risk of debt distress.** Using the new Debt Sustainability Framework for Low-Income Countries (LIC DSF), the country's debt carrying capacity has been upgraded to strong. Under the baseline scenario (anchored on a fiscal deficit of 3 percent of GDP), all external public and publicly-guaranteed (PPG) debt indicators remain well below the relevant thresholds for the next ten years. The present value (PV) of the external debt-to-GDP ratio is expected to remain below 18 percent over the projection horizon, while it has a 55 percent threshold. The PV of external debt-to-exports ratio is expected to grow gradually from 58 percent in 2018 to 71 percent in 2028, still remaining well below the 240 percent threshold. Neither of the debt service indicators causes any breach of their respective thresholds. The standardized stress tests show that an export shock has the largest negative impact on the external debt trajectory, yet no threshold is breached. The PV of the external debt-to-exports ratio and the external debt service-to-exports ratio are significantly increased by the export shock. The former would reach 182 percent in 2024, and continue increasing for the remainder of the projection period. The latter would reach 17 percent in 2028 (see Figure 2.1a for the dynamics of the present value of the debt-to-exports ratio). The standardized sensitivity analysis for overall public debt shows that the most extreme shock leading to the highest debt figures in 2028 is a shock to commodity prices, yet the public debt benchmark is not breached. Nevertheless, substantial fiscal risks were taken into account. In a customized scenario (in which fiscal deficits remain around 5 percent and are financed through additional external debt), external debt indicators would breach their respective thresholds under the standardized export shock (see Figure 2.1b for the dynamics of the present value of the debt-to-exports ratio). Thus, the results highlight the need for sustained effort to improve the economy's export potential, in addition to maintaining a sound macro-fiscal framework and limiting non-concessional borrowing. The World Bank and IMF teams are working closely with the authorities to ensure sound macroeconomic policies and prudent debt management[11].

**Figure 2.1. Debt sustainability analysis, 2018-28**

a. Present value of debt-to-exports ratio under 5 percent of GDP fiscal deficit (customized scenario), 2018-28

b. Present value of public debt-to-GDP ratio under alternative scenarios, 2018-28




1/ The most extreme stress test is the test that yields the highest ratio in or before 2028.
Source: Joint World Bank – IMF LIC-DSA, December 2018.

2.18. **The macroeconomic outlook is subject to substantial exogenous risks and vulnerabilities.** Downside vulnerabilities are mainly related to commodity price shocks or unfavorable weather and an unstable security situation following terrorist attacks. Though they hitherto have had limited impacts on mining activities, terrorist attacks may jeopardize investment and growth, especially given their recent expansion from the North to the East of the country. On the external front, volatility in international commodity prices could hurt exports and tax revenues. High world fuel prices could lead to an increase in current transfers for fuel subsidies, a build-up of arrears and large liabilities, if consumer prices of electricity and retail gasoline are not adjusted in accordance with the recently established mechanisms. The large agricultural sector remains highly vulnerable to climatic conditions.

2.19. **Policy risks, most notably on the fiscal side, are also substantial.** Tax collection increases could be lower than projected, particularly if strikes resume in the Ministry of Finance, or if capacity and controls are not improved. Further socio-political tensions could put pressure on the Government and preclude the implementation of reforms to reduce the fiscal deficit, especially those related to the wage bill and tax expenditures. The wage bill could continue to grow, forcing the Government to cut much needed capital expenditures. Those cuts could in turn contribute to elevate social tensions and endanger the Government's commitment toward fiscal sustainability. These policy risks are, however, monitored and mitigated in part through the combination of the IMF program, the Emergency Recurrent Cost Financing Project (P169486) and the reforms supported by this DPF series. Together with technical assistance, these

[11] While management of hitherto mostly concessional debt has been broadly adequate, the capacity of the debt office needs to be strengthened as the financing environment grows more complex. With IMF and World Bank technical assistance, the government has formulated a reform plan and established a medium-term debt management strategy.

reforms will help restore fiscal sustainability while promoting sustainable productivity growth and poverty reduction. Moreover, to better manage fiscal risks and contingent liabilities, the authorities have curtailed their plans to scale up investment through off-budget arrangements such as supplier credits or public-private partnerships (PPPs).

2.20. **Burkina Faso's macroeconomic policy framework provides an adequate basis for the proposed operation**. While the economy will remain vulnerable to a range of shocks, the medium-term growth look is positive: growth is projected around 6 percent in 2019-21, driven by private investment in the growing mining sector as well as private consumption. Macroeconomic policies are anchored in the IMF ECF. The government is committed to further consolidating fiscal sustainability and reaching the 3 percent deficit target by 2019. Burkina Faso's monetary and exchange rate policies are managed at the regional level by the BCEAO, which anchors the country's monetary and price stability. Debt is sustainable, and the risk of external debt distress is moderate.

### 2.3. IMF RELATIONS

2.21. **The First Review under the Extended Credit Facility (ECF) was completed on December 21, 2018.** The program is a three-year arrangement and was approved in March 2018. It aims to support macroeconomic stability and create fiscal space by increasing revenue mobilization, containing wage bill growth and improving the efficiency of public investment. A waiver for the nonobservance of the zero-ceiling on government guarantees on new bank pre-financing for public investment was approved. The Government issued a ministerial order prohibiting the guaranteeing of such bank pre-financing going forward. Fiscal risks to the program are mainly related to the possibility of disappointing domestic revenue mobilization, a shortfall in external support and inability to control the wage bill due to social pressures. The World Bank and IMF teams work together through the standard institutional division of labor. This effective collaboration has been reflected in the complementarity between the prior actions supported by the proposed series and the performance criteria and structural benchmarks used in the program supported by the ECF.

## 3. GOVERNMENT PROGRAM

3.1. **The Government aims at strengthening domestic resource mobilization and public expenditure efficiency.** It is implementing administrative measures in tax and customs to reduce fraud and expand the tax base. Tax policy changes are envisaged to reform local taxation and reduce exemptions. The main reform areas in expenditures management include the effective implementation of program budgeting, strengthened public investment management, and an improved framework for PPPs.

3.2. **To reduce poverty and increase resilience to shocks, the government's strategy is to raise productivity in rural areas.** The agricultural sector (crop and animal production) accounts for a declining share of GDP (19 percent in 2017) but still employs about 80 percent of Burkina Faso's workforce and constitutes the main source of income for the poor. While there are several opportunities to develop value chains in agriculture, it has been increasingly recognized that the potential of the livestock sector can be harnessed to raise growth, exports, and the incomes of rural households, including those living in the poorest regions of the country, in addition to contributing in a major way to food and nutrition security.

3.3. **To enable sustainable and inclusive private-sector-led growth, the Government has undertaken to improve the management of Burkina's scarce natural resources.** This has been emphasized by the Systematic Country Diagnostic (SCD) and the Country Partnership Framework (CPF) as a first-tier priority. Recent growth has in large part rested on mining, including industrial and artisanal mining. This activity is, however, related to environmental degradation and puts pressure on scarce resources, such as water and land. Artisanal mining also suffers from high informality, with the associated limited productivity gains and low fiscal revenues. The government is keen on formalizing the artisanal mining sector, to support the development of the sub-sector, improve security, and reduce adverse environmental and social impacts.

3.4. **Improving service delivery and increasing the efficiency of social spending is critical to achieve the government's human development objectives, reduce inequality and maintain social stability**. While Burkina Faso suffers from deficiencies in all human development indicators, the urgency of improved service delivery in the health sector has increased as a result of poor outcomes (especially in infant and maternal health), rapid population growth, deep spatial and social inequities, and mounting social tensions. The Government has initiated in recent years various free health care programs, notably to improve access to family and reproductive health services. Given high and growing demand as well as constraints on budgetary resources, the Government is keen to achieve efficiency gains to make the continued implementation of the its policy of universal access to basic health services affordable.

## 4. PROPOSED OPERATION

### 4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1. **This DPF series supports the three strategic pillars of the 2016-2020 National Economic and Social Development Plan (PNDES)**: Pillar 1: economic governance; Pillar 2: human capital development; and Pillar 3: structural transformation of the economy and private sector development. The objective is that improvements to fiscal management create fiscal space, raise resources allocated to pro-poor spending, enhance value for money, and lead to better delivery of services and infrastructure. A special emphasis will be on human capital, by improving the supply of essential service delivery inputs, and putting in place sustainable financing mechanisms for healthcare in a resource-constrained context. Lastly, the development of artisanal mines and increased livestock productivity will foster economic growth and job creation while promoting inclusion in rural areas.

4.2. **This DPF series is well aligned with the priorities identified by the World Bank Group's SCD and the CPF (FY2018-23).** The SCD identified three first-tier priorities for Burkina Faso to reduce poverty and promote shared prosperity: improved 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 one of these priorities, namely expanding access to basic health services (including free hospital deliveries and reproductive health services). The proposed DPF series also supports improvements to fiscal management (first pillar) which, together with governance enhancement, was identified in the SCD as a cross-cutting requirement for effective policy-making.

4.3. **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**. There are mutually reinforcing complementarities among these three pillars since the creation of additional fiscal space through higher revenue mobilization will help finance expenditures in the health sector. Also improving value-for-money in the health sector and affordability through health insurance will help contain spending, as required for fiscal consolidation. Similarly, improved natural resources and livestock management will support growth and technological adaptation, and help collect additional revenues.

4.4. **Selectivity has been a guiding principle in the preparation of this DPF series.** The determination of the specific areas was made in close collaboration with the Government, taking into account the major binding constraints identified in the PNDES and the comparative advantage of the World Bank. It also accounted for other interventions by partners and other instruments used by the WBG, including by IFC. The selection of actions was also based on the goal to achieve the maximum results over the proposed DPF's timeframe, building on the Government's own momentum and capacities.

4.5. **The operation builds on the previous DPF series (P157060 and P163283), which focused on energy sector reform, and fiscal management in 2016-17.** It continues reforms initiated in fiscal management which supported tax collection through policy and administrative reform. In the energy sector, the Bank's engagement continues through investment operations[12]. The Bank team is closely monitoring developments in the energy sector that may have fiscal implications.

4.6. **Preparation of this DPF series has been informed by lessons learned from previous DPFs and from similar operations in poor as well as fragile countries.** The main lesson has been that in Burkina Faso, macroeconomic stability and social programs will not have a strong positive impact on poverty indicators in the absence of broad-based economic growth. Specific lessons include: (a) the need for stronger and longer-term commitment and leadership for sensitive reforms such as human resources management in the public sector; (b) greater realism to better reflect what can be achieved in a context of limited capacity; (c) simplifying design to ensure effective and successful implementation; (d) sustained follow-up of prior actions that can have cascading effects on the second and final operation of the series; and (e) leverage the impact of World Bank support to the Government by providing in parallel policy-based support through technical assistance and investment financing operations. In accordance with these lessons learnt, the proposed series addresses major bottleneck in labor-intensive sectors such as

[12] Energy sector reforms supported under the previous Energy and Fiscal Management DPF series have significantly improved the financial situation of the electricity utility (SONABEL). It registered net profits in 2016 and 2017, for the first time since 2011. Support for the diversification of the energy mix towards cheaper sources, namely solar PV and imports (covered under Pillar 2 on institutional aspects) continues through national and regional IPFs operations (P128768, P094919, P162933, P162580). Exposure to crude prices variation remain, however, an important vulnerability. The fuel supply chain remains the weakest link of the sector. An audit will be carried out (under an ongoing IPF) to identify measures and reforms that could be supported under future operations (IPF and/or DPF).

agriculture and mining and aims at upgrading the country's human capital, which is the main determinant of inclusive growth in the longer term. It also supports a concerted approach to reforms (notably, with respect to human resources in the public sector).

## 4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

4.7. **The proposed DPF series is built around three pillars.** For each of them, a sequencing approach has been designed in close collaboration with the authorities and other development partners over the next three years. Below the prior actions to be supported by the first operation are presented, as well as indicative triggers under the second and third operations. The expected outcomes to be achieved at the end of the series are also discussed. The analytical underpinnings for the design of this operation are referenced in Annex 5.

**Pillar 1. Strengthening Fiscal Management**

*A. Strengthening Domestic Revenue Mobilization*

*Challenges*

4.8. **Strengthening fiscal revenue mobilization is key to restoring fiscal sustainability as well as providing the fiscal space necessary for the Government's ambitious public investment program.** Tax revenue collection increased to 17.3 percent of GDP in 2017 but dropped to 16.7 percent of GDP in 2018 as strikes in the Ministry of Economy, Finance and Development (MEFD) weakened collection efforts. Despite a relatively good performance compared to peers, this is below the WAEMU target of 20 percent. Given the structure of the economy, tax revenue could be improved, especially the collection of VAT (which has been estimated to be equivalent to about 20-25 percent of the potential tax base).

4.9. **Burkina Faso's modest tax performance has been the result of several factors related to the prevalence of tax expenditures and tax administration weaknesses.** First, tax exemptions reduce revenue, with limited economic gains. The General tax code, the Investment code and the mining code provide for numerous exemptions[13], particularly on VAT, customs duties and the Corporate Income Tax. Second, tax administration weaknesses reduce the efficacy of domestic revenue mobilization. Similar to other Sub-Saharan Africa (SSA) countries, inefficient tax filing and payment procedures[14] raise the cost of tax compliance and prevent tax officers from focusing their efforts on controls. Complex procedures and multiple databases have prevented the proper identification and monitoring of taxpayers and encouraged tax evasion. While the interconnection of the tax (DGI) and customs (DGD) databases has made it possible to better detect cases of fraud, further actions are needed to establish direct and real-time interconnections so that customs and tax services may cross-check information and improve controls. In addition, there are delays in tax collection and high risks of fraud on tax exemptions and VAT refunds. Lastly, technical and information constraints greatly limit the potential for property taxes. While the latter

[13] According to the most recent government report on tax expenditures, 405 exemption categories were identified. Of these 405 categories, 286 were assessed in the government's report, totaling an estimated 1.2 percent of GDP in revenues lost due to tax exemptions in 2017. This is an underestimate of total exemptions, as it does not account for exemptions considered as "normal" according to the country's fiscal reference system (notably, VAT exemptions on final consumption goods).
[14] With 45 taxes and an average annual time cost of 270 hours (compared to an average of 280 hours for SSA).

may not be among major revenue sources, they could be important for local governments' own-source revenue mobilization. A key constraint in this respect is the absence of a fiscal cadaster.

4.10. **To improve domestic revenue mobilization, the government aims to improve tax administration and to increase property tax collection.** It is improving the system for identifying taxpayers and implementing e-filing and e-payment to facilitate management of taxpayer information and strengthen controls. Another government priority to broaden the tax base is to improve property tax collection, as well as better capture micro-enterprises to reduce fraud.

*Prior Actions and Results*

**Prior Action 1:** To improve tax administration and reduce transaction costs, the Recipient's Ministry of Economy, Finance and Development has: (i) audited the electronic taxpayer identification system; (ii) simplified registration and monitoring of taxpayers through the unique tax identification number; and (iii) implemented a new electronic platform that allows online filing and payments of taxes.

**Prior Action 2:** To increase the collection of property taxes, the Recipient's Ministry of Economy, Finance and Development has established and made operational an urban registry of the primary holders of land plots in Ouagadougou and Bobo-Dioulasso.

*Expected results:*

**Indicator 1:** Number of taxpaying firms and individuals recorded in the government's taxpayer database. Baseline (2017): 95,515. Target (2022): 115,000.
**Indicator 2:** Property taxes collected by general government. Baseline (2017): 0.3% of GDP. Target (2022): 0.5% of GDP.

4.11. **To strengthen tax administration, the DPF supports the reform of the taxpayer identification system and the implementation of electronic filing and payment of taxes.** An audit completed in 2018 by the Ministry of Finance has revealed several deficiencies in the registration phase of the existing unique fiscal identifier (*Identifiant Financier Unique*, IFU), including duplicate or multiple registrations, fraudulent registrations (notably used at customs), difficulties in identifying taxpayers' location, and difficulties in the identification of taxpayers and their assets. Following the audit of IFU, the Government is reforming the system for registering taxpayers through the IFU. The new IFU is to be used for all actual and potential taxpayers. It is therefore expected to be an effective tool to help broaden the tax base and combat fraud. Government also launched a new electronic platform to allow online filing of taxes. In April 2018, this platform allowed filing of the 15 main types of taxes. The filing of all the other taxes was made possible in July 2018, as well as payments (**Prior Action 1**). E-filing is to become mandatory for all large firms in 2019 (**DPF2 Indicative Trigger 1**). The authorities also intend to broaden the tax base by simplifying the taxation of micro-enterprises and making e-filing mandatory for all medium-sized enterprises (**DPF 3 Indicative Trigger 1**). While the revenue potential from micro-activities is limited, simplifying the system for taxing the informal sector is important to reduce fraud.

4.12. **The DPF series will support the authorities in their effort to enable greater mobilization of property taxes.** The MEFD has laid out in February 2018 its strategy for establishing a fiscal cadaster. While setting up the fiscal cadaster will require time and substantial financial resources, the MEFD has created an urban registry of the primary holders of rights to land plots[15] in the cities of Ouagadougou and Bobo Dioulasso (**Prior Action 2**). The completion of this registry benefits from World Bank assistance under the Economic Governance and Citizen Engagement project (P155121). As of September 2018, the registry included about 122,000 land plot holders, i.e. about a quarter of the estimated 500,000 holders. The registry will provide a basis for a database containing current information on holders of property titles. In 2019, the authorities will also adopt a system for valuing land and housing property that will replace the current declarative system[16], as a basis for property taxes (**DPF2 Indicative Trigger 2**). Operationalization of this system will require investments in an information system, which will be set up with the assistance of Danish International Development Agency (DANIDA). The administration of property taxes will be reformed, although specific options remain to be determined in the context of the reform of the fiscal decentralization framework, where local governments could play a greater role. In addition, to improve administration, the tax Directorate will create and make operational new local cadaster services in Ouagadougou and Bobo Dioulasso (**DPF3 Indicative Trigger 2**). Implementation of simple tax schedules for assessing property values at the local level is expected to help increase property tax collection to 0.5 percent of GDP by 2022, up from 0.3 percent of GDP in 2017.

*B. Improving the Efficiency of Public Spending*

*Challenges*

4.13. **Improving the management of public expenditures has become one of the main policy challenges in Burkina Faso.** There is an urgent need for the Government to improve the allocative and financial efficiency of its spending. First, an increasing share of public resources is devoted to the wage bill, to the detriment of investment. Second, weak public-sector performance undermines the achievement of development outcomes.

4.14. **Burkina Faso needs to strengthen public investment management to increase the development impact of its limited budget, and better manage fiscal risks.** The 2017 Burkina Faso Public Investment Management Assessment (PIMA) stressed the need to adopt a standard methodology for appraising the costs and benefits of large projects. It has also highlighted the need for an independent technical review of the quality of projects and of the readiness of projects prior to their execution. In addition, PPPs need proper oversight, notably to include analyses of value for money.

4.15. **Rapid wage bill growth has resulted from increasing public employment and higher wages.** Public sector wages are estimated at 53.2 percent of tax revenue in 2018, up from 33.5 percent in 2012. This is well above the WAEMU convergence criterion of 35 percent and the highest wage-bill-to-tax revenue ratio in the WAEMU. Benchmarking across countries suggest that relatively high average compensation, rather than high overall staffing levels, are responsible for this high wage bill. The number of public employees reached 162,000 staff in 2017, from about 40,000 in 2012, increasing by a factor of

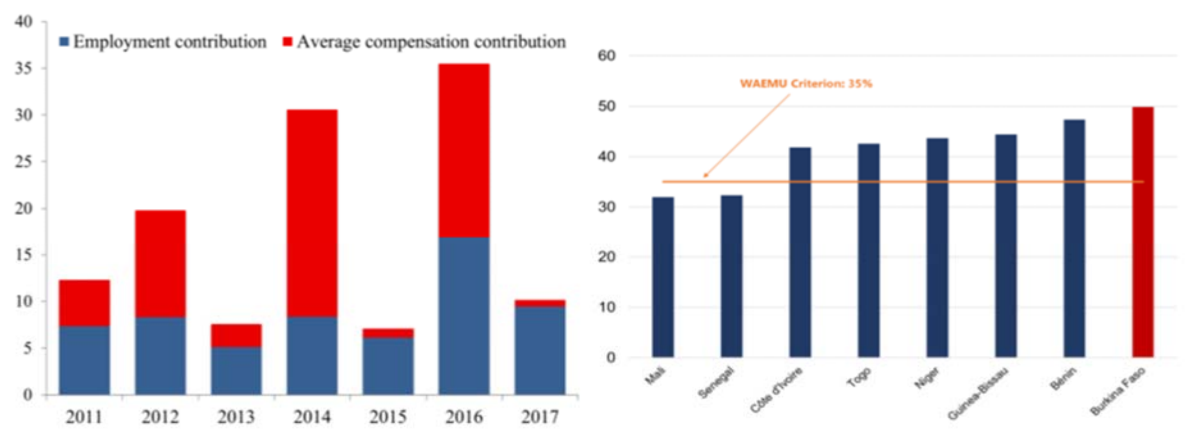
[15] Initially, the registry contains information on the primary holders of rights to land plots ("*attributaires de parcelles*") in urban areas. The authorities intend to complement this information with updated data on property titles ("*titres fonciers*" and "*permis urbain d'habiter*").
[16] Currently property taxes based on the declarations of property owners on the value of the land and dwellings (at the rate of 0.1% for residential buildings and 0.2% for other buildings or unbuilt land.

four. This recruitment drive aimed to fill the gaps in the education, health and security sectors, owing to rapid demographic growth and social pressures during the political transition. The public sector also acted as the employer of last resort for educated youth unable to secure a job in the private sector. Another contributing factor has been staffing practices to allow staff recruited to work in under-served areas to move to over-staffed urban areas after just a few years of service, thus recreating vacancies (and the need for new recruitments) in rural areas. Still, at an estimated 1.9 percent in 2017, the government-employment-to-working-age-population ratio in Burkina Faso is below the average for SSA and Low-Income Developing Country peers. Compensation increases have contributed about half of recent increases in the wage bill. In a context of long, recurrent strikes, the adoption of a new civil service code, and other sector-specific agreements resulted in large increases in average salaries in 2014 and 2016, and new commitments in 2017 and early 2018. Available data suggests that government employees receive a substantial wage premium over formal-private-sector peers, after accounting for differences in education and demographic characteristics[17]. Also, the compensation system is fragmented as many particular statutes have specific scales for base salaries and allowances[18], and large incentive premia are paid for certain categories, with limited transparency.

Figure 4.1. Contributions to Wage Bill Growth and Comparison of Wage Bill-to-Tax Revenue Ratio

a. Burkina Faso: Contributions of Wages and Wage Employment to the Wage Bill Growth

b. Wage Bill-to-Tax Revenue Ratio in Burkina Faso and WAEMU Countries




Source: International Monetary Fund, 2018. World Economic Outlook.

Source: International Monetary Fund, 2018. World Economic Outlook.
Note: Data exclude compensation of security and diplomatic mission personnel, personnel paid through transfers, and compensation paid through common funds (*fonds communs*).

4.16. **Human resources management needs to be strengthened to improve the delivery of public services.** The recruitment of more civil service personnel has not led to a more equitable deployment of human resources. Posting and mobility of public servants are not informed by pre-identified job vacancies,

[17] IMF staff estimates based on the 2014 *Enquête Multisectorielle Continue.*

[18] Allowances and bonuses accounted for 41 percent of the central government wage bill in 2017. The reported wage bill does not include incentive premia (*fonds communs*) paid to staff in certain ministries (particularly the Ministry of Economy, Finance and Development) and which are not transparently reported.

with specific job descriptions. Efforts to promote pay for performance are hampered by the lack of clearly defined job descriptions, career plans and poorly defined performance contracts. Furthermore, individual civil servants only have modest incentives for performance as there are very limited opportunities for in-service training and career advancement and there are few linkages between objective performance evaluation and promotions (SCD, 2017).

4.17. **The Government aims to curb the unsustainable wage bill growth, to create fiscal space for investment in physical and social capital.** It conducted a rapid diagnosis of public wages and the salary system in February 2018. On this basis it prepared scenarios for the salary structure and proposals to curb wage bill growth. Reform strategies include reduced hiring into the civil service, as well as a reduction in pay disparities among civil servants.

4.18. **The administration is also making efforts to improve the efficiency of the investment budget.** As a result of increasing recurrent expenditures, Government has had to dramatically cut public investment levels in 2018. The aim is to improve the selection, preparation and implementation of public investment projects. In addition, given large financing needs in infrastructure, the Government is seeking to better harness private sector financing through PPPs.

*Prior actions and results*

**Prior Action 3:** To strengthen public investment management, the Recipient's Ministry of Economy, Finance and Development has adopted: (i) through decree n° 2018-0092/PRES/MINEFID dated February 15, 2018, a regulatory framework for preparation, selection and implementation of public investment projects; and (ii) by decision of its council of minister on January 9, 2019 a guide to project readiness assessments and appraisal.
**Prior Action 4:** To improve the management of the public wage bill, a national consultation convened by the Recipient from June 12 to June 14, 2018 and including representatives of the Recipient's government has adopted a plan that identifies key directions to reform the compensation system for civil servants.

*Expected results:*
**Indicator 3** Proportion of public investment projects included in the approved budget that have a feasibility study validated by the inter-ministerial committee. Baseline (2017): 23%. Target (2022): 80%
**Indicator 4:** Annual nominal wage bill growth rate. Baseline (2017): 11.4%. Target (2022): 3.3%.

4.19. **The DPF supports improvements to public investment management.** In line with the recommendations of the PIMA report, the Government adopted in January 2018 new regulations for investment projects, notably to ensure that all new domestically-financed projects have benefitted from a feasibility study, and to improve processes for selecting, budgeting and implementing projects. It also produced a technical guide standardizing the methodology to be used in cost-benefit analyses for investment projects and for assessing project readiness (**Prior Action 3**). This is expected to improve project preparation and selection by strengthening the assessment of costs and benefits and by limiting the inclusion in the budget of public investment projects that cannot be executed. It could also help reduce the time to execute investment expenditures. Moreover, the authorities have created a list of priority investment projects (including PPPs) for which a risk analysis will be annexed to the Budget Law. In 2019, public investment management processes will continue to be improved, notably through the establishment of an inter-ministerial committee for validating project appraisal documents (including feasibility studies) (**DPF2 Indicative Trigger 3**). The framework for PPPs is to be further enhanced and made consistent with a forthcoming WAEMU directive (**DPF3 Indicative Trigger 3**). The objective will be to improve selection processes and the assessment of associated fiscal risks. The Government has benefited in this respect from support from development partners, including the IMF and PPIAF.

4.20. **The DPF will support the Government's efforts to stabilize the growth of the public-sector wage bill and improve human resource management in the public sector.** The first step has been the organization by the Government of a national conference in mid-June 2018, with civil society, and trade unions to discuss the scenarios, build consensus around key options for reform (**Prior Action 4**). The conference concluded with the adoption of a general report with four main recommendations, including: (1) Revising the salary-setting system for civil servants (including clarifying the rights to strike, and preventing sector-specific negotiations); (2) Rationalizing the compensation system for civil servants (including harmonizing the salary structure and rationalizing indemnities); (3) Improving the productivity of civil servants and the quality of service delivery; (4) Rationalizing other advantages enjoyed by civil servants (notably cutting in-kind benefits, applying existing rules on the taxation of wage incomes, and putting a ceiling on premia ( *"fond-communs"*) by January 1, 2019. As agreed with the IMF under the ECF program, the Government's commitment to reducing the wage bill to tax revenue ratio will be reflected in the forthcoming 2020-2022 multiannual budget and economic programming document.

4.21. **Following the conference, the Government has taken steps to implement its recommendations.** The 2019 budget limits payments of *fonds communs* to the amounts collected (from penalties and fines) in the previous year and to 25 percent of the base salaries of eligible civil servants. The Government is also preparing a Civil Service Organic Law and revised salary scales to harmonize base pay among civil servants of the same qualification and reduce indemnities. The implementation of the principles of the Law will require the adoption of the accompanying decrees (expected during 2019). Harmonization of base pay is not expected to yield savings in the short run. However, it is an important element of wage bill reform, as discrepancies between different categories of civil servants has historically been an important driver of wage demands by comparatively lower-paid groups. More centralized wage adjustments (instead of specific agreements for every branch of the civil service) are expected to help contain wage bill growth over time. With respect to indemnities, their number will be reduced, and the amounts will be set to reduce inequality in total compensation across civil servants with the same qualifications and levels of responsibility. The reduction in wage bill growth is expected to materialize in the medium-term. Based on the results of ongoing World Bank and IMF technical assistance (including the technical assistance component of the Emergency Recurrent Cost Financing Project), the DPF will support reforms to contain the wage bill and strengthen human resource management in the public sector. The reforms that are considered for support in the next operations in the series include the proposed reductions in the salary disparities among civil servants by harmonizing pay scales and reducing indemnities, as well as the rationalization of incentive payments and strengthening of systems for civil servant deployment (**DPF2 and DPF3 Indicative Triggers 4**).

### Pillar 2. Improving Natural Resources Management and Raising Mining and Livestock Productivity

#### *A. Mining*

*Challenges*

4.22. **The mining sector has been a major source of economic and social transformation in Burkina Faso over the past decade.** Gold production increased from 5.6 tons in 2008 to 46.3 tons in 2017, and is expected to reach 50 tons in 2018. In 2017, the mining sector accounted for 67.7 percent of the value of exported goods. Production is dominated by industrial mines, which in 2017 provided 9,200 direct jobs. A new gold mine started operations in 2018, and several advanced gold projects and a large limestone quarry are expected to come into production over the next few years. The Government aims to increase the economic linkages of the sector at the national and local levels. To this end, a Mining Code was adopted in 2015 and completed by implementing regulations to provide a legislative and regulatory framework for the sector (industrial and artisanal).

4.23. **Artisanal mining represents a growing source of income in Burkina Faso[19], but has limited productivity and causes important threats to social and environmental sustainability.** Artisanal gold production was estimated at 9.5 tons in 2016[20], with an estimated value of 232.2 billion CFA (3.5 percent of GDP). Yet, according to official figures, only about 200 kilograms of gold from artisanal mining were exported through formal or legal channels. Artisanal mining employs 140,196 workers on 448 sites across 12 of the country's 13 administrative regions. However, this sector, mainly comprising small scale operators, is characterized by low security, low productivity, uncontrolled degradation of forests, wooded spaces and faunal areas, and water pollution. Formalization (through the issuance of registration cards for artisanal miners, permits for gold commercialization, as well as the registration of cooperatives) is a key initial step to addressing the many challenges artisanal miners face. Productivity in artisanal and small-scale mining (ASM) is a function of several factors including knowledge of the geology, mining and recovery techniques, equipment, finance, etc. Formalization is needed to create the basis for access to extension services (technical, environmental, health and safety), finance for equipment, and appropriate marketing channels.

4.24. **The Government aims to encourage formalization and improve productivity in the artisanal mining sector, while reducing security risks and minimizing environmental damage.** Another objective is to raise additional fiscal revenue from the sector. In December 2015, the Government has created the National Agency for Management of Mining and Semi-Mechanized Operations (*Agence Nationale d'Encadrement et des Exploitations Minières et Semi-mécanisée*-ANEEMAS). The mandate of ANEEMAS is to monitor and manage artisanal and semi-mechanized gold mining activities with the following objectives: (i) minimizing negative impacts of artisanal mining on the environment; (ii) contributing to better security on the sites; (iii) reducing fraud in the commercialization of gold from artisanal mining; and (iv) eradicating child labor on artisanal mining sites. ANEEMAS became operational in late 2017. It will regulate the activity, provide extension services, encourage formalization, and help mitigate environmental impacts (including with respect to the rehabilitation of mined land).

[19] According to the 2015 Burkina Faso's mining code, artisanal mining consists of all of the operations of extracting and concentrating mineral substances such as gold, diamond and other gems from flush or sub-outcropping primary and secondary deposits, and recover marketable products using manual and traditional methods and processes. Artisanal mining does not use equipment or mechanical energy and is not based on the highlighting of a deposit.

[20] According to a survey conducted in 2017 by the institute of statistics and demography (*Institut National de Statistique et de Démographie*-INSD), in collaboration with the Ministry of mines and the Ministry of territorial administration and decentralization.

4.25. **The DPF series supports the government's efforts to promote the sustainable growth of the artisanal mining sector.** The Government has simplified and reduced the tax rate on export of gold from artisanal mining **(Prior Action 5)**. Until May 2018, a minimum of 600 CFA per gram was collected on gold exports from artisanal mining. However, only a marginal share of the production of artisanal mines was exported through official channels and paid export taxes. The tax rate has been reduced to 200 CFA per gram for artisanal gold exported through ANEEMAS. Reducing the tax rate on export is an incentive for artisanal mining producers to use formal and more secure channels for exports. In the four months since ANEEMAS started collecting the tax at the reduced rate, artisanal mining exports through official channels have exceeded official artisanal mining exports in 2017[21]. For the Government, this will increase revenues collected from the sector. In addition, the Government has issued regulations to prohibit artisanal mining in areas including natural preservation areas (including forests and wildlife areas), areas that benefit from pastoral or hydro-agricultural amenities, and natural or important waterways. The Government also intends to reduce intermediation margins by adopting adequate pricing policies (**DPF2 Indicative Trigger 5**). The Government will also promote the adoption of improved gold extraction technologies (without mercury) that increase output while reducing environmental degradation (**DPF3 Indicative Trigger 5**). It will introduce new extractive technologies in pilot areas (with anticipated support from the Bank's new Sustainable Mineral Development Support Project (P167949), expected to be approved in May 2019 ) and encourage provision of such technologies by the private sector, including through incentives for cooperatives. To continue improving the management of natural resources, it will also update, demarcate and improve the identification of environmentally-protected areas. This is expected to be completed in 2019. It will allow improving the enforcement of the exclusion of such areas from the mining cadaster (as currently regulated in the mining code).

*Prior Actions and Results*

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| **Prior Action 5:** To encourage sustainable development of the artisanal mining sector and to contain associated environmental damages, the Recipient has adopted decrees N°2017-0023/PRES/PM/MEMC/MINEFID, N°2018-0249 PRES/PM/MMC/MINEFID/MCIA, N°2018-0969 PRES/PM/MMC/MINEFID/MCIA, N°2018-0970 PRES/PM/MMC/MINEFID and N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS respectively dated January 23, 2017, March 29, 2018, October 24, 2018, November 16, 2018 which decrees: (i) encouraged exports through official channels by reducing taxes on the exports of the artisanal mining sector; and (ii) restricted artisanal mining activities in areas including natural preservation areas. |
| **Prior Action 6:** To encourage formalization and improve management and control of artisanal mines, the Recipient has adopted decrees N°2018-0967/PRES/MMC/MSECU/MDNA/MJDHPC/MINEFID/MCIA/MEEVCC andN°2018-0968/PRES/MINEFID/MSECU/MCIA/MJDHPC/MDNAC/MEEVCC both dated October 24, 2018 and decree N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS dated November 16, 2018: (i) simplified procedures for registration of artisanal miners; (ii) strengthened the national anti-fraud brigade (BNAF). |
| *Expected results:*<br>**Indicator 5:** Registered exports of artisanal gold mines (in tons). Baseline (2016): 0.2. Target (2022): 2.0.<br>**Indicator 6:** Number of cooperatives registered with ANEEMAS. Baseline (2017): 0. Target (2022): 20. |

[21] In 2017, the *Direction des Mines et de Géologie* registered only 109kg of exports of artisanal gold. Between May and September 2018, 115 kg of artisanal gold were exported through ANEEMAS.

4.26. **The Government is also promoting formalization of the artisanal mining sector by improving the institutional and regulatory frameworks for the sector, while increasing controls.** The Government has taken further steps to better organize the production and commercialization of gold from artisanal mining. It has issued a decree that specifies conditions for granting and renewing approval for the commercialization of gold and other precious substances of artisanal and semi-mechanized production and encourages the formalization of artisanal mining by simplifying procedures for registration, authorization, and payment of fees and taxes **(Prior Action 6)**. In particular, the ANEEMAS will act as a one-stop shop (*guichet unique*) for artisanal mining. Controls of artisanal mines are also to be reinforced by strengthening the National anti-fraud brigade (BNAF) and by adopting adequate output pricing policies. Specifically, the authorities have reorganized BNAF and strengthened its staffing, as well as better defined its functional links with other stakeholders. The Government will also encourage producers to organize themselves as cooperatives (**DPF2 Indicative Trigger 6**) to facilitate access to financial services and other amenities. It will also update the identification of protected areas, for better enforcement of their exclusion from the mining cadaster (**DPF3 Indicative Trigger 5**).

## *B. Livestock*

*Challenges*

4.27. **Livestock production is carried out by small pastoralists and farmers throughout the country.** Intensive livestock production systems are just being developed. The national herd is estimated at about 9.1 million cattle (of which about 1.0 million are dairy cows), 23.2 million are small ruminants, 33.7 million are poultry, 2 million are pigs and 18,000 are camels. There are various production systems in the country[22].

4.28. **Overall, two main constraints affect the livestock sector.** First, productivity is low because of lack of access to pasture lands, feed and water, poor quality breeds and inadequate veterinary services. Consequently, pastoralists and farmers are among the poorest groups of the population. Second, there is a growing movement towards sedentary livestock farming systems, with competition for land between farmers and pastoralists.

4.29. **The growth potential of Burkina's livestock sector is significant.** There is significant scope for improving in productivity, notably by improving animal health, livestock rearing conditions (feed supply/forage and animal fattening practices/facilities) and enhancing the genetic potential of local breeds. Burkina Faso enjoys a strong traditional know-how in animal husbandry in general and positive reputation in specific value chains (e.g., traditional poultry). Opportunities are also provided by an increasing demand for animal products on the domestic market and export possibilities offered by the regional market, particularly in neighboring coastal countries (Ghana, Cote d'Ivoire and Benin). The Bank's Livestock Sector Development Support Project (P159476), approved in 2017, aims at supporting value

[22] The transhumant livestock production system accounts for over 70% of the country's cattle. The sedentary livestock production system is widespread among farmer-stock keepers and sometimes pastoralists who have become sedentary. The mixed livestock production system with an integrated stock-rearing is widespread in the South belt of the country and numerous are the interactions among livestock and crops. The urban and peri-urban dairying system is semi-intensive to intensive and comprises dairy farms on the margins of or in the urban centers. Fattening cattle and sheep farms are intensive and located in peri-urban zones, or semi-intensive, located in rural areas and primarily managed by women.

chains development through the formation of productive alliances, where modernization and intensification of value-addition processes is sought.

4.30. **Major constraints need to be removed in order to exploit the full potential of the livestock sector and capitalize on its comparative advantage.** These include: (i) institutional, legislative and regulatory constraints (including weak support services and often inadequate and/or insufficiently enforced regulations); (ii) limited access to quality inputs (feed supplies and veterinary inputs), and to grazing resources due to the marked fluctuations in the quantity and quality of pastures depending on rainfall; (iii) weak adaptive research, in particular a lack of adequate breeding programs in view of the need to improve the low genetic potential of local breeds for more intensive production systems in the various value chains; (iv) insufficient productive infrastructure, weak technical support services and lack of access to financial resources; (v) absence or weakness of national mechanisms for preventing and managing climate-induced and other types of crises, including sanitary crises; and (vi) persistence of domestic and transboundary animal diseases and zoonoses.

4.31. **Vulnerable pastoralists and farmers do not have adequate access to veterinary services: most of livestock is not vaccinated and diseases are widespread.** Increased demand for veterinary services is stimulating the development of public and private animal health services. However, service fees are particularly high, and public and private actions are often competing rather than complementary. Access and affordability constraints must be alleviated to increase vaccination coverage levels. Herders face high vaccination costs. While the Small Ruminants Plague (*Peste des Petits Ruminants*, PPR[23]) vaccine cost is 25 CFAF, the end-price paid by the producer is 125 CFAF. This gap is due to transaction costs including the cold chain for maintaining the vaccine and fees of private veterinaries. As a result, although PPR vaccination is mandatory, coverage is currently only 3 percent. Furthermore, Food and Agriculture Organization (FAO) and the World Organization for Animal Health (OIE) have launched a global campaign for eradicating this disease within the next 10 years, which requires all member States to undertake massive vaccination campaigns on their territory.

4.32. **The current regulatory framework for veterinary products and services is obsolete and not adapted to the new environment of animal production.** Since 1990, the acquisition and distribution of veterinary products have been liberalized. New control and inspection mechanisms are needed to reduce the risks related to import of unauthorized and prohibited products. Moreover, the country regulatory framework needs to be aligned with the new harmonized regulations at international (OIE) and regional (WAEMU) level. Shortcomings include insufficient definition of roles and responsibilities of stakeholders, the occurrence of new diseases that were not considered in previous laws (e.g. avian flu), the process for the issuance of accreditations and qualifications for veterinary public health inspectors.

4.33. **In view of the promising development of animal protein consumption in Burkina Faso and elsewhere within the sub-region, the Government has developed strategies to assist the transformation of the livestock sector.** Burkina Faso has a comprehensive livestock policy and strategy[24]. Strengthening

[23] *Peste des Petits Ruminants* (PPR), also known as sheep and goat plague, is a highly contagious animal disease affecting small ruminants and transmitted via direct contact, and the disease would mainly be transferred to infection-free areas by infected animals. Once introduced, the virus can infect up to 90 percent of an animal herd, and the disease kills up to 70 percent of infected animals.
[24] Burkina Faso's livestock policy and strategy orientations are laid out in the National Policy for Livestock Development (Politique

animal health and veterinary services is an important part of the strategy to assist the transformation of the livestock sector. Policies and institutional factors affecting the livestock sector include interventions related to milk, markets, breeding, feed availability, and natural disasters. Given the increased risks of disease to animals as a result of climate change, animal health needs to be supported, and capacity to manage sanitary crises strengthened. One of the key objectives is to prevent, control and ultimately eradicate prevailing transboundary diseases such as PPR, Contagious Bovine Pleuro-pneumonia (CBPP), and New Castle Disease (NCD) for poultry. According to the National Rural Development Sector Program (PNSR), the estimated loss from PPR outbreaks amounted to about 180 billion CFAF in 2008 and 375 billion CFAF in 2016. To support the "one health approach" the government has already taken steps by revising and enacting in December 2017 its 1980 law on animal and public veterinary health. This revision has included emerging new diseases such as avian flu. It has also incorporated WAEMU directives pertaining to animal disease control.

*Prior Actions and Results*

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| Prior Action 7: To improve delivery of animal health services, the Recipient has adopted through its council of ministers decrees N°2018-0729/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, N°2018-0730/PRES/PM/MRAH/MINEFID/MATD/MSECU/MCIA, 2018 and N°2018-0731/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, all dated August 9, 2018 to respectively strengthen: (i) the quality controls for import and distribution of veterinary pharmaceutical products; (ii) the regulatory framework for its animal health policy to better contain animal pandemics; and (iii) veterinary public health rules and inspections to reduce the risk of disease transmission between humans and animals.<br><br>Expected results:<br>**Indicator 7:** Share of small ruminant herd vaccinated against PPR. Baseline (2017): 3%. Target (2022): 60% |

4.34. **The proposed DPF measures will help improve productivity in the livestock sector by strengthening animal health and veterinary services.** The DPF supports the Government's efforts to finalize and enact needed application decrees for the effective implementation of the Law to make progress in animal and public veterinary health (**Prior Action 7**). The decrees regulate the importation, distribution and marketing of veterinary products (including vaccines), conditions for opening and operations of wholesale distributors of drugs, in compliance with WAEMU regulations. With respect to veterinary public health rules, protection measures are adopted against zoonoses; rules are established for the organization of veterinary inspections, inspections of animals, animal products and products of animal origin; sanctions are established for illegal slaughter and fraud; and provisions are made to control major zoonoses. These measures will help fight the spread of contagious animal diseases and their passage across borders. This will be followed by adoption of the control strategy for PPR and the framework for the public health mandate of private veterinaries (**DPF2 Indicative Trigger**). Burkina Faso includes large arid and semi-arid areas of land where pastoral rearing systems are predominant. Livestock density is low in those areas and public veterinary services do not have enough resources to cover the

Nationale de Développement de l'Elevage, PNDEL, 2010-2025). The overall objective is to enhance the contribution of the livestock sector to economic growth, as well as to food and nutrition security, and thereby improve living standards. More specifically the policy aims at (a) building capacities of sector stakeholders; (b) securing land tenure and sustainable management of pastoral resources; (c) enhancing animal productivity and production on a sustainable basis, through significant investments in animal health, feeds and genetics; and (d) improving the competitiveness and marketing of animal products.

entire territory. In this context, provision of veterinary services by private veterinarians is to be supported. It has been widely developed in West Africa, with successful results. The DPF will also support the adoption of a mechanism to subsidize PPR vaccination and develop vaccination capacities through private veterinarians operating under a legal veterinary public health mandate (**DPF3 Indicative Trigger**). The policy reforms supported through this DPO (including quality controls of vaccines, public health mandate of private veterinarians and subsidization of vaccination) will complement other assistance from the World Bank[25] and other development partners to achieve the sought eradication of PPR. The expected result is to raise the share of the small ruminant herd that has been vaccinated against PPR from 3 percent in 2017 to 60 percent by 2021.

4.35. **The improvements to public service delivery in the livestock sector supported in this operation are expected to contribute to climate change adaptation.** Climate change (increasing the occurrence of drought, for example) has a detrimental impact on animal health: livestock is directly impacted through poorer nutrition, weaker general condition and lower resilience. Weakened small ruminants will be more likely to be infected with PPR and die, unless they are immune through vaccination. Also, frequent droughts and flooding due to climate change lead to more herders' displacements, in search of new pastures. This increases the spread of PPR, a highly contagious animal disease. Immunization against PPR will reduce the spread of the disease after extreme events and thus limit the impact of climate change on small ruminant production and the livelihoods of households.

**Pillar 3. Improving Health Service Delivery**
*Challenges*

4.36. **Burkina Faso has poor health outcomes, despite increasing spending allocated to the sector.** Morbidity is high, as well as maternal and infant mortality. Recent reforms such as the subsidization of hospital deliveries have improved the use of health care services. While significant progress has been achieved in reducing maternal mortality[26], under-five mortality (at 81.6 per thousand live births in 2015) remained above the SSA average (75.5). Fertility is also very high at 5.4 births per woman compared to 4.8 in SSA in 2016. Further improvements in the health sector will depend on three elements: a more equitable deployment of health personnel throughout the country; availability of medical supplies and other inputs; a financing strategy and mechanisms to ensure access of the poorest to health services.

4.37. **There is an urgent need to improve human resource policy management, including in the health sector.** Approved recruitments do not necessarily reflect actual staffing needs on the ground. Medical personnel are overly concentrated in urban areas, while rural areas are severely understaffed.

4.38. **Despite government efforts in the sector, human resources management continues to suffer from high staff turnover and a highly unequal distribution of personnel across the country.** Recent efforts to retain personnel have led to a greater proportion of health structures (*Centres de Santé et de Promotion Sociale*, CSPS) that meet a minimal staffing norm of three nurses from 83 percent in 2010 to 91 percent in 2017 (2017 Statistical Yearbook). Nevertheless, these norms do not account for workload,

[25] For the World Bank, through the regional Sahel pastoralism support project (PRAPS-BF, P147674) and livestock sector development support project (PADEL-B, P159476).
[26] Maternal mortality declined to 371 per 100,000 live births in 2015, down from 727 per 100,000 live births in 1990. Averages for SSA over the same period declined from 987 to 547 per 100,000 live births.

and important regional disparities remain, as well as shortages of specific personnel categories such as midwifes or pharmacists.

4.39. **Essential inputs for quality healthcare are often not available.** The fragmented supply chain system for medicines and medical inputs causes frequent shortages. Over the past two years, performance has deteriorated due to institutional shortcomings at the *Centrale d'achat de médicaments essentiels génériques et des consommables médicaux* (CAMEG). An evaluation of the national supply chain[27] has found shortages in essential medicines, limited access to data and poor quality of the data used for quantifying needs, liquidity constraints throughout the supply chain, and flaws in product quality control systems. These challenges have been made more salient as the introduction of free health care schemes increased demand for health services. In 2017, 76.2[28] per cent of health facilities had experienced shortages of essential generic medicines. These supply problems are partly the consequence of a fragmented supply chain that is specific to each site, with various systems using autonomous software and different reporting formats. The current logistics information and management system (SIGL) does not allow efficient planning based on supply and demand. As such, it is a major obstacle to strategic decision-making, planning, control and programming.

4.40. **The Government is promoting better access to healthcare through free healthcare and insurance schemes.** The government adopted a Law on Universal Health Insurance (UHC) in 2015 and introduced free healthcare for women in pregnancy and childbirth, precancerous cervical lesions screening and treatment, obstetric fistula care, under five children, and uterine cancer screening and care in 2016. The Government intends to introduce a package of free family planning services in the second half of 2019. As these policies have raised the demand for health care services, the Government intends to make the distribution of personnel consistent with the needs and the population, as well as improve the availability of essential medicines. In 2017, the fiscal cost of free healthcare policies was estimated at about CFAF32 billion (0.4 percent of GDP).

4.41. **Given the current fiscal context, the Government seeks to improve the management of free healthcare and insurance schemes.** Based on the outcomes of community-based health insurance (CBHI, *mutuelles*) experiments and international best practice[29], the national health financing strategy introduced a significant departure from the "traditional" CBHI model by moving towards mandatory enrolment in universal health insurance, and subsidization of this enrolment, at least for the poor.

4.42. **The DPF supports the Government's efforts to address the challenge of inequitable deployment of healthcare workers.** A system for deploying staff based on the WHO's Workload Indicators of Staffing Need (WISN)[30] will be implemented in 2019 (**DPF2 Indicative Trigger**), following a successful pilot in one

[27] Evaluation de la Chaîne d'Approvisionnement du Burkina Faso *Rapport Final.* Novembre 2017 *Global Fund*.
[28] Statistical yearbook. 2017 Ministry of Health.
[29] See for example: "Community based health insurance: how can it contribute to progress towards UHC?" Mathauer, Inke, Mathivet, Benoît & Kutzin, Joseph, World Health Organization, 2017. http://www.who.int/iris/handle/10665/255629
[30] The Workload Indicators of Staffing Need (WISN) method is a human resource management tool. It provides a systematic way to make staffing decisions in order to manage human resources well. The WISN method is based on a health worker's workload, with activity (time) standards applied for each workload component. The method: (i) determines how many health workers of a particular type are required to cope with the workload of a given health facility; (ii) assesses the workload pressure of the health workers in that facility. "Workload Indicators of Staffing Needs", WHO, 2015.

health district in 2017. The WISN methodology provides a tool for managing human resources by (i) assessing the workload of health care providers in the structure and (ii) determining the number of health agents of each category needed for a given health facility, based on the workload. This tool will serve as an input for the planned functional review of the Ministry of Health. It will be integrated in the annual planning, budgeting and staff deployment of the Ministry of health to help reduce disparities between urban and rural areas, and between different levels of health facilities. This will be complemented by efforts to improve transparency in human resources management in the health sector, through the development of an online platform to inform on health care staffing and needs (**DPF3 Indicative Trigger**). It will be accessible to decision-makers, HR managers and the public. Following adoption of the methodology, existing human resource data and the National Health Information System data will be used to calculate the baseline, i.e. the proportion of rural primary health care facilities that met minimum WISN standards in 2018. The target is that by 2022, at least 40 percent of rural primary health care facilities meet the minimum standards.

*Prior Actions and Results*

**Prior Actions for the proposed first operation:**

**Prior Action 8:** To ensure timely and adequate availability of essential drugs in health facilities, the institutional and financial controls at the organization for purchasing generic medicines (CAMEG) have been strengthened through the creation of new articles of association and bylaws on April 11, 2018 that create a general assembly and an audit committee.

**Prior Action 9:** To efficiently expand national health insurance coverage, the Recipient has established through decree N°2018-0265/PRES/PM/MINEFID/MFPTS dated April 9, 2018 and made operational through decrees N°2018-331/PRES/PM/MFPTPS/MINEFID dated April 24, 2018 and N°2018-0724/PRES/PM/MFTPS dated August 7, 2018 the national fund for universal health insurance (CNAMU).

*Expected results:*

**Indicator 8:** Proportion of rural primary health care facilities that meet minimum WISN standards. Baseline (2018): To be established by May 2019. Target (2022): 40%.

**Indicator 9:** Proportion of health facilities that experience shortages of listed essential medications (tracer medicines). Baseline (2017): 81%. Target (2022): 30%.

**Indicator 10:** Proportion of the population covered by universal health insurance. Baseline (2017): 0%. Target (2022): 20%

4.43. **Improvements to the logistics systems will help increase the availability of medical supplies.** Institutional instability and governance shortcomings have played an important role in CAMEG's poor performance in the recent past. This calls for improving the governance of CAMEG by strengthening management and oversight to ensure financial viability and continued supply of medicines. Through an inclusive process involving representatives of the government and stakeholders in the health sector (including trade unions, professional organizations and donors), reforms have been conducted to establish a more inclusive governance system at CAMEG (notably through the creation of a general assembly) and to strengthen financial controls (notably through the creation of an audit committee) (**Prior Action 8**). In 2018, CAMEG's general assembly became operational. The audit committee was established and is expected to begin operating in 2019. Moreover, starting in 2019, an integrated logistics information and management system will improve planning by health facilities and districts (*Dépôts Répartiteurs de*

*Districts*, DRD), allowing the CAMEG to efficiently plan deliveries and ensure continuous supply availability (**DPF2 Indicative Trigger 9)**. Already, in 2018, CAMEG's provision of essential inputs for *gratuité* has increased. The Health Service Reinforcement project (P164696), approved in 2018, will provide technical assistance and financing to strengthen both national public health surveillance and information systems and systemic preparedness and emergency response capacity related to epidemics[31]. In addition, through the Sahel Women's Empowerment and Demographics (SWEDD) project (P150080), approved in 2014, the Government is implementing a new strategy to improve the performance of the supply chain for reproductive, maternal, newborn, child and adolescent health medicine for the 'last mile" in four regions.[32]

4.44. **The DPF series will also support the Government's efforts to expand access to healthcare by promoting efficiency gains in the management of its universal health insurance policy.** A national strategy for health care financing is being prepared to tackle the fragmentation of health financing, where several financing regimes and institutions co-exist. The CNAMU was created in March 2018 to be the social insurance public establishment mandated to manage the universal health insurance policy. According to its statutes, the CNAMU is to be funded by social contributions, central government transfers, and other revenues. It will play an instrumental role in rationalizing existing free health care schemes and managing the expansion of health insurance. CNAMU will provide insurance coverage of both formal and informal sectors, taking over the management of free healthcare schemes. The CNAMU has been made operational in 2018 (**Prior Action 9**). To improve the financial sustainability of free healthcare schemes, an evaluation of the cost-effectiveness of their implementation over the past two years will be carried out in 2019 (with WBG support) to identify potential efficiency gains and implement corrective measures (**DPF2 Indicative Trigger 10**). Lastly, the third operation will support the government's plans to adopt a mechanism for the participation of the informal sector in the CNAMU, and to subsidize coverage for the most vulnerable populations (**DPF3 Indicative Trigger 9**). Increasing coverage of the population under CNAMU is expected to increase equity in access through increased financial risk protection, especially of the poor. It is also expected to increase efficiency, as CNAMU will progressively become the strategic purchaser[33]. Costs related to the expansion of universal health insurance will be partly offset by efficiency gains that should come from having a purchaser applying health insurance methods and seeking cost-saving measures that may not be present when the functions of delivery and payment of care are combined. Increased coverage of the poor will, however, entail additional costs for which government intends to seek donor financing.

### 4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

4.45. **The proposed operation is well aligned with Burkina Faso's CPF for FY18-FY23**. The CPF draws on the World Bank Group's (WBG) 2017 SCD for Burkina Faso and feedback from in-country consultations with stakeholders. It follows the Burkina Faso Country Partnership Strategy (CPS) FY13-FY16 and builds on the Performance and Learning Review (PLR) completed in May 2015. The CPF aims to support the PNDES

[31] As part of the strategic purchasing elements financed under the PRSS, it is envisaged to monitor payment by health facilities of their debts to CAMEG in full and on time. This will be in addition to monitoring drug availability.

[32] « Amélioration de la performance de la chaine d'approvisionnement des produits SRMNEA jusqu'au dernier kilomètres dans les régions sanitaires des Cascades, du Nord, des Hauts Bassins et du Sahel », PADS, projet SWEDD 2016.

[33] Setting up an independent purchaser can help improve efficiency by strengthening bargaining power to obtain greater quality and efficiency from providers; see, for instance, the evidence reviewed in the 2010 World Health Report, chapter 4.

goals in areas that are consistent with the WBG's comparative advantage and the priorities identified in the 2017 SCD, including fiscal management, natural resources management, agriculture and livestock, and human capital development. Thus, the proposed operation will make important contributions to the WBG engagement in Burkina Faso over the next years. By supporting human capital development, better fiscal management, and natural resources management and productivity, the proposed operation will help the country achieve sustainable growth and shared prosperity. By supporting adaptation to increasing risks of animal disease (through vaccination) and by supporting protection of forests and other environmentally-protected areas in a context of rapidly growing mining activities, the proposed operation will also contribute to the IDA Policy Commitment to "increase the use of DPOs that support climate co-benefits".

4.46. **The proposed operation is an important complement to other IDA investment financing projects.** The DPF is a complement to the Emergency Recurrent Cost Financing Project (P169486) approved in November 2018, which aims at providing immediate support to strengthen the country's resilience and avoid a fragility trap, while contributing to the sustainability of public sector effectiveness through technical assistance[34]. The DPF series is also a complement to the on-going portfolio of WBG operations in Burkina Faso. Reforms under Pillar 1 are linked to activities supported by the Economic Governance and Citizen Engagement Project (P155121), approved on February 18, 2016, which seeks to enhance domestic revenue mobilization and improve the use of public resources by strengthening accountability mechanisms, revenue collection systems, and public expenditure management. The ongoing Public Sector Modernization Project (P132216), approved in July 2015, which aims at improving selected service standards in pilot ministries, is linked to civil service reforms supported under pillar 1. Reforms under Pillar 2 of the proposed operation are closely linked to activities supported by three projects. The regional Sahel pastoralism support project for Burkina Faso (P147674; PRAPS-BF of US$30 million from IDA) is currently supporting animal health, natural resource management, market access and crisis prevention for transhumant herds. The Burkina Faso livestock sector development support project (P159476; PADEL-B of US$60 million from IDA) which started supporting productivity improvement through improved access to livestock services and inputs, and private investment for value chain development. In the artisanal mining sector, the Sustainable Mineral Development Support Project (P167949) under preparation will also support sustainable growth. Likewise, the health Services Reinforcement Project (P164696) is linked to pillar 3, as it aims at increasing the quality and utilization of health services.

### 4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

4.47. **The proposed operation is based on reforms included in the PNDES, which benefited from broad stakeholders' consultations in the country including a consultative group held in December 2016.** Further to the wide consultations with the national stakeholders in June 2016 to ensure ownership of the new policy framework, with the support of the WBG, the Government presented the PNDES to the donor's conference in Paris in December 2016, which resulted in mobilizing roughly US$36 billion for a financing gap of US$11.2 billion.

[34] The project is an IPF with 4 components totaling US$100 million: (i) payment of recurrent costs in crisis-affected regions in 2018 and 2019 (US$74 million); (ii) support to the replenishment of the National Food Security Stock (US$21 million); (iii) targeted technical assistance for enhanced deployment of state resources; and (iv) project management.

4.48. **The World Bank collaborates with development partners in Burkina Faso, including through sectorial dialogue frameworks.** In the context of the PNDES, the government designed a new monitoring and evaluation system consisting in 14 sectorial dialogue frameworks and set up the monitoring unit within the Prime Minister's office. The World Bank leads the Economic Governance sectorial dialogue in charge of monitoring macroeconomic reforms and budget support programs, and plays a key role in the other sectorial dialogue frameworks. In designing the proposed operation, the World Bank team also consulted with other development partners with ongoing financial or budget support programs, including the IMF, AfDB, EU, French Agency for Development and DANIDA.

## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1. POVERTY AND SOCIAL IMPACT

5.1. **The proposed DPF series is expected to help alleviate poverty and inequality in Burkina Faso in the medium and long run.** Improved fiscal management through greater domestic revenue mobilization, better selection of investment projects and a reduction of the share of the budget going to pay wages should help the government finance much-needed investments to 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 supported by this operation are expected to benefit the poor.

5.2. **Creating fiscal space for social and investment expenditures is key to the government's poverty-reduction objectives.** Improvement of tax administration, reduction of transaction costs, and broadening of the tax base will help increase domestic revenue mobilization. Also, better managing the wage bill will provide the fiscal space necessary for the Government's public investment plans as committed in the PNDES, which aims at promoting inclusive growth and achieving the SDGs. Finally, improving project preparation is expected to make better use of scarce resources and reduce the time needed for project completion.

5.3. **The formalization of the artisanal mining sector should encourage investment and productivity improvement in the sector and boost income for the poor.** Indeed, given its feature of labor intensity and its role in job creation for the poor, artisanal mining sector has the potential to provide a strong and positive impact on welfare of local households.[35]

5.4. **Upgrades to animal health management, including by improving access to and affordability of animal vaccination is expected to benefit the poor by improving resilience to shocks.** Strengthening the regulatory framework for animal health policy and veterinary public health rules and inspections reduces the risks of livestock depletion due to diseases. With 39 percent of cash income derived from livestock, rural households are vulnerable to such animal health pandemics. Livestock contributes to food and nutrition security, it remains the primary source of cash income, it serves as a store of wealth to cope with

[35] Results are based on Bazillier and Girard (2018). "The Gold Digger and the Machine. Evidence on the Distributive Effect of the Artisanal and Industrial Gold Rushes in Burkina Faso."

climatic and economic shocks, and it is resilient since it can rebuild or restock rather quickly after climatic shocks, particularly drought.

5.5. **Reforms in the health care sector will benefit the poor.** Improvement to service delivery in the health sectors through the distribution of health personnel, availability of essential drugs, and the efficiency of national health insurance coverage will enable more equitable health service delivery to rural and remote areas where the poor live.

5.6. **Nevertheless, some DPF prior actions may have negative effects on the poor**. While the increase of property tax collection contributes to the availability of fiscal space, it may put income constraints on the poor in urban areas. Once enforced, taxation of urban properties could raise housing costs for the 36 percent of poor households who own their property (with titles) in urban areas. This cost could also be passed on to poor renters, although this population group is quite small. Property taxation currently focuses on firms and higher-income taxpayers, under a declarative system. Attention will continue to be given to equity during the design of the property tax reform, with incidence analysis of reform options to inform mitigation measures. Another potential adverse effect could occur in the livestock sector, as poor rural households with livestock may face higher prices for veterinary products that have passed controls and inspections. At the same time, those households will also benefit from having access to more effective products. Finally, wage bill reforms could have adverse distributional impacts if civil servants reduce their private transfers to poor persons who are members of their network. This is mitigated by the expected positive distributional effects of improving fiscal space for social and infrastructure expenditure.

5.7. **The reforms supported by the DPF series are not directly focused on the promotion of gender equality, but they may provide indirect benefits to the extent they contribute to raising access to and the quality of health care.** The reforms supported in the health sector should help improve the quality of health care, including maternal health care services. Availability of trained healthcare professionals and availability of essential medicines are indeed key inputs for improving access and quality of services and improving health outcomes.

5.8. **Actions in the livestock sector could also have indirect benefits for gender equality.** Small ruminants, poultry and milk production are mainly operated by women in Burkina Faso’s livestock production systems. Female producers will thus benefit from the promotion of good-quality livestock health and production services. This is expected to enhance production and improve household nutrition. It should therefore help strengthen the livelihoods of female producers, improve their revenue and increase their resilience to external shocks[36].

## 5.2. ENVIRONMENTAL ASPECTS

5.9. **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

[36] Complementary livestock health activities under the Bank’s investment operations in the sector (PRAPS and PADEL-B) will benefit women. PADEL-B is expected to benefit 300 000 producers of whom 30% (90 000) will be women, PRAPS-BF to 200 000 pastoralists of whom 30% (60 000) of women.

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. This institutional framework for environmental governance revolves around three main actors: (i) the State and its subdivisions, especially the Ministry of Environment, Green Economy and Climate Change as well as other ministerial departments and administrative divisions (provinces, department, and villages); (ii) local communities; and (iii) the private sector and civil society. Burkina Faso has a legal and regulatory framework governing the preparation of Environmental Impact Assessments (EIA)[37], Environmental and Social Impact Assessments (ESIA) and Strategic Environmental and Social Assessment (SESA).

5.10. **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.** The national environmental protection agency *(Bureau National des Evaluations Environnementales,* BUNEE*)*, is institutionally empowered to review and clear environmental assessment instruments such as EIA; ESIAs; Environmental Audits; and SESA. BUNEE is tasked with reviewing and approving environmental assessments instruments and ensuring the monitoring of mitigating measures. Key challenges are enforcement and the weakness of the legal framework for management of environmental issues, although the SESA decree of 2015 addressed some of these weaknesses[38]. Through World Bank and other financial/donor agencies, progress has been made in enhancing both monitoring and enforcement functions. In addition, staff of BUNEE have benefited from several World Bank safeguards training for Project Implementing Units (PIUs).

5.11. **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[39], discouraging the expansion of mines onto protected areas, and promoting environmentally-friendly technologies and practices. Also, the requirement to conduct feasibility studies for public investments should allow better

[37] Decree 2001-342/PRES/PM/MEE of July 17, 2001 defines the scope, content, and procedures for undertaking EIA. This decree was improved upon by Law No 006-2013/AN of March 2, 2013 on the environment code in Burkina Faso, in particular its articles 5 sub-paragraphs 4 and 17 to 23, outlining the procedures for an Environmental and Social Impact Assessment (ESIA) and the importance of public consultations. Finally, the decree No 2015-1187 provides conditions and procedures for the preparation of Strategic Environmental and Social Assessment (SESA). The decree clarifies and classify civil works, installations, and activities that could be a subject of an SESA or ESIA including the three-tier classification of A, B, and C depending on the severity and magnitude of impacts.

[38] In addition, there are challenges in terms of qualified staff, vehicles for field visits and sometimes funds to pre-finance field missions.

[39] The reforms supported in the DPF do not specifically address the rehabilitation of mined land. The rehabilitation of mined land is provided for under Burkina Faso's legislation. However, land is regularly abandoned, and rehabilitation remains a serious concern. This operation supports formalization and better control of artisanal mines through ANEEMAS. The mandate of this agency includes the mitigation of environmental problems associated with artisanal mines. The authorities are taking steps to make operational a Fund for rehabilitating mining sites. The Fund will be constituted with mining royalties and other related taxes, and a levy on all permits granted to certain artisanal miners ("*exploitants miniers artisanaux*").

assessment of environmental risks. 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 impacts of public investment projects in Burkina Faso.

5.12. **While actions to improve livestock health are expected to have climate change adaptation benefits, resulting increases in livestock herds could also have mixed impacts by leading to additional pressures on natural resources.** It should be recognized that due to poor data, Burkina Faso has very limited quantitative assessments of livestock-related impacts in terms of water, land/soil, biodiversity and GHG emissions, undertaken at the landscape scale.The impact of the livestock sector on the degradation of natural resources has been documented in the National Policy for Sustainable Livestock Development and the Green Economy Scoping Study prepared under the scope of UNEP's Green Economy Initiative, which was launched in 2008. The policy and the study pointed out the need to find a balance between the farming system and natural resources with a view to sustainable development. Promotion of ranching and the development of Animal Production Intensification Zones have been proposed as adaptation/mitigation measures. Furthermore, two IPF operations in the sector (PRAPS (P147674) and PADEL-B (P159476) promote, in line with the Burkina Faso Nationally Determined Contribution (NDC), natural resources management. This includes investments in pastoral-hydraulics and good practices in animal production (intensification supported by health and feed quality improvements in particular) to reduce impacts on the environment. Burkina Faso is also part of the Global Agenda for Sustainable Livestock (GASL), which promotes engagement in stakeholders' policy dialogue, production of tools, sharing of experiences, and agreed on action. It recognizes the multiple social, economic, and environmental dimensions, their contributions, synergies and trade-offs, and advocates an integrated perspective to problem-solving.

### 5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.13. **The Government has adopted an update of the Economic and Finance Sector Policy (*Politique du secteur de l'économie et des finances* – POSEF) covering 2011 to 2020 which includes an integrated PFM actions plan.** The subprogram of POSEF on PFM reforms aims at addressing the public financial management challenges highlighted in more recent assessments made of the PFM system. This includes the 2013 and 2010 PEFA, which highlighted significant progress made in the areas of comprehensiveness and transparency of the budget, policy-based budgeting with the introduction of multi-year programmatic budgets for all sectoral ministries, and internal controls, as well as compliance with good practices in budget preparation, approval, and amendment procedures. However, the assessment reports identified a number of critical shortcomings in revenue forecasting, effectiveness in collection of tax payment, availability of information on resources received by service delivery units, procurement, and external audits. Unpredictable revenue inflows mean that Burkina at times use the availability of cash as the de facto mechanism for trying to keep expenditure within set limits, with budget execution managed through "cash rationing". Spending may be limited by reducing the amounts that ministries are authorized to spend below the amounts set in the budget law. The PFM reform program (*Programme de Réforme de la Gestion Budgétaire* – PRGB), has been updated with the support of most of the donors in the Multi-Donor Budget Support Group *(Cadre Général d'Organisation des Appuis Budgétaires* – CGAB).

5.14. **The Economic Governance and Citizen Engagement Project (P155121) which became effective in October 2016 supports implementation of the PFM reforms** and assists the Government of Burkina Faso in improving core areas of economic governance and citizen engagement, including (a) developing mechanisms for social accountability, transparency, and access to information on the management of public funds, including strengthening capacities of audit institutions, the judiciary, and civil society to fight fraud and corruption; (b) increasing fiscal space through the modernization of tax and customs systems and the improvement of revenue collection capacities; and (c) strengthening public expenditure management, including the procurement system efficiency and predictability and control in budget execution. Overall, the World Bank has assessed implementation performance of the public financial management reform program to date and Government's commitment to its improvement as satisfactory.

5.15. **The design and scope of this operation exploits important synergies with both the Government program and other donor activities, to improve the overall financial management system.** While the IMF's program supports the authorities' efforts with respect to fiscal consolidation and debt and cash management, the World Bank's Economic Governance and Citizen Engagement project is supporting the upgrade of information systems for budgeting and core treasury operations as well as interfacing with core systems including revenue management systems. The European Union and Switzerland are also supporting the institutional development of the authorities notably through enhancement to SINTAX, support to improve controls and training. Overall, the Multi-donor Budget Support Group provides technical support to POSEF including for the elaboration of strategic plans and the production of statistics to inform public policies.

5.16. **The Government is aligning its PFM systems with current WAEMU directives.** Overall, the legislative and institutional framework for PFM as well as for governance and anti-corruption in place in Burkina Faso are generally considered acceptable. The Government has adopted the WAEMU Transparency Code and is aligning its national legislation with WAEMU's six new PFM directives. The National Transitional Committee (CNT – Parliament) enacted the directive on the Finance Act *(Loi organique relative aux lois de finances – LOLF)* in November 2015. The operationalization of the WAEMU directives transposed into Burkina Faso national laws, such as the budget program and the new procurement code, is on-going despite some challenges. Alignment with the directives will ensure convergence of the system with international standards of public finance. Expected outcomes of this comprehensive reform include realistic and sustainable budget forecasts; overall spending amounts determined on the basis of a multi-year budget and economic planning; resources allocated more logically in order to achieve objectives; and better accountability from main authorizing officers (ministers and presidents of institutions).

5.17. **The IMF carried out an on-site safeguards' assessment of the BCEAO and found that progress has been made in strengthening the BCEAO's safeguards framework since 2013 when the last safeguards assessment was undertaken.** A continuing strong control environment is in place and all recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointing an international firm with International Standards of Auditing (ISA) experience for the audits of FY15-FY17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of International Financial Reporting Standards (IFRS) starting with the financial year 2015. The flow-of-funds arrangements between the BCEAO and Burkina Faso's Treasury have been reviewed based on an annual audit funded by the

CGAB. Overall, the fiduciary risk of the proposed first operation is rated "moderate". This rating is based on the current status of the PFM system and improvements observed in the central bank's safeguard framework, accounting systems and auditing arrangements. The Government has made progress in strengthening multiple aspects of public financial and budgetary management since the 2013 PEFA assessment, and its continuing efforts are supported by most of the donors in CGAB. Regarding budget transparency, annual budgets, quarterly budget execution reports, mid-year budget reviews, and annual settlement laws are available online at ***www.dgb.gov.bf***.

5.18. **The proposed first operation would consist of a single-tranche disbursement of US$100 million equivalent,** provided on standard credit terms in the amount of 87.6 EUR million to be made available upon effectiveness and disbursed following satisfactory implementation of the development policy program and the maintenance of an adequate macroeconomic framework. The credit will follow IDA's disbursement procedures for Development Policy Financing (DPF)[40]. The resources will be released upon effectiveness, provided that IDA is satisfied (i) with the program being carried out by the Recipient and (ii) with the adequacy of the Recipient's macroeconomic policy framework. The Recipient is the Government of Burkina Faso, represented by the Ministry of Economy, Finance and Development. The operation would follow IDA's standard disbursement procedures for development policy financings and would not be linked to specific expenditures. Once the financing agreement becomes effective, and upon receipt of a withdrawal application, and provided IDA is satisfied with the program being carried out by the Government and with the appropriateness of the country's macroeconomic policy framework, the proceeds of the grant will be deposited by IDA into an account designated by the Government of Burkina Faso at the BCEAO, where they will form part of the country's official foreign exchange reserves[41]. The Government will credit the local currency equivalent in its budget using the prevailing exchange rate. As a due diligence measure, IDA will obtain confirmation from the Government that : (i) the sum of the proceeds was received into an account of the government that is part of the country's official foreign exchange reserves (including the date and the name/number of the government's bank account in which the amount has been deposited) ; and (ii) an equivalent amount has been accounted for in the country's budget management system (including the Chart of Accounts name/account number, the date of transfer, and the exchange rate used). Confirmation will be expected within 30 days of disbursement. If, after being deposited in this account, the proceeds are used for excluded expenditures as defined in the Financing Agreement, IDA will require the Recipient to refund directly to IDA an amount equal to the amount of the ineligible payment promptly upon notice. Amounts refunded to the World Bank upon such a request will be canceled. The Word Bank reserves the right to seek an audit of the dedicated account by an independent auditor acceptable to The World Bank.

[40] The Recipient has opted for the Euro as a single currency. The credit will be financed under standard IDA terms, with a 38-year maturity and a 6-year grace period.

[41] The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risk. Overall the World Bank has assessed implementation performance of the public financial management reform program to date and Government's commitment to its improvement as moderately satisfactory. The fiduciary risk associated with the proposed operation is rated as moderate. This rating is based on the status of the PFM system and the central bank's internal control framework, accounting systems and auditing arrangements**.** The BCEAO publishes a full set of audited financial statements, and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). The external auditors have issued an unqualified opinion (clear opinion) on the 2017 financial statements of BCEAO.

5.19. The closing date for the operation is June 30, 2020.

## 5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

5.20. **Strengthening monitoring and evaluation is critical for the successful implementation of the PNDES objectives as well as for this DPF series.** The 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 operations. Day-to-day monitoring of the program will be the responsibility of the Directorate in charge of Cooperation (DGCOOP) within the MEFD.

5.21. **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. Recently, 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 delivery (see section 4.3 above for a list of the related Bank projects).

5.22. **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 December 2021.** 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.

5.23. **Grievance Redress**. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

## 6. SUMMARY OF RISKS AND MITIGATION

6.1 **The overall risk rating for the proposed operation is substantial**. The risk ratings in Table 6.1 follow the four-point rating scale from low (L), to moderate (M), substantial (S), and high (H). The most important categories for the proposed operation are: (a) Political and governance (S), (b) Macroeconomic (H); (c) Institutional capacity for implementation and sustainability (S) and (d) Environmental and social (S). A description of each of these risks and their respective mitigation measures is provided below.

6.2 **Political and governance risks (S)**: Following the 2014-2015 events, Burkina Faso has undergone a political transition. However, security threats related to terrorism have heightened with the recent terrorist attacks that struck the capital Ouagadougou and the northern and eastern parts of the country. 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 recently organized by the government helped gain broader-based support for difficult reforms in this area. The proposed operation will contribute to monitoring the above issues and address them in close collaboration with the IMF through its focus on fiscal management reform. In addition, the Emergency Recurrent Cost Financing Project (P169486) is expected to help the government address the multiple crises it is facing by supporting delivery of targeted core services and strengthening public sector capacity in critical sectors and regions.

6.3 **Macroeconomic risks (H):** Exogenous shocks and policy slippage constitute a high source of risks. This could divert resources away from priority needs and reduce the government's efforts and ability to sustainably implement the planned fiscal adjustment. It could also reduce resources for improving public service delivery. The country is vulnerable to external shocks which could threaten the attainment of tax collection objectives. A larger than expected decline in cotton and gold prices, as well as larger than expected increase in oil imports and high oil prices may put further pressure on Burkina Faso's macroeconomic framework. This would translate into a slowdown in growth, reduced fiscal revenues and a larger current account deficit. The operation is designed to help mitigate fiscal risks by supporting measures designed to improve tax collection. Prudent fiscal management would lessen the effects of commodity price shocks.

6.4 **Institutional capacity for implementation and sustainability (S**): Lack of capacity at the Ministries of Health, Mining, Animal Resources, and at the MEFD may delay the implementation of some measures supported by this- operation, including improvements in investment policies, in human resources management and in tax administration. Bank-supported investment project financing operations will help to mitigate this risk. The World Bank in collaboration with the IMF, the ADB as well as the EU will continue to provide technical assistance to support the strengthening of the Recipient's capacity in the area of tax administration and fiscal management, public sector reform, health systems strengthening, land administration, mining development and water resources management (see section 4.46 above for a list of the related Bank projects).

6.5 **Environmental and social risks (S):** Climatic shocks could reduce economic activity and therefore jeopardize domestic revenue mobilization targets and narrow fiscal space for infrastructure and social expenditures. Climate shocks represent a serious 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. Weather-related shocks may affect the pace of reform implementation. The realization of such kind of shocks could reduce the fiscal space and efforts to contain current expenditures. IDA's mining sector support project is strengthening capacity to assess, mitigate, manage and monitor environmental and social risks associated with investments in the mining sector.

**Table 6.1: Summary Risk Ratings**

| Risk Categories | Rating |
|---|---|
| 1. Political and Governance | Substantial |
| 2. Macroeconomic | High |
| 3. Sector Strategies and Policies | Moderate |
| 4. Technical Design of Project or Program | Moderate |
| 5. Institutional Capacity for Implementation and Sustainability | Substantial |
| 6. Fiduciary | Moderate |
| 7. Environment and Social | Substantial |
| 8. Stakeholders | Moderate |
| 9. Other | |
| **Overall** | Substantial |

## ANNEX 1: POLICY AND RESULTS MATRIX

| DPF1 – Prior actions | DPF2 – Indicative triggers | DPF3 – Indicative triggers | Results indicators |
|---|---|---|---|
| ***I. Strengthening Fiscal Management*** | | | |
| **Prior Action 1.** To improve tax administration and reduce transaction costs, the Recipient's Ministry of Economy, Finance and Development has: (i) audited the electronic taxpayer identification system; (ii) simplified registration and monitoring of taxpayers through the unique tax identification number; and (iii) implemented a new electronic platform that allows online filing and payments of taxes. | **Trigger 1.** To improve tax administration and reduce transaction costs, the Recipient's Ministry of Economy, Finance and Development has made e-filing of all taxes mandatory for all large firms. | **Trigger 1.** To broaden the tax base and improve the ease of paying taxes, the Recipient has: (i) simplified the taxation of micro-enterprises; and (ii) made e-filing mandatory for all medium-sized enterprises. | **Indicator 1:** *Number of taxpaying firms and individuals recorded in the government's taxpayer database.*<br>*Baseline (2017): 95,515*<br>*Target (2022): 115,000* |
| **Prior Action 2.** To increase the collection of property taxes, the Recipient's Ministry of Economy, Finance and Development has established and made operational an urban registry of the primary holders of land plots in Ouagadougou and Bobo-Dioulasso. | **Trigger 2.** To broaden the tax base, the Recipient has strengthened the regulatory and institutional framework of the cadaster by adopting a system for valuing land and housing property. | **Trigger 2.** To increase the collection of property taxes and strengthen own-source revenue mobilization at the local level, the Recipient has: (i) reformed the administration of property taxes; and (ii) created and made operational new local cadaster services in Ouagadougou and Bobo-Dioulasso. | **Indicator 2:** *Property taxes collected by general government.*<br>*Baseline (2017): 0.3% of GDP*<br>*Target (2022): 0.5% of GDP* |
| **.Prior Action 3.** To strengthen public investment management, the Recipient's Ministry of Economy, Finance and Development has adopted: (i) through decree n° 2018-0092/PRES/MINEFID dated February 15, 2018, a regulatory framework for preparation, selection and implementation of public investment projects; and (ii) by decision of its council of minister on January 9, 2019 a guide to project readiness assessments and appraisal. | **Trigger 3.** To improve public investment management, the Recipient has: (i) submitted to Parliament a 2019 Budget Law that includes an analysis of risks related to identified priority projects, including PPPs; and (ii) established an inter-ministerial committee to validate project appraisal documents. | **Trigger 3.** To strengthen the management of PPP projects, the Recipient has adopted a new Law on Public Private Partnerships, consistent with the WAEMU Directive. | **Indicator 3:**<br>Proportion of public investment projects included in the approved budget that have a feasibility study validated by the inter-ministerial committee.<br>*Baseline (2017) : 23%* |

| | | | |
|---|---|---|---|
| | | | *Target (2022) : 80%* |
| **Prior Action 4.** To improve the management of the public wage bill, a national consultation convened by the Recipient from June 12 to June 14, 2018 and including representatives of the Recipient's government has adopted a plan that identifies key directions to reform the compensation system for civil servants. | **Trigger 4.** To improve the management of the public wage bill, the Recipient has submitted to Parliament a Civil Service Organic Law (*"Loi Organique portant principes fondamentaux de la fonction publique"*) and adopted related decrees that harmonize pay scales and reduce indemnities (*indemnités*). | **Trigger 4.** To improve human resource management in the public sector the Recipient has continued to implement reforms to (i) rationalize incentive payments to civil servants and (ii) strengthen systems for civil servant deployment. | **Indicator 4:** Annual nominal wage bill growth rate<br>*Baseline (2017): 11.4%*<br>*Target (2022): 3.3%* |
| ***II. Improving Natural Resource Management and Raising Mining and Livestock Productivity*** | | | |
| **Prior Action 5.** To encourage sustainable development of the artisanal mining sector and to contain associated environmental damages, the Recipient has adopted decrees N°2017-0023/PRES/PM/MEMC/MINEFID, N°2018-0249 PRES/PM/MMC/MINEFID/MCIA, N°2018-0969 PRES/PM/MMC/MINEFID/MCIA, N°2018-0970 PRES/PM/MMC/MINEFID and N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS respectively dated January 23, 2017, March 29, 2018, October 24, 2018, November 16, 2018 which decrees: (i) encouraged exports through official channels by reducing taxes on the exports of the artisanal mining sector; and (ii) restricted artisanal mining activities in areas including natural preservation areas. | **Trigger 5.** To encourage development of the artisanal mining sector the Recipient has adopted a pricing policy for gold mining. | **Trigger 5.** To increase productivity and reduce environmental risks and degradation, the recipient has: (i) promoted improved gold extraction technologies (without mercury); (ii) updated the identification of protected areas to be excluded from the mining cadaster. | **Indicator 5:**<br>Registered exports of artisanal gold mines (in tons)<br>*Baseline (2016): 0.2*<br>*Target (2022):2.0* |

| | | | |
|---|---|---|---|
| **Prior Action 6.** To encourage formalization and improve management and control of artisanal mines, the Recipient has adopted decrees N°2018-0967/PRES/MMC/MSECU/MDNA/MJDHPC/MINEFID/MCIA/MEEVCC andN°2018-0968/PRES/MINEFID/MSECU/MCIA/MJDHPC/MDNAC/MEEVCC both dated October 24, 2018 and decree N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS dated November 16, 2018: (i) simplified procedures for registration of artisanal miners; (ii) strengthened the national anti-fraud brigade (BNAF). | **Trigger 6.** To improve the organization, management and control of artisanal mines, the Recipient has adopted a regulatory framework for setting up cooperatives of artisanal miners. | | **Indicator 6:** Number of cooperatives registered with ANEEMAS<br>Baseline (2017): 0<br>Target (2022): 20 |
| **Prior Action 7.** To improve delivery of animal health services, the Recipient has adopted through its council of ministers decrees N°2018-0729/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, N°2018-0730/PRES/PM/MRAH/MINEFID/MATD/MSECU/MCIA, 2018 and N°2018-0731/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, all dated August 9, 2018 to respectively strengthen: (i) the quality controls for import and distribution of veterinary pharmaceutical products; (ii) the regulatory framework for its animal health policy to better contain animal pandemics; and (iii) veterinary public health rules and inspections to reduce the risk of disease transmission between humans and animals. | **Trigger 7.** To improve the provision of vaccination services, the Recipient has: (i) adopted the control strategy for Small Ruminants Plague (PPR) and (ii) adopted the decree on the veterinary public health mandate of private veterinaries to facilitate the implementation of the PPR strategy. | **Trigger 7.** To increase animal vaccination rates, the Recipient has adopted a mechanism to subsidize PPR vaccination through veterinary services, including private veterinaries under their veterinary public health mandate. | **Indicator 7:** Share of small ruminant herd vaccinated against PPR<br>Baseline (2017): 3%<br>Target (2022): 60% |

| | | | |
|---|---|---|---|
| ***III. Improving Health Service Delivery*** | | | |
| | **Trigger 8.** To better align the distribution of health personnel with human resource needs of healthcare facilities, the Recipient's Ministry of Health has adopted and applied the Workload Indicators of Staffing Need (WISN) to adequately staff all health care facilities. | **Trigger 8.** To better align the distribution of health personnel with human resource needs of healthcare facilities, the Recipient's Ministry of Health has established an open online platform to ensure greater transparency in the human resources management of the public health system. | **Indicator 8:** Proportion of rural primary health care facilities that meet minimum WISN standards<br>*Baseline (2018): TBD*[42]<br>*Target (2022): 40%* |
| **Prior Action 8.** To ensure timely and adequate availability of essential drugs in health facilities, the institutional and financial controls at the organization for purchasing generic medicines (CAMEG) have been strengthened through the creation of new articles of association and bylaws on April 11, 2018 that create a general assembly and an audit committee. | **Trigger 9.** To ensure timely and adequate availability of essential drugs in health facilities, the Recipient's Ministry of Health has adopted an integrated national information system for logistics management of the supply chain for medications. | | **Indicator 9:** Proportion of health facilities that experience shortages of listed essential medications (tracer medicines)<br>*Baseline (2017): 81%*<br>*Target (2022): 30%* |
| **Prior Action 9.** To efficiently expand national health insurance coverage, the Recipient has established through decree N°2018-0265/PRES/PM/MINEFID/MFPTS dated April 9, 2018 and made operational through decrees N°2018-331/PRES/PM/MFPTPS/MINEFID dated April 24, 2018 and N°2018-0724/PRES/PM/MFTPS dated August 7, 2018 the national fund for universal health | **Trigger 10.** To efficiently expand national health insurance coverage, the Recipient's Ministry of Health has completed an assessment of the cost-efficiency of targeted free health care programs and adopted corrective measures. | **Trigger 9.** To efficiently expand national health insurance coverage, the Recipient has adopted a mechanism for coverage of the informal sector by the CNAMU, as well as a mechanism for subsidizing coverage for the most vulnerable populations. | **Indicator 10:** Proportion of the population covered by universal health insurance:<br>Baseline (2017): 0%<br>Target (2022): 20% |

[42] The baseline (proportion of rural primary health care facilities that meet minimum WISN standards) will be computed by May 2019 on the basis of national human resource and health information system data, following adoption of new norms (cf. trigger 8).

insurance (CNAMU).

## ANNEX 2: FUND RELATIONS ANNEX

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 19/01
FOR IMMEDIATE RELEASE
January 7, 2019

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Executive Board Concludes 2018 Article IV Consultation with Burkina Faso**

On December 21, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Burkina Faso. The Board also completed the First Review of Burkina Faso's economic performance under a three-year program supported by the IMF's Extended Credit Facility (ECF) arrangement; a press release on this was issued separately.

The Burkinabe economy has shown considerable resilience in the face of significant security shocks over the last two years. GDP grew by 6.3 percent in 2017, up from 5.9 percent in 2016 and is projected to stabilize at 6 percent in 2018. Activity has been supported by expansionary fiscal policy, including from a boost to capital spending in 2017. Inflation was 2.1 percent year-on-year at end-December 2017 and has remained at that level in 2018. Public debt eased to 38.4 percent of GDP in 2017, as the impact of new borrowing was offset by the appreciation of the euro against the dollar and robust GDP growth. The risks to the outlook are tilted to the downside, mainly from the threat of further terrorist attacks, which could weigh on mining and tourism, and social tensions and unrest, which could impact government revenue collection and add pressures on current spending.

**Executive Board Assessment[2]**

Directors agreed with the thrust of the staff appraisal. They welcomed the broadly satisfactory performance under the ECF-supported program. Directors noted that Burkina Faso has significant development challenges, which have recently intensified due to security shocks and social unrest. Despite some improvements in recent years, Burkina Faso's human development indicators remain among the lowest in the world and poverty remains high. In view of downside risks to the outlook, Directors emphasized the importance for the authorities to steadfastly

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

implement macroeconomic policies and structural reforms to preserve macroeconomic stability, foster inclusive growth, and improve living conditions.

Directors stressed the importance of strengthening fiscal discipline and transparency. They welcomed the authorities' commitment to a fiscal deficit of no more than 3 percent of GDP by 2019, and the authorities' decision to base their budgets on realistic revenue projections. In view of the growing security spending needs, combined with the large social and development agenda, Directors urged the authorities to intensify efforts to mobilize additional domestic revenue through both tax and customs administration reforms and tax policy measures. They welcomed the recent adjustment of retail fuel prices in response to higher international fuel prices, as well as the adoption of an automatic fuel price adjustment mechanism that should shield the budget against unforeseen subsidy needs, while encouraging the authorities to take measures to protect the most vulnerable. Directors also welcomed the authorities' commitment to budgeting ex ante for any remaining fuel subsidy needs.

Directors urged the authorities to expedite public-sector compensation reforms to reverse the rapidly rising public-sector wage bill, and convert the recommendations of the June 2018 stakeholder conference into specific actions. They stressed that short-term measures to contain the wage bill should focus on reducing recruitments in non-priority sectors and examining the scope to rationalize allowances and bonuses. Looking ahead, the authorities' commitment to contain the wage bill and ensure its sustainability should be formalized in the 2020-2022 multiannual budget and economic programming document.

Directors encouraged the authorities to continue to improve the quality and efficiency of public investments through prioritization and cost-benefit analysis of projects, including public-private partnerships. Directors also recommended strengthening debt management, including developing a robust and prudent medium-term debt strategy. External financing alternatives would need to remain on concessional terms and be considered carefully.

Directors encouraged further structural reforms to remove barriers that limit the competitiveness of the economy. Priority areas include alleviating infrastructure bottlenecks, notably in energy and transportation, increasing productivity and value-added in the agricultural sector, diversifying the economy, and enabling the financial sector to better support inclusive growth. Directors stressed that enhancing access to financial services is essential to support economic diversification and structural transformation. They encouraged the authorities to continue to strengthen the anti-corruption framework.

It is expected that the next Article IV consultation with Burkina Faso will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

**Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2015–23**

| | 2015 | 2016 | 2017 | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | Est. | SR 18/81 | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | *(Annual percentage change, unless otherwise indicated)* | | | | | | | | | |
| **GDP and prices** | | | | | | | | | | |
| GDP at constant prices | 3.9 | 5.9 | 6.4 | 6.3 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| GDP deflator | -3.1 | -1.1 | 2.3 | 4.5 | 3.5 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer prices (annual average) | 0.9 | -0.2 | ... | 0.4 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer prices (end of period) | 1.3 | -1.6 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | | |
| Net domestic assets (banking system) [1] | 16.6 | 1.7 | 21.2 | 22.4 | 26.2 | 13.1 | 13.4 | ... | ... | ... |
| Credit to the government (banking system) [1] | -1.3 | -4.5 | 12.4 | 5.9 | 7.9 | 4.1 | 4.6 | ... | ... | ... |
| Credit to the private sector | 8.7 | 12.1 | 8.7 | 14.4 | 12.3 | 12.9 | 12.6 | ... | ... | ... |
| Broad money (M3) | 19.3 | 11.8 | 15.6 | 21.6 | 21.6 | 12.4 | 12.7 | ... | ... | ... |
| Private sector credit/GDP | 28.4 | 30.4 | 29.0 | 31.3 | 32.0 | 33.5 | 34.9 | ... | ... | ... |
| **External sector** | | | | | | | | | | |
| Exports (f.o.b.; valued in CFA francs) | 2.6 | 19.9 | 11.9 | 5.7 | 4.5 | 6.0 | 3.6 | 4.9 | 0.6 | 1.0 |
| Imports (f.o.b.; valued in CFA francs) | 3.3 | 8.8 | 19.5 | 17.2 | 4.8 | 6.8 | 1.6 | 3.8 | 3.5 | 3.8 |
| Terms of trade | 13.2 | 8.7 | ... | 0.4 | -4.9 | -3.4 | 2.6 | 2.3 | 1.1 | 0.6 |
| Current Account (percent of GDP) | -8.6 | -7.6 | -8.4 | -9.7 | -8.1 | -8.3 | -7.0 | -7.3 | -7.5 | -7.7 |
| Real effective exchange rate | -6.4 | -5.3 | ... | -3.2 | ... | ... | ... | ... | ... | ... |
| | *(Percent of GDP, unless otherwise indicated)* | | | | | | | | | |
| **Central government finances** | | | | | | | | | | |
| Current revenue | 17.0 | 19.1 | 19.0 | 19.4 | 18.7 | 19.9 | 20.4 | 20.8 | 21.1 | 21.1 |
| *Of which*: tax revenue | 15.1 | 16.7 | ... | 17.3 | 16.7 | 17.8 | 18.3 | 18.7 | 19.0 | 19.3 |
| Total expenditure and net lending | 22.9 | 25.3 | 29.9 | 29.9 | 27.5 | 25.8 | 26.0 | 26.3 | 26.6 | 26.6 |
| *Of which*: current expenditure | 15.0 | 17.3 | ... | 18.4 | 17.3 | 18.8 | 17.6 | 16.8 | 17.0 | 16.6 |
| Overall fiscal balance, incl. grants (commitments) | -2.2 | -3.5 | -8.2 | -7.8 | -4.7 | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 |
| Total Public Debt | 35.6 | 39.2 | 38.3 | 38.4 | 42.5 | 42.0 | 41.7 | 41.4 | 41.2 | 41.4 |
| *Of which*: external debt | 26.3 | 27.8 | 24.2 | 24.1 | 24.2 | 23.4 | 22.5 | 21.3 | 20.6 | 20.1 |
| ***Memorandum items:*** | | | | | | | | | | |
| Nominal GDP (CFAF billion) | 6,163 | 6,457 | 7,302 | 7,174 | 7,873 | 8,512 | 9,202 | 9,952 | 10,763 | 11,637 |
| Nominal GDP per capita (US$) | 576 | 584 | 652 | 643 | 732 | 759 | 810 | 858 | 911 | 964 |

Sources: Burkinabe authorities; and IMF staff estimates and projections.

1/ Percent of beginning-of-period broad money.

INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 18/496
FOR IMMEDIATE RELEASE
December 21, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Executive Board Completes First Review Under the Extended Credit Facility and Approves US$25.1 Million Disbursement for Burkina Faso**

- Burkina Faso faces large social and physical infrastructure gaps, a deteriorating security situation, and unease among the rapidly-expanding population about economic prospects.
- Burkina Faso's program aims to create fiscal space for priority spending.

On December 21, 2018, the Executive Board of the International Monetary Fund (IMF) completed the first review of Burkina Faso's economic performance under a three-year program supported by the IMF's Extended Credit Facility (ECF). Completion of the review enables the disbursement of the equivalent of SDR18.06 million (about US$25.1 million), bringing total disbursements under the arrangement to the equivalent of SDR36.12 million (about US$50.1 million). The Board also approved the authorities' request for a waiver for nonobservance of a performance criterion, and the modification of performance criterion.

Burkina Faso's three-year ECF-supported program for the equivalent of SDR108.36 million (about US$150.3 million or 90 percent of the country's quota at the time of approval of the arrangement), was approved on March 14, 2018 (see Press Release No. 18/86). A key objective of the program is to create fiscal space for priority spending by strengthening revenue mobilization, containing current spending and improving the efficiency of public investment.

The Board also concluded the 2018 Article IV consultation. A press release will be issued separately.

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

"With recent policy actions, performance under the ECF-supported program is broadly on track. Burkina Faso is a low-income country with significant development challenges. Despite some improvements in recent years, Burkina Faso's human development indicators remain among the lowest in the world and poverty remains high. Priority areas for reform include alleviating infrastructure bottlenecks, notably in energy and transportation, increasing productivity and value-added in the agricultural sector, diversifying the economy, and enabling the financial sector to better support inclusive growth.

"The Burkinabe authorities remain strongly committed to the ECF-supported program despite difficult challenges and risks to the outlook, including from security shocks and social tensions. The immediate challenge for the Burkinabe authorities is to pursue development and security objectives in a manner consistent with the authorities' commitment to achieving a fiscal deficit of no more than 3 percent of GDP by 2019.

"Burkina Faso's growing security spending needs combined with the large social and development agenda make the acceleration of reforms critical. For the short and medium term, efforts should focus on creating fiscal space for priority investment, social, and security spending through additional revenue mobilization; containment of recurrent spending, particularly the wage bill; and improved spending efficiency.

"The authorities are encouraged to expedite the comprehensive reforms of public-sector compensation already underway to stem the unsustainable rise of the public-sector wage bill. In the short term, efforts should be made to contain the growth of the wage bill, including from reducing recruitments in nonpriority sectors and examining the scope to rationalize allowances and bonuses."

## ANNEX 3: LETTER OF DEVELOPMENT POLICY

BURKINA FASO
*Unité - Progrès - Justice*

MINISTERE DE L'ECONOMIE, DES FINANCES ET DU DEVELOPPEMENT
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SECRETARIAT GENERAL
---------------
DIRECTION GENERALE DE LA COOPERATION

Ouagadougou, le 26 NOV. 2018

N°2018-________/MINEFID/SG/DGCOOP/DSPF

E.02888

*Le Ministre*
*A*
*Monsieur Jim Yong Kim,*
*Président du Groupe de*
*la Banque Mondiale*
*- Washington DC, USA -*

Objet : Lettre de politique de développement

**Monsieur le Président,**

Je voudrais, par la présente, vous traduire toute la satisfaction du Gouvernement burkinabè pour l'engagement de votre auguste institution à soutenir le Burkina Faso dans la mise en œuvre de son Plan National de Développement Economique et Social (PNDES) à travers différents instruments financiers dont votre programme d'appui budgétaire, qui demeure sans conteste la modalité la plus achevée de l'aide au développement pour mon pays.

La présente Lettre de politique de développement (LPD) retrace, d'une part, l'évolution économique récente du Burkina Faso et, d'autre part, présente les perspectives économiques et financières du pays à moyen terme. Elle décrit également l'état de mise en œuvre du PNDES et met l'accent sur les réformes du Gouvernement que la Banque mondiale soutient à travers la mise en œuvre de cette nouvelle série d'appuis budgétaires sur la période 2018-2020.

### I- Situation économique récente

1. L'activité économique en 2018 évolue dans un contexte marqué par une situation sociopolitique relativement difficile avec la persistance des attaques terroristes et la poursuite des revendications sociales. Toutefois, elle resterait résiliente et maintiendrait son rythme de croissance. Ainsi, le taux de croissance attendu en 2018 atteindrait au minimum 6,0%. Ce niveau de croissance serait imputable à l'ensemble des secteurs.

2. A fin juin 2018, le taux d'inflation s'est établi à 2,5% en glissement annuel et à 1,3% en moyenne annuelle contre respectivement (-0,4%) et (-0,5%) à fin juin 2017. La hausse de l'inflation serait due principalement par le renchérissement des « boissons alcoolisées, tabacs et stupéfiants », des « produits alimentaires et boissons non alcoolisées » et des « services d'enseignement». Toutefois, la poursuite des mesures gouvernementales de lutte contre la vie chère (entre autres, la vente des céréales à prix social dans les zones déficitaires) pourrait permettre de contenir l'inflation dans la norme communautaire de 3,0% au maximum à fin décembre 2018.

3. Concernant la balance des paiements, les échanges avec le reste du monde au premier semestre de l'année 2018 se sont traduits par un excédent du compte des transactions courantes de 35,9 milliards de FCFA, en amélioration de 58,9 milliards de FCFA par rapport au premier semestre 2017.

Cette évolution est attribuable notamment aux échanges de biens dont l'excédent est passé de 20,5 milliards de FCFA au premier semestre 2017 à 87,6 milliards de FCFA au cours de la période sous revue, ainsi qu'à la hausse de 20,4 milliards de FCFA de l'excédent du compte du revenu secondaire. Parallèlement, le déficit du compte de services s'est aggravé de 28,5 milliards de FCFA. L'amélioration du solde de la balance commerciale résulte d'un accroissement des exportations (+136,0 milliards de FCFA) plus important que celui des importations (+68,9 milliards de FCFA). Quant au compte du revenu secondaire, son évolution est imputable à la hausse des appuis budgétaires reçus par l'administration publique (+8,9 milliards de FCFA) et des transferts des fonds des migrants (+7,8 milliards de FCFA). Le compte de capital se solderait par un excédent de 74,5 milliards de FCFA au premier semestre 2018 contre un excédent de 64,1 milliards de FCFA à la même période en 2017. Au total, le solde global de la balance des paiements ressortirait déficitaire de 42,3 milliards de FCFA au premier semestre 2018, en amélioration de 49,4 milliards de FCFA par rapport à la même période de 2017.

4. En matière de finances publiques, les recettes totales et dons mobilisés à fin septembre 2018 se situeraient à 1213,4 milliards de FCFA contre 1 096,6 milliards de FCFA à la même période en 2017, soit une progression de 10,6%. Ce résultat est attribuable aux recettes fiscales dont le niveau de réalisation a atteint 1 007,1 milliards de FCFA contre 907,0 milliards de FCFA à la même période en 2017, soit une progression en valeur absolue de 100,2 milliards de FCFA (+11,1%). S'agissant des dépenses totales et prêts nets, elles ont été exécutées à hauteur de 1 385,5 milliards de FCFA contre 1 472,5 milliards de FCFA à la même période en 2017, soit une contraction de 5,9%. Quant au solde global (base engagement), il est ressorti déficitaire à 172,2 milliards de FCFA à fin septembre 2018 contre 375,8 milliards de FCFA pour la même période en 2017, en amélioration de 203,6 milliards de FCFA.

II- **Etat de mise en œuvre du Plan National de Développement Economique et Social (PNDES)**

5. La mise en œuvre du PNDES s'est opérée au cours des deux (02) dernières années dans un contexte difficile marqué par des événements qui ont affecté différemment l'atteinte des résultats attendus. En effet, aux effets économiques favorables de la croissance économique enregistrée dans tous les blocs de pays (Etats Unis, Europe, Asie et Afrique), de l'entrée en production de nouvelles mines d'or industrielles, se sont opposés les contrecoups des aléas tels que : (i) la multiplication des attaques terroristes ; (ii) l'intensification des revendications syndicales dans quasiment toutes les sphères de l'administration publique ; (iii) l'arrêt précoce des pluies, les attaques des chenilles légionnaires et d'oiseaux granivores qui ont affecté les résultats des campagnes agricoles. En dépit de ce contexte national difficile, le bilan de la mise en œuvre du PNDES par axe se présente comme suit :

**Axe 1 : Réformer les institutions et moderniser l'administration**

6. Les actions conduites dans ce domaine par le Gouvernement se traduisent par plusieurs acquis dont :

- le renforcement du dispositif de financement de l'économie avec la mise en place d'institutions spécialisées de financement de l'économie, telles que le programme Burkina STARTUP et le Programme d'autonomisation économique des jeunes et des femmes. Par ailleurs, la Caisse des dépôts et consignations et la Banque pour le financement de l'agriculture sont en cours d'opérationnalisation.
- l'amélioration de l'accès à la justice avec la tenue d'audiences foraines dans plusieurs juridictions, la prise en charge des frais de justice de 239 personnes vulnérables, la mise en place de 25 boutiques d'accueil, la construction de tribunaux de grande instance (TGI) et le renforcement du système judiciaire avec le recrutement de personnel et l'opérationnalisation des pôles judicaires spécialisés dans la répression des infractions économiques, financières et les actes de terrorisme.

**Axe 2 : Développer le capital humain**

7. Au niveau de ce deuxième pilier, les acquis sont également importants et nombreux. Ainsi, en matière de santé, les efforts d'accroissement des infrastructures de santé, d'équipement des formations sanitaires, de renforcement du système de santé en personnel ainsi que la réforme du service de la santé maternelle et infantile traduite par l'introduction de la gratuité des soins en faveur des enfants de moins de 5 ans et des femmes enceintes, sont allés de pair avec la réduction des taux de mortalité maternelle et infantile dans les formations sanitaires. En effet, le nombre de décès de femmes pour 100 000 accouchements est passé de 135 en 2015 à 120,9 en 2017 et le quotient global de la mortalité intra-hospitalière a reculé de 109,9 pour 1 000 en 2015 à 52,2 pour 1 000 en 2017 ; soit une réduction de 111%.

8. Au niveau de l'éducation, l'impact le plus net d'accroissement de l'offre et de la qualité se situe au niveau de l'évolution du taux d'achèvement du post-primaire qui est ressorti en 2017 à 32,95% contre 24,24% en 2016 pour une cible de 30,2%. Par ailleurs, on note l'ouverture des deux premiers lycées scientifiques à Ouagadougou et à Bobo-Dioulasso ainsi que des classes préparatoires des grandes écoles d'ingénieurs à l'Université Ouaga I. Dans le but de faire basculer le système éducatif vers l'enseignement et la formation technique, des infrastructures devant abriter les bâtiments pédagogiques et administratifs des universités y compris l'Université virtuelle du Burkina Faso ainsi que les bâtiments devant abriter les services sociaux ont été réalisés.

9. Concernant l'eau potable, avec les constructions et réhabilitations des nombreuses infrastructures effectuées, ce sont au total 646 000 nouvelles personnes qui ont eu accès à l'eau potable, faisant ainsi passer le taux d'accès à cette ressource de 71% en 2015 à 73,4% en 2017.

**Axe 3 : Dynamiser les secteurs porteurs pour l'économie et les emplois**

10. Dans le domaine de la transformation de l'économie, des résultats appréciables ont été atteints dans l'accomplissement des réformes et dans la mise en place des investissements. Ainsi, grâce aux nombreux barrages réalisés, dont 11 nouveaux et 11 réhabilités, la capacité de stockage du pays en eau de surface a été accrue de 6 135,35 millions de m³, pour une cible fixée en la matière à 6 126,12 millions de m³. En termes de routes bitumées, ce sont au total un linéaire de 756,6 km qui ont été mises en chantier, dont 171 km achevés.

11. Au niveau du secteur agricole, la réforme majeure a porté sur l'adoption du code des investissements agro-sylvo-pastoraux, halieutiques et fauniques et ses décrets d'application pour rendre le secteur agricole plus attractif.

12. Dans le domaine des technologies de l'information et de la communication (TIC), 1 795 km de fibre optique ont été réalisés et mis en service dans 7 chefs-lieux de région et dans 42 chefs-lieux de commune avec l'opérationnalisation du projet backbone national de télécommunication et 1 020 autres km sont en cours de déploiement.

13. Par ailleurs, pour la promotion des industries de transformation et l'expansion des services marchands, il a été adopté la loi de promotion des petites et moyennes entreprises/petites et moyennes industries (PME/PMI) et ses textes d'application. De même, l'organe de promotion des PME/PMI et la Commission nationale des PME ont été mis en place.

**III- Mesures de réformes convenues en 2018 dans le cadre de la nouvelle série d'appuis budgétaires**

14- La nouvelle série d'appuis budgétaires, comprend trois (03) composantes : (i) Renforcer la gestion budgétaire, (ii) Améliorer la gestion des ressources naturelles et augmenter la productivité minière et agricole, et (iii) Améliorer la fourniture des services de soins de santé.

**A- Renforcer la gestion budgétaire**

15- A ce niveau, le Gouvernement s'est engagé à (i) renforcer l'administration fiscale et réduire les coûts de transaction, (ii) améliorer le rendement des impôts fonciers, (iii) améliorer la gestion des investissements publics et enfin (iv) améliorer la gestion de la masse salariale.

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16- *Le renforcement de l'administration fiscale et la réduction des coûts de transaction :* il s'est agi (i) d'auditer le système d'identification unique des contribuables (identifiant financier unique - IFU), (ii) simplifier l'enregistrement et le suivi des contribuables ; et (iii) mettre en œuvre une plateforme électronique permettant la télédéclaration et le télépaiement des taxes. L'audit, qui était une nécessité suite à plusieurs diagnostics et audits en vue d'améliorer le logiciel d'indentification financier unique (IFU) et le processus d'immatriculation des contribuables, a pu être réalisé. De même, la plateforme pour la télédéclaration et le télépaiement des taxes a pu être mise en place.

17- *L'amélioration du rendement des impôts fonciers :* l'administration a initié le processus de mise en œuvre du registre foncier des attributaires de parcelles dans les villes de Ouagadougou et de Bobo-Dioulasso. Une base de données a été réalisée et déployée sur le serveur de la directiojn générale des impôts (DGI) et la consultation de ladite base donnait en septembre 2018 la situation suivante : Bobo-Dioulasso, 69 657 attributaires et Ouagadougou, 53 208 attributaire. Soit au total 122 865 attributaires.

18- *L'amélioration de la gestion des investissements publics :* le Bénéficiaire a adopté (i) un guide méthodologique d'évaluation ex-ante des projets et programmes de développement et des termes de référence type pour les études de faisabilité ; et (ii) un guide de maturation des projets d'investissements publics. Ces guides ont été validés techniquement au niveau national et sont en cours de transmission en conseil des ministres pour adoption.

19- *L'Amélioration de la gestion de la masse salariale :* le Gouvernement a mené des consultations nationales. En attendant l'adoption du plan d'actions y relatif, certaines mesures visant à contenir ces dépenses ont été prises. Il s'agit entre autres (i) de freiner le rythme d'entrée dans la fonction publique en ne remplaçant pas systématiquement chaque sortie. A ce titre, le Gouvernement a réduit en 2018 les effectifs à recruter d'environ 40%, soit 10 000 postes nouveaux contre une prévision initiale d'environ 15 000 nouveaux postes ; (ii) de redéployer le personnel des zones de forte concentration vers celles en manque ; (iii) de n'opérer les nouveaux recrutements qu'au niveau des secteurs prioritaires après accord du conseil des ministres ; et (iv) d'asseoir une politique de recrutement axée sur les possibilités financières à travers la définition d'une enveloppe globale chaque année pour les recrutements sur concours directs de la fonction publique. Ces différentes actions, combinées à d'autres et aux multiples reformes en vue d'accroître substantiellement les recettes propres, permettront de respecter le ratio de 35% d'ici 2021.

**B- Améliorer la gestion des ressources naturelles et augmenter la productivité minière et agricole**

20. Les actions mises en œuvre ont porté sur : (i) le développement durable du secteur minier artisanal et la réduction des dégradations environnementales associées, (ii) la formalisation et l'amélioratin de la gestion et du contrôle des mines artisanales et enfin (iii) l'amélioration des services de santé animale.

21. *Pour encourager le développement durable du secteur minier artisanal et réduire les dégradations environnementales associées,* le Gouvernement s'est engagé à adopter les décrets pour : (i) encourager les exportations, à travers les canaux officiels, en réduisant les taxes à l'exportation pour le secteur des mines artisanales et (ii) restreindre les activités minières artisanales dans les zones comprenant les aires de préservation naturelle. Ces décrets ont tous été adoptés. Il s'agit du décret portant fixation des taxes et redevances minières et de celui portant organisation des exploitations artisanales et semi-mécanisées de l'or et des autres substances précieuses.

22. *En ce qui concerne la formalisation et l'amélioration de la gestion et du contrôle des mines artisanales,* l'engagement pris a porté sur l'adoption des décrets pour (i) simplifier les procédures d'enregistrement des entreprises de production artisanale de l'or et (ii) renforcer la brigade nationale anti-fraude de l'or (BNAF). Ces décrets ont tous été adoptés. Pour ce qui est de la simplification des procédures d'enregistrement, le décret portant statut particulier de l'agence nationale d'encadrement des exploitations minières artisanales semi-mécanisées (ANEEMAS) a été adopté.

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Pour le renforcement de la BNAF, il s'agit (i) du décret portant conditions de coulée, de pesée et de colisage de l'or produit industriellement et du contrôle de la quantité et de la qualité de l'or et des autres substances précieuses, (ii) du décret portant détermination des quantités maximales d'or brut et des autres substances précieuses autorisés en possession ou en détention, (iii) du décret portant organisation, attributions, composition et fonctionnement de la BNAF et (iv) du décret portant statut des membres de la BNAF.

23. *Enfin pour l'amélioration des services de santé animale*, trois (03) décrets, qui viennent en application de la loi n° 048/2017AN du 16 novembre 2017, ont été adoptés. Il s'agit : (i) du décret portant règlementation de la pharmacie vétérinaire au Burkina Faso, (ii) du décret portant règlementation de la police zoo-sanitaire au Burkina Faso et (iii) duécret portant règlementation de la santé publique vétérinaire au Burkina Faso. Ces décrets ont été adoptés pour renforcer : les contrôles relatifs à l'importation et à la distribution de produits de la pharmacie vétérinaire, le cadre règlementaire de la police zoo-sanitaire ainsi que les règles de santé publique vétérinaire et les inspections pour sauvegarder la santé humaine..

**C- Améliorer la fouriture des services de soins de santé**

24. Dans le cadre de cette composante, les actions à mettre en œuvre visent à : (i) assurer la disponibilité adéquate et à temps opportun des médicaments essentiels dans les structures de santé et à (ii) améliorer l'efficience de l'assurance maladie.

25. *Afin d'assurer la disponibilité adéquate et à temps opportun des médicaments essentiels dans les structures de santé*, les structures organisationnelles et de gouvernance de la centrale d'achat des médicaments essentiels génériques (CAMEG) ont été améliorées à travers l'adoption d'un nouveau règlement intérieur et de nouveaux statuts qui créent un comité d'audit et une assemblée générale.

26. *Pour améliorer l'efficience de l'assurance maladie*, la caisse nationale d'assurance maladie universelle (CNAMU) a été rendue opérationnelle par l'adoption des décrets portant : (i) création de la CNAMU, (ii) approbation des statuts particuliers de la CNAMU et (iii) la nomination du Directeur Général de la CNAMU.

**IV- Perspectives économiques et financières en 2019**

**A- Au plan macroéconomique**

27. L'activité économique devrait maintenir son accélération en 2019. En effet, les perspectives de croissance resteraient solides, sous l'effet d'une pluviosité favorable, d'une situation sécuritaire maitrisée, d'une accalmie au niveau de la fronde sociale et d'une poursuite de la mise en œuvre des investissements structurants du PNDES.

28. Ainsi, la croissance économique ressortirait à 6,0% en 2019 comme en 2018. Cette croissance attendue serait principalement imprimée par l'ensemble des secteurs. L'affermissement de la croissance serait dû à la bonne orientation de l'activité dans les mines, les BTP, les manufactures, les services et le secteur agro-sylvo-pastoral porté par l'intensification des investissements.

29. S'agissant de l'inflation, elle devrait demeurer dans la limite de la norme communautaire de 3% au maximum en 2019 en lien avec la poursuite des actions de maitrise des prix des produits de grande consommation et des bonnes perspectives de la campagne agricole 2018/2019.

30. Concernant la balance des paiements, les échanges extérieurs seraient marqués en 2018 par une croissance des importations plus accentuée que celle des exportations, dans un contexte de renchérissement du pétrole et d'appréciation des cours des deux (02) principaux produits d'exportation que sont l'or et le coton fibre. En outre, il est prévu une amélioration des entrées nettes de capitaux attribuables principalement au secteur public et des flux nets financiers avec le reste du monde.

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Dans l'ensemble, les transactions avec le reste du monde se traduiraient par une amélioration du déficit des transactions courantes qui se situerait à 6,6% du PIB et par un excédent du solde global de la balance des paiements en 2018, après un déficit estimé en 2017.

31. Pour l'année 2019, le niveau de déficit global rapporté au PIB nominal ressortirait à 3% maximum respectant ainsi le critère communautaire.

32. En perspective, au cours de la période 2019-2021, le Gouvernement poursuivra la mise en œuvre du PNDES en orientant les priorités vers la consolidation des acquis dans les domaines de la promotion de la gouvernance, du développement du capital humain et de la dynamisation des secteurs porteurs pour l'économie et l'emploi.

33. Dans le domaine de la gouvernance, le Gouvernement s'attellera à apporter une réponse appropriée à la menace terroriste en augmentant les capacités opérationnelles des forces de défense et de sécurité. Par ailleurs, il mettra un accent particulier sur la mise en œuvre de programmes novateurs pour réduire la pauvreté au Burkina et réussir le passage de l'urgence à la résilience. Les efforts viseront à lever les difficultés identifiées dans l'atteinte des résultats par axe et à renforcer le fonctionnement du dispositif de mise en œuvre, de suivi et d'évaluation.

34. Dans le domaine du développement du capital humain, les actions entreprises depuis 2016 dans le domaine de l'éducation, la santé, l'eau potable et l'assainissement, la protection sociale et l'emploi seront intensifiées pour tirer profit de ce potentiel et faire du dividende démographique une réalité.

35. En matière de dynamisation des secteurs porteurs pour l'économie et l'emploi, l'année 2019 marquera un tournant pour l'amorce de la transformation structurelle de l'économie à l'horizon 2020, telle que déclinée dans le PNDES, avec l'intensification de la mise en œuvre des investissements structurants pour faire du levier 1 du schéma de transformation structurelle une réalité. Pour y arriver, les efforts d'investissements se concentreront dans les secteurs à fort potentialité durable afin d'offrir plus d'opportunités aux populations. A cet effet, les actions phares seront orientées dans le domaine de l'agro-sylvo-pastoral, l'énergie, les infrastructures de transport et de télécommunication, les industries de transformation et les mines, soutenues par la matrice des investissements stratégiques définies dans le PNDES.

36. Dans le domaine des finances publiques, le Burkina Faso poursuivra les actions entreprises en vue d'une gestion saine, efficace et rationnelle des ressources. A cet effet, la modernisation des procédures et des outils de gestion se poursuivra dans le sens de l'opérationnalisation des dernières innovations induites par le budget programme dont la mise en œuvre a débuté avec l'exercice budgétaire 2017 et le point d'achèvement prévu pour 2019.

37. En matière de mobilisation des ressources intérieures, le Gouvernement reconnait qu'il est essentiel de prendre des mesures pour accroître les recettes intérieures afin de se donner les moyens de faire face aux dépenses d'investissement. À cette fin, il convient d'élargir l'assiette de l'impôt et d'améliorer le civisme fiscal et l'efficacité de l'administration fiscale dans le but d'atteindre à moyen terme l'objectif communautaire de l'UEMOA de taux de pression fiscale de 20%.

38. En matière de dépenses, des actions seront menées prioritairement dans l'optique de maîtriser l'évolution des charges de personnel afin de les ramener, en pourcentage des recettes fiscales, au niveau de la norme communautaire de l'UEMOA d'ici 2021. Il est à cet effet prévu (i) la mise en œuvre des conclusions de la conférence des forces vives de la nation sur le système de rémunération des agents publics, (ii) l'apurement des arriérés au titre des avantages à caractère pécuniaire dus aux agents sur les exercices antérieurs, afin de permettre le respect de l'annualité budgétaire, (iii) l'intensification du contrôle interne des éléments de rémunération servis aux agents publics de l'Etat,

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(iv) la poursuite de l'assainissement de la masse salariale, couplé à l'opération de recensement biométrique du personnel de l'Etat, (v) le maintien des efforts de réduction des effectifs entrants en 2019 dans la fonction publique par rapport aux prévisions initiales.

39. Dans le but d'améliorer l'efficience des dépenses d'investissement, un guide de sélection des grands projets d'investissements et un guide d'évaluation ex-ante et de maturation des projets d'investissements publics ont été élaborés. Aussi, une analyse coûts-avantages des grands projets d'investissement a été faite et annexée au projet de loi de finances 2019 transmis à l'Assemblée nationale.

40. Dans le secteur de l'énergie, la hausse des prix du carburant sur le marché mondial depuis le début de 2017 a entraîné un manque à gagner substantiel (estimé à 67 milliards FCFA à fin octobre 2018) pour l'entreprise importatrice de carburant, la société nationale burkinabè des hydrocabures (SONABHY). Pour la soutenabilité financière de ce secteur, le Gouvernement a décidé le 08 novembre 2018 en conseil des ministres, des mesures fortes pour à la fois : (i) apurer la dette à l'égard de la SONABHY permettant de sauvegarder sa mission d'approvisionnement du pays et (ii) réduire la subvention aux hydrocarbures. Dans ce cadre, il a été décidé d'ajuster la structure des prix des hydrocarbures pour assurer une hausse des prix à la pompe de l'ordre de 75 FCFA, représentant une augmentation de l'ordre de 12,5%.

**B- Dans le cadre du programme d'appuis budgétaires 2018-2020**

41. Au titre de 2019, les mesures suivantes doivent être mises en œuvre, à savoir :

*Composante 1 : Renforcer la gestion budgétaire*

- ✓ L'amélioration de l'administration fiscale et réduire les coûts de transaction ;
- ✓ L'élargissement de la base imposable ;
- ✓ L'amélioration de la gestion des investissements publics ;
- ✓ L'amélioration de la gestion de la masse salariale.

*Composante 2 : Améliorer la gestion des ressources naturelles et augmenter la productivité minière et agricole*

- ✓ La promotion du développement du secteur des mines artisanales ;
- ✓ L'amélioration de l'organisation, la gestion et du contrôle des mines artisanales ;
- ✓ L'amélioration de la fourniture de services de vaccination.

*Composante 3 : Améliorer la fourniture des services de soins de santé.*

- ✓ L'alignement de la distribution du personnel de santé sur les besoins spécifiques en ressources humaines des structures de santé ;
- ✓ L'amélioration de la disponibilité des médicaments essentiels dans toutes les structures de santé,
- ✓ L'amélioration de l'efficience de l'assurance maladie.

Le Gouvernement reste convaincu qu'avec le soutien de ses partenaires, notamment la Banque Mondiale, la mise en œuvre de ce programme d'appuis budgétaires à travers les actions prévues contribuera à promouvoir le développement des secteurs concernés, à consolider le cadre macro-économique et à soutenir une croissance économique forte et inclusive pour une réduction significative et durable de la pauvreté.

Tout en vous réitérant nos sincères remerciements pour votre disponibilité et celle de votre institution à accompagner le Burkina Faso dans ses efforts de développement, je vous prie de bien vouloir agréer, **Monsieur le Président,** l'assurance de ma considération distinguée.

Pour le Ministre de l'Economie, des Finances
et du Développement,
Le Ministre Délégué chargé du Budget

Ministère de l'Economie, des Finances et du Développement * Le Ministre *

**Edith Clémence YAKA**
*Officier de l'Ordre National*

BURKINA FASO

Unity – Progress – Justice

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**MINISTRY OF THE ECONOMY, FINANCE, AND DEVELOPMENT**
**SECRETARIAT GENERAL**
**DIRECTORATE GENERAL FOR COOPERATION**
Ouagadougou, November 26, 2018

N°2018- . /MINEFID/SG/DGCOOP/DSPF

The Minister
To
Mr. Jim Yong Kim
World Bank Group President
Washington, DC
USA

**Subject**: Letter of Development Policy

**Mr. President:**

I would like to hereby express to you the Government of Burkina Faso's complete satisfaction with your eminent institution's commitment to supporting the country in the implementation of its National Economic and Social Development Plan (PNDES) by means of various financial instruments such as your budget support program, which unquestionably remains the most complete method for providing our country with development aid.

This Letter of Development Policy (LDP) recalls Burkina Faso's recent economic growth and presents the country's economic and financial prospects over the medium term. It also describes the status of the implementation of the PNDES and focuses on the government reforms the World Bank underwrites through the implementation of this new series of budget support over the 2018–2020 period.

## I. Recent Economic Situation

1. Economic activity in 2018 is progressing against a backdrop marked by a relatively difficult sociopolitical situation, with ongoing terrorist attacks and further social demands. However, the economy should remain resilient and maintain its current growth rate. Thus, the expected growth rate for 2018 should reach at least 6.0%. This level of growth can be traced to all sectors.

2. At the end of June 2018, the year-on-year inflation rate was 2.5%, and the annual average was 1.3%, compared with -0.4% and -0.5%, respectively, at the end of June 2017. This rise in inflation is due mainly to the rise in the price of alcoholic beverages, tobacco, and medicines, food and non-alcoholic beverages, and educational services. However, the continuation of government measures to combat the

high cost of living (including the sale of cereals at subsidized prices in areas where there are shortages) could help inflation remain within the WAEMU standard of 3.0% at the end of December 2018.

3. With regard to the balance of payments, trade with the rest of the world in the first half of 2018 resulted in a current account surplus of CFAF 35.9 billion, an improvement of CFAF 58.9 billion compared to the first half of 2017.

This trend is particularly attributable to trade in goods, whose surplus rose from CFAF 20.5 billion in the first half of 2017 to CFAF 87.6 billion during the period under review, as well as to the CFAF 20.4 billion increase in the surplus in the secondary income account. At the same time, the service account deficit worsened by CFAF -28.5 billion. The improvement in the trade balance results from a larger increase in exports (CFAF 136.0 billion) than in imports (CFAF 68.9 billion). As for the secondary income account, its growth is attributable to the increase in the budget support received by the public administration (CFAF 8.9 billion) and transfers of migrants' remittances (CFAF 7.8 billion). The capital account resulted in a surplus of CFAF 74.5 billion in the first half of 2018 versus a surplus of CFAF 64.1 billion over the same period in 2017. In total, the overall balance of payments showed a deficit of CFAF -42.3 billion in the first half of 2018, an improvement over the CFAF -49.4 billion seen over the same period in 2017.

4. In terms of the public finances, total receipts and grants mobilized at the end of September 2018 amounted to CFAF 1,213.4 billion compared to CFAF 1,096.6 billion for the same period in 2017, an increase of 10.6%. This result is attributable to tax receipts, which reached CFAF 1,007.1 billion versus CFAF 907.0 billion for the same period in 2017, an increase of CFAF 100.2 billion (11.1%) in absolute terms. As regards total expenditures and net lending, these reached CFAF 1,385.5 billion versus CFAF 1,472.5 billion over the same period in 2017, a contraction of -5.9%. As for the overall balance (on a commitment basis), it exhibited a deficit of CFAF -172.2 billion at the end of September 2018 versus CFAF -375.8 billion for the same period in 2017, an improvement of CFAF 203.6 billion.

## II. Progress in the Implementation of the National Economic and Social Development Plan (PNDES)

5. The implementation of the PNDES has been carried out over the last two (2) years in a difficult environment marked by events that variously affected the achievement of the projected results. The favorable economic effects of the economic growth recorded in every bloc of countries (United States, Europe, Asia, and Africa) as well as new industrial gold mines going into production have been countered by repercussions from uncertainties such as: (i) the proliferation of terrorist attacks; (ii) the intensification of labor union demands in almost all spheres of the public administration; and (iii) the earlier than usual end of the rains and infestations of armyworms and grain-eating birds that affected yields during the crop year. Despite this difficult national situation, the assessment of the implementation of the PNDES by pillar is as follows:

**Pillar 1: Reforming the Institutions and Modernizing the Administration**

6. The Government's actions in this area are reflected in several achievements, including:

- Strengthening the mechanism for financing the economy by establishing specialized institutions to finance the economy, such as the Burkina STARTUP Program and the Economic Empowerment Program for Youth and Women. In addition, the Public Investment Fund and the Bank for the Financing of Agriculture are in the process of becoming operational.
- Improving access to justice by holding mobile court hearings in several jurisdictions, covering the legal costs of 239 vulnerable persons, setting up 25 receiving outlets, the building of Regional High Courts, and the strengthening of the judicial system with the hiring of personnel and the operationalization of judicial centers specialized in the suppression of economic, financial, and terrorism-related offenses.

**Pillar 2: Developing Human Capital**

7. The second pillar also experienced numerous significant achievements. In terms of healthcare needs, efforts to increase healthcare infrastructure, equip healthcare facilities, strengthen the healthcare system's workforce, and reform maternal and child healthcare services have translated into introducing free healthcare for pregnant women and children under 5 in parallel with reducing maternal and infant mortality rates at healthcare facilities. The maternal death rate decreased from 135 per 100,000 deliveries in 2015 to 120.9 in 2017, and the aggregate in-hospital mortality rate decreased from 109.9 per 1,000 in 2015 to 52.2 per 1,000 in 2017, a 111% reduction.

8. In education, the greatest impact from increased supply and quality has been growth in the post-primary completion rate, which rose to 32.95% in 2017 compared to 24.24% in 2016 as against a target of 30.2%. In addition, the first two science-focused high schools have opened in Ouagadougou and Bobo-Dioulasso along with preparatory classes for engineering institutes at University Ouaga I. To shift the educational system toward vocational education and technical training, the infrastructure has been built to house the educational and administrative buildings of universities, including the Virtual University of Burkina Faso, as well as buildings to house the social services.

9. With regard to drinking water, a total of 646,000 new individuals gained access to drinking water with the construction and rehabilitation of numerous structures, thus increasing access to this resource from 71% in 2015 to 73.4% in 2017.

**Pillar 3: Energize the Sectors that Drive the Economy and Create Jobs**

10. With regard to transforming the economy, significant results have been achieved toward completing reforms and implementing investments. Thus, thanks to the 11 new dams completed and 11 rehabilitated, the country's surface water storage capacity increased by 6,135.35 million $m^3$, as against a target of 6,126.12 million $m^3$. In terms of paved roads, a total of 756.6 km was started, of which 171 km has been completed.

11. In the agricultural sector, the major reform has been the adoption of the Agro-Sylvo-Pastoral, Fish and Wildlife Investment Code and its implementing decrees, the aim being to make the agricultural sector more attractive.

12. In the field of information and communication technologies (ICT), 1,795 km of fiber optic cables were laid and brought online in seven (7) regional capitals and in 42 municipalities with the operationalization of the national telecommunication backbone project, and another 1,020 km are currently being rolled out.

13. In addition, the law promoting small and medium-sized enterprises and industries (SME/SMI) and its implementing legislation have been adopted in order to promote the processing industries and expand market services. Similarly, the SME/SMI Promotion Agency and the National SME Commission have been set up.

**III. Reform Measures agreed in 2018 as Part of the New Budget Support Package**

14. The new budget support package consists of three (3) components: (i) Strengthening budget management; (ii) Improving natural resources management and increasing mining and agricultural productivity; and (iii) Improving the provision of healthcare services.

**A. Strengthening Budget Management**

15. In this area, the Government has undertaken to: (i) strengthen the tax administration and reduce transaction costs; (ii) improve property tax yields; (iii) improve public investment management; and (iv) improve payroll management.

16. Strengthening the tax administration and reducing transaction costs involves: (i) auditing the single taxpayer unique financial identifier (IFU) system; (ii) simplifying taxpayer registration and tracking; and (iii) implementing an electronic platform for online tax filing and the online payment of taxes. The audit was completed as required following several diagnoses and audits that aimed to improve the IFU software as well as the taxpayer registration process. Similarly, the platform for online tax filing and online payment of taxes has also been set up.

17. Increasing the yield from property taxes: The administration initiated the process of implementing the registry of persons allotted plots of land in the cities of Ouagadougou and Bobo-Dioulasso. A database was created and deployed on the server of the Directorate General of Taxes (DGI), with the database revealing 69,657 recipients in Bobo-Dioulasso and 53,208 in Ouagadougou, or 122,865 in total in September 2018.

18. Improving public investment management: The Beneficiary has adopted: (i) a Methodological Guide for Ex-Ante Evaluation of Development Projects and Programs and standard terms of reference for feasibility studies; and (ii) a Guide to the Maturation of Public Investment Projects. These guides have been technically approved at the national level and are being referred to the Council of Ministers for adoption.

19. Improving payroll management: The Government has conducted national surveys, and some measures have been taken to contain payroll-related expenditures while awaiting the adoption of the related action plan. These include: (i) slowing the pace of access to public sector employment by not automatically filling every vacancy; thus, in 2018 the Government reduced by about 40% the number of

staff to be hired, i.e., 10,000 new positions, versus an initial forecast of about 15,000; (ii) redeploying staff from areas with high concentrations to areas with shortages; (iii) new hirings to take place only in priority sectors after approval by the Council of Ministers; and (iv) establishing a hiring policy based on available financial resources by defining an overall budget each year for direct hirings by the public sector. These various actions combined with others and with the many reforms undertaken to substantially increase own revenues will make it possible to comply with the 35% ratio by 2021.

**B. Improving Natural Resources Management and Increasing Mining and Agricultural Productivity**

20. The actions undertaken have focused on: (i) the sustainable development of the artisanal mining sector and reducing associated environmental degradation; (ii) the formalization and improvement of the management and oversight of artisanal mines; and (iii) improving animal health services.

21. To encourage the sustainable development of the artisanal mining sector and to reduce associated environmental degradation, the Government has undertaken to adopt decrees aiming to: (i) encourage exports through official channels by reducing taxes on exports for the artisanal mining sector; and (ii) restrict artisanal mining activities in areas that include nature conservation areas. These decrees have now been adopted, including the decree setting out mining taxes and royalties as well as the decree on the organization of artisanal and semi-mechanized exploitation of gold and other precious substances.

22. With regard to formalizing and improving the management and oversight of artisanal mines, the commitment undertaken concerned the adoption of decrees to: (i) simplify procedures for registering artisanal gold production cottage industries; and (ii) strengthen the National Gold Anti-Fraud Squad (BNAF). These decrees have all been adopted. With regard to the simplification of registration procedures, the decree on the special status of the National Agency for the Supervision of Semi-Mechanized Artisanal Mining (ANEEMAS) was adopted.

To strengthen BNAF, decrees have been adopted on: (i) conditions for casting, weighing, and packing industrially-produced gold as well as quantity and quality controls on gold and other precious substances; (ii) determining the maximum quantities of raw gold and other precious substances that may be owned or held; (iii) the structure, powers, membership, and operation of BNAF; and (iv) the status of BNAF members.

23. Finally, three (3) decrees were adopted to improve animal health services in Burkina Faso. These went into effect under Law No. 048/2017AN of November 16, 2017. They are: (i) decree regulating veterinary pharmacies; (ii) decree regulating animal health regulations; and (iii) decree regulating veterinary public health. These decrees were adopted to strengthen controls over: (i) the importation and distribution of veterinary pharmacy products, (ii) the regulatory framework for animal health policy; (iii) rules governing veterinary public health and the inspections to safeguard human health.

### C. Improving the Provision of Healthcare Services

24. Under this component, the actions to be implemented seek to: (i) ensure the adequate and timely availability of essential medicines at healthcare facilities; and (ii) to improve the efficiency of health insurance.

25. To ensure the adequate availability of essential medicines on a timely basis at healthcare facilities, the organizational and governance structures of the Generic Essential Medicines Buying Center (CAMEG) have been improved through the adoption of a new set of internal rules and procedure as well as new bylaws creating an audit committee and a general meeting.

26. To improve the efficiency of health insurance, the National Fund for Universal Health Insurance (CNAMU) was made operational by the adoption of decrees concerning: (i) the creation of CNAMU; (ii) approval of the CNAMU bylaws; and (iii) the appointment of the Director General of CNAMU.

## IV. Economic and Financial Outlook for 2019

### A. Macroeconomics

27. Economic activity should continue to accelerate in 2019. Growth projections remain solid thanks to favorable rainfall, a security situation that is under control, a lull in social unrest, and the continuing implementation of structural investments under the PNDES.

28. Economic growth appears on track, at 6.0% in 2019, just as in 2018. This projected growth should be driven by all sectors. The consolidation of growth should be due to upturns in mining, construction, manufacturing, services, and the agro-forestry-pastoral sector, supported by the scaling up of investments.

29. Inflation should remain within the limits set by the standard WAEMU maximum of 3% in 2019 thanks to the continuation of price control measures on consumer goods and favorable prospects for the 2018–2019 agricultural program.

30. With regard to the balance of payments, foreign trade in 2018 was characterized by stronger growth in imports than in exports amid rebounding oil prices and an increase in the prices of the country's two (2) main export products: gold, and cotton fiber. In addition, net capital inflows are expected to improve, a development mainly attributable to the public sector and to net financial flows with the rest of the world.

Overall, transactions with the rest of the world are reflected in an improvement in a current account deficit of around 6.6% of GDP and in a surplus in the overall balance of payments in 2018, following an estimated deficit in 2017.

31. For 2019, the overall nominal deficit-to-GDP ratio should stand at a maximum of 3%, thus meeting the WEAMU criterion.

32. Going forward, during the 2019–2021 period, the Government will continue to implement the PNDES by focusing priorities on consolidating achievements in the areas of promoting governance, developing human capital, and stimulating the sectors that drive the economy and employment.

33. In the area of governance, the Government will pursue an appropriate response to the terrorist threat by increasing the operational capabilities of the defense and security forces. In addition, it will place special emphasis on implementing innovative programs to reduce poverty in Burkina Faso and facilitating the transition from urgency to resiliency. Efforts will focus on overcoming the difficulties identified in order to achieve the results envisaged for each pillar and on strengthening the operation of the implementation and monitoring and evaluation mechanisms.

34. In the area of human capital development, the actions undertaken since 2016 in the areas of education, healthcare, drinking water and sanitation, social protection, and employment will be scaled up to harness this potential and to reap the demographic dividend by turning it into reality.

35. In terms of stimulating the sectors that drive the economy and employment, 2019 will mark a turning point in beginning to structurally transform the economy by 2020, as reflected in the PNDES, by stepping up the implementation of structuring investments to turn Lever 1 of the structural transformation plan into a reality. To achieve this, investment efforts will be concentrated in the sectors with the highest sustainable potential so as to increase the opportunities available to the population. To this end, flagship actions will be geared toward the agro-silvo-pastoral and energy sectors, transportation and telecommunication infrastructure, and the processing and mining industries, all of which will be supported by the strategic investments matrix defined in the PNDES.

36. In the area of public finances, Burkina Faso will continue with the initiatives it has undertaken for the sound, effective, and efficient management of resources. To this end, the management procedures and tools will continue to be modernized in order to operationalize the latest innovations generated by the program budget, which began to be implemented in the 2017 budget year and is scheduled to be completed in 2019.

37. With regard to mobilizing domestic resources, the Government recognizes the need to take measures to increase domestic revenues in order to cover investment costs. To this end, it will be necessary to broaden the tax base and improve tax compliance as well as the tax administration's efficiency in order to achieve the WAEMU community objective of a 20% tax rate in the medium term.

38. With regard to expenditures, priority will be given to controlling staffing costs as a percentage of tax revenues so as to bring them down to the level of the WAEMU Community standard by 2021. In this regard, planning is underway to: (i) implement the conclusions of the National Conference on the Country's Vital Elements regarding the system for compensating public officials; (ii) settle arrears in respect of the monetary benefits due to officials from prior fiscal years in order to comply with the annual nature of the budget; (iii) expand internal controls over compensation paid to public officials of the State; (iv) continue to reorganize the payroll coupled with performing the biometric census of government personnel; and (v) continue with 2019 efforts to downsize new hirings in the public sector compared to initial forecasts.

39. To improve the cost effectiveness of capital expenditures, a Guide to the Selection of Major Investment Projects and a Guide to the Ex-Ante Evaluation and Maturing of Public Investment Projects have been prepared. A cost-benefit analysis of major investment projects has also been performed and has been appended to the 2019 Finance Bill sent to the National Assembly.

40. In the energy sector, higher fuel prices on the world market since the beginning of 2017 have led to a substantial shortfall (estimated at CFAF 67 billion at the end of October 2018) for the National Hydrocarbon Corporation of Burkina Faso (SONABHY), the country's fuel-importing company. For the financial sustainability of this sector, the Government took strong measures in the Council of Ministers on November 8, 2018 to both: (i) clear SONABHY's debt so it can continue to fulfill its mission to supply the country; and (ii) reduce the hydrocarbon subsidy. In this context, a decision was made to adjust the hydrocarbon pricing structure so as to ensure a rise of about CFAF 75 in prices at the pump, an increase of around 12.5%.

**B. 2018–2020 Budget Support Program**

41. For 2019, the following measures are to be phased in:

*Component 1: Strengthening Budget Management*

- ✓ Improving tax administration and reducing transaction costs;
- ✓ Broadening the tax base;
- ✓ Improving the management of public investments;
- ✓ Improving payroll management.

*Component 2: Improving Natural Resources Management and Increasing Mining and Agricultural Productivity*

- ✓ Promoting the development of the artisanal mining sector;
- ✓ Improving the organization, management, and control of artisanal mines;
- ✓ Improving the provision of immunization services.

*Component 3: Improving the Provision of Healthcare Services*

- ✓ Aligning the distribution of the healthcare workforce with health facilities' specific human resources needs;
- ✓ Improving the availability of essential medicines at all healthcare facilities;
- ✓ Improving the efficiency of health insurance.

The Government is confident that with the support of its partners, particularly the World Bank, the implementation of this budgetary support program through the actions planned will help promote development in the sectors concerned, consolidate the macroeconomic framework, and sustain strong and inclusive economic growth for a significant and sustainable reduction in poverty.

While reiterating our sincere thanks for your availability and that of your institution in backing Burkina Faso in its development efforts, I respectfully beg you to accept, **Mr. President**, the assurance of my highest consideration.

For the Minister of the Economy, Finance, and Development
The Minister in Charge of the Budget
**Edith Clémence YAKA**

*Officer of the National Order*

## ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

| Prior Actions | Significant positive or negative environment effects (yes/no) | Significant poverty, social or distributional effects positive or negative (yes/no) |
|---|---|---|
| ***Pillar 1 – Strengthening fiscal management*** | | |
| **Prior Action 1:** To improve tax administration and reduce transaction costs, the Recipient's Ministry of Economy, Finance and Development has: (i) audited the electronic taxpayer identification system; (ii) simplified registration and monitoring of taxpayers through the unique tax identification number; and (iii) implemented a new electronic platform that allows online filing and payments of taxes. | No | No |
| **Prior Action 2:** To increase the collection of property taxes, the Recipient's Ministry of Economy, Finance and Development has established and made operational an urban registry of the primary holders of land plots in Ouagadougou and Bobo-Dioulasso. | No | Positive |
| **Prior Action 3:** To strengthen public investment management, the Recipient's Ministry of Economy, Finance and Development has adopted: (i) through decree n° 2018-0092/PRES/MINEFID dated February 15, 2018, a regulatory framework for preparation, selection and implementation of public investment projects; and (ii) by decision of its council of minister on January 9, 2019 a guide to project readiness assessments and appraisal. | No | No |
| **Prior Action 4:** To improve the management of the public wage bill, a national consultation convened by the Recipient from June 12 to June 14, 2018 and including representatives of the Recipient's government has adopted a plan that identifies key directions to reform the compensation system for civil servants. | No | No |
| ***Pillar 2– Improving natural resource management and raising mining and livestock productivity*** | | |
| **Prior Action 5.** To encourage sustainable development of the artisanal mining sector and to contain associated environmental damages, the Recipient has adopted decrees N°2017-0023/PRES/PM/MEMC/MINEFID, N°2018-0249 PRES/PM/MMC/MINEFID/MCIA, N°2018-0969 PRES/PM/MMC/MINEFID/MCIA, N°2018-0970 PRES/PM/MMC/MINEFID and N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS respectively dated January 23, 2017, March 29, 2018, October 24, 2018, November 16, 2018 which decrees: (i) encouraged exports through official channels by reducing taxes on the exports of the artisanal mining sector; and (ii) restricted artisanal mining activities in areas including natural preservation areas. | Positive | No |
| **Prior Action 6.** To encourage formalization and improve management and control of artisanal mines, the Recipient has adopted decrees N°2018-0967/PRES/MMC/MSECU/MDNA/MJDHPC/MINEFID/MCIA/MEEVCC andN°2018-0968/PRES/MINEFID/MSECU/MCIA/MJDHPC/MDNAC/MEEVCC both dated October 24, 2018 | No | No |

| | | |
|---|---|---|
| and decree N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS dated November 16, 2018: (i) simplified procedures for registration of artisanal miners; (ii) strengthened the national anti-fraud brigade (BNAF). | | |
| **Prior Action 7.** To improve delivery of animal health services, the Recipient has adopted through its council of ministers decrees N°2018-0729/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, N°2018-0730/PRES/PM/MRAH/MINEFID/MATD/MSECU/MCIA, 2018 and N°2018-0731/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, all dated August 9, 2018 to respectively strengthen: (i) the quality controls for import and distribution of veterinary pharmaceutical products; (ii) the regulatory framework for its animal health policy to better contain animal pandemics; and (iii) veterinary public health rules and inspections to reduce the risk of disease transmission between humans and animals. | No | Positive |
| ***Pillar 3 –Improving healthcare service delivery*** | | |
| **Prior Action 8.** To ensure timely and adequate availability of essential drugs in health facilities, the institutional and financial controls at the organization for purchasing generic medicines (CAMEG) have been strengthened through the creation of new articles of association and bylaws on April 11, 2018 that create a general assembly and an audit committee. | No | No |
| **Prior Action 9.** To efficiently expand national health insurance coverage, the Recipient has established through decree N°2018-0265/PRES/PM/MINEFID/MFPTS dated April 9, 2018 and made operational through decrees N°2018-331/PRES/PM/MFPTPS/MINEFID dated April 24, 2018 and N°2018-0724/PRES/PM/MFTPS dated August 7, 2018 the national fund for universal health insurance (CNAMU). | No | Positive |

## ANNEX 5: PRIOR ACTIONS AND ANALYTICAL UNDERPINNINGS

| Prior Actions | Analytical Underpinnings |
|---|---|
| **Pillar 1: Strengthening Fiscal Management** | |
| **Prior Action 1.** To improve tax administration and reduce transaction costs, the Recipient's Ministry of Economy, Finance and Development has: (i) audited the electronic taxpayer identification system; (ii) simplified registration and monitoring of taxpayers through the unique tax identification number; and (iii) implemented a new electronic platform that allows online filing and payments of taxes. | "West Africa Tax Study", The World Bank. (Forthcoming, 2018).<br>• Generalizing electronic procedures for filing and paying taxes is key to improving tax administration, notably reducing fraud. With fewer resources devoted to cumbersome administrative tasks (entering and checking fiscal data), tax authorities could devote more time to control and collection. |
| **Prior Action 2.** To increase the collection of property taxes, the Recipient's Ministry of Economy, Finance and Development has established and made operational an urban registry of the primary holders of land plots in Ouagadougou and Bobo-Dioulasso. | "West Africa Tax Study", The World Bank. (Forthcoming, 2018).<br>• Simplifying the system for property taxation and improving administration could help increasing resources for local governments.<br>• Better information on properties (through registries and ultimately, a fiscal cadaster) is needed to distinguish between buildings/areas with a promising tax potential vs. other areas where simplified systems could be established. |
| **Prior Action 3.** To strengthen public investment management, the Recipient's Ministry of Economy, Finance and Development has adopted: (i) through decree n° 2018-0092/PRES/MINEFID dated February 15, 2018, a regulatory framework for preparation, selection and implementation of public investment projects; and (ii) by decision of its council of minister on January 9, 2019 a guide to project readiness assessments and appraisal. | "PIMA", Joint IMF and World Bank Report, *2017.*<br>• The main weaknesses of Public Investment Management in Burkina Faso relate to: multi-year programming, ex ante appraisal, project selection, and the management of PPPs.<br>• The report recommends strengthening the framework for managing PPPs as a priority. It also recommends (i) improving investment programming and budgeting; (ii) improving project readiness by conducting ex ante project appraisals and putting in place processes to have such appraisals reviewed at the central level; (iii) selecting more rigorously the projects |

| Prior Actions | Analytical Underpinnings |
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| | to be included in the budget; (iv) improving expenditure and commitment programming. |
| **Prior Action 4.** To improve the management of the public wage bill, a national consultation convened by the Recipient from June 12 to June 14, 2018 and including representatives of the Recipient's government has adopted a plan that identifies key directions to reform the compensation system for civil servants. | "Staff Report, Selected Issues", IMF, Country Report No. 16/391, December 2016. |
| **Pillar 2: Improving Natural Resources Management and Raising Mining and Livestock Productivity** | |
| **Prior Action 5.** To encourage sustainable development of the artisanal mining sector and to contain associated environmental damages, the Recipient has adopted decrees N°2017-0023/PRES/PM/MEMC/MINEFID, N°2018-0249 PRES/PM/MMC/MINEFID/MCIA, N°2018-0969 PRES/PM/MMC/MINEFID/MCIA, N°2018-0970 PRES/PM/MMC/MINEFID and N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS respectively dated January 23, 2017, March 29, 2018, October 24, 2018, November 16, 2018 which decrees: (i) encouraged exports through official channels by reducing taxes on the exports of the artisanal mining sector; and (ii) restricted artisanal mining activities in areas including natural preservation areas.<br>**Prior Action 6.** To encourage formalization and improve management and control of artisanal mines, the Recipient has adopted decrees N°2018-0967/PRES/MMC/MSECU/MDNA/MJDHPC/MINEFID/MCIA/MEEVCC and N°2018-0968/PRES/MINEFID/MSECU/MCIA/MJDHPC/MDNAC/MEEVCC both dated October 24, 2018 and decree N°2018-1017 PRES/PM/MMC/MINEFID/MIEEVCC/MCIA/MATD/MSECU/MFPTPS dated November 16, 2018: (i) simplified procedures for registration of artisanal miners; (ii) strengthened the national anti-fraud brigade (BNAF). | « Note sur le secteur des mines » in Policy notes for the new government of Burkina Faso, The World Bank, 2016.<br>• Fraudulent exports of gold to other countries that offer better trading conditions reduce tax revenue.<br>• Artisanal mining has adverse social and environmental impacts, including deforestation.<br>• Increased control of artisanal mining activities requires concerted action to limit the use of environmentally-harmful products such as mercury. |
| **Prior Action 7.** To improve delivery of animal health services, the Recipient has adopted through its council of ministers decrees N°2018-0729/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, N°2018-0730/PRES/PM/MRAH/MINEFID/MATD/MSECU/MCIA, 2018 and N°2018-0731/PRES/PM/MRAH/MS/MATD/MSECU/MCIA, all dated August 9, 2018 to respectively strengthen: (i) the quality controls for import and distribution of veterinary pharmaceutical products; (ii) the regulatory framework for its animal health policy to better contain animal pandemics; and (iii) veterinary public health rules and inspections to reduce the risk of disease transmission between humans and animals. | "Burkina Faso- Study on Agro-processing Opportunities", The World Bank, 2018.<br>• Burkina Faso meat exports are marginal, although the country is a major exporter of live animals to coastal countries. Several factors severely constrain the ability to increase meat exports (including the absence of a cold chain, cold transport costs, better valorization of slaughtering by-products in coastal countries). |

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| | Developing meat exports would also require control of transboundary diseases. |
| **Pillar 3: Improving Health Service Delivery** | |
| **Prior Action 8.** To ensure timely and adequate availability of essential drugs in health facilities, the institutional and financial controls at the organization for purchasing generic medicines (CAMEG) have been strengthened through the creation of new articles of association and bylaws on April 11, 2018 that create a general assembly and an audit committee. | « Burkina Faso Supply Chain Assessment ». Global Fund, November 2017.<br>• The supply chain suffers from: weak execution of orders, poor planning/ weaknesses in the integrated logistics system, financial constraints, and governance problems.<br>• Digitizing standard processes would help improve efficiency. Integrating the various information systems would improve coordination to improve timeliness and completeness of demand data. |
| **Prior Action 9.** To efficiently expand national health insurance coverage, the Recipient has established through decree N°2018-0265/PRES/PM/MINEFID/MFPTS dated April 9, 2018 and made operational through decrees N°2018-331/PRES/PM/MFPTPS/MINEFID dated April 24, 2018 and N°2018-0724/PRES/PM/MFTPS dated August 7, 2018 the national fund for universal health insurance (CNAMU). | "Community based health insurance: how can it contribute to progress towards UHC?" Mathauer, Inke, Mathivet, Benoît & Kutzin, Joseph. World Health Organization. World Health Organization, 2017. http://www.who.int/iris/handle/10665/255629)<br>• International best practice suggests a departure from the "traditional" Community-Based Health Insurance model by moving towards mandatory enrolment and subsidization of this enrolment for the poor will improve outcomes by mitigating against adverse selection.<br><br>"Couverture sanitaire universelle et secteur informel en Afrique de l'Ouest Francophone: Etat actuel, perspectives et propositions d'orientations stratégiques", Note de Politique, Banque Mondiale, Juin 2018.<br>• To advance progress towards universal health insurance, the study recommends : (i) analyzing the integration of free health care policies within Universal Health Insurance ; (ii) scaling up results-base financing at the country level and integrating it to Universal Health Insurance to improve the quality of health care ; (iii) integrating the private sector in the health |

| Prior Actions | Analytical Underpinnings |
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| | sector to the implementation of free health care policies and implementing all the other measures in social protection for healthcare. To accelerate progress, CNAMU could start by integrating vertical programs and other existing health coverage mechanisms to reduce fragmentation. |