



The World Bank

Burkina Faso Third Fiscal Management, Sustainable Growth, and Service Delivery Development Policy Financing
(P173529)

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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY GRANT
IN THE AMOUNT OF SDR 71 MILLION
(US\$100 MILLION EQUIVALENT)

AND A

PROPOSED DEVELOPMENT POLICY CREDIT
IN THE AMOUNT OF EUR 86.5 MILLION
(US\$100 MILLION EQUIVALENT)

TO

BURKINA FASO

FOR THE

THIRD FISCAL MANAGEMENT, SUSTAINABLE GROWTH, AND SERVICE DELIVERY
DEVELOPMENT POLICY FINANCING

November 5, 2021

Macroeconomics, Trade And Investment Global Practice
Western and Central Africa Region

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Burkina Faso

GOVERNMENT FISCAL YEAR

January 1—December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2021)

US\$1.00 = CFA Franc (CFAF) 564

US\$1.00 = Euro 0.865

US\$1.00 = SDR 0.710

ABBREVIATIONS AND ACRONYMS

| | |
|----------|---|
| AFD | French Development Agency (<i>Agence Française de Développement</i>) |
| AfDB | African Development Bank |
| AFOLU | Agriculture, Forest, and Other Land Use |
| ANEEMAS | National Agency for the Supervision of Artisanal and Semi-Mechanized Mining Exploitations (<i>Agence Nationale d'Encadrement des Exploitations Minières Artisanales et Semi-mécanisées</i>) |
| ANEVE | National Environmental Evaluation Agency (<i>Agence National des Evaluations Environnementales</i>) |
| ASA | Advisory Services and Analytics |
| BCEAO | Central Bank of West African States (<i>Banque Centrale des Etats de l'Afrique de l'Ouest</i>) |
| BNAF | National Anti-Fraud Brigade (<i>Brigade Nationale Anti-Fraude</i>) |
| BUNEE | National Environmental Protection Agency (<i>Bureau National des Evaluations Environnementales</i>) |
| CAD | Current Account Deficit |
| CAMEG | Central Purchasing Agency for Essential Medicines (<i>Centrale d'Achat de Médicaments Essentiels Génériques et des Consommables Médicaux</i>) |
| CCRT | Catastrophe Containment and Relief Trust |
| CGAB | General Budget Support Framework (<i>Cadre Général d'organisation des Appuis Budgétaires</i>) |
| CNAMU | National Fund for Universal Health Insurance (<i>Caisse nationale d'Assurance Maladie universelle</i>) |
| CNPS | National Council for Social Protection (<i>Conseil National pour la Protection Sociale</i>) |
| CNT | National Transition Council (<i>Conseil National de Transition</i>) |
| CONASUR | National Council for Emergency Relief and Rehabilitation (<i>Conseil National de Secours d'Urgence et de Réhabilitation</i>) |
| COTEVE | Technical Committee for Environmental Evaluations (<i>Comité Technique des Évaluations Environnementales</i>) |
| Covid-19 | Coronavirus Disease 2019 |
| COVAX | Covid-19 Vaccine Global Access |
| CPF | Country Partnership Framework |

| | |
|----------|--|
| CPI | Consumer Price Index |
| CR-DPF | Covid-19 Crisis-Response Development Policy Financing |
| DANIDA | Danish International Development Agency |
| DGCOOP | Directorate General of Cooperation (<i>Direction Générale de la Coopération</i>) |
| DGRA | Digital Government Readiness Assessment |
| DPF | Development Policy Financing |
| DPF1/2/3 | Burkina Faso First/Second/Third Fiscal Management, Sustainable Growth and Service Delivery Development Policy Financing |
| DSA | Debt Sustainability Analysis |
| DSSI | Debt Service Suspension Initiative |
| EFO | Externally Funded Output |
| EIA | Environmental Impact Assessments |
| EHCVM | Harmonized Survey on Living Conditions of Households (<i>Enquête Harmonisée sur les Conditions de Vie des Ménages</i>) |
| ERP | Emergency Response Plan |
| ESIA | Environmental and Social Impact Assessment |
| EU | European Union |
| FCV | Fragility, Conflict, and Violence |
| FDI | Foreign Direct Investment |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| GoBF | Government of Burkina Faso |
| GRS | Grievance Redress Service |
| HR | Human Resources |
| IBM | Iterative Beneficiary Monitoring |
| IDA | International Development Association |
| IDP | Internally Displaced Person |
| IFC | International Finance Corporation |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IPF | Investment Policy Financing |
| ISA | International Standards of Auditing |
| LDP | Letter of Development Policy |
| MAPS | Methodology for Assessing Procurement Systems |
| MDTF | Multi-Donor Trust Fund |
| M&E | Monitoring and Evaluation |
| MINEFID | Ministry of Economy, Finance and Development (<i>Ministère de l'Économie, des Finances et du Développement</i>) |
| MSME | Micro, Small and Medium Enterprises |
| NAP | National Adaptation Plan |
| NDC | Nationally Determined Contributions |
| PforR | Program for Results |
| PA | Prior Action |
| PADEL-B | Project for the Development of the Livestock Sector (<i>Projet d'Appui au Développement du secteur de l'Élevage</i>) in Burkina Faso |
| PEFA | Public Expenditure and Financial Accountability |
| PDO | Program Development Objective |
| PFM | Public Financial Management |
| PIMA | Public Investment Management Assessment |

| | |
|---------|--|
| PNDES | National Socioeconomic Development Program (<i>Programme National de Développement Economique et Social</i>) |
| PPBA | Prevention and Peacebuilding Assessment |
| PPIAF | Public-Private Infrastructure Advisory Facility |
| PPP | Public Private Partnership |
| PPR | Sheep and goat plague (<i>Peste des Petits Ruminants</i>) |
| PRA | Prevention and Resilience Allocation |
| PUS-BF | Emergency Program for the Sahel/Burkina Faso (<i>Programme d'Urgence pour le Sahel/BF</i>) |
| q/q | Quarter on Quarter |
| REDD+ | Reducing Emissions from Deforestation and Forest Degradation |
| SASPP | Sahel Adaptive Social Protection Program |
| SCD | Systematic Country Diagnostic |
| SDFP | Sustainable Development Finance Policy |
| SDR | Special Drawing Rights |
| SESA | Strategic Environmental and Social Assessment |
| SFI-SLM | Strategic Framework for Investment in Sustainable Land Management |
| SSA | Sub-Saharan Africa |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNHCR | United Nations High Commissioner for Refugees |
| WAEMU | West African Economic and Monetary Union |
| WB | World Bank |
| WBG | World Bank Group |
| WHO | World Health Organization |
| WISN | Workload Indicators of Staffing Need |
| WURI | West Africa Unique Identification for Regional Integration and Inclusion Program |
| y/y | Year on Year |

| | |
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BURKINA FASO

THIRD FISCAL MANAGEMENT, SUSTAINABLE GROWTH, AND 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 |
| P173529 | Yes | 3rd in a series of 3 |

Proposed Development Objective(s)

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

Organizations

| | |
|----------------------|---|
| Borrower: | BURKINA FASO |
| Implementing Agency: | MINISTERE DE L'ECONOMIE, DES FINANCES ET DU DEVELOPPEMENT |

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

| | |
|------------------------|---------------|
| Total Financing | 200.00 |
|------------------------|---------------|

DETAILS

| | |
|---|--------|
| International Development Association (IDA) | 200.00 |
| IDA Credit | 100.00 |
| IDA Grant | 100.00 |

INSTITUTIONAL DATA

Climate 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 (2017) | Target (2022) ¹ |
|---|-----------------|----------------------------|
| Pillar 1: Strengthening Fiscal Management | | |
| Results Indicator #1: Number of business and individual taxpayers registered in the government's taxpayer database | 95,515 | 170,000 |
| Results Indicator #2: Property taxes collected by general government (as a share of GDP) | 0.3% | 0.5% |
| Results Indicator #3: Proportion of public investment projects included in the budget that have at least one feasibility study validated by the national committee for validation of feasibility studies and project documents | 0% | 80% |
| Results Indicator #4: Annual nominal wage bill growth rate | 11.4% | 4.5% |
| Pillar 2: Improving Natural Resource Management and Livestock Productivity | | |
| Results Indicator #5: Registered exports of artisanal gold mines (in cumulative tons) | 0.2 | 1.5 |
| Results Indicator #6: Hectares of delimited classified forested areas excluded from the mining cadaster to avoid conversion to another land use | 206,000 | 825,000 |
| Results Indicator #7: Reduction of greenhouse gas emissions related to registration of classified forests (tons of CO ₂ equivalent) | 0 | 60,000 |
| Results Indicator #8: Number of artisanal mining sites formalized through the granting of a management convention by ANEEMAS and adopting natural capital preservation standards | 0 | 20 |
| Results Indicator #9: Number of small ruminant herd vaccinated against the sheep and goat plague (PPR) | 0.6 million | 7.6 million |
| Results Indicator #10: Share of women-owned small ruminants vaccinated against PPR | 25% (2019) | 35% |
| Pillar 3: Enhancing Service Delivery and Social Spending Efficiency | | |
| Results Indicator #11: Share of civil servants outside the capital region (Centre) ² | 52% (2020) | 57% |
| Results Indicator #12: Proportion of rural primary health care facilities that meet minimum Workload Indicators of Staffing Need (WISN) standards | 21% | 30% |
| Results Indicator #13: Proportion of health facilities that experience shortages of listed essential medications (tracer medicines) per year | 87% | 80% |
| Results Indicator #14: Total number of households included in the social registry | 0 | 120,000 |
| Results Indicator #15: Share of female-headed households included in the social registry ³ | 14% | 20% |

¹ The targets of Results Indicators #4 and #13 set the maximum (ceiling). All other targets set the minimum (floor) to be achieved.

² This indicator was introduced in DPF3 to align the DPF series with the IDA Prevention and Resilience Allocation (PRA).

³ Since there was no social registry in place before 2021, the value for the baseline is based on the nation-wide share of households with a female household-head estimated at 14 percent in the 2018/19 Harmonized Survey on Living Conditions of Households (*Enquête Harmonisée sur les Conditions de Vie des Ménages*, EHCVM).

IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT AND A PROPOSED GRANT TO BURKINA FASO

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed Third Fiscal Management, Sustainable Growth, and Service Delivery Development Policy Financing (DPF3) concludes a programmatic series of three DPF operations.** The financing consists of a single tranche disbursement of an IDA grant in the amount of SDR 71 million (US\$100 million equivalent) and an IDA credit of EUR 86.5 million (US\$100 million equivalent). The Program Development Objective (PDO) is to support the Government's efforts to: (i) strengthen fiscal management; (ii) improve natural resource management and livestock productivity; and (iii) enhance service delivery and social spending efficiency. This PDO has been adjusted compared to DPF2 to account for both realism and ambition considering the country's current development challenges. The scope of Pillar 2 has been narrowed as the mining sector is supported through investment lending operations. The scope of Pillar 3 has been expanded beyond the health sector to better align the DPF series with the purpose of the IDA19 Prevention and Resilience Allocation (PRA, see Box 3 in Section 4.3).⁴ Moreover, DPF3 builds on the second operation (DPF2) in the series (approved in June 2020) and on the Covid-19 Crisis-Response DPF (approved in December 2020). It is aligned with both the 2016-2021 National Socioeconomic Development Plan (*Programme National de Développement Economique et Social*, PNDES) and its successor, the PNDES II (2021-2025). It is also consistent with the priorities outlined in the FY18-FY23 Country Partnership Framework (CPF), the World Bank Group (WBG) Covid-19 Crisis Response Approach Paper of June 2020, and the four transformational goals of the World Bank's 2021-2025 Western and Central Africa Region Strategy.⁵

2. **Burkina Faso is a fragile, conflict and violence (FCV) affected country confronted with security, humanitarian, and social challenges.** Following a revolution (2014), a failed coup (2015), and post-transition elections (2015), a rapidly deteriorating security situation led the World Bank to add the country to the FCV list in FY20 with the attribute "medium-intensity conflict." Violent conflict has grown dramatically over recent years, involving violent extremism increasingly intertwined with frustration over longstanding local tensions. Six of 13 regions are under a state of emergency and the very presence of the State is jeopardized in many of those areas. The first six months of 2021 recorded 1,509 fatalities (compared to an annual average of 2,262 for 2019-2020), with almost 2/3 in the *Sahel* region, and the remainder split primarily across the *Centre-Nord*, *Est*, *Nord*, and *Boucle du Mouhoun* regions. As a result, the number of Internally Displaced Persons (IDPs) has increased from roughly 50,000 in January 2019 to over 1.42 million as of September 1, 2021.⁶ Most provinces (incl. *Nord*, *Sahel*, *Centre-Nord*, *Centre*, *Est*)

⁴ For further information on this adjustment, see Annex 2.

⁵ This operation is aligned with all four transformational goals defined by the World Bank's Western and Central Africa Region Strategy: (i) "rebuilding trust between citizens and the state to create a new social contract" is supported through Prior Actions #5 and #6; (ii) "removing the bottlenecks that prevent firms from creating more and better jobs" is supported through Prior Action #4 and the revised PPP law (see Annex 5); (iii) "boosting climate resilience" is supported through Prior Actions #3, #4, and #6; and (iv) "strengthening human capital and empowering women" is supported through Prior Actions #4 and #6. See World Bank. 2021. *Supporting A Resilient Recovery: The World Bank's Western and Central Africa Region Priorities 2021-2025*.

⁶ Data from National Council for Emergency Relief and Rehabilitation (*Conseil National de Secours d'Urgence et de Réhabilitation* (CONASUR) on September 1, 2021. Burkina Faso is among the top 15 countries with the largest IDP population. (See United Nations High Commissioner for Refugees (UNHCR). June 2021. *Global Trends: Forced Displacement in 2020*.)



are hosting IDPs, which puts an already poor population under additional stress and threatens the Government's ability to deliver social services while facing pressure for higher security spending.

3. **A highly variable climate and limited natural resources are major constraints to Burkina Faso's food security, economic opportunities, and development (see Box 2 in Section 4.3).** The country is prone to chronic droughts, periodic floods, wind/dust storms, and disease outbreaks, which potentially carry significant health and socioeconomic challenges. The low and variable rainfall as well as degraded soils with low productivity and water-holding capacity constrain agricultural and livestock productivity. Periodic disease outbreaks generate additional pressures on the livestock. Climate variability is a major risk to food security, human and animal health, the environment, and poverty reduction. In addition, loss of forests and the extension of agriculture to marginal soils on deforested areas increase the continued loss of permanent tree vegetation, accelerating soil erosion and greenhouse gas (GHG) emissions. Agriculture, forestry, and land use contribute to more than 80 percent of national GHG emissions. Burkina Faso's Nationally Determined Contribution (NDC) submitted to the UN Framework Convention on Climate Change (UNFCCC) committed to reduce up to 17 percent GHG emissions from agriculture, forest, and other land use (AFOLU) by 2030 from a 2007 baseline.⁷ The NDC recognizes a close linkage between mitigation and adaptation in AFOLU.

4. **The Covid-19 shock and the associated economic downturn have reversed recent progress made in poverty reduction.** Economic growth was resilient over 2016-2019, averaging 6.1 percent. In the wake of the Covid-19 shock, the economy grew by only 1.9 percent (but shrunk 1 percent in per capita terms) in 2020. The extreme poverty rate, measured by the US\$1.9 a day (2011 PPP) poverty line, was 38 percent in 2019, with simulations suggesting that it increased by about one percentage point in 2020. The increase in poverty, combined with fast population growth, resulted in an additional 330,000 extreme poor people. Findings from eight waves of high frequency surveys conducted between 2020 and 2021 suggest that the pandemic negatively impacted economic activities and led to an increase in unemployment and a sharp reduction in households' incomes. With less or no sources of income, many households were not able to make ends meet, and about 50 percent of the interviewees reported that they can no longer meet their dietary needs. At the same time, intensifying insecurity in the country has put more people (especially the poor and vulnerable) at risk of being displaced and deprived of employment opportunities and access to basic services. The coverage and generosity of social protection programs have been limited and not always well targeted. Only 8.8 percent of households declared receiving Covid-19-related assistance.

5. **Despite the odds of rising fragility, persistent climate vulnerability, and a global pandemic, the results of this DPF series thus far provide evidence of successful implementation of policy reforms.** As of end-2020, the results framework shows progress toward the achievement of all three development objectives. Notwithstanding the Covid-19-related deterioration of public finances (see Section 2.1), fiscal management has been strengthened through a near-halving of the wage bill's annual growth rate and the early achievement of results targets associated with the number of taxpayers registered (with a 61 percent increase) and public investment management. Natural resource management and livestock productivity have improved as evidenced by a fourfold increase in registered exports of artisanal gold mines, a 50 percent increase in classified forested areas protected against conversion into other land use, and a more than 7-fold increase in the number of sheep and goats vaccinated against a highly contagious and deadly disease. Finally, service delivery and social spending efficiency are also showing some

⁷ Burkina Faso First Nationally Determined Contribution (2015) submitted to UNFCCC.

improvements with, for instance, a 29 percent increase in the share of rural primary health care facilities meeting minimum Workload Indicators of Staffing Need standards.

6. **DPF3 focuses on key structural reforms that are critical to tackle the current development challenges.** The three reform pillars for the proposed operation are: (i) strengthening fiscal management; (ii) improving natural resources management and livestock productivity; and (iii) enhancing public service delivery and social spending efficiency. The operation seeks to strengthen fiscal management through two interventions. In the area of domestic revenue mobilization, it aims to broaden the tax base and facilitate tax payment. In the area of public sector management, it aims to contain the growth of the public wage bill by a human resource reform. Further, the Program seeks to improve natural resource management and livestock productivity through two interventions. In the forestry sub-sector, it seeks to secure state forests against land use change through exclusion from the mining cadaster and registration in the land cadaster. In the livestock sub-sector, it seeks to improve the resilience of small ruminants to climate and other shocks through vaccination against a deadly disease. Finally, the operation seeks to enhance service delivery and social spending efficiency by fostering a positive state presence across territories to tackle conflict drivers and by establishing a unique social registry, a crucial building block of a national adaptive safety net system capable of responding to covariate shocks.

7. **The macroeconomic policy framework is adequate for the proposed operation.** Potential growth remains solid, underpinned by strong private consumption and private investment in the gold and cotton sectors. Supported by World Bank DPFs and IMF programs, the Government established a track record of fiscal adjustment prior to the Covid-19 pandemic. Public debt as assessed in the latest Debt Sustainability Analysis (DSA) is sustainable and the risk of overall and external debt distress is moderate. Further, the country is participating in the G20 DSSI—and benefitting from DSSI extension—and has successfully completed policy and performance actions under the first cycle of IDA’s Sustainable Development Finance Policy (SDFP).⁸ Following the Covid-19 shock, the 2021-2025 medium-term budgetary framework provides the main channels to regain the West African Economic and Monetary Union (WAEMU) 3 percent of GDP deficit target by 2024: (i) improved domestic revenue mobilization; (ii) better control of the wage bill; and (iii) containment of growth in current transfers, including through efficiency gains. This DPF supports the first channel through a major tax policy reform to tap the informal sector, and a tax administration digitalization reform to reduce fraud, improve tax recovery, and strengthen control activities (Prior Action #1). It supports the second channel through a major public human resource cost management reform that will consolidate public service functions and jobs, allow for mobility of staff across occupations and administrative units and improve geographical redeployment (Prior Actions #2 and #5). Finally, DPF3 also supports the third channel through the establishment of a unique social registry, which will improve the efficiency of social spending (Prior Action #6). Close IMF-World Bank coordination in areas such as fiscal management, governance, social protection, and climate change is helping the Government to ensure policy continuity and the sustainability of structural reforms.

⁸ This included the publication of two quarterly public debt bulletins and of the first comprehensive independent audit report on the use of Covid-19 funds in 2020. Following the completion of the first SDFP cycle, the Government has continued to publish quarterly debt bulletins on time, and by June 2021 it has already implemented 23 out of 28 recommendations of the audit report, with the remaining being monitored by the High Authority of State Control.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

8. **With the Covid-19 shock, real GDP growth slowed to +1.9 percent (-1 percent in per capita terms) in 2020 but by mid-2021 the economy was back at its pre-pandemic growth trend (see Table 2.1).** Good weather helped the primary sector sustain relatively high production levels (+5.2 percent) throughout 2020, both for subsistence crops and cotton (also supported by rehabilitation works). Terror attacks and the Covid-19 outbreak triggered output losses of the secondary sector in the first half of 2020, but growth bounced back until the end of the year. This was supported by higher gold extraction (+20 percent), a trend that continued into 2021. The tertiary sector was severely affected by Covid-19-related mass closures of businesses during the second quarter of 2020 and contracted by 5.6 percent in 2020. However, the sector rebounded relatively quickly and already contributed 3.2 percentage points to growth (y/y) in the second quarter of 2021. With some uncertainties remaining, GDP growth figures for 2021 Q1 (+14.7 percent y/y; +3.2 percent q/q) and Q2 (+22.5 percent y/y; +2.2 percent q/q) suggest that the economy has completed a full V-shaped recovery and is back on its pre-Covid-19 growth trajectory.

TABLE 2.1: CONTRIBUTIONS TO REAL GROWTH FROM SUPPLY AND DEMAND SIDES, 2018-2024

| | 2018 | 2019 | 2020 Pre- Covid | 2020 Post- Covid | 2021 | 2022 | 2023 | 2024 |
|----------------------------|-------------|------|-----------------------|------------------------|------|------|------|------|
| | Projections | | | | | | | |
| Demand Side | | | | | | | | |
| Consumption | 2.5 | 3.9 | 4.5 | 2.7 | 8.5 | 5.8 | 4.9 | 4.7 |
| <i>Private Consumption</i> | 1.3 | 2.2 | 3.0 | 1.6 | 7.3 | 5.1 | 4.6 | 4.5 |
| <i>Public Consumption</i> | 1.1 | 1.7 | 1.5 | 1.1 | 1.2 | 0.7 | 0.3 | 0.3 |
| Investment | 3.8 | 0.9 | 3.0 | -1.1 | 1.9 | 1.7 | 1.4 | 1.5 |
| <i>Private Investment</i> | 2.0 | 3.0 | 2.6 | -0.9 | 1.1 | 0.7 | 0.4 | 0.9 |
| <i>Public Investment</i> | 1.8 | -2.1 | 0.4 | -0.2 | 0.8 | 1.0 | 1.0 | 0.6 |
| Exports | 1.6 | 0.0 | 1.0 | 1.8 | 1.2 | 1.3 | 1.0 | 0.7 |
| Imports | -1.1 | 0.8 | -2.5 | -1.5 | -5.0 | -3.2 | -2.0 | -1.7 |
| Supply Side | | | | | | | | |
| Agriculture | 3.7 | 0.5 | 1.1 | 1.4 | 0.7 | 1.4 | 1.4 | 1.4 |
| Industry | 0.9 | 0.7 | 1.0 | 3.7 | 3.0 | 1.4 | 1.8 | 1.8 |
| Services | 2.2 | 4.5 | 3.9 | -3.2 | 2.9 | 2.8 | 2.2 | 2.1 |
| GDP Growth | 6.7 | 5.7 | 6.0 | 1.9 | 6.7 | 5.6 | 5.3 | 5.3 |

Source: Burkina Faso authorities; World Bank and IMF staff estimates

9. **On the demand side, recent growth has been primarily driven by consumption, while investment was negatively impacted by the pandemic.** Private consumption bounced back following the Covid-19 shock, contributing to a recovery beginning in the second half of 2020.⁹ The economic rebound of the third and fourth quarters was aided by the continuous implementation of mitigation and recovery measures of the Covid-19 Emergency Response Plan (ERP). Private consumption improved further in the first half of 2021. In contrast, private investment suffered a decline of almost 18 percent due to the 3-month lockdown of March-May 2020 and only curbed by resilient investment in the gold sector. Overall, investment subtracted 1.1 percentage points from 2020 growth, but it has recovered in the first half of

⁹ The quarter-on-quarter growth rate was 17.7 percent in Q3 and 5.9 percent in Q4, compared to -6.8 percent in Q1 and -6.3 percent in Q2. In year-on-year terms, that represented 7.7 percent in Q3 and 8.9 percent in Q4 vs -1.1 percent in Q1 and -7.9 percent in Q2.

2021 and is expected to contribute positively to growth for the year. On account of a large rise in exports, net exports contributed 0.3 percentage points to growth in 2020.

10. **In the wake of the pandemic, headline inflation returned to positive territory in 2020, while monetary policy did not attempt to reign in inflationary pressures (see Table 2.2).** Inflation began increasing in the second quarter of 2020 as fears of rationing, price-gauging, and supply chain disruptions arose. The price rise accelerated in the first 9 months of 2021. As of September, headline inflation stood at 4.4 percent (y/y) on account of a sharp increase in food prices (+8.6 percent y/y), which account for about half of the Consumer Price Index (CPI) basket. The rise in food prices was mainly due to below-average market supply of major locally produced cereals ahead of the next harvest season, which should bring some relief. Monetary policy, managed by the regional central bank Central Bank of West African States (*Banque Centrale des Etats de l’Afrique de l’Ouest*, BCEAO) and anchored on the fixed peg to the Euro, has turned more accommodative in the wake of the Covid-19 pandemic. BCEAO’s international reserves have remained stable and reached 5.8 months of imports in 2020, due to large donor support and Eurobond issuances (by Cote d’Ivoire, Senegal, and Benin in recent years).

TABLE 2.2: SELECTED ECONOMIC INDICATORS, 2018-2024

| | 2018 | 2019 | 2020 Pre- Covid | 2020 Post- Covid | 2021 | 2022 | 2023 | 2024 |
|---|-------------|--------|-----------------------|------------------------|--------|--------|--------|--------|
| | Projections | | | | | | | |
| <i>Annual percentage change, unless otherwise indicated</i> | | | | | | | | |
| National Accounts and Prices | | | | | | | | |
| GDP at constant prices | 6.8 | 5.7 | 6.0 | 1.9 | 6.7 | 5.6 | 5.3 | 5.3 |
| GDP deflator | 2.0 | -0.6 | 2.0 | 4.6 | 2.4 | 2.3 | 2.3 | 2.3 |
| Consumer prices (average) | 2.0 | -3.2 | 2.0 | 1.9 | 3.0 | 2.6 | 2.5 | 2.5 |
| Selected Monetary Accounts | | | | | | | | |
| Banks’ credit to the government | -0.2 | 2.6 | 5.1 | 1.1 | 11.6 | 8.5 | 6.5 | 4.4 |
| Banks’ credit to private sector | 6.7 | 11.1 | 10.9 | 9.9 | 7.9 | 8.2 | 7.9 | 7.8 |
| Broad money (M3) | 10.4 | 8.8 | 14.4 | 18.0 | 20.3 | 15.4 | 11.4 | 8.8 |
| <i>Percent of GDP, unless otherwise indicated</i> | | | | | | | | |
| Fiscal Accounts | | | | | | | | |
| Total revenue and grants | 19.6 | 20.1 | 24.1 | 19.8 | 18.9 | 19.6 | 18.9 | 19.2 |
| Total expenditure and net lending | 23.9 | 23.2 | 27.2 | 25.4 | 24.4 | 24.4 | 22.9 | 22.2 |
| Overall fiscal balance (with grants) | -4.3 | -3.2 | -3.2 | -5.7 | -5.5 | -4.8 | -4.0 | -3.0 |
| Total public debt | 38.0 | 42.0 | 43.1 | 46.5 | 48.2 | 48.9 | 49.1 | 48.4 |
| External Sector | | | | | | | | |
| Current account balance | -4.1 | -3.3 | -4.0 | -0.1 | -2.5 | -4.1 | -4.7 | -4.9 |
| Good and service balance | -4.1 | -3.5 | -5.1 | -0.2 | -2.7 | -3.9 | -3.9 | -4.0 |
| Foreign direct investment | 1.2 | 1.3 | 1.0 | 1.1 | 0.9 | 0.7 | 0.7 | 0.7 |
| External public debt | 21.7 | 23.4 | 24.0 | 23.8 | 23.5 | 22.4 | 21.6 | 20.7 |
| Nominal GDP | | | | | | | | |
| In CFAF billion | 8,920 | 9,369 | 10,495 | 9,988 | 10,910 | 11,793 | 12,708 | 13,688 |
| In US\$ million | 16,067 | 15,992 | 18,260 | 17,379 | | | | |

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

11. **The banking sector remained well capitalized and liquid, showing resilience to the pandemic.** The measures put in place by BCEAO to soften the impact of the Covid-19 crisis on the banking sector—liquidity and loan forbearance measures until the end of the 2020—appear to have tempered the impacts of the crisis. According to the latest IMF data on financial soundness indicators, as of December 31, 2020, bank asset quality had remained roughly stable with gross non-performing loans (NPLs) at 7.8 percent compared to 7.6 percent in 2019. Capital adequacy as measured by regulatory capital to risk-weighted

assets had risen slightly to 13.8 percent from 13.6 percent a year earlier. Liquidity levels had declined somewhat with liquid assets to total assets at 20.9 percent, down from 22.5 percent at end-2019. Going forward, the banking sector is not expected to pose significant risks to the macroeconomic framework.

12. **The current account came close to balance in 2020, due to a favorable shift in the term of trade and rising gold production.** The improvement was primarily driven by the trade balance. Over 2020, gold production increased by 20 percent, reaching a new peak at 65 tons. At the same time, the oil price collapsed in the first half of 2020, before gradually recovering close to pre-Covid levels until the end of the year. The combination of a high gold price and a low oil price created very favorable terms-of-trade for countries exporting gold and importing oil such as Burkina Faso. Another factor was an improvement in the service balance on account of cheaper electricity imports from neighboring countries. Strong gold exports continued into 2021, leading to a trade surplus in the first quarter. Q1 gold exports increased 34 percent (y/y) leading to a 28 percent (y/y) increase in overall exports. Meanwhile, imports slowed by 12 percent (y/y), resulting in a Q1 trade surplus equivalent to 1.8 percent of GDP.

TABLE 2.3: CONSOLIDATED OPERATIONS OF THE CENTRAL GOVERNMENT, 2018-2024

| | 2018 | 2019 | 2020 Pre- Covid | 2020 Post- Covid | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|-------------|------|-----------------------|------------------------|------|------|------|------|
| | Projections | | | | | | | |
| Total revenue and grants | 19.6 | 20.1 | 20.6 | 19.8 | 18.9 | 19.6 | 18.9 | 19.2 |
| Total revenue | 17.2 | 18.7 | 17.5 | 16.6 | 15.6 | 16.7 | 17.2 | 17.6 |
| Tax revenue | 15.2 | 15.2 | 15.3 | 13.8 | 13.5 | 14.8 | 15.2 | 15.6 |
| Mining sector | 0.5 | 0.6 | 0.6 | 0.5 | 0.8 | 0.9 | 1.0 | 1.1 |
| Non-tax revenue | 2.0 | 3.4 | 2.2 | 2.8 | 2.1 | 2.0 | 2.0 | 2.0 |
| Grants | 2.4 | 1.4 | 3.1 | 3.2 | 3.3 | 2.8 | 1.7 | 1.6 |
| Expenditures and net lending | 23.9 | 23.2 | 23.8 | 25.4 | 24.4 | 24.4 | 22.9 | 22.2 |
| Current expenditures | 15.5 | 17.6 | 17.0 | 17.7 | 16.7 | 15.9 | 15.7 | 15.3 |
| Wages and salaries | 7.9 | 9.0 | 9.0 | 9.0 | 8.7 | 8.6 | 8.3 | 8.0 |
| Goods and services | 2.2 | 2.1 | 2.1 | 1.8 | 2.1 | 1.8 | 1.9 | 1.7 |
| Current transfers | 4.3 | 5.2 | 4.6 | 5.5 | 4.3 | 3.9 | 3.7 | 3.7 |
| Interest on debt | 1.1 | 1.2 | 1.3 | 1.4 | 1.6 | 1.7 | 1.8 | 1.9 |
| Capital expenditure | 8.5 | 5.9 | 6.8 | 7.8 | 7.8 | 8.6 | 7.1 | 6.9 |
| Domestically financed | 5.9 | 4.5 | 3.4 | 5.0 | 4.8 | 5.7 | 5.0 | 4.8 |
| Externally financed | 2.5 | 1.5 | 3.4 | 2.9 | 3.0 | 2.9 | 2.1 | 2.1 |
| Fiscal balance | -4.3 | -3.2 | -3.2 | -5.7 | -5.5 | -4.8 | -4.0 | -3.0 |
| Fiscal balance (cash basis) | -5.4 | -3.2 | -3.2 | -5.7 | -5.5 | -4.8 | -4.0 | -3.0 |
| Financing | 5.3 | 3.1 | 3.2 | 5.7 | 5.5 | 4.9 | 4.0 | 3.0 |
| External financing | 0.9 | 1.0 | 1.3 | 1.5 | 1.0 | 0.9 | 0.8 | 0.6 |
| Domestic financing | 4.4 | 2.1 | 1.9 | 4.2 | 4.5 | 4.0 | 3.2 | 2.4 |

Source: Burkinabe authorities; World Bank and IMF staff estimates and projections. All figures are in percentage of GDP.

13. **The fiscal deficit rose to 5.7 percent of GDP in 2020, mostly on account of unforeseen Covid-19-related expenditures, but revenue mobilization has improved in the first half of 2021 (Table 2.3).** A high public wage bill and elevated current transfers driven by the response to the Covid-19 shock contributed to exceptionally high expenditure levels through 2020. Within the current expenditure envelope, the Government made room for Covid-19-related transfers (0.5 percent of GDP), partly by further reducing the growth in the wage bill and partly by cancelling some non-priority spending (-0.3 percent of GDP). Moreover, the Government postponed some investments (1.2 percent of GDP) while adding Covid-19-related health investments and capital grants, and security investments (1.7 percent of GDP). In the wake of a Covid-19-induced 3-month lockdown, domestic revenue collection (excluding grants) was 2.1

percentage points lower than a year before.¹⁰ However, data for the first half of 2021 show domestic revenue mobilization 1.7 percent higher than planned. The strong performance was driven by the tax office and the Treasury which by mid-year had already secured 54 and 51 percent of their yearly plans, respectively.

TABLE 2.4: EXTERNAL FINANCING REQUIREMENTS AND SOURCES, 2018-2024

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------------|--------|--------|--------|---------|---------|---------|
| | Projections | | | | | | |
| Financing requirements | -736.5 | -619.9 | -141.6 | -705.2 | -1054.1 | -1293.4 | -1434.3 |
| Current Account deficit | -640.9 | -520.0 | -27.8 | -515.8 | -907.3 | -1135.0 | -1264.8 |
| Amortization of loans | -95.6 | -99.9 | -113.9 | -189.4 | -146.8 | -158.4 | -169.5 |
| Financial Sources | 736.5 | 619.9 | 141.6 | 705.2 | 1054.1 | 1293.4 | 1434.3 |
| Capital grants | 305.2 | 213.4 | 392.6 | 517.1 | 515.3 | 403.5 | 407.4 |
| FDI (net) | 193.5 | 145.5 | 107.6 | 110.5 | 107.2 | 140.2 | 126.2 |
| Portfolio investments (net) | 567.7 | 99.2 | 124.3 | 98.4 | 175.4 | 377.8 | 340.5 |
| Short-term debt disbursements | 36.8 | -177.2 | -224.9 | -170.3 | -33.0 | -13.2 | -6.6 |
| Long term debt disbursements | 176.7 | 576.2 | 167.1 | 357.5 | 613.8 | 543.6 | 745.3 |
| IMF credit (net) incl prospective financing | -8.3 | 41.9 | 175.1 | 31.5 | 62.8 | 68.6 | 73.9 |
| Errors and Omissions | -6.1 | -7.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in reserves (- = increase) | -545.6 | -188.2 | -250.0 | -176.5 | -261.9 | -90.0 | -104.6 |

Source: Burkinabe authorities; World Bank and IMF staff estimates and projections. All figures are in US\$ million.

14. **Public debt increased to 46.5 percent of GDP in 2020 with a further compositional shift towards more expensive domestic borrowing.** The rise in public debt is mainly due to the Covid-19-induced increase in the primary deficit (by 2.3 percentage points) and the slow-down in GDP growth. Almost the entire rise in the debt stock stems from debt issuances in the regional market, where the Government benefited from the BCEAO's accommodative policy and favorable liquidity conditions. The issuance of debt in the regional market has led interest payments to rise, and the Government is committed to extend the maturity of domestic debt instruments to reduce rollover risks in line with its medium-term debt management strategy.¹¹ This strategy prioritizes external concessional borrowing (Table 2.4), the largest part of which is provided by the World Bank. The country has also benefited from savings under the G20 Debt Service Suspension Initiative (DSSI).

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

15. **The economy is expected to rebound in 2021 with growth projected at 6.7 percent—before falling back to its medium-term potential of around 5.3 percent (2.4 percent per capita).** Due to lower output growth in agriculture on account of below-average rainfall, the primary sector is expected to grow only by 2.7 percent in 2021. While it may recover in subsequent years to around 5 percent, the sheep and goat plague puts some limits to the productivity of livestock. Following the opening of a new gold mine in late 2020, the secondary sector is expected to grow by about 10 percent in 2021 and by around 6 percent thereafter. Finally, following the downturn last year, the tertiary sector is expected to expand by almost 6 percent helped by a recovery in retail, hotels, restaurants, financial and public services.

¹⁰ That year included, however, a windfall non-tax revenue from the sale of telecom licenses of about 1.5 percent of GDP.

¹¹ On September 1, Burkina Faso issued 7-year T-bonds equivalent to US\$45 million on the WAEMU regional market. Compared to earlier issuance in 2021, this bond issuance shows a lower average yield in combination with a longer maturity. The average yield of the issuance was 5.69 percent, 46 basis points lower than that seen on the 5-year T-bonds issued in February 2021.



16. **Over the medium-term, growth is expected to be led by private consumption in an economy where the population holds little wealth to save.** Over 90 percent of the population is earning less than US\$5.50 per day (in 2011 PPP) and their marginal propensity to consume is high.¹² This translates into a private-consumption-led growth pattern that has even been strengthened through the pandemic, which had a disproportionately strong negative impact on the poor. Public sector consumption growth will remain somewhat elevated in 2021 due to the Government’s multi-year ERP and larger bank credit to the government. Thereafter public sector consumption growth is projected to decline as the government is committed to implement fiscal reforms to contain current spending and increase capital expenditure. Private investment and exports from the extractives sector are expected to be additional drivers of growth. CPI inflation is projected to stabilize at around 2.5 percent in the medium term.

17. **The current account deficit (CAD) is expected to gradually widen again as import demand rises on account of higher investment spending in mining and priority sectors such as health.** With cotton exports stagnating and gold exports rising more slowly going forward, the goods trade surplus is expected to gradually diminish from 5.8 percent in 2020 to less than 1 percent from 2023 onwards. At the same time the services trade deficit is projected to remain above 4 percent of GDP, mainly on account of electricity imports, transport and logistics services. With official transfers decreasing in a post-Covid-19 world and profit expatriation remaining high, anticipated developments in the primary and secondary income would further increase the CAD. Foreign Direct Investment (FDI) coverage of the CAD is projected to shrink to around 10 percent, with project grants and government borrowing covering the balance of external financing needs.

18. **With the Economic Recovery Plan (ERP) being implemented to fight the impact of Covid-19 amid persistent security and social challenges, the fiscal deficit is projected to decline only slightly in 2021.** The ERP comes with a cost of about 4.5 percent of 2020 GDP and is implemented over a 3-year period, with 44 percent engaged in 2020. An additional 30 percent is committed in the 2021 budget in the form of temporary tax exemptions and additional expenditure to support households and firms. While measures supported through this DPF series have been helping to unlock new revenue sources and contain current spending, rising security and social challenges are putting additional pressure on the budget. Compared to 2019, public expenditure as a share of GDP is projected to remain 1.2 percentage points higher but its composition has improved. The higher level of spending is mainly driven by externally financed investment expenditure, while spending on wages, subsidies and other current transfers has declined in relative terms.

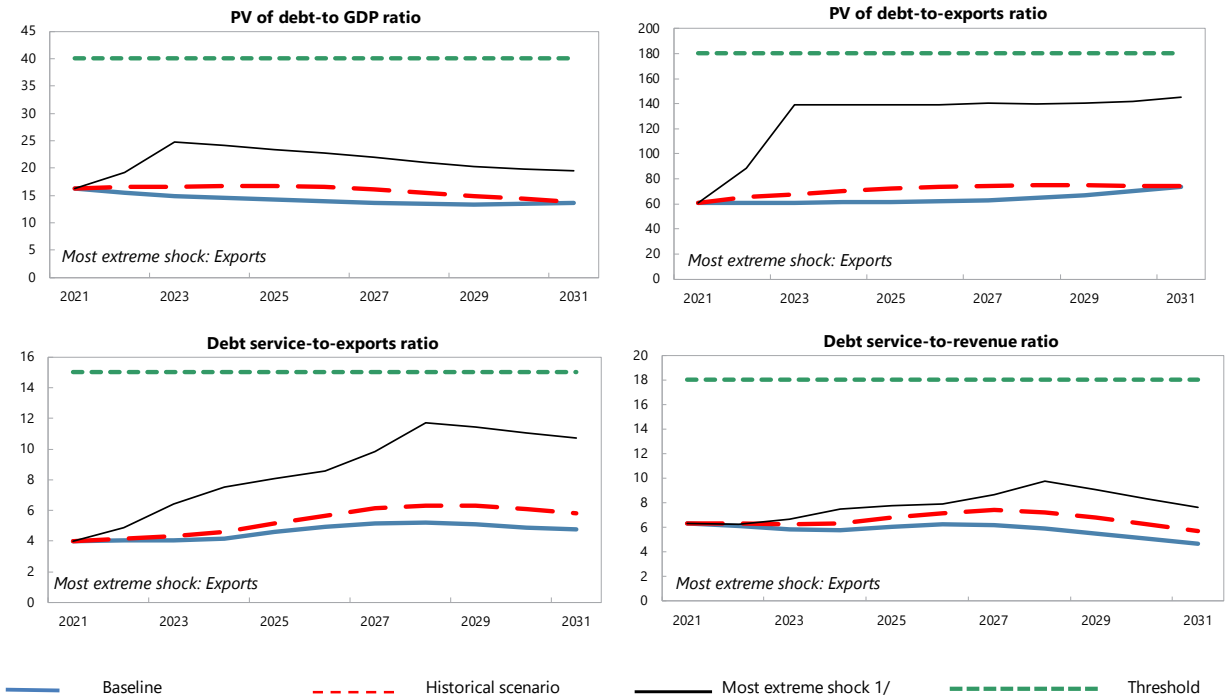
19. **Over the medium term, the Government is committed to reach the WAEMU fiscal deficit target of 3 percent of GDP that was suspended in 2020.** Already before the onset of Covid-19, the WAEMU Heads of States (in coordination with the IMF) temporarily relaxed the regional deficit convergence criterion for several Sahel countries, including Burkina Faso, to accommodate additional outlays related to the security and humanitarian crises. With a prolonged global pandemic, such deviations from target will last longer as grants reduce and expenditures remain elevated to address Covid-19 impacts and support a post-shock economic recovery. To mitigate the anticipated decline in grants, the Government is taking several steps to strengthen revenue: (i) partially phasing out Covid-19 related fiscal relief and incentives granted in 2020; (ii) mandating online payment by medium-size enterprises starting in 2021;

¹² For empirical evidence on the relationship between the marginal propensity to consume and poverty, see for example Carroll et al. (2017). “The distribution of wealth and the marginal propensity to consume.” *Quantitative Economics* 8(3).

and (iii) introducing new tax base enhancement measures (the latter two supported by DPF3 through Prior Action #1). As the recovery strengthens, the Government is committed to reduce current spending by over two percentage points of GDP by 2024, particularly through containing growth of the wage bill and current transfers—both supported by DPF3 through Prior Actions #2, #5 and #6.

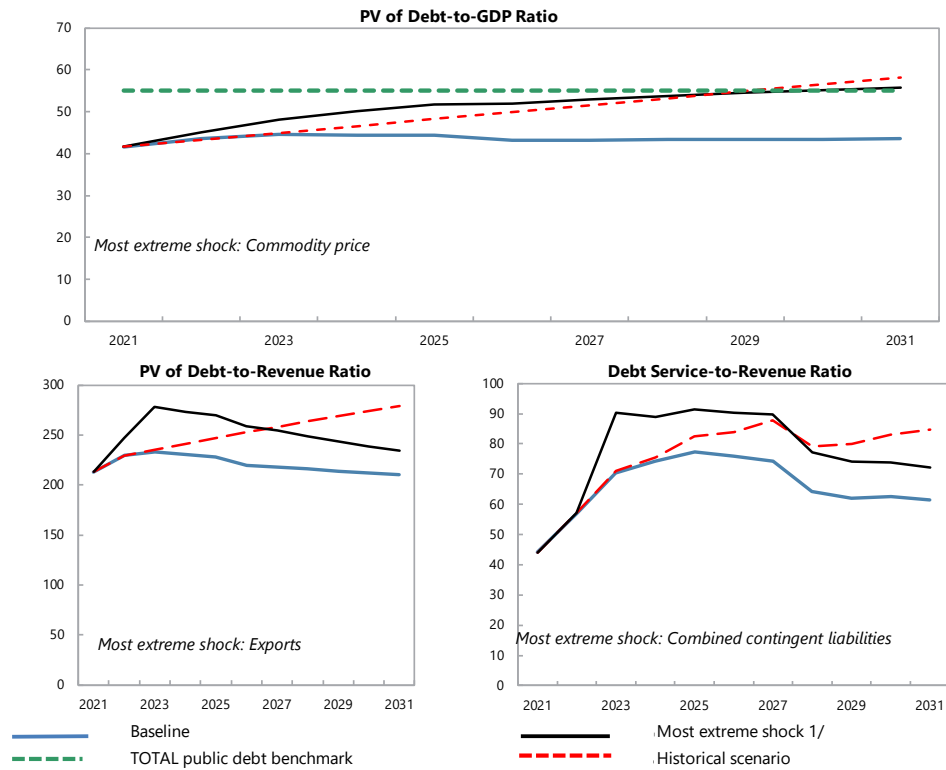
20. **In the DSA prepared for this DPF, Burkina Faso remains at moderate risk of external (and overall) public debt distress.** The current debt-carrying capacity is consistent with a classification of medium, unchanged from the previous published DSA of October 2020. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario and the most extreme stress test (Figure 2.1). While the mechanical results point to a low risk of external debt distress, judgment was applied, considering high domestic debt vulnerabilities and uncertainties surrounding the macroeconomic outlook. The risk of external debt distress is therefore assessed to be moderate. Overall public debt breaches the relevant benchmark under the most extreme scenario (Figure 2.2). The risk of overall public debt distress in Burkina Faso therefore remains moderate, with substantial space to absorb shocks on external debt.

FIGURE 2.1. INDICATORS OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT UNDER ALTERNATIVE SCENARIOS, 2021-2031



Source: DSA (May 2021).
 Note: 1/ The most extreme stress test is the test that yields the highest ratio in or before 2031.

FIGURE 2.2. INDICATORS OF PUBLIC DEBT UNDER ALTERNATIVE SCENARIOS, 2021-2031



Source: DSA (May 2021).

Note: 1/ The most extreme stress test is the test that yields the highest ratio on or before 2031.

21. **The macroeconomic outlook is subject to downside risks associated with the ongoing Covid-19 pandemic crisis and commodity prices fluctuations.** The country's participation in the COVAX initiative will help mitigate the Covid-19-related risk of another economic slowdown. Against the backdrop of relatively low Covid-19-related new cases, hospitalization and death, a first vaccination campaign has started in June 2021 with access to vaccines produced by Astra-Zeneca (115,000 doses) and Johnson & Johnson (151,200 doses). Another risk lies in the terms of trade, which have been very favorable during the international peak of the pandemic but have already started to shift back towards pre-Covid-19 levels. If this trend continued, it would make Burkina Faso's imports of oil products more expensive and exports of gold less profitable. Measures to sustain high gold production and diversify exports, particularly through manufacturing and other commodities such as shea, cowpea, and horticulture (onion, tomato, and mango), could help mitigate risks associated with volatility in international gold prices and further investments in solar energy such as through the World Bank's Solar Energy and Access Project (P166785) could lower the dependence on fuel imports.

22. **Additional risk factors weigh on the macroeconomic outlook.** Three other downside risks to the outlook should be considered. First, the security crisis could destabilize an already fragile situation and affect mining activities while threatening vital gold exports. While the security risk is somewhat mitigated by the geographic insularity of gold mining locations, insecurity could also disrupt labor supply in the agricultural sector (e.g., in cotton) and affect agricultural output, which could potentially aggravate food

insecurity in several parts of the country.¹³ Second, given the high dependence on (subsistence) agriculture and its low level of resilience to natural hazards, the country is highly exposed to climate shocks and natural disasters, including droughts, floods, and locust invasions. These shocks could significantly impact agricultural output and its contribution to growth. Climate-related risks are mitigated also through measures supported by this DPF (see Box 2 in Section 4.3). Third, in a context of crises and social tensions, curbing the growth of salaries and benefits in the public sector could be more difficult than anticipated. The risk of fiscal derailment is mitigated by the Government’s commitment to reform, its track-record of fiscal adjustment and consolidation, as well as through close monitoring and support by the IMF and the World Bank.

23. In a plausible scenario of a materialization of multiple downside risks, the recovery would be prolonged and fiscal consolidation postponed (Table 2.5). A downside scenario was calibrated to quantify the above-mentioned risks. The scenario assumes a prolonged Covid-19 outbreak well into 2022 amidst a very slow national vaccination rollout. It also factors in an extension of the security incidents across the territory and their negative impact on mining (gold production) and agriculture outputs (via labor supply). Finally, the scenario assumes less favorable climate conditions (cyclically low rainfall, heat waves, and periodic locust invasions) that would negatively affect agricultural output levels. In this pessimistic scenario, GDP growth is lower already in 2021 and does not recover to the pre-Covid-19 path within the forecast horizon. The most severe impacts are transmitted through negative shocks to demand (mainly private investment and consumption), a less resilient and more cyclical agricultural production, and a much slower recovery in the service sector. In this scenario, the government continues to increase security spending and continues to use fiscal stimulus to support firms and households. With this, the objective of reaching the WAEMU 3 percent of GDP deficit target by would not be attained by 2024. As a result, public debt would keep rising above 50 percent of GDP, but it would remain within manageable levels over the forecasting horizon.

TABLE 2.5: MACROECONOMIC OUTLOOK SCENARIOS

| | 2018 | 2019 | 2020e | | 2021p | | 2022p | | 2023p | | 2024p | |
|--------------------------|----------------|------|-----------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Recent history | | Pre-Covid | Post-Covid[1] | Base-line | Down-side | Base-line | Down-side | Base-line | Down-side | Base-line | Down-side |
| <i>Percentage change</i> | | | | | | | | | | | | |
| Real GDP growth | 6.7 | 5.7 | 6.0 | 1.9 | 6.7 | 4.8 | 5.6 | 4.5 | 5.3 | 4.7 | 5.3 | 4.9 |
| Inflation | 2.0 | -3.2 | 2.0 | 1.9 | 3.0 | 3.5 | 2.6 | 4.1 | 2.5 | 3.9 | 2.5 | 3.6 |
| <i>In percent of GDP</i> | | | | | | | | | | | | |
| CAD | -4.1 | -3.3 | -4.0 | -0.1 | -2.5 | -3.2 | -4.1 | -4.7 | -4.7 | -5.2 | -4.9 | -5.1 |
| Fiscal deficit | -4.3 | -3.2 | -3.2 | -5.7 | -5.5 | -5.9 | -4.8 | -5.8 | -4.0 | -5.5 | -3.0 | -5.2 |
| Public debt | 38.0 | 42.0 | 43.1 | 46.5 | 47.4 | 48.1 | 48.2 | 50.3 | 48.9 | 51.8 | 48.4 | 53.4 |

Source: Downside projections based on World Bank staff estimates. Note: “e” is estimated, “p” is projected. Note. [1] Baseline in 2020.

¹³ Beside the security dimension, climate and environmental risks can also impact food security. Along the Southern edge of the Sahelian band, Burkina Faso has the arid to semi-arid climate typical of the region. The rainfall is low overall, irregular, and poorly distributed; and it is experiencing a downward trend. Agriculture faces difficult conditions, worsened by climate change and increasing human pressure.

24. **The macroeconomic policy framework is adequate for the proposed operation.** Potential growth remains solid, underpinned by strong private consumption and private investment in the gold and cotton sectors. Supported by World Bank DPFs and IMF programs, the Government established a track record of fiscal adjustment prior to the Covid-19 pandemic. Public debt as assessed in the latest Debt Sustainability Analysis (DSA) is sustainable, and the risk of overall and external debt distress is moderate. Further, the country is participating in the G20 DSSI—and benefitting from DSSI extension—and has successfully completed policy and performance actions under the first cycle of IDA’s SDFP.¹⁴ Following the Covid-19 shock, the 2021-25 medium-term budgetary framework provides the main channels to regain the WAEMU 3 percent of GDP deficit target by 2024: (i) improved domestic revenue mobilization; (ii) better control of the wage bill; and (iii) containment of growth in current transfers, including through efficiency gains. This DPF supports the first channel through a major tax policy reform to tap the informal sector, and a tax administration digitalization reform to reduce fraud, improve tax recovery, and strengthen control activities (Prior Action #1). It supports the second channel through a major public human resource cost management reform that will consolidate public service functions and jobs, allow for mobility of staff across occupations and administrative units and improve geographical redeployment (Prior Actions #2 and #5). Finally, DPF3 also supports the third channel through the establishment of a unique social registry, which will improve the efficiency of social spending (Prior Action #6). Close IMF-World Bank coordination in areas such as fiscal management, governance, social protection, and climate change is helping the Government to ensure policy continuity and the sustainability of structural reforms.

2.3. IMF RELATIONS

25. **Following a series of IMF programs in the past, negotiations are underway for a new financial arrangement with the IMF to support reforms under the Government’s new development plan.** Burkina Faso received a disbursement of SDR 36.12 million (30 percent of quota) following the satisfactory completion in November 2020 of the 4th and 5th reviews of its three-year Extended Credit Facility supported program. Together with the emergency assistance in April 2020 under the Rapid Credit Facility, the IMF’s disbursements stood at SDR 120.4 million (100 percent of quota) for 2020, and total outstanding credit stands at SDR 265.58 million (213.11 percent of quota) as of August 31, 2021. Negotiations are underway for a new financial arrangement to support the country’s new national development plan for 2021-2025. Burkina Faso has debt service of SDR 10.61 million falling due during October 16, 2021 to January 10, 2022, the maximum period covered by the 4th tranche of debt service relief under the Catastrophe Containment and Relief Trust (CCRT). The debt service falling due during the remaining period from January 11, 2022 to April 13, 2022 will be covered subsequently subject to resource availability. Resources freed by the first three tranches of IMF debt relief under the CCRT debt service relief, and other support from the IMF, are being used to help provide emergency health, social, and economic support to the economy to mitigate the impact of the pandemic on lives and livelihoods. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF. The SDRs have been temporarily on-lent to member countries, with Burkina Faso receiving the equivalent of 0.9 percent of its 2020 GDP.

¹⁴ This included the publication of two quarterly public debt bulletins and of the first comprehensive independent audit report on the use of Covid-19 funds in 2020. Following the completion of the first SDFP cycle, the Government has continued to publish quarterly debt bulletins on time, and by June 2021 it has already implemented 23 out of 28 recommendations of the audit report, with the remaining being monitored by the High Authority of State Control.

3. GOVERNMENT PROGRAM

26. **The Government’s development goals supported through this DPF series are included in the PNDES (2016-2021).** The PNDES has three strategic pillars: (i) reforming institutions and modernizing public administration, (ii) developing human capital, and (iii) dynamizing growth-driving and jobs-creating sectors. The plan aims to provide coherent, efficient, and sustainable health and social protection policies for the poor and vulnerable sectors of the economy, including for young people and women. It also focuses on developing high growth potential and job-creating sectors. Furthermore, it aims at maintaining macroeconomic stability while creating fiscal space for productive and social investment through increased domestic resource mobilization and improved public spending. The PNDES highlights climate change among the key drivers of vulnerability and includes the Government’s commitment on mitigation and adaptation action to transition to a green economy.

27. **The PNDES has been supplemented by a regional emergency plan to respond to humanitarian, development, and peacebuilding challenges.** In 2017, the Government launched the Emergency Program for the Sahel/Burkina Faso (PUS-BF) to address governance and essential services deficits and strengthen economic resilience in the *Sahel* and *Nord* regions. In June 2019, the Government further expanded the PUS-BF to become the *PUS élargi* that covers four additional regions impacted by insecurity. A Priority Action Plan was adopted by the Government in February 2020, prepared under the aegis of the Prevention and Peacebuilding Assessment (PPBA) conducted by the World Bank, the United Nations, the EU, and the African Development Bank (AfDB).

28. **The Government adopted an Emergency Response Plan (ERP) to contain the Covid-19 outbreak and mitigate the economic and poverty impact.** In April 2020, the ERP introduced a set of actions aimed at: (i) containing the spread of the virus and treating patients, (ii) helping vulnerable populations and Micro, Small and Medium Enterprises (MSMEs) mitigate the economic impact of the Covid-19 shock, and (iii) laying the ground for a strong recovery. Although closely aligned with the objectives of the PNDES, the ERP has its specificity due to the relative magnitude of the health response component, which includes containment and treatment of patients and suspected cases. More broadly, alongside the socioeconomic dimension, the ERP supports vulnerable households and individuals (e.g., cash transfer; utility bill suspension or support), MSMEs, and the informal sector (e.g., temporary tax incentives, suspension, or delay; special private sector funds) and vulnerable sectors (e.g., fiscal support to the hotel, commerce, transportation industries).

29. **In July 2021, the Government adopted a new national development framework called PNDES II for the period 2021-2025 (see Box 1).** The new framework builds on the PNDES and addresses conflict drivers to foster resilience. It was prepared with input from the existing sectoral groups, civil society, and the donor community and is aligned with the conflict analysis findings completed as part of the PPBA. In particular, the framework includes priorities for prevention, peacebuilding, and resilience to ensure a positive State presence across territories. Its adoption has been a crucial milestone for the President’s second term as it paves the way for developing the national prospective study “Burkina 2025” and “Vision 2060.” The Government is seeking financial support for PNDES II implementation, including through a donor conference in early December 2021 in Brussels.

Box 1: PNDES II (2021-2025)

The PNDES II for 2021-2025 succeeds the PNDES for 2016-2021. The PNDES II process was launched in 2019 with evaluating the implementation of the first three years of the PNDES, developing process guidelines, and establishing a drafting team. Institutional, sectoral, and regional consultations took place from July to August 2020. Subsequently, a preliminary diagnostic report was produced serving as the basis for a strategic guidance note elaborated in February 2021. The PNDES II internalizes the “Humanitarian, Development, Peace, and Resilience” nexus to take the current environment into account. Its overall objective is as follows: “Restore security and peace, strengthen the nation’s resilience, and structurally transform the Burkinabe economy for strong and sustainable growth.” The plan is articulated around 4 strategic pillars: (i) strengthening resilience, security, social cohesion, and peace;¹⁵ (ii) deepening institutional reforms and the modernization of public administration; (iii) consolidating sustainable human development and solidarity; and (iv) boosting sectors that are promising for the economy and jobs. The total financing is about US\$33.7 billion with two thirds to be financed by domestic resources.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

30. **The proposed operation is the third in a programmatic series of three single-tranche DPFs to support the Government’s long-term development goals as articulated in the PNDES I and II, and the Covid-19 ERP.**¹⁶ DPF3 is supporting the Government’s efforts to (i) strengthen fiscal management; (ii) improve natural resources management and livestock productivity; and (iii) enhance public service delivery and social spending efficiency. As in the new PNDES II, a particular focus is put on conflict-affected areas (tackling insecurity) and climate vulnerabilities (building resilience). Fiscal management is strengthened through tax policy and administration measures to enhance revenue mobilization, and a human resource cost management reform to contain the growth of the wage bill. Natural resource management is improved through state forest protection from land use change, and livestock productivity is raised through increased PPR vaccination. Service delivery and the efficiency of social spending is enhanced through a civil servant redeployment reform and the establishment of a social registry. The measures are in line with the building back better approach and will help improve adaptive capability and resilience vis-à-vis climate-related and other shocks. The reduction from ten Triggers to six Prior Actions is not associated with a weakened reform program as the areas not captured by the policy matrix of DPF3 are implemented, including through support from other WBG operations and development partners (see Annex 2). This includes the adoption of a new PPP law (see Annex 5), the formalization in the artisanal mining sector, and efficiency improvements in the health sector.

31. **DPF3 has been re-focused to tackle drivers of conflict—including those related to climate change—as identified in the PNDES II.** The PDO, prior actions and associated results indicators are well aligned with the Government’s own strategic objectives and the priorities of the PRA (see Box 3 in Section 4.3). For instance, the measures seeking (i) to improve natural resource management and to protect forests from land use change; (ii) to support small ruminant vaccination; (iii) to support the redeployment

¹⁵ This first pillar includes a climate change dimension, as additional pressures on natural resources are identified as a structural cause of conflict.

¹⁶ Particularly the third pillar of the ERP has a long-term focus aiming at building back better through a strong, resilient, and durable recovery.

of civil servants across the territory—with a focus on reducing the gap between Ouagadougou (the capital city) and the rest of the country; and (iv) to support the establishment of a national social registry, all contribute to addressing the country’s conflict drivers. The operation is also consistent with the Government’s plans to address climate vulnerabilities and to develop adaptation measures as stated in the Strategic Framework for Investment in Sustainable Land Management (SFI-SLM) and the National Adaptation Plan (NAP).

32. Lessons from the implementation of previous DPFs and from similar operations in low income and FCV countries informed the design of this DPF. The main lesson has been that in Burkina Faso, macroeconomic stability will not have a strong positive impact on poverty in the absence of broad-based, inclusive, and sustainable economic growth. Specific lessons include the need for: (i) strong and sustained commitment to and leadership for sensitive reforms such as social targeting; (ii) greater realism to better reflect what can be achieved in a context of limited institutional and human resource capacity; (iii) simple design to ensure effective and successful implementation; (iv) sustained follow-up of prior actions that can have cascading effects on the follow-up measure to achieve results; and (v) leverage parallel policy-based support through technical assistance (TA) and investment financing operations. In accordance with these lessons learnt, the proposed DPF tackles major bottlenecks in the social sectors, the public sector, and the private sector. It also supports a concerted donor approach to reforms (see Section 4.4).

33. DPF3 incorporates also preliminary lessons from DPF1 and DPF2 of the ongoing series. An early lesson from the DPF series is that well targeted reforms, which meet the country’s needs, can be moved forward despite a challenging country environment. For instance, in the mining and environmental sectors, reforms were possible despite a challenging security environment. Likewise, despite a tense social context, in the area of wage bill reform, key steps such as the rationalization of motivation bonuses and extension of payment of the single tax on wages and salaries to bonuses and benefits were also achieved. A strong leadership and commitment were key. This lesson is incorporated in Prior Actions #2, #3, #5, and #6 that advance reforms that were originally outside the scope of the policy matrix of this DPF series.¹⁷

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

34. Under the proposed DPF the Government has completed all six prior actions within the three pillars of the DPF series. The two prior actions in Pillar 1 strengthen fiscal management through broadening the tax base and facilitating tax payment as well as containing the growth of the public wage bill. The two prior actions in Pillar 2 improve natural resource management and livestock productivity through securing state forests against land use change and increasing small ruminants’ resilience against climate and other shocks. The two prior actions in Pillar 3 enhance service delivery and social spending efficiency through fostering a positive State presence across territories to tackle conflict drivers and establishing a national adaptive safety net system capable of responding to shocks—mostly to those related to climate change. DPF3 has been adjusted to put a stronger focus on climate change, fragility, and social inclusion (including gender) compared to the original plan under the DPF series. For each policy

¹⁷ Another early lesson is that political factors and procedures may affect the implementation of some reforms despite the Government’s commitment. For instance, the implementation of the organic law related to the civil service was affected by the need for the revision of the Constitution, which could not be achieved before the November 2020 elections. Thus, this reform initially planned for DPO2 had to be moved to the post-election period. Moreover, DPF1 and DPF2 have shown that collaboration and synergy with other partners is key. For instance, the World Bank and IMF have worked closely together to support reforms on the wage bill, which allowed the achievement of key steps by the time of DPF2.



area, the following questions are answered: What is the key issue and why does it matter now? What measure was supported through this DPF towards resolving the issue? What results are expected and how will progress be tracked? What longer-term impact can this measure have, especially when enhanced with follow-up interventions?

Pillar 1: Strengthening Fiscal Management

Policy Area: Broadening the Tax Base and Facilitating Tax Payment

35. **Issue: Fiscal sustainability and the ability to adapt to shocks is threatened if weaknesses in tax revenue mobilization are not addressed.**¹⁸ Tax revenues—which account for 85 percent of domestic revenues—are underperforming. The tax-to-GDP ratio has hovered between 15 and 16 percent over the past three years, far below WAEMU’s 20 percent target and the Government’s own target set at the country’s structural fiscal potential of around 21 percent. One key issue is the narrow tax base. Despite accounting for over a quarter of GDP and employing 80 percent of the active population, the informal economy is seriously undertaxed and contributes only marginally to tax revenues. Tax policy tackling the sector has been non-existent for many activities and overly complex for others. For example, the tax for micro-enterprises was determined based on a plethora of criteria, including revenue (or turnover), location (region), class (of work), activity, occupation, and (whenever applicable) means of transport of associated businesses. Another key issue is inefficient tax filing and payment procedures—primarily due to an insufficient digitalization of related processes. This has raised both (i) taxpayers’ compliance and transaction costs while making it difficult to systematically track fraud and fast-track overdue payments; and (ii) the tax revenue authorities’ administration cost, diverting crucial resources and tax officers’ time, effort and focus away from (more important) control activities.

36. **Measures: Two reforms were introduced to contribute to the expansion of the tax base and reduce transaction costs for taxpayers, administrative costs for the tax revenue authority, and fraud.** The first tax reform provides a substantial simplification of the tax policy applicable for micro-enterprises (individuals) and other businesses of the informal sector. Going forward, the system will be simple (tax only determined by level of revenue/turnover), flexible (yearly choices between two options: a declarative system and a flat-rate system), and fair (no more discrimination in function of occupation, class of work, location). The reform is expected to reduce the tax revenue authority’s administrative cost and lead to a broadening of the tax base as it is part of a program of encouraging formalization that includes not only tax and regulatory simplification but also efforts to demonstrate to micro-enterprises that they benefit from paying taxes. The second tax reform mandates e-payment for all medium-size enterprises.¹⁹ This builds on reforms supported throughout this DPF series mandating e-filing for large and medium-size enterprises and e-payment for large-size enterprises.²⁰ Together, these tax reforms are expected to

¹⁸ In other words, strengthening fiscal revenue mobilization is key to restoring fiscal sustainability as well as to providing the fiscal space necessary for the Government’s ambitious public investment program.

¹⁹ Supported through this DPF series, mandatory e-filing and e-payment procedures are now extended to all businesses, except for small formal enterprises and informal businesses. An extension to these remaining groups is envisaged to be supported under future DPFs. Moreover, these digitization reforms are part of a broader engagement of the World Bank in support of digitalizing government services, an objective also supported through the Covid-19 Crisis-Response DPF (174315).

²⁰ As a pre-requisite, the Government simplified under the previous operations the system for registering taxpayers through the unique fiscal identifier (*Identifiant Fiscal Unique*, IFU) and launched a new electronic platform to allow online filing and payment of all taxes. These innovations were supported by the Economic Governance, GovTech and Citizen Participation Project (P15511).

facilitate tax payment, reduce transaction costs, and free up more time and resources for tax authorities, some of which will be devoted to fighting fraud and corruption.

37. **Results:** The reform measures will broaden the tax base through a larger inclusion of the informal economy and strengthened tax control activities. The first set of reforms is expected to help tax authorities better tap into the informal economy, which will be reflected in a rise of the number of businesses and individual taxpayers registered in the Government’s database. The second reform measure is expected to bring in an additional 100 billion CFAF in tax payments (1 percent of GDP) through electronic processes. Moreover, a significant reduction in tax administration costs is expected and the resources saved will be redirected away from costly non-digitalized tax administration processes and toward better enforcement and controls, positively impacting tax collection performance.

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| <p>Prior Action #1. To broaden the tax base, improve tax administration and reduce transaction costs, the Recipient has: (i) introduced a tax simplification reform for micro-enterprises, and (ii) made e-payment of all taxes for medium-size enterprises mandatory, through the adoption of Decree N°2020-0936/PRES dated November 24, 2020, ratifying the Budget Law N°035-2020/AN dated October 19, 2020.</p> | <p>Results Indicator #1: Number of business and individual taxpayers registered in the government’s taxpayer database</p> | <p>Baseline (2017) 95,515 Progress (March 2021): 154,088 Target (2022): 170,000</p> |
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38. **Impact:** Prior Action #1 brings additional benefits, beyond improving domestic revenue mobilization. First, the simplification of the taxation of the informal economy will increase revenue mobilization at local levels. Further, by shifting more financial resources to regions outside the capital (including, to fragile areas), this reform complements the redeployment of public human resources supported through Prior Action #5. Moreover, the expansion of e-procedures is set to promote more efficient tax administration procedures and processes, which will boost tax collection. Free from heavy administrative tasks (inputting and checking tax data), the tax revenue authority will be better able to focus on control activities and collection missions. Finally, this tax reform will contribute to improving the business climate through more transparent procedures and lower transaction and compliance costs for the private sector.

Policy Area: Containing the Growth of the Public Wage Bill

39. **Issue:** An outdated regulatory framework, which was less resistant to various pressures, led to a sharp rise in the public wage bill. About 20 decrees were used to govern specific and inter-ministerial jobs with several shortcomings such as: (i) excluding redeployment of civil servants from one ministry to another; (ii) establishing special status associated with salaries/allowances that create distortions across paygrades;²¹ and (iii) including several jobs which no longer met the public administration’s needs leading to wrong decisions in the recruitment of additional civil servants. As a result of these shortcomings highlighted in the Burkina Faso Wage Bill Management and Civil Service Reform Report, the regulatory framework was not able to contain the pressures stemming from rapid demographic growth, social

²¹ The situation was characterized by a disconnect between job and paygrade, which provided an opportunity for abuses when determining the newly recruited staff’s salary. This led to distortions that were costly. The reform ensures a match between job and paygrade to avoid such distortions.

tensions, a very difficult political transition, and increasing security and humanitarian challenges.²² Hence, the number of public employees rose from 93,000 in 2010 (1 staff per 168 inhabitants) to 173,000 in 2018 and continued to rise to 210,000 in 2020 (1 per 100). This recruitment drive, in combination with large increases in average salaries due to the repeated adoption of sector-specific agreements in a context of recurrent strikes, led the public sector wage bill as a share of tax revenues to rise from 30 percent in 2014 (then within the WAEMU convergence criterion of 35 percent) to 63.7 percent in 2020.

40. **Measure:** **The regulatory framework has been improved through the definition of core jobs, recruitment requirements, redeployment procedures among ministries, and a reduction of paygrade distortions.** Building on reforms initiated through Prior Action #4 of DPF2, the new measure supported by DPF3 includes: (i) an inventory of core civil service job needs, (ii) transparent recruitment requirements for those core jobs, (iii) clear procedures for personnel redeployment among ministries, and (iv) the reduction of distortions across paygrades. This reform is implemented through the adoption of decrees—for core jobs²³—which have been drafted in consultation with the labor unions over the past years.²⁴ One core job in the education sector was already codified in a decree adopted in March 2020. Its implementation has already contributed to reducing new recruitments in the Ministry of Education by 26 percent.²⁵ Overall, about 14,269 positions (7 percent of the existing positions and 3 percent of the wage bill) are no longer needed and no further recruitments will be made in these positions, which will have an impact on the wage bill already in the short-term. This first tangible result from the reform implemented in a complex sector characterized by powerful unions provides assurance for the implementation of the reform in other ministries. Lastly, this reform is subject to a continuous collaboration with the unions (involvement of sectorial unions in drafting the decrees, discussion with the national unions and communication campaigns). Thanks to this proactive approach, so far, no major concern was raised by the unions for such sensitive reforms.

41. **Results:** **Implementation progress is being measured through the annual nominal public sector wage bill growth rate.** The adoption of the decrees will allow the redeployment of staff between ministries. Thus, the measure will contribute to reducing the public wage bill growth rate from the angle of containing the number of civil servants. The Bank has been supporting this reform through the Public Sector Modernization Program for Results (PforR, P132216, closed in December 2020) as well as through ongoing TA financed by the Swedish Cooperation and functional reviews in four ministries (Education, Health, Civil Service, and Justice). The reform is complemented by additional interventions intended to bend the trajectory of the wage bill to a more sustainable path and improve the efficiency and effectiveness of wage spending.

²² The identification of 14,269 positions no longer needed is a tangible example of the impact of the outdated HR framework, which was indeed less resistant to political economy pressures.

²³ These include the following: (i) administration, economic and finances; (ii) communication, culture, and tourism; (iii) water, agriculture, and environment; (iv) education, training and employment; (v) administrative governance; (vi) infrastructure; (vii) mining and energy; (viii) human rights protections; (ix) health; and (x) cross cutting jobs.

²⁴ Each decree is supporting all parts of the Prior Action.

²⁵ The ministry in charge of education accounts for about half of the civil servants.

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| <p>Prior Action #2. To contain the growth of the public wage bill, the Recipient has: (i) rationalized core jobs in the public administration (from 20 to 10), (ii) introduced mobility of existing staff across occupation and administrative units, and (iii) established transparent recruitment requirements, through the adoption of Decrees N°2021-0285 to 0289/PRES/PM/MINEFID/MFPTPS dated April 22, 2021, Decree N°2021-0308/PRES/PM/MINEFID/MFPTPS dated April 27, 2021, Decree N°2021-0430/PRES/PM/MINEFID/MFPTPS dated May 19, 2021, Decree N°2021-0529/PRES/PM/MINEFID/MFPTPS dated June 9, 2021, and Decree N°2021-0696/PRES/PM/MINEFID/MFPTPS dated July 6, 2021.</p> | <p>Results Indicator #4: Annual nominal wage bill growth rate</p> | <p>Baseline (2017): 11.4%²⁶ Progress (2020): 6.3% Target (2022): 4.5%</p> |
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42. **Impact:** The reform will enhance fiscal sustainability as part of a longer-term reform program on the wage bill and human resource cost management. The related savings are estimated at 3 percent of the annual wage bill in the longer term. In addition to the positive impact on the wage bill’s trajectory, this reform entails several structural effects in civil service management. First, the mobility of civil servants from one job family to another, from one profession to another across ministries, will provide the opportunity for a better career path and an incentive to perform. Second, stability in the mapping of jobs is now based on a functional logic and no longer on institutional logic. Third, more flexible career management is facilitating cross-cutting reforms.

Pillar 2: Improving Natural Resource Management and Livestock Productivity

Policy Area: Securing State Forests Against Land Use Change

43. **Issue:** Burkina Faso’s State forests, which represent about 40 percent of the forested area, are subject to risk of deforestation and forest degradation from agriculture and mining. In 2014 (latest available data),²⁷ forests accounted for 32 percent of land area, divided between State-owned classified forest and protected areas (3.9 million hectares) and protected forests managed locally by villages and communes (4.7 million hectares). Between 1992 and 2014, 48 percent of forests changed designation, threatening the country’s largest carbon sink and the sustainability of a sector that represents 10 percent of GDP and provides about 95 percent of total energy consumption. In fact, the total forest carbon stock in living biomass declined by 22 percent between 1990 and 2015 and CO₂ emissions in the agriculture, forestry, and other land use (AFOLU) sector increased by 70 percent between 1995 and 2015.²⁸ The State forests are protected by decree, but the lack of clear delimitation and registration in the mining and land cadasters provides an opportunity for other actors to change the land use. The lack of clear boundaries also weakens law enforcement.

²⁶ The growth rate used as a baseline does not capture an exceptional year. For comparison, the simple average growth rate over 2015-2017 was 12.3 percent.

²⁷ Data in the forest sector are generally scarce. The World Bank is supporting the Government towards a data update, which should help inform future operations.

²⁸ This coincided with a population increase of 79 percent during the same period, from 10.1 million people in 1995 to 18.1 million in 2015.



44. **Measure:** This DPF supported the adoption of a critical legal act complemented by implementation actions both going well beyond what was originally planned for DPF3. Mining (large scale or artisanal, legal and illegal) is a major driver of deforestation and forest degradation. Building on Prior Action #6 of DPF2, the technical compatibility of forest and mining geographic information databases (cadaster) has been ensured. The adoption of an inter-ministerial arrêté that outlines the responsibilities of the ministries in charge of environment and mining in delimiting State forests and excluding them from the mining cadaster provides the key legal step (not anticipated during DPF2) towards securing State forests from land use change. The adoption of the inter-ministerial arrêté, which also establishes an inter-ministerial monitoring committee that will meet twice a year to oversee the process, is a critical legal step towards ensuring that the ministries in charge of environment and mining duly fulfill their mission in the context of excluding State forests and that other protected/conservation areas are excluded from mining activities. To enhance the measure beyond the arrêté, the Government has already excluded 16 State forests and protected/conservation areas from the mining cadaster, 8 times more than originally planned for DPF3. As a further enhancement (and not planned at the time of DPF2), the Government has already registered five State forests in the land cadaster to avoid their conversion into other land use.

45. **Results:** The initial objective of 3 million hectares of forests to be excluded from the mining cadaster by 2022 has been reduced due to security concerns. Some large areas of forests that were initially included in the target are in the East and Sahel regions, which face high-intensity conflict. This situation prevents the ministry in charge of environment from undertaking the necessary field missions to delimit the forests in these regions, which is the first step before excluding them from the mining cadaster. The target has been reduced to 825,000 hectares, which corresponds to a total of 40 State forests and protected/conservation areas to exclude from the mining cadaster by 2022. Complementary World Bank operations support land use planning to ensure that mining and development activities do not lead to an increased pressure on forests through deforestation, land use change, and forest degradation.²⁹ Securing the State forests has a strong impact on climate change—both on mitigation (reduction in emissions and improved carbon sequestration) and on adaptation (reducing the impact of climate variability and extreme weather events). A results indicator is added to translate the hectares of forest secured through the land cadaster into a climate change impact.³⁰ The methodology developed by the Decentralized Forest and Woodland Management Project (P143993) is used, among others, to measure the carbon impact of the land securing actions.³¹

²⁹ For example, the Sustainable Mineral Development Support Project (P167949), as well as projects from other partners, have supported the delimitation of several State forests, a critical first step in the process of excluding them from the mining cadaster. The institutional steps that follow to exclude these forests from the mining cadaster, as outlined in the inter-ministerial arrêté, are undertaken with the Government's own resources. Further support is provided through the Decentralized Forest and Woodland Management Project (P143993) to target behavioral change in order to promote a participative and community-based management of forested landscapes to reduce the incentive for the communities to encroach and convert the forests into other land use. These activities are executed directly by communes and in association with local actors.

³⁰ Results Indicator #6 is meant to measure the hectares of those forests excluded from the mining cadaster. This is the way to monitor the results associated with Prior Action #3ii, i.e., to measure the surfaces under protection from mining activities. Only Prior Action #3iii contributes to Results Indicator #7.

³¹ It is important to note that the new indicator measures the climate change impact of registering the 3 forests in the land cadaster (and not from excluding the other forests from the mining cadaster). The registration in the land cadaster is a stronger action as it avoids conversion to any other land use (beyond mining and including agriculture).

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| Prior Action #3. To reduce deforestation, the Recipient has: (i) established a data harmonization and sharing between the mining cadaster and the forestry cadaster through the adoption of Arrêté N°2021-337/MEEVCC/MEMC/MINEFID dated June 21, 2021, (ii) excluded 16 forests from the mining cadaster, and (iii) registered 5 classified forests in the land cadaster. | Results Indicator #6: Hectares of delimited classified forested areas excluded from the mining cadaster to avoid conversion to another land use | Baseline (2017): 206,000 Progress (June 2021): 302,751 Target (2022): 825,000 |
| | Results Indicator #7: Reduction of greenhouse gas emissions related to the registration of classified forests (tons of CO ₂ equivalent) | Baseline (2017): 0 Progress (2020): 0 Target (2022): 60,000 |

46. **Impact: Securing the forest has positive effects on the economy, the environment, and the reduction of conflict in the long term.** First, protecting about 30 percent of the territory for forests and woodlands would ensure the sustainability of firewood and non-timber forest product businesses, both an important source of income to the rural population. This firewood harvest provides about 15,000 lumberjack jobs; non-timber forest product collection and processing activities generate more than 500,000 jobs, of which about 390,000 are held by women. Second, forests provide numerous services to the neighboring communities, such as improved nutrition (fruits, bushmeat, herbs), natural medicines and fodder. Third, forests play an important role in reducing erosion and desertification—thus maintaining the arable soil and avoiding the sediments that damage infrastructure. Fourth, forests regulate the water cycle, reduce evaporation, and increase the soil moisture. Fifth, the impact on biodiversity is important through the shelter forests provide for wildlife, particularly for those placed on the elephant corridor. The provision of these services contributes to reducing competition over natural resources and poor land management, a key driver of conflict in Burkina Faso as recognized by the national strategy for the mitigation of conflict and violence and the eligibility note for access to IDA-19’s PRA. Finally, securing the forest areas through the mining and land cadaster contributes to clarifying tenure and will enable the Government to establish a dedicated transparent tax system for the benefit of local communities.³²

Policy Area: Improving Small Ruminants’ Resilience to Climate and Other Shocks

47. **Issue: A highly contagious animal disease, which kills up to 70 percent of animals infected, affects herders’ income, and increases their vulnerability to climate change and other shocks.** Small ruminants (i.e., sheep and goats) contribute a third of value added to the livestock subsector. They are also advantageous from a climate mitigation perspective.³³ However, the sub-sector is challenged by the sheep and goat plague (*Peste des Petits Ruminants*, PPR), also known as Ovine Rinderpest, which constitutes a health emergency due to its rapid spread. Once introduced through infected animals, the virus can infect up to 90 percent of an animal herd and kill up to 70 percent of infected animals. As a

³² This also contributes to improving the governance of natural resources at the local level, which is another key driver of conflict. While providing legal security to State forests against encroachment is a critical step to protect them, surveillance and enforcement are also needed. Burkina Faso receives some support from other partners to this end, but the Ministry in charge of environment needs further resources to ensure proper surveillance and enforcement of State forests.

³³ From a smart-climate investment standpoint, small ruminants are particularly advantageous for their short gestation periods, high prolificacy, rapid growth rate, high feed conversion efficiency, high diseases resistance capacity, easy marketability, and the chemical similarity of their manure to synthetic fertilizer.



result, it brings significant economic losses, devastates livelihoods, and is associated with food and nutrition insecurity. Importantly, this increases the vulnerability of a large part of the population as livestock serves as a safety net to cope with shocks, most of which are related to climate change (see Prior Action #6). Moreover, these problems disproportionately affect female herders as 60 percent of women in rural areas are involved in small ruminant breeding.³⁴ Vaccination has proven to be the most effective way to fight the disease. However, the 2020 PPR-vaccination campaign achieved only 19 percent of small ruminants vaccinated, falling short of the 24-percent target set in the national vaccination strategy. A key reason for this underperformance was the lack of a smart subsidy (as is common in other countries) that would facilitate access and affordability.³⁵

48. **Measure:** The Government has introduced a PPR vaccination subsidy mechanism and established the modalities for the organization of annual mass PPR vaccination campaigns. The PPR vaccination subsidy mechanism provides farmers swift access to affordable PPR vaccination services. The prior action supported under DPF3 brings private players into the vaccination campaigns (a key policy change), defines the parameters of such campaigns, and makes the campaigns sustainable over many years to continuously increase the vaccination rates and decrease the impact of a highly devastating disease. While the DPF is improving the legal framework for PPR vaccination, the actual vaccination campaigns are accompanied by other World Bank projects that also help manage any associated risks. Complementary measures include the update of the PPR vaccination campaign action plan with clear milestones and division of labor between all stakeholders involved, including central and deconcentrated veterinary services, the private sector and farmer organizations. These measures build on previous reforms supported through Prior Action #7 of DPF1 and Prior Action #8 of DPF2 to implement the 2020 operational vaccination plan and set the public health mandate for private veterinarians aiming at improving access to veterinary services while strengthening surveillance and response by veterinary services. To ensure sustainability, the modalities for the organization of annual mass PPR vaccination campaigns have been established through DPF3, covering the whole country, including conflict-affected areas.

49. **Results:** The results indicator measures progress towards the Government's goal of eradicating PPR. Given the underperformance of the 2020 PPR-vaccination campaign in the wake of Covid-19 and a tense security situation in some regions, a PPR vaccination of 30 percent appears achievable by 2022.³⁶ The World Bank is supporting the Government in the implementation of complementary measures through the Burkina Faso Livestock Sector Development Support Project (*Projet d'Appui au Développement du Secteur de l'Élevage*, PADEL-B) (P159476) and the Regional Sahel Pastoralism Support Project (P147674 and P173197). Among those critical measures are the planning of vaccination and mobilizing of farmers through communication campaigns, private sector involvement and a clear accountability mechanism of the involved stakeholders. Further supported is the harmonization of cross-border animal tagging systems to help identify vaccinated animals, which makes PPR campaigns more efficient and avoids duplication of vaccination efforts. Finally, monitoring and evaluation (M&E) is being

³⁴ FAO, OIE. 2015. *Contrôle et Éradication Mondiale de la Peste des Petits Ruminants : Investir dans les Systèmes Vétérinaires, la Sécurité Alimentaire et la Réduction de la Pauvreté*.

³⁵ The price differential between the cost to purchase the vaccination from the pharmaceutical distributor (CFAF 25) and the end-price a herder pays to receive it (CFAF 125) is large as a result of transaction costs including the cold chain for maintaining the vaccine and fees for private veterinarians.

³⁶ PPR herd immunity is estimated globally at about 80 percent vaccination rate.

improved to track implementation progress with a break-down for female herders. Special focus will be given to women to help them access Government vaccination services. Indeed, the target for female herders is higher to prioritize the vaccination of their herds to help benefit female herders more broadly.

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| <p>Prior Action #4. To strengthen the resilience of livestock, the Recipient has (i) included PPR vaccination teams and private health veterinarians in the framework of two vaccination campaigns for the livestock of the rural sector through the adoption of Arrêté N°2020-74/MRAH/MINEFID dated November 25, 2020; and (ii) established the modalities for the organization of annual mass PPR vaccination campaigns through the adoption of Arrêté N°2021-76/MRAH/MINEFID/MATD dated August 9, 2021.</p> | <p>Results Indicator #9: Number of small ruminant herd vaccinated against the sheep and goat plague (PPR)³⁷</p> | <p>Baseline (2017): 0.6 million Progress (2020): 4.3 million Target (2022): 7.6 million</p> |
| | <p>Results Indicator #10: Share of women-owned small ruminants vaccinated against PPR</p> | <p>Baseline (2019): 25% Progress (2020): 25% Target (2022): 35%</p> |

50. **Impact: Vaccinating small ruminants against PPR is transformational for the entire country and across borders.** The PPR vaccination campaigns have a positive impact on animals and people. Reducing mortalities and disease prevalence through vaccination and improved animal husbandry contributes to animal and herd productivity improvements. It is also a climate change adaptation strategy as it makes animals more resistant to climate stresses such as heat and droughts. In turn, this strengthens the resilience of households dependent on the livestock economy to climate-induced and other shocks.³⁸ Further, protecting sheep and goats from the disease will bridge the animal protein gap and increase food and nutrition security, thus directly alleviating poverty. Moreover, the reforms supported through the DPF series will strengthen the capacity of public and private veterinary services to play their role in animal protection more effectively. This will enable more timely intervention against zoonoses (i.e., an infectious disease that has jumped from a non-human animal to humans) through the One Health platform supported by the Covid-19 Crisis Response DPF (P174315). Eradication of PPR is transformational as it leads to direct jobs for farmers and actors involved in the cross-border trade of live animals as well as in the meat, hide and skin value chains. Together with the support provided through the Covid-19 Crisis-Response DPF to improve access to agricultural inputs for poor smallholders, animal vaccination will move the primary sector to a higher level of productivity and resilience against climate shocks.

Pillar 3: Enhancing Service Delivery and Social Spending Efficiency

Policy Area: Fostering a Positive State Presence Across Territories to Tackle Conflict Drivers

51. **Issue: A shortage of qualified civil servants to deliver public services outside the capital region has been aggravating grievances against the State and become a driver of conflict.** Although the violence was initially triggered by exogenous factors related to regional dynamics, current conflict risks are the result of both the rise in violent regional extremism and deep-rooted structural causes such as lack of

³⁷ The total number of small ruminants vaccinated increased from 0.6 million in 2017 to 4.3 million in 2020. This increase is higher than the share of vaccinated animals—3 percent in 2017 and 19 percent in 2020—would suggest as the total number of sheep and goat increased by about 6 percent per year. Assuming that this rate of herd growth remains constant, the target for 2022 is equivalent with a share of 30 percent vaccinated for a total population of 25.3 million of small ruminants.

³⁸ FAO, OIE. 2018. *Making History: Eradicating Peste des Petits Ruminants (Sheep and Goat Plague)*.

positive State presence. As of 2020, 48 percent of state civil servants were concentrated in the capital region with the other 12 regions having on average 4.3 percent of civil servants. Violence has been increasing mainly in border regions where service delivery is affected by weak civil servant presence. Due to the slow and varied pace of de-concentration, local governments have not received adequate levels of support from regional offices of ministries and deconcentrated departments have not consistently succeeded in bringing the public administration closer to local populations. Limited capacity of local institutions curtails their ability to prevent and respond to crises and ensure the social cohesion and resilience of the population.

52. **Measure: Transparent terms and conditions for the assignment of civil servants across territories have been established.** Building on reforms initiated through Prior Action #4 of DPF2, the measure supported through DPF3 includes clear procedures for personnel redeployment based on needs across territories. This reform was implemented through the adoption of a decree of the redeployment at the decentralized and de-concentrated level, which was drafted in consultation with the labor unions over the past years. The World Bank has supported this process through the Public Sector Modernization PforR (closed in December 2020) as well as through ongoing TA financed by the Swedish cooperation and through functional reviews in four ministries (Education, Health, Civil Service, and Justice). In addition, the Emergency Local Development and Resilient Project (P175382) includes a component to rehabilitate the infrastructure for an enabling environment for civil servant redeployment.

53. **Results: Implementation progress will be measured through (i) civil servant presence outside the capital region, and (ii) Workload Indicators of Staffing Need (WISN).** The newly adopted decree will help deploy staff based on transparent criteria. The spatial redeployment of civil servants will promote a positive State presence across the territory which is identified as a top priority in the World Bank’s FCV strategy, the Prevention and Resilience (PRA) Eligibility Note, and the Government’s Sahel Strategy. It will reinforce the capacity of local institutions (municipalities and deconcentrated directorates of line ministries) and improve their ability to prevent and respond to crises and ensure the social cohesion and resilience of the population. A new results indicator measures progress of redeployment from the capital region (Centre) to other regions. WISN minimum standards provide a complementary indicator to measure recruitment aligned with the jobs needs with a focus on rural primary health care facilities to capture reforms supported through the DPF series in the health sector.

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| Prior Action #5. To improve state presence and tackle conflict drivers, the Recipient has established transparent terms and conditions for the assignment of civil servants across the Recipient’s territory, through the adoption of Decree N°2021-1012/PRES/PM/MINEFID/MFPTPS dated October 18, 2021. | Results Indicator #11: Share of civil servants outside the capital region (Centre) ³⁹ | Baseline (2020): 52% Target (2022): 57% |
| | Results Indicator #12: Proportion of rural primary health care facilities that meet minimum Workload Indicators of Staffing Need (WISN) standards | Baseline (2017): 21% Progress (2020): 27% Target (2022): 30% |

³⁹ This indicator is introduced in DPF3 to align the DPF series with the IDA PRA. Choosing an earlier baseline year than 2020 could suggest that this indicator would have been part of the DPF series prior to DPF3, which is not the case.



54. **Impact:** The reform will mitigate drivers of conflict through improved service delivery and impact job creation at the local level. The redeployment of human resources in line with the findings of the geographical census and based on job requirements at the municipalities and deconcentrated directorates of line ministries will positively impact the service delivery and the decentralization process (further enhanced through increased locally available financial resources supported through Prior Action #1). It will help build resilience in unstable, under pressure, and prevention areas, thus mitigating the risk of conflict contagion to additional areas and rebuilding public trust in key government institutions. The modus operandi of the redeployment is included in the country's Prevention and Conflict Management Strategy adopted as part of the PRA process. The strategy suggests an adapted approach for positive State presence depending on the conflict intensity.

Policy Area: Establishing a National Adaptive Safety Net System Capable of Responding to Covariate Shocks

55. **Issue:** Climate change is one of the biggest covariate shocks households are facing, but social assistance spending is ineffective in protecting the poor and women during such and other shocks. 4 out of 10 Burkinabé were affected by climate-related shocks at least once in the previous 3 years. The poorest and most vulnerable are most likely to be affected by climate-related shocks,⁴⁰ in large part due to their dependence on agricultural revenues, which are becoming increasingly vulnerable to unforeseen weather patterns and extreme weather events. As a result of low coverage of poverty-targeted social safety nets, and of the safety net system's inability to scale up in the face of an increasing number of climate-induced and other covariate shocks, large parts of the population are forced to revert to negative coping strategies. The most common coping strategies include selling productive assets (e.g., livestock) and reducing food consumption. Furthermore, important gender gaps in Burkina Faso limit coping mechanisms available to women—notably in revenue from agricultural and livestock production,⁴¹ profit from household enterprises,⁴² salary from wage employment,⁴³ and higher rates of informality among women than among men, which are in part due to unequal access to assets, lack of decision-making power, and lower levels of education. As a result, women and female-headed households are particularly vulnerable to the various overlapping shocks households in Burkina Faso face, thereby reinforcing existing disparities between men and women. Access to improved coping mechanisms given the disproportionate vulnerability of women to climate and other shocks therefore represents the gender gap the measure intends to tackle.⁴⁴

56. **Resilience of the poor and women would be significantly stronger, if social assistance spending was not fragmented, insufficiently coordinated and regressive.** Around 20 government agencies and

⁴⁰ See for example World Bank. 2020. *Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030*. Policy Research Working Paper 9417. Available at <https://documents1.worldbank.org/curated/en/706751601388457990/pdf/Revised-Estimates-of-the-Impact-of-Climate-Change-on-Extreme-Poverty-by-2030.pdf>

⁴¹ The value of production in agriculture and livestock are 28 and 70 percent, respectively, lower for women compared to men.

⁴² The monthly profit for female-owned enterprises is 42 percent lower compared to male-owned ones.

⁴³ Women earn 49 percent less than men controlling for other factors.

⁴⁴ Based on (i) World Bank. Forthcoming. *Burkina Faso: Building Human Capital and Improving Access to Quality Jobs for Faster Poverty Reduction: A Poverty Assessment* and (ii) World Bank. 2018. *Jobs Diagnostic: Burkina Faso*. Studies furthermore show that climate change and climate-related shocks tend to negatively impact gender equality (see e.g., Eastin, Joshua. 2018. *Climate Change and Gender Equality in Developing States*. World Development, Volume 107; for Burkina Faso see Dickin, Sarah, Lisa Segestam, and Mariam Sou Dakouré. 2020. *Women's Vulnerability to Climate-related Risks to Household Water Security in Centre-East, Burkina Faso*. Climate and Development.)

international partners oversee more than 200 social protection programs, and governance and coordination mechanisms are limited. A critical bottleneck has been the lack of a social registry. While one fifth of the population nominally benefits from social safety nets, very few programs are pro-poor targeted, making overall social assistance spending regressive.⁴⁵ Cash transfer programs such as the World Bank-financed *Burkin Naong Saya* program show the best poverty-targeting with almost 80 percent of beneficiaries being in the bottom two quintiles and there is significant room for a scale up of this pro-poor program.

57. **Measure:** A unique social registry has been established as a critical building block to institutionalizing a national adaptive pro-poor safety net system. Through completion of Prior Action #6 of DPF3, the unique social registry has been formally established, its institutional arrangements and operational structure as well as its effective usage for social programs have been defined.⁴⁶ The measure builds on Prior Action #4 of the Covid-19 Crisis-Response DPF (CR-DPF) that supported two key reforms relevant for the implementation of a social registry. The data sharing protocols put in place through the CR-DPF are critical to allow various stakeholders to use a social registry and provide their data. Furthermore, alignment between the unique identifier and IDs distributed to the *personnes indigentes* (i.e., the bottom quintile of the population in terms of consumption) will ensure that all poorest individuals, disproportionately women and children, will be uniquely identified and therefore have unique entries in the social registry. This will avoid double-counting and make social assistance spending more efficient and targeted. The establishment of the social registry and its usage mechanism for social programs will create the basis for coordinated and better targeted social programs, including those aiming at increasing resilience of households to climate shocks.⁴⁷ Furthermore, by prioritizing the roll-out of the social registry to female-headed households, this vulnerable group will disproportionately benefit from the various social programs⁴⁸ that will be targeted through the social registry, thereby contributing to women's access to services and to a reduction in their vulnerability to shocks.

58. **Results:** Measuring the coverage of the social registry will ensure its use by government programs and development partners once it is established. As of June 2021, the management information system of the World Bank-financed Social Safety Nets Project contains data on about 100,000 households. The database of the National Council for Social Protection (CNPS) covers another 17,591 households. The medium-term objective for the social registry is to expand coverage to eventually include around 1.3 million poor households in one single database.⁴⁹ The target for 2022 is calibrated based on the mass identification of *personnes indigentes* and planned targeting in new program areas as well as horizontal extension in current program areas. Beyond building on data collected by users of the social

⁴⁵ About 45 percent of beneficiaries of social assistance interventions are in the top two richest quintiles and 17.4 percent in the richest (Q5). World Bank. 2021. *Burkina Faso Economic Update April 2021. Protecting the Poor during the Recovery and Beyond*.

⁴⁶ "Effective usage mechanisms" is related to social programs, i.e., how social programs can use the social registry effectively. It does not refer to self-reporting of information to apply for social benefits. Such self-reporting of information to apply for social benefits is not recommended in Burkina Faso as this process will exclude those who have not the right and timely information or who are not able to apply (due to accessibility, administrative barriers, financial need or any other constraint), which are usually the most vulnerable households.

⁴⁷ The Social Safety Net Project (P124015), which will support the deployment of the social registry technically and financially, will be one of the first users of the social registry.

⁴⁸ Beyond the World Bank-financed Social Safety Net Project (P124015) it remains to be defined which social programs will use the social registry. However, the interventions implemented by the Social Safety Net Project (e.g., cash transfers, accompanying measures, economic inclusion) have been shown to enhance resilience.

⁴⁹ Calculation based on the latest poverty assessment (forthcoming) assuming an average household size of 6.5.

registry, achieving an ambitious coverage target will require broad data collection exercises and efficient management and maintenance. The World Bank is supporting these efforts through its ongoing lending operations, including the Social Safety Net Project (P124015), as well as World-Bank-executed work funded through the Sahel Adaptive Social Protection Program (SASPP) MDTF (P173554).⁵⁰ Given the higher vulnerability of female-headed households in Burkina Faso to climate and other shocks and their limited access to coping mechanisms, (i.e. the gender gap identified above), a sex-disaggregated indicator is added to monitor inclusion of female-headed households in the social registry. This will thereby prioritize their access to social programs and services that will be available through the social registry, including cash transfers, economic inclusion measures and others to be defined. Such types of programs have been shown to enhance revenue, human capital, consumption, and food security.⁵¹ As a result, the measures will contribute to tackling some of the specific gender disparities highlighted above and enhance the overall resilience to climate and other shocks of female-headed households. Lastly, the prioritized inclusion of female-headed households in the social registry will enhance the initiative to collect sex-disaggregated data, which can further be employed to better design and implement interventions aimed at reducing gender gaps.

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| Prior Action #6. To increase the effectiveness of the social protection system, the Recipient has established the Unique Social Registry of households and people living in poverty and vulnerability along with its institutional arrangements, operational structure, and provisions for its effective usage for social programs, through the adoption of Decree N°2021-0354/PRES/PM/MATD/MINEFID/MFPTPS/MFSNFAH/ME NPTD dated September 30, 2021. | Results Indicator #14: Total number of households included in the social registry | Baseline (2017): 0 Progress (2020): 17,591 ⁵² Target (2022): 120,000 |
| | Results Indicator #15: Share of female-headed households included in the social registry | Baseline (2017): 14% ⁵³ Progress (2020): 14% Target (2022): 20% ⁵⁴ |

⁵⁰ To ensure an inclusive deployment of the social registry and to reduce existing gender gaps, the measure will benefit from its complementarities with the Social Safety Net Project (P124015), which provides cash transfers to women and which has earmarked funds to deploy the social registry. Furthermore, the deployment will be coordinated with the registration process for the West Africa Unique Identification for Regional Integration and Inclusion (WURI) Project (P1695949), which will provide a unique identifier to all persons physically in the Burkinabè territory, thereby effectively removing barriers to identification for all. The WURI registration strategy will furthermore prioritize remote areas thereby contributing to the inclusive nature of the deployment process.

⁵¹ See for example <https://blogs.worldbank.org/developmenttalk/pathways-out-extreme-poverty-cost-effectiveness-productive-inclusion-measures>

⁵² Since there was no social registry in place before 2021, the value for 2020 is a proxy and based on the number of households registered in the SP-CNPS database as the Government is planning to include them in the social registry.

⁵³ Since there was no social registry in place before 2021, the values for baseline and progress are proxies and based on the nation-wide share of households with a female household-head estimated at 14 percent in the 2018/19 Harmonized Survey on Living Conditions of Households (*Enquête Harmonisée sur les Conditions de Vie des Ménages*, EHCVM).

⁵⁴ The target is calibrated based on the share of female-headed households included in the management information system of the World-Bank-financed Social Safety Nets Project and should help prioritize the inclusion of female-headed households in the social registry, so they can benefit earlier and longer from social programs, which will contribute to closing the gender gap.

59. **Impact:** Institutionalizing a unified social registry will reduce fragmentation, strengthen coordination, increase efficiency in targeting poverty, and thus enhance climate-shock responsiveness. In combination with a unique identifier implemented through the World Bank-financed West Africa Unique Identification for Regional Integration and Inclusion (WURI) Program (169594), the social registry will improve coordination across sectors, agencies, and programs. It will also reduce program duplication, overlap and cost related to targeting, and bring more efficiency and efficacy to the use of both government and donor funds. It will further be a key instrument to strengthen the pro-poor targeting of social programs and to establish a social protection system that is responsive to covariate shocks. As such, the social registry will enable the Government and partners to quickly and efficiently provide or scale-up assistance to shock-affected households. Incentivizing the deployment of the social registry to female-headed households through the proposed results target stands to enhance their access to services aiming to close the existing gender gaps as do the activities to strengthen income generating activities carried out by the Social Safety Net Project. Ultimately, the social registry will become the centerpiece of a programmatic, coherent, coordinated, and integrated approach to social protection in Burkina Faso. This will enhance human capital and reduce drivers of conflict through improving the population’s resilience and access to services.

Table 4.1: DPF Prior Actions and Analytical Underpinnings

| Pillar 1: Strengthening Fiscal Management | |
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| Prior Action #1 | <ul style="list-style-type: none"> • <i>West Africa Tax Study (World Bank, 2019)</i>. The large agricultural and informal sector hampers revenue mobilization but also provides scope for expanding the tax base. Generalizing e-filing and e-payment of taxes is key to improving tax administration through reducing fraud and allowing tax authorities to devote more time to control and collection instead of entering and checking data. • <i>Case Studies in Tax Revenue Mobilization in Low-Income Countries (IMF, 2019)</i>. The complexity of tax codes and insufficient integration of the informal economy into the tax system are key factors behind low domestic revenue mobilization in Burkina Faso. Countries that pursue both revenue administration and tax policy reforms tend to see much larger and persistent gains. • <i>Burkina Faso Digital Development Diagnosis using the Digital Government Readiness Assessment (DGRA) Tool (World Bank, 2020)</i>. The deployment of already developed digital platforms (incl. for tax filing and payment) is an area of quick wins. |
| Prior Action #2 | <ul style="list-style-type: none"> • <i>Functional Review of Core Ministries: Education, Health, Civil Service, Justice (World Bank, forthcoming)</i>. These reviews provide a diagnosis to rationalize structures, jobs, and staff. • <i>Burkina Faso Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement (IMF, 2020)</i>. The authorities should secure trade unions’ and civil society’s support on key elements of comprehensive wage bill reform. • <i>Burkina Faso Wage Bill Management and Civil Service Reform (IMF, 2018)</i>. Implementing efficient redeployment to reduce new hiring, simplifying the compensation scheme, and increasing transparency on bonuses and benefits is essential to contain the wage bill. |
| Pillar 2: Improving Natural Resource Management and Livestock Productivity | |
| Prior Action #3 | <ul style="list-style-type: none"> • <i>Burkina Faso Country Forest Note (World Bank, 2021)</i>. Total forest carbon stock in living biomass declined by 22.2 percent between 1990 and 2015 and CO₂ emissions in the Agriculture, Forestry, and Other Land Use sector increased by 69.9 percent between 1995 and 2015. • <i>The Context of Reducing Emissions from Deforestation and Forest Degradation (REDD+) and</i> |

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| | <p><i>adaptation to climate change in Burkina Faso. (Center for International Forestry Research, 2016). Expansion of State forests has the second highest potential for CO₂ emission reduction, after control of bushfires.</i></p> <ul style="list-style-type: none"> • <i>Burkina Faso Climate Risk and Adaptation Country Profile (World Bank, 2011). The most vulnerable sectors to climate change in Burkina Faso are water, health, agriculture, pastoralism, and forestry.</i> |
| Prior Action #4 | <ul style="list-style-type: none"> • <i>Climate-Smart Agriculture Investment Plan for Burkina Faso (World Bank et al., 2020). Small ruminants are particularly advantageous for their short gestation periods, high prolificacy, rapid growth rate, high feed conversion efficiency, high diseases resistance capacity, easy marketability, and the chemical similarity of their manure to synthetic fertilizer.</i> • <i>Enabling Business for Agriculture (World Bank, 2019). Beyond animal nutrition, animal diseases are estimated to reduce livestock production by 20 percent globally and cost farmers around US\$300 billion each year. Regulation of animal feed and veterinary medicinal products plays an important role in ensuring safe, high-quality inputs for livestock production.</i> • <i>Burkina Faso Rural Income Diagnostic (World Bank, 2019). In 2016, the estimated loss from PPR outbreaks amounted to approximately 375 billion CFAF.</i> • <i>Making History: Eradicating Peste des Petits Ruminants (Sheep and Goat Plague) (FAO, OIE, 2018). Discovered in Côte d'Ivoire in 1942, the disease has spread at an alarming rate, threatening the very existence of over 80 percent of the world's sheep and goat population in more than 70 countries throughout Africa, Asia, Europe, and the Middle East.</i> |
| Pillar 3: Enhancing Service Delivery and Social Spending Efficiency | |
| Prior Action #5 | <ul style="list-style-type: none"> • <i>Functional Review of Core Ministries: Education, Health, Civil Service, Justice (World Bank, forthcoming). These reviews also provide a diagnostic to optimize staff through redeployment.</i> • <i>Eligibility Note for Access to the PRA for Burkina Faso (World Bank, 2020). Challenges in service delivery and local governance, as well as weak accountability, limit the State's ability to maintain a positive presence across the territory, thus aggravating grievances against institutions.</i> • <i>Workload Indicators of Staffing Needs (WISN) (WHO, 2015). The WISN method is a human resource management tool to make more informed staffing decisions. It suggests a clear and transparent approach for staff redeployment in the health sector.</i> |
| Prior Action #6 | <ul style="list-style-type: none"> • <i>Burkina Faso 2021 April Economic Update: Protecting the Poor During the Recovery and Beyond (World Bank, 2021). The Covid-19 impact on households could have been better attenuated with a strong and adaptive social assistance system in place. A social registry is necessary to target the poor swiftly and efficiently, to strengthen coordination, and to avoid the overlap of benefits and services and the duplicative use of scarce public resources.</i> • <i>Burkina Faso Poverty Assessment: Building Human Capital and Improving Access to Quality Jobs for Faster Poverty Reduction (World Bank, forthcoming). Given important gender gaps in Burkina Faso, notably in revenue from agricultural and livestock production, profit from household enterprises, and salary from wage employment among others, women remain particularly vulnerable to shocks.</i> • <i>Adaptive Social Protection: Building Resilience to Shocks (World Bank, 2020). Adaptive social protection helps to build the resilience of poor and vulnerable households to the impacts of large, covariate shocks, such as natural disasters, economic crises, pandemics, conflict, and forced displacement.</i> • <i>The Way Forward for Social Safety Nets in Burkina Faso (World Bank, 2019). While overall social protection spending is enough to eliminate extreme poverty, poor targeting means that only a small fraction of the population benefits from safety nets.</i> |

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

60. **The proposed operation is well aligned with Burkina Faso’s CPF for FY18-FY23.** The CPF draws on the WBG March 2017 Systematic Country Diagnostic (SCD) for Burkina Faso and on feedback from in-country consultations with stakeholders. The CPF aims to support the PNDES goals in areas that are consistent with the WBG’s comparative advantage and three priorities identified in the 2017 SCD. 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 the protection of state forests, the vaccination of sheep and goat, which help the rural population to adapt to climate change, and the climate-responsiveness of social safety nets, the proposed operation will strongly contribute to the IDA Policy Commitment to “increase the use of development policy operations (DPOs) that support climate co-benefits.” (see Box 2)

Box 2: Tackling Climate Vulnerabilities

Burkina Faso is highly vulnerable to negative impacts from climate change. Declining rainfall and increasing temperatures are now a trend since the 1970s, affecting agriculture and natural resources (water and forest) substantially. High temperatures and reduced rainfall catalyze desertification, ecosystem deterioration, and concomitant losses of arable land. Higher temperatures and intense rainfall instigate outbreaks of crop and livestock pests and diseases negatively impacting smallholder incomes. Climate change has already decreased yields and increased the demand for water resources. Climate shocks and the lack of sustainability of land use threatens the food security of the country. With variability in rainfall and temperature, water resources are affected. Increased temperature and reduced rainfall mean wells and other water sources dry up. At the local level, climate change impacts are demonstrated by extreme and unpredictable events—including prolonged droughts, violent floods, deadly heatwaves, and erratic beginnings and ends to the rainy seasons. At the regional scale, distinct patterns become apparent in each agro-ecological region. Desertification has already claimed extensive areas, and land degradation affects nearly 34 percent (over 9 million hectares) of land. All these effects induced by the changing climate affect the poor disproportionately stronger in the absence of a climate-shock responsive social safety net system.

Consistent with the WBG commitment from December 2020 to increase the Climate Co-Benefits target from 28 to 35 percent of its financing, DPF3 steps up the effort and tackles specific climate vulnerabilities through three prior actions in the following areas: (i) protecting forested areas from land use change, in particular from encroachment through mining; (ii) vaccinating livestock to support herder climate-resilience; and (iii) improving the climate-shock responsiveness of the social safety net system.

61. **The proposed operation is an important complement to other IDA investment financing projects.** The DPF complements 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 TA.⁵⁵ The DPF series more broadly complements the active portfolio of WBG operations in Burkina Faso. Reforms under Pillar 1 are linked to activities supported by the Economic Governance and Citizen

⁵⁵ The project is an Investment Project Financing (IPF) with four 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.

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 pillars 1 and 3.

62. Complementary implementation support is also provided for Pillars 2 and 3. 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) 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) supports 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) is also supporting sustainable growth. Likewise, the Health Services Reinforcement Project (P164696) and the Emergency Covid-19 Preparedness and Response Project (P173858) are linked to Pillar 3, as they aim at increasing the quality and utilization of health services.

63. DPF3 aligns the DPF series more closely with the PRA eligibility note approved by the Board in December 2020 (see Box 3). Two out of four conflict factors listed in the PRA note are directly tackled through this DPF, and the PRA also informed the consolidation of the program from 10 triggers to 6 prior actions to produce a more focused operation in an evolving FCV context. The limited resilience of institutions and populations in unstable, under-pressure and prevention areas is mitigated through both interventions supported in Pillar 3. The civil servant redeployment reform and the establishment of a social registry will both contribute to building resilience through improved service delivery in unstable, under-pressure and prevention areas. These two measures will also alleviate a second conflict driver, i.e., the weak capacity of the State and local authorities to build resilience and social cohesion through local governance and the provision of basis services.

Box 3: Supporting Prevention and Resilience

On December 15, 2020, Burkina Faso became the first country to gain eligibility to the IDA19 Prevention and Resilience Allocation (PRA). As part of the IDA19 FCV envelope, the PRA was established to help governments take proactive measures to mitigate escalating conflict risks by topping up a country's Performance-Based Allocation (PBA) by 75 percent, with a US\$700 million cap, which was reached in the case of Burkina Faso. To become eligible for this funding, countries must meet quantitative conflict risk indicators, develop a government strategy to reduce conflict risk, and recalibrate their World Bank portfolio to focus on conflict risk mitigation. The strategy developed by the Government of Burkina Faso (GoBF) outlines four objectives, which include: (i) enhancing confidence in the ability of the state to protect citizens and their property by promoting peace and security; (ii) building the resilience of institutions and populations in areas facing diverse forms of conflict risk; (iii) strengthening inclusive governance and public service delivery, including at the local level; and (iv) establishing more inclusive forms of land management and extraction of natural resources.

In a country that is at risk of escalating conflict, the prevention and resilience effort is about a refocus of the entire World Bank portfolio towards mitigating related risks. In Burkina Faso, two key features of the recalibration are that the IDA19 pipeline be focused on the PRA and accompany the Government's effort to reduce conflict risks, and that DPFs promote structural reforms that address the underlying drivers of conflict risk. More precisely, the



eligibility note states that the DPFs will continue to seek to achieve the structural reforms that are needed to: (i) accelerate reforms to deliver jobs and economic transformation, thereby mitigating the risk enablers of violent conflict; and (ii) improve the efficiency, effectiveness and transparency of public service delivery to restore citizen confidence in the State, as well as to create the fiscal space to avoid the crowding out of social expenditures by increased security expenditures. For DPF3, the PDO and the selection of prior actions and results indicators are well aligned with the Government's strategic objectives and the PRA priorities. The measures seeking to support (i) natural resource management and forest protection, (ii) small ruminants vaccination, (iii) a balanced and rational redeployment of civil servants (with a focus on underserved regions that host a large number of IDPs), and (iv) the establishment of a national social protection system all contribute to addressing the country's drivers of conflict.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

64. **The proposed operation is based on reforms included in strategic documents prepared following wide consultations with national stakeholders and the donor community.** These documents include the PNDES I and II, supplemented by the Sahel Emergency Program (PUS/Sahel), and the Prevention and Conflict Management Strategy. The consultation process includes visits in the 13 regions with a larger audience including religious leaders, civil society organizations, youth and women organizations, and the private sector. Along this consultation process, important feedback was received—and incorporated in the operation—from key stakeholders, including local communities and NGOs (regarding local revenue mobilization, forest, and land management), and the private sector (regarding the logistics around PPR vaccination campaigns). In addition, given the political economy related to some reforms supported by the operation, extensive consultation processes were implemented. As such, the redeployment of civil servants and the HR reforms were subject to discussions with national and sectoral unions (incl. education and health, which are the largest). The Government is committed to pursuing the consultations process in the implementation stage of the proposed reforms.

65. **The World Bank collaborates with development partners in Burkina Faso, including through sectoral dialogue frameworks.** The World Bank leads one of the 14 sectoral dialogue frameworks: the Economic Governance sectoral dialogue in charge of monitoring macroeconomic reforms and budget support programs. The World Bank actively participates in the other sectoral dialogue frameworks, including those related to fiscal management and cadaster, health, education, environment, water and sanitation, and safety nets. Together with the United Nations, the AfDB and the European Union (EU), the World Bank has completed a Prevention and Peace Building Assessment (PPBA) that aims to identify opportunities to promote peace and maintain social cohesion in Burkina Faso. In designing the proposed operation, the World Bank team has also kept regular consultations with other development partners with ongoing financial or budget support programs, including the IMF, AfDB, EU, French Agency (*Agence Française de Développement, AFD*) and Danish International Development Agency (DANIDA). A close coordination is in place with the IMF particularly on the wage bill agenda including longer term policy reforms such as the adoption of a new public service organic law and the adoption of a harmonized pay scale. In addition, an EFO of US\$2 million financed by the Swedish cooperation is the main TA supporting the human resources reform. Critical aspects of the reform, including the de-concentration of human resources (HR) responsibilities and the upgrade of the existing HR information management system (SIGASPE), were supported by the Public Sector Modernization PforR which closed in December 2020.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

66. **Prior Action #1 on expanding the tax base has no significant negative but indirect positive poverty and social impacts.** The measures are neither introducing nor increasing taxes and are thus not directly impacting the incomes of tax-paying enterprises. In the medium to longer term, increased formalization, lower transaction costs and reduced tax fraud are expected to contribute to broadening the tax base and increasing domestic revenues at local and central levels. The simplification of the tax on micro-enterprises—employing about 80 percent of the population—is expected to stimulate formalization. It might also lead to a reduction of transaction costs for currently compliant informal taxpayers and thus positively affect their income. Finally, it could boost compliance amongst currently-not-compliant informal workers, which could translate into higher revenue, as they will spend less time and energy on hiding from tax authorities and more time on their businesses.

67. **Prior Action #2 on containing the growth of the wage bill may have positive social effects while potentially negative effects for those jobs no longer needed will be mitigated.** The mobility across ministries will provide more career opportunities to civil servants. In addition, the newly established transparent recruitment criteria combined with the digitalization of the civil service tests will increase equity for citizens in access to the public administration jobs. However, the reform could negatively affect those civil servants whose jobs are no longer needed in the public administrations. To avoid and mitigate potential negative impacts, the government is working to provide these staff with the skill enhancements required to enable them to fit into the new system.

68. **Prior Action #3 on reducing deforestation should have positive social effects in the longer term.** The 16 State forests considered in Prior Action #3ii were all delimited with financing from the World Bank's Mineral Development Support Project (P124648) with World Bank safeguards policies applied. DPF3 is ensuring their exclusion from the mining cadaster. The 5 State forests considered in Prior Action #3iii were delimited with financing from the AfDB Gazetted Forests Participatory Management Project with AfDB safeguards policies applied. DPF3 is ensuring that these delimited forests are granted land titles to avoid conversion into other land use. The DPF is not dealing with the delimitation of these forests. As such, no major poverty and social issues are expected from the measures supported by DPF3, while there are significant positive effects. Forests provide numerous services to the neighboring communities, such as improved nutrition (fruits, bushmeat, herbs), medicinal aid, and fodder. As forests support livelihoods, biodiversity, carbon sequestration, and climate change adaptation, their destruction is associated with significant negative long-term impacts on the local populations and beyond. In addition, job opportunities might be created from conservation and sustainable use of these resources.

69. **Prior Action #4 on increasing animal vaccination will have significant positive social effects.** Animal vaccination will reduce the risk of livestock depletion due to diseases. Since livestock is a valuable income source, means to cope with shocks and potential collateral, rural households will become less vulnerable to animal health pandemics and shocks more generally, including those induced by climate change. The income will allow farmers to access other social services such as health, education, and cultural events. More specifically, in the rural area, 60 percent of women are involved in small ruminant breeding. Hence, the proposed reform will positively impact them.



70. **Prior Action #5 on civil servant redeployment will have positive social and poverty effects on those served by the public sector and potentially negative effects for those to be redeployed will be mitigated.** In addition to the direct positive impact through improved public service delivery, there is also an indirect positive impact. Civil servants have a higher purchasing power than the local populations in remote areas. Redeployment will therefore positively impact consumption in these areas and help reduce poverty. However, the reform could have potentially negative social effects on those civil servants that are redeployed to remote regions. To mitigate such potential negative impacts on individuals and their families, the decrees supporting this reform include provisions such as hardship pay, and rotation to incentivize redeployment in remote areas. In addition, two appeal mechanisms exist to mitigate the social risks associated with these reforms. First, the administrative appeal mechanism (article 21) builds on the litigation committee established within each line ministry and the recourse to the Ministry of Civil Service. Second, the judiciary system provides the opportunity for civil servants to file a case. Disabled civil servants and those who have less than 5 years to retirement can select the region of their choice, while respecting the interest of the service.

71. **Prior Action #6 on establishing the Unique Social Registry will have significant positive social effects and is critical for reducing poverty in the long-term.** For one, the measure will help reduce poverty and strengthen resilience of the poor to cope with climate and other shocks. For another, the measure will also enhance equity and equality thus contributing to social cohesion, which in turn is a mitigant to conflict and fragility. In addition, women stand to benefit in particular as the implementation of a social registry will provide them with visibility and enhance their likelihood of receiving services targeted through the social registry, thereby contributing to closing gender gaps (e.g., in income, revenue, and informality) and to reducing their overall vulnerability.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

72. **The reforms and policy actions supported by the proposed operation are not likely to have significant risks and adverse effects on the country's environment, forests, and other natural resources.** Several measures will have positive impacts. As per policy, the World Bank assessed whether specific country policies supported by the DPF are designed to have positive environmental effects, with national systems supporting implementation to minimize the risks. The assessment concluded that the policies supported by the proposed DPF are not likely to have risks and 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 projects or involve policy actions with significant environmental risks and consequences.

73. **The Constitution underpins the institutional framework relating to the environment promulgated on June 11, 1991, and its amendments.** This institutional framework for environmental governance revolves around four 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, departments, communes, and villages); (ii) local communities including the IDPs; (iii) the private sector; and (iv) the civil society. Burkina Faso has a legal and regulatory



framework governing the preparation of Environmental Impact Assessments (EIA),⁵⁶ Environmental and Social Impact Assessments (ESIA), and Strategic Environmental and Social Assessments (SESA).

74. **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.** The recently created National Environmental Evaluation Agency (ANEVE) is institutionally empowered to: (i) review and validate environmental and social assessment instruments (EIA, ESIA, Environmental Audit, and SESA); and (ii) ensure the monitoring, evaluation, and implementation of mitigation and compensation measures. The creation of the agency is an upgrade from the National Environmental Protection Agency within the Ministry of Environment (*Bureau Nationale des Evaluations Environnementales*, BUNEE) and is expected to improve the quality and effectiveness of the environmental assessment system. The COTEVE (a national committee of ESIA and SESA review) is effective and functional, examining all studies and supervising their implementation and monitoring. Key challenges are enforcement and there is a need to strengthen ANEVE's capacity in terms of human, financial and material resources to reinforce its operationalization.

75. **Prior Actions #1, #2, #5 and #6 will have no material impact on the environment.** Prior Action #1 introduces a simplified taxation policy for micro-enterprises and expands the use of e-payment. These measures are not expected to have a negative impact on the environment. Neither the public sector human resource reforms of Prior Actions #2 and #5 nor the establishment of the unique social registry under Prior Action #6 are expected to have a significant impact on the environment.

76. **Prior Action #3 will have a positive impact on fighting climate change through both mitigation and adaptation and support of biodiversity.** Providing legal security to State forests against encroachment through mining and agriculture has multiple positive effects on the environment in the long term; first, it supports sustainability of firewood production, which represents one of the households' main expenses and 95 percent of the country's energy consumption. Also, forests play an essential role in reducing erosion—thus maintaining the arable soil and avoiding the sediments that damage infrastructure. Forests play a crucial role in the water cycle, reducing evaporation and increasing soil moisture. Finally, the impact on biodiversity is essential, providing shelter for wildlife—particularly in case of the forests placed on the elephant corridor.

77. **Prior Action #4 supports herders' climate adaptation capacity and lowers their herds' climate change footprint.** The vaccination of sheep and goats will make the animals more robust against diseases and climate shocks. This will make them more productive in the use of land, which may lead to less pressure to have a large herd and reduce the footprint on land.

78. **Prior Action #6 supports the most vulnerable parts of the population in their adaptation to the effects of climate change.** The measure supports the Government to put in place robust, shock-responsive social protection delivery systems. Among other things, the measures will (i) enable the assessment of needs and conditions to determine the eligibility of households who are vulnerable to climate change

⁵⁶ Decree 2001-342/PRES/PM/MEE of July 17, 2001 defines the scope, content, and procedures for undertaking an 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 ESIA and the importance of public consultations. Finally, Decree No 2015-1187 provides conditions and procedures for the preparation of a SESA. The decree clarifies and classifies civil works, installations, and activities that could be a subject of a SESA or ESIA including the three-tier classification of A, B, and C depending on the severity and magnitude of impacts.

risks; (ii) help them cope with impacts of climate change and increase their resilience through social safety nets and other social programs; (iii) facilitate the scale-up of social safety net programs and the provision of emergency cash transfers in response to climate change-induced disasters; and (iv) help improve institutional coordination to respond to climate change-induced crises. Overall, it is expected that the measure will help households cope with shocks by smoothing their consumption and strengthen their resilience in the medium term. As such, the measure will help the Government implement two objectives of the National Adaptation Plan, i.e., ensure sustainable food and nutrition security, and protect persons and goods from extreme climate events and natural disasters.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

79. **The Government has adopted a public financial management (PFM) reform strategy detailed in the three-year rolling action plan to address PFM challenges highlighted in recent assessments.**⁵⁷ The annual review of the implementation completed in March 2021 of this plan highlighted significant progress in comprehensiveness and transparency of budgets, incl. through the implementation of policy-based budgeting. This involves introducing multi-year programmatic budgets for all sectoral ministries and compliance with good practices in budget preparation, approval, and amendment procedures. Besides, some key PFM reforms (i.e., the transition to accrual accounting and the implementation of the single treasury account) supported by the deployment of an Integrated Financial Management System are underway. The review identified a few areas for improvement, mainly (i) insufficiencies in the revenue collection, (ii) complexities of public procurement, (iii) weaknesses in the implementation of rationalized internal control procedures, and (iv) slight delays in the submission of financial statements and audit reports.

80. **The proposed operation will have a positive impact on the country's PFM system.** Prior Action #1 will help increase revenue collection, which is a core weakness identified in the 2017 TADAT and reflected in the first pillar of the PFM strategy. In addition, Prior Action #1 is supporting the consolidation of fiscal management at the central and local level and the introduced digitalization will promote transparency and accountability in tax processes. It will reinforce the relationship between taxpayers and the public administration.

81. **The World Bank provides dedicated assistance in governance and citizen engagement.** The Economic Governance and Citizen Engagement Project (P155121), which became effective in October 2016, supports the implementation of PFM reforms and assists the Government in improving core areas of economic governance and citizen engagement through (i) 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 the civil society to fight fraud and corruption; (ii) increasing fiscal space through the modernization of tax and customs systems and the improvement of revenue collection capacities; and (iii) strengthening public expenditure management, including procurement system efficiency and predictability, and control in budget execution.

82. **This operation's design and scope exploit synergies with both the Government program and other donor activities to further improve the overall financial management system.** While the IMF has been supporting fiscal consolidation, and debt and cash management, the World Bank's Economic

⁵⁷ 2017 Public Expenditure and Financial Accountability (PEFA) Assessment, 2017 Public Investment Management Assessment (PIMA), 2020 Methodology for Assessing Procurement Systems, and 2017 Tax Administration Diagnostic Assessment (TADAT).



Governance and Citizen Engagement Project supports the upgrade of information systems for budgeting and core treasury operations and interfaces for core systems, including for revenue management. The EU and Switzerland support the Government's institutional development efforts, notably through enhancement to the tax information management system and support to improve controls and training. Overall, the Multi-Donor Budget Support Group provides TA, including on elaborating strategic plans and the production of statistics to inform public policies.

83. **The Government is aligning its PFM systems with current WAEMU directives.** Overall, the legislative and institutional framework for PFM, governance and anti-corruption in place complies with regional requirements. The Government has adopted the WAEMU Transparency Code and aligned its national legislation with WAEMU's six new PFM directives. The National Transition Council (CNT) enacted the directive on the Finance Law (*Loi Organique relative aux Lois de Finances*) in November 2015. The operationalization of the WAEMU directives transposed into national laws, such as the budget program and the new procurement code, is ongoing 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: (i) realistic and sustainable budget forecasts; (ii) overall spending amounts determined based on a multi-year budget and economic planning; (iii) resources allocated more logically to achieve objectives; and (iv) better accountability of main authorizing officers (ministers and presidents of institutions).

84. **An assessment of the country's public procurement system was completed in 2020 following the OECD Methodology for Assessing Procurement Systems (MAPS).** The main findings include the compliance of the legal framework with WAEMU procurement directives, and the existence of the core entities performing the ex-ante and ex-post control. However, the report underscored delays in the procurement process (more than 180 days for the contract award) resulting from the limited capacity, multiple ex-ante review, and insufficient digitalization of the process. Two instruments are being used to implement TA for the public procurement reform. The Economic Governance and Citizen Participation Project (P151121) includes a component supporting public procurement professionalization and the development strategy for implementing sustainable procurement. A Recipient Executed Trust Fund is under preparation to support the e-procurement reform. In addition, policy dialogue is ongoing on the revision of the Public Procurement Code to introduce flexibilities in line with the country's evolving security context.

85. **The IMF carried out an updated safeguards assessment of the BCEAO in 2018 and found that progress has been made in strengthening the BCEAO's safeguards framework.** The central bank retains a robust control system, and all recommendations from the assessment have been implemented. The audit procedures are compliant with international standards, and the financial statements are prepared following International Financial Reporting Standards (IFRS). The central bank has recently enhanced its audit committee's oversight role as recommended by the previous safeguards assessment. An external auditor performed the 2020 external audit according to the International Standards of Auditing (ISA). The external auditor issued a clean opinion on the 2020 financial statements. The central bank's annual financial statements and external audit reports are publicly available on the bank's external website. The flow-of-funds arrangements between the BCEAO and Burkina Faso's Treasury have been reviewed based on an annual audit funded by the General Budget Support Framework (*Cadre Général d'organisation des Appuis Budgétaires*, CGAB). The last audit report on the 2020 financial transactions includes a clean opinion.

86. **Overall, the fiduciary risk of the proposed operation is rated “moderate.”** This rating is based on the status of the PFM system and improvements observed in the central bank’s safeguards framework, accounting systems, and audit arrangements. The Government has made progress in strengthening multiple aspects of public financial and budgetary management since the 2017 PEFA assessment, and donors support its continuing efforts in the CGAB. Annual budgets, quarterly budget execution reports, citizen budget, and mid-year budget reviews are made available online at www.dgb.gov.bf, strengthening budget transparency. Finally, the BOOST⁵⁸ public expenditures database was updated to increase further transparency, which also includes the publication of the audit report on the use of Covid-19 funds.

87. **The proposed operation consists of a single-tranche disbursement.** An IDA grant of SDR 71.0 million (US\$100.0 million equivalent) and an IDA credit of EUR 86.5 million (US\$100.0 million equivalent) will be made available upon effectiveness and disbursed based on a withdrawal application. The Recipient is the Government of Burkina Faso (GoBF), represented by the MINEFID. The credit and the grant will follow IDA’s disbursement procedures for DPF and will not be linked to specific expenditures.⁵⁹ The resources will be disbursed against satisfactory implementation of the development policy program and maintenance of a satisfactory macroeconomic framework.

88. **Proceeds of the IDA credit and grant.** Once the financing agreement becomes effective, upon receipt of a withdrawal application, and provided that IDA is satisfied with the program being carried out by the Government and the adequacy of the macroeconomic policy framework, the proceeds of the credit and the grant will be deposited by IDA into an account dedicated by the GoBF at the BCEAO, where they will form part of the country’s official foreign exchange reserves.⁶⁰ The Government will be credited with the local currency equivalent in its budget accounts 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.

89. **The closing date for the operation is December 31, 2022.**

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

90. **Strengthening M&E is critical for the successful implementation of this DPF.** MINEFID is the designated implementing agency responsible for monitoring the overall execution of the measures outlined in the DPF series. MINEFID has experience in coordinating and implementing DPF operations. The

⁵⁸ The BOOST initiative is a World Bank-wide collaborative effort launched in 2010 to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability.

⁵⁹ 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 six-year grace period.

⁶⁰ The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risk.

Directorate General of Cooperation (DGCOOP) within MINEFID is responsible and will ensure day-to-day monitoring.

91. **MINEFID will be responsible for coordinating and reporting to the World Bank on the proposed operation's progress.** The World Bank's multi-sectoral team will undertake supervision missions and provide TA where needed. The institutional arrangements for the preparation and execution of this operation are within the established framework of the M&E 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. Governance, debt, and private sector reforms will be implemented by the respective technical units in the MINEFID, 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 achievements under the DPF will also benefit from leveraging the M&E systems in place for ongoing TA and investment operations in governance, forest, and social protection (see Section 4.3 above for a list of related World Bank projects).

92. **The results matrix that tracks the operations has concrete indicators and empirical targets to monitor progress and facilitate ex-post evaluation.** The World Bank is currently supporting Burkina Faso and other WAEMU countries to harmonize poverty assessment methods, which will also help monitor the DPF results framework. Additional monitoring arrangements are in place through ongoing projects that complement this operation and support the M&E capacity of the Government.

93. **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 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

94. **The overall risk rating for the proposed operation is substantial (S).** Substantial macroeconomic, political and governance risks as well as substantial technical design, institutional capacity, and stakeholder risks could adversely impact implementation and the achievement of results under the program supported by this operation. These risk ratings take mitigation factors into account, including this DPF, and ongoing complementary operations and TA. The Covid-19 pandemic and the possibility of large security incidents create additional risks that could induce unexpected disruptions to economic

activity, require higher than budgeted public spending, and reduce public administration effectiveness at least for some time. The risk ratings are summarized in Table 6.1.

95. **Political and governance risks are substantial (S).** Burkina Faso successfully held presidential and legislative elections on November 22, 2020. However, the security challenges related to terrorism—with attacks in many parts of the country, including the capital Ouagadougou, the northern and eastern regions—are still acute. Security risks could directly affect the attainment of some results in this program, notably the civil servant redeployment, the PPR subsidized vaccines rollout, and the unique social registry's implementation. Also, recurrent strikes in the public administration could aggravate social tensions and affect the Government's willingness and ability to undertake and implement reforms. To foster social cohesion and reduce the risk of tensions among the communities, the Head of State has created a dedicated Ministry of Reconciliation. A reconciliation forum is considered a key milestone in the reconciliation strategy. The risk of political instrumentalization of the DPF is mitigated, as the supported policy reforms benefit from wide-spread ownership among the key stakeholders. As regarding implementation challenges, sufficient mitigation measures are already in place. For instance, the risk associated with the PPR vaccination subsidies (Prior Action #4) and social registry (Prior Action #6) will be mitigated by implementing special provisions included in the Iterative Beneficiary Monitoring (IBM) governance framework.⁶¹ In the context of civil servant redeployment (Prior Action #5), multiple donors—including the IMF—were engaged in the dialogue and TA. This should help avoid political interference, especially in beneficiary targeting. A further mitigation is provided through the community of development partners, as they systematically collect beneficiaries feedback on project implementation, including confirmation of effectiveness of their goods or cash transfers.

96. **Macroeconomic risks are substantial (S).** External and domestic shocks and fiscal policy slippages constitute a substantial source of risks. Shocks and the need for security expenditure could divert resources away from priority needs and reduce the Government's efforts and ability to sustainably implement the planned reforms. It could also reduce resources aimed at improving the quality and coverage of public service delivery. The country is also vulnerable to external shocks which could threaten the achievement of tax collection objectives. A larger than expected decline in cotton or gold prices, a larger than expected increase in oil prices, as well as higher security, humanitarian and Covid-19-related expenses could translate into another economic slowdown, reduced fiscal revenues, larger outlays, larger fiscal and current account deficits, and a larger debt stock (see Table 2.5 for a downside scenario). To lessen the potential effects of shocks on the macroeconomic framework, this operation is designed to support fiscal management and sustainable growth through several measures.

97. **Technical design risk is substantial (S).** The implementation of Prior Action #4 could put further pressure on fiscal accounts, as the subsidies could prove costly and difficult to sustain over time. Ongoing efforts to reduce overall current transfers will help mitigate such a risk. Also, a proper targeting mechanism ought to be developed to avoid the risk of creating a regressive subsidy. As regards Prior Action #2, there is a risk of insufficient accompanying measures (in the short run) to ensure an impact of the measures on the fiscal deficit. TA will mitigate this risk. Prior Action #6 is also prone to this risk. For

⁶¹ IBM was piloted under the Covid-19 Crisis-Response DPF as a key ex-post governance measure to ensure the proper implementation of cash transfers to the multiple beneficiaries. This tool will be adapted in the context of Prior Actions #4 and #6 to ensure that eligible beneficiaries (farmers and vulnerable populations) are targeted by the respective reforms. Moreover, associated IDA-financed projects will provide support and close supervision with World Bank teams able to provide technical assistance where needed to ensure efficient rollout.



one, identification systems are technically complex, take a long time to be implemented, and governments in developing regions tend to lack the capacity to implement them. For another, consensus is needed on institutional arrangements, funding and technical aspects related to the establishment and operationalization of the social registry. This consensus is currently in place, but it will have to be fostered further through strong implementation support that is being provided by the World Bank to mitigate the above-mentioned risks.

98. **Institutional capacity (S).** Weak capacity in central and line ministries could delay the achievement of results supported by this operation. On Prior Action #3, the Ministries of Environment and Mining experience some capacity issues, which in this case could be brought into light by the need for a coordinating approach in enforcing the protection of the forests. On Prior Action #6, the Ministry of Social Protection's limited capacity may affect the timeline of implementation. As mitigation, the World Bank is working to support the deployment of the foundational ID platform through the WURI Program, a steppingstone for the social registry. The World Bank will also continue to provide TA to strengthen the capacity of the Ministry in the areas of social protection system building.

99. **Stakeholder risks are substantial (S).** Inter-ministerial coordination is a challenge in any country. This operation puts a strong emphasis on such coordination which is particularly important in times of crisis. The completion of Prior Actions #2, #3, #4, #5, and #6, which required multi-ministerial buy-in, can already be viewed as a success of this DPF but the buy-in needs to prevail during the implementation phase. For example, due to its cross-cutting nature, Prior Actions #4 and #6 require coordination and agreement not only among various stakeholders from within the Government but also from either small farm holders and veterinary associations (for Prior Action #4) or civil society organizations (for Prior Action #6). In the case of Prior Action #6, the continuous engagement with stakeholders through the World Bank Social Safety Net Project, the WURI Project and related Advisory Services Analytics (ASAs) has already led to significant advances in the implementation and will continue to benefit from in-depth consultations to further foster a shared vision and understanding. Lastly, the close collaboration with civil servant unions in designing the decrees on Prior Action #2 and #5 will need to be pursued to ensure a smooth implementation. Overall, stakeholder risks will be mitigated by engagement with all stakeholders within and across policy areas.

Table 6.1: Summary Risk Ratings

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



ANNEX 1: POLICY AND RESULTS MATRIX

| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|--|---|--|--|--|
| DPF1 Prior Actions | DPF2 Prior Actions | DPF3 Prior Actions | Indicator Name | Values |
| <i>Pillar 1: Strengthening Fiscal Management</i> | | | | |
| 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 #1. To improve tax administration and reduce transaction costs, the Recipient’s Ministry of Economy, Finance and Development has made e-payment of all taxes for large firms, and e-filing for medium-size enterprises mandatory through the adoption of the 2020 Budget Law. | Prior Action #1. To broaden the tax base, improve tax administration, and reduce transaction costs, the Recipient has (i) introduced a tax simplification reform for micro-enterprises, and (ii) made e-payment of all taxes for medium-size enterprises mandatory, through the adoption of Decree N°2020-0936/PRES dated November 24, 2020, ratifying the Budget Law N°035-2020/AN dated October 19, 2020. | Results Indicator #1: Number of business and individual taxpayers registered in the government’s taxpayer database | 95,515 (2017) 154,088 (March 2021) 170,000 (2022) |
| 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. | Prior Action #2. To broaden the property tax base, the Recipient’s Ministry of Economy, Finance and Development has strengthened the regulatory and institutional framework of the cadaster to increase the collection of property taxes through the adoption by the Recipient’s Ministry of Economy, Finance and Development of an arrêté establishing a modality to determine the value of land and housing property in Ouagadougou. | | Results Indicator #2: Property taxes collected by general government (as a share of GDP) | 0.3% (2017) 0.4% (2020) 0.5% (2022) |
| Prior Action #3. To strengthen public investment management, the Recipient’s Ministry of Economy, Finance and Development has | Prior Action #3. To improve public investment management, the Recipient has improved the assessment of risks, including climate change risk and other risks for the selection, | | Results Indicator #3: Proportion of public investment projects included in the budget that | 0% (2017) 100% (2020) |



| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|---|---|--|--|---|
| <p>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.</p> | <p>preparation and implementation of public investment projects, including public private partnerships through: (i) the adoption in the Budget Law 2020 of an analysis of risks related to identified priority projects; and (ii) the adoption of the Ministry of Economy, Finance and Development of an <i>arrêté</i> establishing a national committee to validate investment project appraisal documents.</p> | | <p>have at least one feasibility study validated by the national committee for validation of feasibility studies and project documents</p> | <p>80% (2022)</p> |
| <p>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.</p> | <p>Prior Action #4. To improve the management and control of the public wage bill, the Recipient has: (i) improved the transparency and rationalized the motivation of the Ministry of Economy, Finance, and Development staff’s bonuses through the adoption by the Recipient’s Council of Ministers of a decree and the adoption by the Recipient’s Ministry of Economy, Finance, and Development of an <i>arrêté</i>; (ii) imposed taxes on bonuses and allowances of public servants by the enactment of the Budget Law 2020; and (iii) completed a nominative and geographic staff censuses within the Ministry of National Education, Literacy and Promotion of National Languages and carried out its staff assignments for service needs through the adoption by the Recipient’s Ministry of National Education, Literacy and Promotion of National Languages of a general report of the assignments of its personnel.</p> | <p>Prior Action #2. To contain the growth of the public wage bill, the Recipient has: (i) rationalized core jobs in the public administration (from 20 to 10), (ii) introduced mobility of existing staff across occupation and administrative units, and (iii) established transparent recruitment requirements, through the adoption of Decrees N°2021-0285 to 0289/PRES/PM/MINEFID/MFPTPS dated April 22, 2021, Decree N°2021-0308/PRES/PM/MINEFID/MFPTPS dated April 27, 2021, Decree N°2021-0430/PRES/PM/MINEFID/MFPTPS dated May 19, 2021, Decree N°2021-0529/PRES/PM/MINEFID/MFPTPS dated June 9, 2021, and Decree N°2021-0696/PRES/PM/MINEFID/ MFPTPS dated July 6, 2021.</p> | <p>Results Indicator #4: Annual nominal wage bill growth rate</p> | <p>11.4% (2017) 6.3% (2020) 4.5% (2022)</p> |



| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|--|---|--|---|--|
| <i>Pillar 2: Improving Natural Resource Management and Livestock Productivity</i> | | | | |
| <p>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/MAT D/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.</p> | <p>Prior Action #5. To encourage the development of the artisanal mining sector, the Recipient’s National Agency for the Supervision of Artisanal and Semi-Mechanized Mining has adopted and implemented a pricing policy for artisanal gold mining through the adoption of a deliberation.</p> | | <p>Results Indicator #5: Registered exports of artisanal gold mines (in cumulative tons)</p> | <p>0.2 (2017) 0.8 (March 2021) 1.5 (2022)</p> |
| | <p>Prior Action #6: To reduce deforestation, the Recipient has regulated the determination of forest zones and wildlife areas as protected from any clearing and mining activities and implemented such protection to 17 classified forests through: (i) the adoption by the Ministry of Environment, Green Economy and Climate Change of an arrêté; and (ii) the adoption by the Ministry of Environment, Green Economy and Climate Change Regional</p> | <p>Prior Action #3. To reduce deforestation, the Recipient has (i) established a data harmonization and sharing between the mining cadaster and the forestry cadaster through the adoption of Arrêté N°2021-337/MEEVCC/MEMC/MINEFID dated June 21, 2021, (ii) excluded 16 forests from the mining cadaster,</p> | <p>Results Indicator #6: Hectares of delimited classified forested areas excluded from the mining cadaster to avoid conversion into other land use</p> <p>Results Indicator #7: Reduction of greenhouse</p> | <p>206,000 (2017) 302,751 (June 2021) 825,000 (2022)</p> <p>0 (2017)</p> |



| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|---|--|---|---|---|
| | Directorates of 17 minutes (procès-verbaux) providing the delimitation of 17 classified forests. | and (iii) registered 5 classified forests in the land cadaster. | gas emissions related to the registration of classified forests (tons of CO ₂ equivalent) | 0 (2020) 60,000 (2022) |
| 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/MJ DHPC/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 (<i>Brigade Nationale Anti-Fraude</i> , BNAF). | Prior Action 7. To improve the management of scarce natural capital in artisanal mining areas (forests, water and land), the Recipient has regulated the management of gold mining sites by cooperatives of artisanal miners through the adoption of deliberations on (i) enacting a standard model of specification for site management by artisanal mining cooperatives; and (ii) enacting the standard convention for the management of artisanal mining site. | | Results Indicator #8. Number of artisanal mining sites formalized through the granting of a management convention by the National Agency for the Supervision of Artisanal and Semi-Mechanized Mining Exploitations (ANEEMAS) and adopting natural capital preservation standards | 0 (2017) 10 (June 2021) 20 (2022) |
| 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- | Prior Action 8. To improve the provision of vaccination services, the Recipient has implemented an Operational Vaccination Plan 2020 based on the strategy for Small Ruminants Plague (PPR) and set the public health mandate of private veterinarian to facilitate the implementation of the PPR strategy, through: (i) the adoption by the | Prior Action #4. To strengthen the resilience of livestock, the Recipient has (i) included PPR vaccination teams and private health veterinarians in the framework of two vaccination campaigns for the livestock of the rural sector through the adoption of Arrêté N°2020- | Results Indicator #9. Number of small ruminant herd vaccinated against the sheep and goat plague (PPR) | 0.6 million (2017) 4.3 million (2020) 7.6 million (2022) |



| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|---|---|--|---|---|
| 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. | Recipient’s Ministry of Animal and Halieutic Resources the national strategic plan for PPR; and (ii) the adoption of the Council of Ministers decree. | 74/MRAH/MINEFID dated November 25, 2020; and (ii) established the modalities for the organization of annual mass PPR vaccination campaigns through the adoption of Arrêté N°2021-76/MRAH/MINEFID/MATD dated August 9, 2021. | Results Indicator #10: Share of women-owned small ruminants vaccinated against PPR | 25% (2019) 25% (2020) 35% (2022) |
| Pillar 3: Enhancing Service Delivery and Social Spending Efficiency | | | | |
| | Prior Action 9. To better align the distribution of health personnel with human resource needs of healthcare facilities, the Recipient’s Ministry of Health has: (i) completed nominative and geographic staff censuses; and (ii) adopted an arrêté validating the Workload Indicators of Staffing Need (WISN) and instructing their use for the assignment of health workers in health centers and hospitals during the period 2020-2024. | Prior Action #5. To improve state presence and tackle conflict drivers, the Recipient has established transparent terms and conditions for the assignment of civil servants across the Recipient’s territory, through the adoption of Decree N°2021-1012/PRES/PM/MINEFID/MFPTPS dated October 18, 2021. | Results Indicator #11: Share of civil servants outside the capital region (Centre) ⁶² | 52% (2020) 57% (2022) |
| | | | Results Indicator #12: Proportion of rural primary health care facilities that meet minimum Workload Indicators of Staffing Need (WISN) standards | 21% (2018) 27% (2020) 30% (2022) |
| 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 | Prior Action 10. To ensure timely and adequate availability of essential drugs in health facilities, the Recipient’s Ministry of Health has operationalized the national information system for integrated logistics management of the supply chain through: (i) | | Results Indicator #13: Proportion of health facilities that experience shortages of listed essential medications (tracer medicines) per year | 87% (2018) 85% (2020) 80% (2022) |

⁶² This indicator was introduced in DPF3 to align the DPF series with the IDA Prevention and Resilience Allocation.



| Policy Program with Prior Actions for DPF1, DPF2, and DPF3 | | | Results Indicator, Baseline, Progress, Target | |
|--|---|---|--|--|
| 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. | setting up and operationalizing a pilot tracking system for listed essential medications (medicaments traceurs) through the use of smart phones in eight districts; and (ii) adopting an <i>arrêté</i> on payment methods of CAMEG's invoices by public structures to reduce delays of debt payment to CAMEG. | | | |
| 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). | Prior Action 11. To improve the efficiency of health and social services, the Recipient's Ministry of Women, National Solidarity, Family, and Humanitarian Action has defined, jointly with the Ministry of Economy, Finance and Development, the Ministry of Territorial Administration, Decentralization and Social Cohesion and the Ministry of Public Service, Labor and Social Protection, the criteria and mechanisms for identification of indigents through the adoption of an inter-ministerial <i>arrêté</i> . | Prior Action #6. To increase the effectiveness of the social protection system, the Recipient has established the Unique Social Registry of households and people living in poverty and vulnerability along with its institutional arrangements, operational structure, and provisions for its effective usage for social programs, through the adoption of Decree N°2021-0354/PRES/PM/MATD/MINEFID/MFPTPS/MFSNFAH/MEN PTD dated September 30, 2021. | Results Indicator #14: Total number of households included in the social registry | 0 (2017) 17,591 (2020) 120,000 (2022) |
| | | | Results Indicator #15: Share of female-headed households included in the social registry ⁶³ | 14% (2017) 14% (2020) 20% (2022) |

⁶³ Since there was no social registry in place before 2021, the value for baseline and progress is based on the nation-wide share of households with a female household-head estimated at 14 percent in the 2018/19 Harmonized Survey on Living Conditions of Households (*Enquête Harmonisée sur les Conditions de Vie des Ménages*, EHCVM).



ANNEX 2: ADJUSTMENTS IN THE POLICY AND RESULTS MATRIX AND RATIONALE

| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|--|--|---|--|--|
| Pillar 1: Strengthening Fiscal Management | | Pillar 1: Strengthening Fiscal Management | | No change. |
| Trigger 1. To broaden the tax base and facilitate tax payment, the Recipient’s Ministry of Economy, Finance and Development has: (i) simplified the taxation of micro-enterprises; and (ii) made e-payment of all taxes mandatory for medium-size enterprises in the 2021 Budget Law. | Indicator 1: Number of taxpaying firms and individuals recorded in the government’s taxpayer database. Baseline (2017): 95,515 Target (2022): 150,000 | Prior Action #1. To broaden the tax base, improve tax administration, and reduce transaction costs, the Recipient has: (i) introduced a tax simplification reform for micro-enterprises, and (ii) made e-payment of all taxes for medium-size enterprises mandatory, through the adoption of Decree N°2020-0936/PRES dated November 24, 2020, ratifying the Budget Law N°035-2020/AN dated October 19, 2020. | Results Indicator #1: Number of business and individual taxpayers registered in the government’s taxpayer database Baseline (2017): 95,515 Progress (March 2021): 154,088 Target (2022): 170,000 | Trigger 1 has been completed and Prior Action #1 clarifies the wording. The results target has been achieved and the Government has proposed to set a new, higher target. |
| 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 | Indicator 2: Property taxes collected by general government. Baseline (2017): 0.3% of GDP Target (2022): 0.5% of GDP | | Results Indicator #2: Property taxes collected by general government (as a share of GDP) Baseline (2017): 0.3% Progress (2020): 0.4% Target (2022): 0.5% | Trigger 2 could not be completed due to the Covid-19 shock, which has delayed the construction of cadaster offices. The results target is kept at the original level as progress on the indicator is visible and the Government remains committed to implement a property tax reform. |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|--|---|--|---|--|
| new local cadaster services in Ouagadougou and Bobo-Dioulasso. | | | | |
| Trigger 3. To strengthen the management of PPP projects, the Recipient has adopted a new Law on PPPs, consistent with the WAEMU Directive. | 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): 0% Target (2022): 80% | | Results Indicator #3: Proportion of public investment projects included in the budget that have at least one feasibility study validated by the national committee for validation of feasibility studies and project documents Baseline (2017): 0% Progress (2020): 100% Target (2022): 80% | Trigger 3 was completed in June 2021. The new Law on PPPs was drafted with support from IFC and approved by parliament on June 25, 2021. See Annex 5 for details on this reform, which was not included in the policy matrix of DPF3 as it will take further implementation decrees to make the reform effective. The results target has been achieved and the wording of the indicator is clarified. |
| Trigger 4. To improve human resource management in the public sector the Recipient has: (i) submitted to Parliament a Civil Service Organic Law (Loi Organique portant principes fondamentaux de la fonction publique) and adopted related decrees that harmonize pay | Indicator 4: Annual nominal wage bill growth rate. Baseline (2017): 11.4% Target (2022): 4.5% | Prior Action #2. To contain the growth of the public wage bill, the Recipient has: (i) rationalized core jobs in the public administration (from 20 to 10), (ii) introduced mobility of existing staff across occupation and administrative units, and (iii) established transparent recruitment requirements, through the adoption of Decrees N°2021-0285 to 0289/PRES/PM/MINEFID/MFP TPS dated April 22, 2021, Decree N°2021- | Results Indicator #4: Annual nominal wage bill growth rate Baseline (2017): 11.4% Progress (2020): 6.3% Target (2022): 4.5% | Trigger 4 is being implemented in coordination with other development partners. Discussions are ongoing on the submission to parliament of the organic law and revised wage and indemnity scales, consistent with a medium-term path of wage bill rationalization. The second part of Trigger 4 is implemented through Prior Action #6 under Pillar 3 to capture its relevance for enhancing service delivery through fostering a positive state presence across territories. Prior Action #2 is new and expected to have a more immediate impact on the wage bill. This DPF tackles the public wage bill from the angle of reducing the number of new hires through a comprehensive human resource cost management reform package. Limiting new hires will impact the wage bill in the short term, while reforming wage and salary scales would slow wage bill growth only in the medium to longer term. |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|---|---|--|---|--|
| scales and reduce indemnities (indemnités); and (ii) continued to implement reforms to strengthen systems for an optimal civil servant redeployment. | | 0308/PRES/PM/MINEFID/MFP TPS dated April 27, 2021, Decree N°2021-0430/PRES/PM/MINEFID/MFP TPS dated May 19, 2021, Decree N°2021-0529/PRES/PM/MINEFID/MFP TPS dated June 9, 2021, and Decree N°2021-0696/PRES/PM/MINEFID/MFP TPS dated July 6, 2021. | | |
| Pillar 2: Improving Natural Resource Management and Raising Mining and Livestock Productivity | | Pillar 2: Improving Natural Resource Management and Livestock Productivity | | The amendment to the pillar reflects the enhanced focus on forestry reforms, while the Bank is supporting the engagement on artisan gold mining through a complimentary project. |
| No Trigger. | Indicator 5: Registered exports of artisanal gold mines (in tons). Baseline (2016): 0.2 Target (2022): 2.0 | | Results Indicator #5: Registered exports of artisanal gold mines (in cumulative tons) Baseline (2017): 0.2 Progress (March 2021): 0.8 Target (2022): 1.5 | The results target has been adjusted downwards due to the Covid-19 pandemic, which caused delays in actors registering their gold exports. Despite having put in place a lower tax and a pricing structure that should incentivize the export of gold through official channels, this has not yet materialized at the expected volumes. ANEEMAS has launched a study to investigate the issue and provide recommendations. The Government is committed to achieve the original target by end 2023. |
| Trigger 5. To reduce deforestation, the Recipient has (i) registered two pilot forests to be excluded from the mining cadaster; and (ii) promoted a shared management of pilot forests, also including local | Indicator 6: Hectares of identified and delimited classified forested areas excluded from mining cadaster. Baseline (2017): 206,000 Target (2022): 3,037,505 | Prior Action #3. To reduce deforestation, the Recipient has: (i) established a data harmonization and sharing between the mining cadaster and the forestry cadaster through the adoption of Arrêté N°2021-337/MEEVCC/MEMC/MINEFI D dated June 21, 2021, (ii) excluded 16 forests from the | Results Indicator #6: Hectares of delimited classified forested areas excluded from the mining cadaster to avoid conversion into other land use Baseline (2017): 206,000 Progress (June 2021): 302,751 Target (2022): 825,000 | Trigger 5 has been strengthened. The first measure is retained in Prior Action #3 with increased ambition and measures added to ensure sustainability. Registering forests in the land cadaster helps ensure that these forests are not only excluded from mining activities but also from conversion to other land uses (i.e., agriculture). The second measure of Trigger 5 is supported as a complementary measure through the Decentralized Forest and Woodland Management Project (P143993). Indicator 6 has been adjusted downward due to a sudden rise in insecurity. Some large areas of forests (over 2 million ha) that were initially included in the target are in the East and Sahel |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|---|--|--|---|---|
| communities. | | mining cadaster, and (iii) registered 5 classified forests in the land cadaster. | Results Indicator #7: Reduction of greenhouse gas emissions related to the registration of classified forests (tons of CO2 equivalent) Baseline (2017): 0 Progress (2020): 0 Target (2022): 60,000 | regions, which are facing high-intensity conflict. This situation prevents the ministry in charge of environment from undertaking the necessary field missions to delimit the forests in these regions, which is the first step before excluding them from the mining cadaster. The Government remains committed to pursuing the delimitation of these forests as soon as the security situation allows for it. Results indicator #7 has been added to measure the climate change mitigation impact. |
| Trigger 6. To reduce environmental risks and degradation, the Recipient has promoted the use of improved gold extraction technologies (without mercury) by cooperatives of artisanal miners. | Indicator 7: Number of cooperatives registered with ANEEMAS that have adopted natural capital preservation standards. Baseline (2017): 0 Target (2022): 20 | | Results Indicator #8: Number of artisanal mining sites formalized through the granting of a management convention by ANEEMAS and adopting natural capital preservation standards Baseline (2017): 0 Progress (June 2021): 10 Target (2022): 20 | Trigger 6 is implemented through the Sustainable Mineral Development Support Project (P167924 and P167949) and the Support to Land and Mining Management Strengthening Project (P169267). The Indicator's wording has been improved to better capture progress on the two relevant dimensions. First, to be able to exploit mining sites, registered cooperatives or individual miners need to sign a Convention with ANEEMAS through which they commit to several specifications related to the management of the site. These Conventions are site-specific rather than at the level of a particular cooperative or individual miner. The reformulated indicator counts the number of sites that are under this formal management regime to measure progress in the formalization of the sector. Second, in addition to the formalization of actors through the signing of Conventions with ANEEMAS, the ministry in charge of mining has a parallel channel of formalization through the issuance of artisanal mining authorizations. Like the ANEEMAS Conventions, these authorizations commit artisanal miners to several specifications related to the management of the site, including environmental measures. To be counted for the indicator, mining sites need to be formalized through both above-described channels. |
| Trigger 7. To increase animal | Indicator 8: Share of small ruminant | Prior Action #4. To strengthen the resilience of livestock, the | Results Indicator #9: Number of small | Trigger 7 has been strengthened with an additional measure to ensure sustainability. |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|---|--|---|--|---|
| vaccination rates, the Recipient has adopted a mechanism to subsidize PPR vaccination through veterinary services, including private veterinaries under their veterinary public health mandate. | herd vaccinated against PPR. Baseline (2017): 3% Target (2022): 45% | Recipient has (i) included PPR vaccination teams and private health veterinarians in the framework of two vaccination campaigns for the livestock of the rural sector through the adoption of Arrêté N°2020-74/MRAH/MINEFID dated November 25, 2020; and (ii) established the modalities for the organization of annual mass PPR vaccination campaigns through the adoption of Arrêté N°2021-76/MRAH/MINEFID/MATD dated August 9, 2021. | ruminant herd vaccinated against the sheep and goat plague (PPR) Baseline (2017): 0.6 million Progress (2020): 4.3 million Target (2022): 7.6 million Results Indicator #10: Share of women-owned small ruminants vaccinated against PPR Baseline (2019): 25% Progress: (2020): 25% Target (2022): 35% | The indicator has been adjusted to better account for herd growth and realism. The total number of small ruminants vaccinated increased from 0.6 million in 2017 to 4.3 million in 2020. This over 7-fold increase in absolute numbers translates into an increase in the share of vaccinated animals from 3 percent in 2017 to 19 percent in 2020, a period over which the total number of sheep and goat increased by about 6 percent per year. Assuming this rate of herd growth to remain constant, the target for 2022 is equivalent with a share of 30 percent vaccinated. This is lower than the earlier percentage target, taking the underachievement of the 2020 PPR-vaccination campaign (19 percent vs. 24 percent planned) caused by the Covid-19 pandemic and rise in insecurity into account. Results Indicator #10 has been added to incentivize a stronger focus on women herders and contribute to closing a gender gap. |
| Pillar 3. Improving Health Service Delivery and Social Spending Efficiency | | Pillar 3: Enhancing Service Delivery and Social Spending Efficiency | | The pillar has been broadened beyond health to improve service delivery across sectors to build resilience in unstable, under-pressure and prevention areas. This change aligns the DPF series with the IDA Prevention and Resilience Allocation (PRA) eligibility note approved by the Board in December 2020. |
| Trigger 8. To better align the distribution of health personnel with human resource needs of healthcare facilities, | Indicator 9: Proportion of rural primary health care facilities that meet minimum WISN standards. | Prior Action #5. To improve state presence and tackle conflict drivers, the Recipient has established transparent terms and conditions for the assignment of civil servants | Results Indicator #11: Share of civil servants outside the capital region (Centre) Baseline (2020): 52% Target (2022): 57% | Trigger 8 has been replaced by Prior Action #5, which broadens the focus to improve service delivery in unstable, under-pressure and prevention areas. The implementation of Trigger 8 has been facing severe challenges. Due to insecurity, administrative staff have withdrawn and abandoned public services. The Government has been using community health workers and some NGOs to fill |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|---|--|--|---|--|
| the Recipient's Ministry of Health has established an open online platform to ensure greater transparency in the human resources management, and consistent with the optimization of budgetary resources of the public health system. | Baseline (2018): 21% Target (2022): 35% | across the Recipient's territory, through the adoption of Decree N°2021-1012/PRES/PM/MINEFID/MFP TPS dated October 18, 2021. | Results Indicator #12: Proportion of rural primary health care facilities that meet minimum WISN standards. Baseline (2018): 21% Progress (2020): 27% Target (2022): 30% | the gap. This has moved the focus from the establishment of an online platform for healthcare facilities towards establishing transparent redeployment procedures across territories for all job categories. Results Indicator #11 has been added to ensure alignment of Pillar 3 with the PRA's objective and framework. The indicator focuses on the share of civil servants deployed outside the capital region. In addition, moving away from a platform to a formal decree creates the framework that enables Indicator 9 which is retained in Results Indicator #12. However, due to the reasons mentioned above (i.e., hazards related to insecurity, which affected the deployment of health workers), the target for the indicator has been adjusted for realism. |
| Trigger 9. To improve the distribution of medicines to the last-mile, the Recipient's Ministry of Health has generalized the use of new distribution systems. | Indicator 10: Proportion of health facilities that experience shortages of listed essential medications (tracer medicines) per year. Baseline (2018): 87% Target (2022): 75% | | Results Indicator #13: Proportion of health facilities that experience shortages of listed essential medications (tracer medicines) per year. Baseline (2018): 87% Progress (2020): 85% Target (2022): 80% | Trigger 9 was implemented through the Covid-19 Crisis-Response DPF through the following measure: "To improve the capacity of the health sector to respond across all phases of the epidemic and to increase health system resilience the Ministry of Health and the Central Purchasing Agency for Essential Generic Medicines and Medical Consumables (CAMEG) have signed a protocol with accompanying standard operating procedures to improve the medicine supply information and distribution, to be monitored through the weekly status report covering all commodities and points in the supply chain." This measure was implemented in May 2020 but progress on achieving the results target has stalled or even reversed due to Covid-19 induced pressures on the health system. The indicator has been therefore adjusted for realism. |
| Trigger 10. To improve the efficiency of health and social services the Recipient has | Indicator 11: Proportion of indigent individuals, including eligible | Prior Action #6. To increase the effectiveness of the social protection system, the Recipient has established the Unique Social Registry of | Results Indicator #14: Total number of households included in the social registry Baseline (2017): 0 | The first measure of Trigger 10 is being supported through the Health Services Reinforcement Project (P164696 and P168823) and the third measure is being supported through the Social Safety Net Project (P124015 and P160371). The second measure is retained in Prior Action #6, strengthened and being |



| DPF2 Triggers and Indicators | | Proposed DPF3 | | Rationale for Adjustment |
|---|---|---|--|--|
| adopted (i) a new harmonized tariff system; (ii) a system that carries out “en masse intake and registration” of uniquely identified indigents; and (iii) subsidy mechanisms to cover the needs of most vulnerable populations, including those tested positive to Covid-19 or confined at home, and eligible internally displaced persons. | internally displaced persons, who have participated in an “en masse intake and registration” mechanism to determine potential eligibility for benefits and services. Baseline (2017): 0% Target (2022): 30% | households and people living in poverty and vulnerability along with its institutional arrangements, operational structure, and provisions for its effective usage for social programs, through the adoption of Decree N°2021-0354/PRES/PM/MATD/MINEF ID/MFPTPS/MFSNFAH/MENPT D dated September 30, 2021. | Progress (2020): 17,591 Target (2022): 120,000 Results Indicator #15: Share of female-headed households included in the largest social safety net database ⁶⁴ Baseline (2017): 14% Progress (2020): 14% Target (2022): 20% | implemented in close coordination with development partners. The “en masse intake and registration” will be carried out through the Unique Social Registry (established through Prior Action #6) that will necessarily put in place such mechanism to fulfil its function. The measures taken under the Covid-19 Crisis-Response DPF to align the unique identifier with that for the <i>personnes indigentes</i> and to ensure its proper attribution will facilitate their inclusion in the social registry. The attribution of a unique identifier will ensure their inclusion in the social registry as unique entries. The data collection exercise necessary to identify the <i>personnes indigentes</i> and to attribute an identifier to them will provide a platform for data collection to extend the social registry in line with Results Indicator #14. With the social registry soon being operational, there is significant scope to further expand the national social cash transfer program to cover the needs of the most vulnerable populations. The parameters of such expansion are currently being developed in close coordination with development partners. Indicator 11 is retained in Results Indicator #14. With about 4 million <i>personnes indigentes</i> in Burkina Faso, 30 percent are 1.2 million. The target for Results Indicator #14 is set at about 0.8 million when multiplying the number of households targeted (120,000) with the average household size of 6.5 individuals. Results Indicator #15 has been added to incentivize a stronger focus on registering female-headed households in the social registry which will help close gender gaps. |

⁶⁴ Since there was no social registry in place before 2021, the value for baseline and progress is based on the nation-wide share of households with a female household-head estimated at 14 percent in the 2018/19 Harmonized Survey on Living Conditions of Households (*Enquête Harmonisée sur les Conditions de Vie des Ménages*, EHCVM).



ANNEX 3: IMF RELATIONS ANNEX⁶⁵

CATASTROPHE CONTAINMENT AND RELIEF TRUST

Annex VI. Burkina Faso: Update for CCRT Debt Relief

Recent economic developments. New COVID-19 cases remain low, while the security situation is still concerning, with an uptick of attacks in recent months. COVID-19 vaccination started in June 2021, and the authorities have requested donors' support to bridge the financing gap for vaccinating the population (60 percent of the targeted population by 2022). As of end-August 2021, Burkina Faso had secured about 8.53 million of courses of vaccine supply that are expected to cover for about 41 percent of the population (COVID-19 vaccine tracker). Economic activities continued to recover since the third quarter of 2020. Consequently, real GDP growth is now estimated at 1.9 percent in 2020 (compared to 2 percent contraction projected earlier and the 5.5 percent pre-COVID-19 projection), and is expected to rebound to about 6.7 percent in 2021 (compared to 5.7 percent pre-COVID-19 projection). Higher prices of imported goods and upward adjustment of fuel pump prices have pushed inflation up to 3 percent at end-May 2021, but inflation is projected to decline to 2.7 percent by year-end. On the fiscal front, the overall deficit widened to 5.7 percent of GDP in 2020, compared to a pre-COVID-19 projection of 3.5 percent of GDP, as revenues declined, and spending increased to mitigate the economic and social impacts of the COVID-19 shock. The fiscal deficit is expected to remain higher (around 5.5 percent) in 2021, driven by the projected costs for COVID-19 vaccinations, recovery, and security. Debt indicators have deteriorated compared to pre-COVID-19 projections (Country Report No.19/393), reflecting both the GDP decline and additional borrowing to finance the COVID-19 response.

Burkina Faso: COVID Related Fiscal Measures¹
(Percent of GDP, unless otherwise indicated)

| | FY2020 | | | FY2021 | | |
|--|-----------------|------|--------|--------------------|---------------|--------|
| | Pre-Covid proj. | Pre1 | Change | Pre-Covid proj. 1/ | Current proj. | Change |
| Priority expenditures | 7.7 | 8.7 | 1.0 | 7.7 | 8.3 | 0.6 |
| of which | | | | | | |
| Health | 2.4 | 3.1 | 0.7 | 2.5 | 2.7 | 0.2 |
| Education | 5.2 | 5.4 | 0.2 | 5.0 | 5.4 | 0.4 |
| Social | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.0 |
| Other Covid-related spending | - | 2.4 | 2.4 | - | 0.4 | 0.4 |
| Covid prevention, containment & mgmt, vaccines | - | 0.9 | 0.9 | - | 0.1 | 0.1 |
| Transfers to HHs | - | 0.7 | 0.7 | - | - | - |
| Support to businesses (partial guarantee fund) | - | 0.8 | 0.8 | - | 0.3 | 0.3 |
| Memorandum: | | | | | | |
| Revenue (percent of GDP) | 18.0 | 16.6 | -1.4 | 18.0 | 15.4 | -2.6 |
| Priority expenditures (% of public spending) | 31.1 | 34.0 | 2.9 | 32.8 | 34.4 | 1.6 |
| Covid prevention, mgmt, vaccines (% of public spending) | - | 3.5 | 3.5 | - | 0.5 | 0.5 |
| Support to HHs, businesses (partial guarantee fund) (% spending) | - | 5.8 | 5.8 | - | 1.1 | 1.1 |

Source: Burkina Faso authorities and Fund staff estimates
1/ Most recent projection before March 1, 2021.

Source: Burkina Faso authorities; and IMF staff estimates and projections

On the fiscal front, the overall deficit widened to 5.7 percent of GDP in 2020, compared to a pre-COVID-19 projection of 3.5 percent of GDP, as revenues declined, and spending increased to mitigate the economic and social impacts of the COVID-19 shock. The fiscal deficit is expected to remain higher (around 5.5 percent) in 2021, driven by the projected costs for COVID-19 vaccinations, recovery, and security. Debt indicators have deteriorated compared to pre-COVID-19 projections (Country Report No.19/393), reflecting both the GDP decline and additional borrowing to finance the COVID-19 response.

Public health and macroeconomic policy response. The higher fiscal deficit was financed through policy adjustment and substantial external resources, including debt relief under the CCRT, and program and rapid access disbursements from the Fund. Relative to pre-COVID projections, priority spending is estimated to have increased by 1.0 percent of GDP in 2020 and other COVID-19-related spending by 2.4 percent of GDP. These increases were partially accommodated by keeping the wage bill unchanged, cancelling some non-priority spending on goods and services, and reducing current transfers. The authorities also postponed important but non-urgent public investments to accommodate new COVID19-related health investments and security spending (Country Report No.2020/304). The COVID19-related investments include a partial guarantee fund for companies in hard-hit sectors such as transport, hospitality, and restaurants to help the financial sector inject fresh

⁶⁵ IMF Policy Paper. Catastrophe Containment and Relief Trust—Fourth Tranche of Debt Service Relief in the Context of the Covid-19 Pandemic and Approval of Additional Beneficiary Member Countries. October 8, 2021.



CATASTROPHE CONTAINMENT AND RELIEF TRUST

credit into the economy in 2020-2021. In addition to the Fund's support (see below), the authorities received strong support from the World Bank and other donors. Priority spending is projected to increase by 0.6 percent of GDP in 2021, owing to continued support for businesses hard-hit by COVID-19 (0.3 percent of GDP), and enhanced public investment to kickstart the recovery process. Efforts to mobilize external support remain necessary, not only to offset revenue lost, but also to meet the costs for vaccination, recovery, and security. Burkina Faso is expected to further benefit from debt service suspension from creditors participating in the DSSI in 2021.

Governance safeguards. All COVID-19-related support was channeled through the revised 2020 budget as well as the 2021 budget. An audit of COVID-19 related spending up to December 2020 was published in June 2021¹. The audit report highlights areas of strengths (including the establishment of specific units to manage COVID-19-related resources), but also improvements needed to enhance the effectiveness and regularity of spending. In this context, with technical assistance from the World Bank, the authorities have adopted a new emergency spending framework for addressing future crises. The framework covers the overall institutional arrangements, financing of emergency mechanisms, appropriate budgetary, accounting, and financial management procedures, ex-post accountability mechanisms, and tools to ensure transparency.

IMF support status. Burkina Faso received a disbursement of SDR 36.12 million (30 percent of quota) following the satisfactory completion in November 2020 of the 4th and 5th reviews of its three-year ECF-supported program. Together with the emergency assistance in April 2020 under the Rapid Credit Facility (RCF), the Fund's disbursements stood at SDR120.4 million (100 percent of quota) for 2020, and total outstanding credit stands at SDR 256.58 million (213.11 percent of quota) as of August 31, 2021. The authorities have adopted a new national development plan for 2021-2025 to guide post-COVID-19 recovery, resilience building, development policies and reforms, and negotiations are underway for a new financial arrangement with the Fund to support these reform efforts.

Upcoming CCRT eligible debt service. Burkina Faso has debt service of SDR 10.61 million falling due during October 16, 2021 to January 10, 2022, the maximum period covered by the 4th tranche of debt service relief under the CCRT. The debt service falling due during the remaining period from January 11, 2022 to April 13, 2022 will be covered subsequently subject to resource availability.

Staff assessment. Staff assesses that Burkina Faso is pursuing appropriate macroeconomic policies to address the effects of the COVID-19 global pandemic. Based on information available to date, staff also assesses that the resources freed by the first three tranches of Fund debt relief under the CCRT debt service relief, and other support from the Fund, are being used to help provide emergency health, social, and economic support to the economy to mitigate the impact of the pandemic on the lives and livelihoods of the population.

¹ The publication of beneficial ownership of COVID-19-related procurement contracts is still outstanding. Given the emergence surrounding the outbreak, most of the COVID-19 related spending were undertaken urgently through direct procurement contracts, which are not required to be automatically published under the existing legal framework. However, authorities are exploring the scope for resolving this issue.



Table 1. Burkina Faso: Selected Economic Indicators, 2018–23

| | 2018 | 2019 | 2020 | | 2021 | | 2022 2/ | 2023 |
|---|-------|-------|-----------|------------|-----------|------------|----------|----------|
| | | | Pre-COVID | Post-COVID | Pre-COVID | Post-COVID | | |
| <i>(Annual percentage change, unless otherwise indicated)</i> | | | | | | | | |
| GDP and prices | | | | | | | | |
| GDP at constant prices | 6.8 | 5.7 | 5.5 | 1.9 | 5.7 | 6.7 | 5.6 | 5.3 |
| GDP deflator | 2.4 | -3.0 | 2.0 | 4.6 | 2.2 | 2.4 | 2.3 | 2.3 |
| Consumer prices (end of period) | 0.3 | -2.6 | 2.0 | 2.3 | 2.5 | 2.7 | 2.6 | 2.5 |
| Money and credit | | | | | | | | |
| Net domestic assets (banking system) 1/ | 8.6 | 7.6 | 13.3 | 6.0 | 13.8 | 16.2 | ... | ... |
| Credit to the government (banking system) 1/ | -0.2 | 2.6 | 7.7 | 1.1 | 6.6 | 10.7 | ... | ... |
| Credit to the private sector | 12.4 | 9.4 | 10.2 | 9.9 | 10.6 | 9.2 | ... | ... |
| Broad money (M3) | 10.4 | 8.8 | 15.4 | 18.0 | 15.7 | 20.3 | ... | ... |
| Private sector credit/GDP | 26.6 | 28.9 | 28.1 | 29.3 | 28.7 | 29.3 | ... | ... |
| External sector | | | | | | | | |
| Exports (f.o.b.; valued in CFA francs) | 10.1 | 4.8 | 10.5 | 15.4 | 3.2 | 8.0 | 5.7 | 3.4 |
| Imports (f.o.b.; valued in CFA francs) | 7.7 | 2.5 | 4.1 | -0.7 | 5.4 | 25.2 | 12.0 | 4.3 |
| Current account (percent of GDP) | -4.1 | -3.3 | -3.4 | -0.1 | -3.7 | -2.5 | -4.1 | -4.3 |
| <i>(Percent of GDP, unless otherwise indicated)</i> | | | | | | | | |
| Central government finances | | | | | | | | |
| Current revenue | 17.0 | 18.9 | 18.0 | 16.6 | 18.0 | 15.4 | 15.9 | 16.2 |
| Total expenditure and net lending | 23.6 | 23.6 | 24.7 | 25.4 | 23.5 | 24.2 | 23.3 | 22.3 |
| Overall fiscal balance, incl. grants (commitments) | -4.2 | -3.2 | -3.5 | -5.7 | -3.3 | -5.5 | -4.8 | -4.0 |
| Total Public Debt | 37.7 | 42.7 | 39.0 | 46.5 | 39.3 | 48.2 | 48.9 | 49.1 |
| Of which: external debt | 21.5 | 23.7 | 21.3 | 23.8 | 20.2 | 24.0 | 22.9 | 22.1 |
| Memorandum items: | | | | | | | | |
| Nominal GDP (CFAF billion) | 8,998 | 9,226 | 10,465 | 9,988.4 | 11,310 | 10,910.0 | 11,793.2 | 12,707.9 |
| Nominal GDP per capita (US\$) | 821 | 775 | 836 | 831.0 | 885 | 926.2 | 988.3 | 1,050.0 |
| UN Human Development Index | 0.443 | 0.452 | | | | | | |
| Education, Health and Social spending (% GDP) | | 8.6 | 7.7 | 8.7 | 7.7 | 8.3 | ... | ... |

Sources: Burkina Faso authorities; and IMF staff estimates and projections.

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

2/ CCRT debt relief for the period from January 11, 2022 through April 13, 2022 is included in projections, but its approval is subject to the adequate resources under the CCRT.



ANNEX 4: LETTER OF DEVELOPMENT POLICY

MINISTRE DE L'ECONOMIE,
DES FINANCES
ET DU DEVELOPPEMENT

SECRETARIAT GENERAL

DIRECTION GENERALE
DE LA COOPERATION



BURKINA FASO

Unité - Progrès - Justice

Ouagadougou, le

27 OCT 2021

002678

N°2021 /MINEFID/SG/DGCOOP/DSPF

LE MINISTRE

A

**Monsieur David Malpass,
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 série d'appuis budgétaires, 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 présente, d'autre part, ses perspectives économiques et financières à moyen terme. Elle décrit également l'état de mise en œuvre du PNDES et met l'accent sur les réformes soutenues par la Banque mondiale, à travers la mise en œuvre de la troisième opération de la série d'appuis budgétaires.

I. Situation économique en 2020

1. L'activité économique en 2020 s'est déroulée dans un environnement socioéconomique difficile, caractérisé par la pandémie de la COVID-19 et la persistance des attaques terroristes, entraînant un déplacement interne de populations. Toutefois, le contexte national a été marqué par la bonne tenue des élections couplées présidentielle et législatives et par une campagne agricole globalement satisfaisante.
2. Sur la base des dernières estimations, elle a enregistré une décélération de son rythme de croissance. En effet, le taux de croissance du PIB réel est ressorti à 2,5% en 2020 contre 5,7% en 2019. Cette croissance a été imprimée principalement par les secteurs secondaire (+7,7%) et primaire (+5,7%), le secteur tertiaire ayant connu une récession (-2,5%). Le dynamisme de l'agriculture (+6,9%) et des activités extractives (+16,6%) a favorisé cette croissance en 2020, malgré l'effondrement du sous-secteur « hébergement et restauration » (-28,8%).
3. L'inflation, en moyenne annuelle, s'est affichée à 1,9% en 2020, contre -3,2% en 2019. Cette augmentation du niveau général des prix à la consommation est liée principalement au renchérissement des « produits alimentaires et boissons non alcoolisées » (+3,7%) et des services d'enseignement (+2,1%). La hausse des prix de produits alimentaires s'explique par la rupture de certaines chaînes d'approvisionnement sous l'effet de la pandémie de la COVID-19.



4. Les transactions économiques du Burkina Faso avec l'extérieur se sont ressenties favorablement, d'une part, de la baisse en moyenne des prix mondiaux des produits pétroliers et, d'autre part, de la hausse des cours de l'or non monétaire. Dans ce contexte, les échanges avec le reste du monde se sont traduits par l'augmentation notable du solde du compte des transactions courantes, qui s'est situé à 3,7% du PIB en 2020, contre un déficit de 3,3% en 2019. Cette performance provient essentiellement de l'amélioration du solde de la balance commerciale. En effet, la balance des biens a dégagé un solde excédentaire de 806,6 milliards de FCFA en 2020, après un excédent de 214,3 milliards de FCFA en 2019, en raison d'un accroissement des exportations (+19,4%) dû à une expansion des ventes de l'or non monétaire (+33,1%) et d'un léger repli des importations (-6,6%).
5. L'évolution de la situation monétaire a été marquée, entre fin décembre 2019 et fin décembre 2020, par une hausse des Actifs Extérieurs Nets (AEN) (+31,5%) et une progression des créances intérieures (+9,3%), conduisant à un accroissement de la masse monétaire de 682,1 milliards de FCFA, les passifs à caractère non monétaire des institutions de dépôts s'étant accrus de 122,5 milliards de FCFA.
6. Au niveau des finances publiques, le niveau de recouvrement des recettes fiscales a reculé de 3,4% en 2020 comparativement à 2019, à cause du ralentissement de l'activité économique et des mesures fiscales prises par le gouvernement pour soulager les contribuables, en lien avec l'atténuation de certains effets de la COVID-19. Cette baisse a été plus ressentie au niveau des « impôts sur les biens et services » ainsi qu'au niveau des « impôts sur le commerce extérieur et les transactions internationales ». Cependant, grâce à l'élan de solidarité internationale dont a bénéficié le pays, le niveau global de mobilisation des recettes a enregistré un accroissement de 5,8%, soit +1,0% du PIB. En effet, la mobilisation des dons a plus que doublé (surtout la composante « capital ») pour s'afficher à 3,0% du PIB en 2020 contre 1,4% une année auparavant.
7. Quant aux dépenses, elles ont été exécutées à hauteur de 24,0% du PIB en 2020 contre 22,9% du PIB en 2019. Cette évolution est imputable principalement à l'augmentation des acquisitions nettes d'actifs non financiers (+2,7% du PIB) et, dans une moindre mesure, à celle des charges (+0,1% du PIB).
8. Les transactions sur actifs non financiers, bénéficiant d'un apport important de financements extérieurs destinés à exécuter les projets et programmes de développement (+109,1%) et d'une légère amélioration des dépenses d'investissements sur ressources propres (+3,3%), se sont situées à 7,1% du PIB en 2020 contre 4,8% en 2019.
9. La hausse des charges est tirée en grande partie par l'augmentation de la rémunération des salariés (+6,1%) et des intérêts de la dette (+22,2%). L'augmentation de la rémunération des salariés est due à l'incidence financière des engagements pris par le gouvernement avec les partenaires sociaux de 2016 à 2019 (versements dans la loi 081, revalorisation salariale au profit des agents de la Police, de la Santé, de l'Éducation et de la Sécurité pénitentiaire...), aux effectifs additionnels et aux promotions statutaires. L'accroissement des intérêts s'explique par l'augmentation des charges de la dette intérieure, en raison du recours de plus en plus important aux titres publics sur le marché financier régional.
10. Le besoin de financement s'est accentué en 2020 ressortant à 4,9% du PIB contre 3,4% en 2019. Ce besoin a été principalement financé par une accumulation nette de passifs à hauteur de 4,8% du PIB, induisant un accroissement de l'encours de la dette de l'Administration centrale.

II. Nouveau référentiel de développement

11. La mise en œuvre du Plan National de Développement Économique et Social (PNDES) sur la période 2016 -2020 s'est déroulée dans un contexte difficile marqué par l'insécurité avec des attaques terroristes, les mouvements sociaux et la survenue de la pandémie de la COVID 19. En dépit de ce contexte, le taux d'atteinte des indicateurs d'effets et d'impacts des cibles du PNDES est ressorti à 74% grâce aux acquis engrangés aussi bien en termes de réformes que d'investissements réalisés au niveau des trois (03) axes stratégiques du Plan.



12. Au niveau de l'axe portant sur les réformes des institutions et de la modernisation de l'administration, plusieurs acquis ont été obtenus. En matière de justice, de droits humains, de promotion de la démocratie et de l'état de droit, des textes ont été adoptés relativement à l'indépendance de la justice, à l'amélioration de la justice sociale et aux droits humains, ainsi qu'à la lutte contre le blanchiment de capitaux et au financement du terrorisme. Il a été également mis en place des infrastructures pour rapprocher la justice du justiciable.
13. En matière de sécurité, il a été réalisé des réformes portant sur la loi de programmation militaire afin de planifier les besoins à moyen terme permettant une augmentation conséquente du budget, la création de la Brigade Spéciale des Investigations Anti-terroristes et la lutte contre la criminalité organisée (BSIAT), le renforcement des capacités opérationnelles des forces de défense et de sécurité et l'acquisition d'équipements.
14. En matière de décentralisation et de gouvernance locale, de nouveaux textes et documents de référence ont été adoptés pour un aménagement efficace du territoire et un développement durable.
15. En matière de gouvernance économique, des réformes ont été réalisées dans le cadre du pilotage de l'économie et la gestion des finances publiques, avec le passage au budget programme, la création et le développement de nouveaux instruments de financement de l'économie et de l'entrepreneuriat comme la Banque Agricole du Faso, la Caisse des Dépôts et Consignations, le Fonds national de la finance inclusive, etc.
16. Concernant l'axe portant sur le développement du capital humain, des réformes ont été entreprises pour améliorer la politique en matière de santé, avec la politique de gratuité des soins pour les enfants de moins de 5 ans et pour les femmes enceintes, la création de la Caisse Nationale d'Assurance Maladie Universelle (CNAMU) et la mise en place de la Fonction publique hospitalière. En matière d'éducation, les efforts engagés ont permis d'améliorer l'offre éducative avec une bonne orientation axée sur la formation technique et professionnelle. Dans le domaine de l'accès à l'eau potable, le profil du taux d'accès à l'eau potable au niveau national s'est amélioré avec la mise en place d'infrastructures d'eau potable et d'assainissement.
17. Concernant l'axe portant sur la dynamisation des secteurs porteurs pour l'économie et les emplois, des réformes clés ont été engagées pour améliorer la productivité avec l'adoption du code des investissements agricoles, la mise en place du fonds de développement et de l'assurance agricole, ainsi que la création de la centrale d'achat des intrants et matériels agricoles. Des infrastructures routières, hydrauliques et énergétiques nécessaires à la transformation structurelle de l'économie ont été réalisées, ainsi que celles numériques pour améliorer la bande passante et le taux de pénétration de l'internet.
18. Au niveau du secteur de l'énergie particulièrement, des réformes ont été faites pour la libéralisation de la production d'énergie avec la réglementation générale du secteur de l'Énergie, l'opérationnalisation de l'Agence nationale des énergies renouvelables et de l'efficacité énergétique (ANEREE), la transformation du Fonds de développement de l'électrification en Agence burkinabè d'électrification rurale (ABER) dont l'objectif est d'améliorer l'offre énergétique à travers la construction des divers centrales de production d'énergie et l'interconnexion avec les pays voisins.
19. Dans le but de pérenniser les acquis engrangés et de poursuivre les réformes, le Burkina Faso a élaboré le deuxième Plan National de Développement Economique et Social (PNDES-II) pour la période 2021-2025. Ainsi, dans sa quête continue d'améliorer les conditions de vie de sa population et pour relever les défis de développement actuels, le PNDES-II ambitionne de « rétablir la sécurité et la paix, renforcer la résilience de la nation et transformer structurellement l'économie burkinabè, pour une croissance forte, durable et inclusive », malgré une situation sécuritaire et sanitaire à améliorer et d'une cohésion sociale à consolider. Le PNDES-II est bâti autour des quatre (04) axes stratégiques suivants : (i) consolider la résilience, la sécurité, la cohésion sociale et la paix,



(ii) approfondir les réformes institutionnelles et moderniser l'administration publique, (iii) consolider le développement du capital humain et la solidarité nationale et (iv) dynamiser les secteurs porteurs pour l'économie et les emplois.

III. Mesures de réformes convenues dans le cadre de la troisième opération de la série d'appuis budgétaires

20. La troisième opération de la série d'appuis budgétaires de la Banque mondiale comprend six (06) actions préalables mises en œuvre à travers trois (3) piliers à savoir : (i) Renforcer la gestion budgétaire, (ii) Améliorer la gestion des ressources naturelles et la productivité du bétail, et (iii) Améliorer la prestation de services et l'efficacité des dépenses sociales.

Pilier 1 : Renforcer la gestion budgétaire

21. La mise en œuvre de la télédéclaration et du télépaiement permettra d'accroître l'efficacité de l'administration fiscale, tout en réduisant les coûts de transaction pour le paiement des impôts par les contribuables. Ainsi, dans le cadre de la troisième opération d'appui budgétaire, il est convenu que le Ministère de l'Économie, des Finances et du Développement (MINEFID), à travers Loi de Finances 2021, (i) simplifie la fiscalité basée uniquement sur le chiffre d'affaires (ou le revenu) des micro-entreprises et (ii) rende le télépaiement obligatoire des impôts pour les moyennes entreprises. A cet effet, ces engagements ont été consacrés dans la Loi de Finances 2021 respectivement, par les articles 29 à 37 et l'article 44.
22. La gestion de la masse salariale est un défi majeur pour le Burkina Faso. A ce propos, pour contenir l'augmentation de la masse salariale, le Gouvernement s'est engagé à adopter un certain nombre de décrets. Il s'agit de cinq (05) décrets n°2021-0285 à 0289/PRES/PM/MINEFID/MFPTPS du 22 avril 2021, et de quatre (04) décrets qui (i) rationalisent les principaux métiers de l'administration (de 20 à 10), (ii) mettent en extinction les emplois non nécessaires de l'administration publique, (iii) introduisent la mobilité entre les métiers et les administrations et (iv) établissent un processus de recrutement transparent. Ce sont :
- le Décret n°2021-308/PRES/PM/MINEFID/MFPTPS du 27 avril 2021 portant statut particulier du métier santé humaine et animale ;
 - le Décret n°2021-430/PRES/PM/MINEFID/MFPTPS du 19 mai 2021 portant statut particulier du métier des mines et énergie ;
 - le Décret n°2021-0529/PRES/PM/MINEFID/MFPTPS du 09 juin 2021 portant statut particulier du métier structurant ;
 - le Décret n°2021-0696/PRES/PM/MINEFID/MFPTPS du 06 juillet 2021 portant statut particulier du métier communication, culture et tourisme.

Pilier 2 : Améliorer la gestion des ressources naturelles et la productivité du bétail

23. Au niveau de ce pilier, dans le cadre des actions prises pour réduire la déforestation, le Gouvernement s'est engagé à (i) adopter un arrêté interministériel qui assure l'harmonisation et le partage des données entre la base de données géographiques minières et les systèmes de bases de données géographiques forestières comme l'atteste l'arrêté n°2021-337/MEEVCC/MEMC/MINEFID du 21 juin 2021, (ii) exclure seize (16) forêts du cadastre minier et (iii) enregistrer cinq (05) forêts classées dans le cadastre foncier. Le respect de ces deux derniers engagements est attesté respectivement, par la liste des forêts exclues du cadastre minier et les copies des titres fonciers des forêts immatriculées.
24. Aussi, afin d'augmenter à la fois la capacité d'adaptation au changement climatique des éleveurs et le potentiel d'atténuation du changement climatique de leur troupeau, il a été convenu d'adopter un certain nombre de textes réglementaires. Il s'agit de l'arrêté interministériel n°2020-74/MRAH/MINEFID du 25 novembre 2020 relatif à la prise en charge des équipes de vaccination et



des vétérinaires de santé privés dans le cadre des campagnes de vaccination gratuite du bétail du secteur rural et de l'arrêté interministériel n°2021-76/MRAH/MINEFID/MATD portant modalité d'organisation des campagnes de vaccination contre la peste du petit ruminant au Burkina Faso.

Pilier 3 : Améliorer la prestation de services et l'efficacité des dépenses sociales.

25. A ce niveau, pour améliorer la présence de l'Etat sur le territoire national, il a été convenu dans le cadre du redéploiement des agents de l'Etat d'adopter un décret qui établit des procédures transparentes y relatives. Le décret n°2021-1012/PRES/PMINEFID/MFPTPS du 18 octobre 2021 vient attester la réalisation de cet engagement.
26. Aussi, pour améliorer l'efficience du système de protection sociale et sa capacité à répondre aux chocs covariants, le Gouvernement s'est engagé à adopter un décret portant sur le registre social ainsi que ses arrangements institutionnels, les principes opérationnels et les mécanismes d'utilisation efficace des programmes sociaux. Il s'agit du décret n°2021-354/PRES/PMATD/MINEFID/MFPTPS/MFSNFAH/MENPTD du 30 septembre 2021.

IV. Perspectives pour l'année 2021

27. La croissance devrait renouer avec sa dynamique d'antan en 2021, sous les hypothèses d'une maîtrise de la COVID-19 devant s'accompagner d'une reprise de l'activité économique mondiale, d'une amélioration de la situation sécuritaire, d'une pluviosité favorable et d'une poursuite de l'apaisement de la fronde sociale.
28. L'activité économique en 2021 enregistrerait une reprise de son rythme de croissance avec un taux de croissance du PIB réel qui ressortirait à 7,1% contre 2,5% en 2020. Cette croissance serait tirée principalement par les secteurs secondaire (+8,5%) et tertiaire (+8,0%) et, dans une certaine mesure, par le secteur primaire.
29. L'accélération de la croissance serait imputable à la bonne orientation de l'activité agricole grâce notamment à la mise à disposition aux producteurs de tracteurs, de motoculteurs, de semoirs, d'engrais minéraux et de semences améliorées, l'aménagement de nouveaux bas-fonds et aux technologies innovantes d'irrigation. En outre, la croissance serait soutenue par le dynamisme de l'industrie extractive avec l'entrée en production de la mine d'or de Yimiougou (par la Société minière BISSA Gold), la poursuite et le démarrage de grands travaux de construction, de bitumage et de réhabilitation. Aussi, l'activité économique tirerait profit de la reprise des activités du sous-secteur « hébergement et restauration », de la bonne tenue des « activités immobilières », des « services financier et assurance », du « commerce et réparation », ainsi que de la reprise de l'organisation de manifestations d'envergure internationale.
30. L'inflation en moyenne annuelle devrait se situer à 1,6% en 2021, à la faveur de bons résultats de la campagne agricole 2020-2021 et sous l'hypothèse de la poursuite des mesures gouvernementales de lutte contre la vie chère.
31. A court terme, les transactions économiques du Burkina Faso avec l'extérieur continueraient de bénéficier de la hausse des quantités d'or exportées. Dans ce contexte, les échanges avec le reste du monde se traduiraient par l'augmentation du solde du compte des transactions courantes qui afficherait un excédent de 4,2% du PIB en 2021. Cette évolution serait liée à la bonne tenue du compte des biens sous l'impulsion des exportations. En effet, la balance commerciale serait excédentaire en ressortant à 9,4% du PIB en 2021, sous l'effet de la hausse des exportations de 11,3%. Quant aux importations de biens, elles devraient également augmenter de 7,2% en 2021.
32. A fin décembre 2021, les mobilisations de recettes se situeraient à 2 090,3 milliards de FCFA, soit 19,3% du PIB. Comparées à leur niveau de 2020, les recettes augmenteraient de 7,9%, tirées par les recettes fiscales (+16,0%) et les dons (+4,3%).



33. Les dépenses, quant à elles, se situeraient à 2 644,0 milliards de FCFA, représentant 24,4% du PIB. Comparées à 2020, les dépenses augmenteraient de 8,8%, tirées par les charges (+5,0%) et les acquisitions nettes d'actifs non financiers (+17,8%). L'augmentation des charges serait due à celle des salaires (+6,1%), des utilisations des biens et services (+16,4%), des intérêts de la dette (+22,2%) et des prestations sociales (+9,9%).
34. Le besoin de financement ressortirait à 5,1% du PIB, en aggravation de 0,2 point de pourcentage par rapport à 2020.

V. Autres réformes soutenues par la série d'appuis budgétaire en cours.

35. A l'issue de la mission de l'équipe qui a permis de faire l'état d'avancement des actions de l'opération en cours, il a été convenu de suivre des réformes en cours de mise en œuvre. Il ne s'agit pas de déclencheurs de décaissement mais les éléments d'information y relatifs seront capitalisés dans le cadre de l'évaluation finale du programme.
36. Ainsi, au titre des réformes en cours, quatre (04) sont relevées. Il s'agit des réformes sur : (i) les impôts fonciers, (ii) les Partenariats Publics Privés (PPP), (iii) l'indicateur de la charge de travail et des besoins en personnel et (iv) la distribution des médicaments au dernier kilomètre.
37. Pour améliorer le rendement des impôts fonciers et renforcer la mobilisation de ressources propres au niveau local, il a été convenu : (i) d'adopter une réforme de l'administration des impôts fonciers, (ii) de créer et rendre opérationnels de nouveaux services du cadastre dans la commune de Ouagadougou et à Bobo-Dioulasso. Concernant les PPP, une nouvelle loi y relative a été adoptée par l'Assemblée Nationale le 25 juin 2021 afin d'améliorer la gestion des projets PPP. Dans le secteur de la santé, afin de mieux aligner la distribution du personnel de santé sur les besoins spécifiques de ressources humaines des structures de santé, il a été convenu d'établir une plateforme informatisée ouverte permettant d'assurer une meilleure transparence de la gestion des ressources humaines, compatible avec l'optimisation des ressources budgétaires du système de santé publique. Par ailleurs, pour améliorer la distribution des médicaments au dernier kilomètre, de nouveaux systèmes de distribution ont été introduits.

VI. Cadre institutionnel de mise en œuvre

38. Le Ministère de l'Economie, des Finances et du Développement assumera la responsabilité de l'exécution du programme. A cet effet, il veillera à ce que les Ministères et les structures concernés de l'Administration burkinabè jouent pleinement leurs rôles respectifs dans la mise en œuvre des réformes et des mesures qui relèvent de leur domaine de compétence. L'organe technique d'exécution sera la Direction Générale de la Coopération qui est chargée du suivi des programmes d'appui budgétaire.
39. Le Gouvernement reste convaincu qu'avec le soutien de ses partenaires, notamment la Banque Mondiale, la mise en œuvre de ce programme d'appui budgétaire, 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. Aussi, par la présente, voudrais-je solliciter le décaissement de cette aide budgétaire d'urgence d'un montant de deux cent (200) millions de dollars, dont la moitié sous forme de dons.
40. En vous remerciant pour l'appui constant que votre institution apporte à mon pays, je vous prie d'agréer, **Monsieur le Président**, l'assurance de ma considération distinguée.



Lassané KABORE
Officier de l'Ordre de l'Etaton



**Burkina Faso Third Fiscal Management, Sustainable Growth,
and Service Delivery Development Policy Financing (P173529)**

Letter of Development Policy

UNOFFICIAL TRANSLATION

Subject: Letter of Development Policy

Mr. President,

I would like to take this opportunity to express the satisfaction of the Government of Burkina Faso with the commitment of your august institution to support Burkina Faso in the implementation of its National Economic and Social Development Plan (PNDES), through various financial instruments, including the Development Policy Financing series, which remains without question the most complete form of development assistance for my country.

This Letter of Development Policy (LPD) outlines Burkina Faso's recent economic developments and presents its medium-term economic and financial outlook. It also describes the status of implementation of the PNDES and highlights the reforms supported by the World Bank through the implementation of the third operation in the Development Policy Financing series.

I. Economic situation in 2020

1. Economic activity in 2020 took place in a difficult socioeconomic environment, characterized by the COVID-19 pandemic and the persistence of terrorist attacks, leading to internal displacement of populations. However, the national context was marked by the successful holding of the combined presidential and legislative elections and by a generally satisfactory agricultural campaign.
2. Based on the latest estimates, the country's growth rate has slowed down. Indeed, the real GDP growth rate was 2.5% in 2020, compared with 5.7% in 2019. This growth was mainly driven by the secondary (+7.7%) and primary (+5.7%) sectors, with the tertiary sector experienced a recession (-2.5%). The dynamism of agriculture (+6.9%) and mining and quarrying (+16.6%) helped this growth in 2020, despite the collapse of the "accommodation and catering" sub-sector (-28.8%).
3. Inflation, as an annual average, stood at 1.9% in 2020, compared with -3.2% in 2019. This increase in the general level of consumer prices is mainly related to the increase in "food and non-alcoholic beverages" (+3.7%) and educational services (+2.1%). The increase in food prices is explained by the disruption of certain supply chains as a result of the COVID-19 pandemic.
4. Burkina Faso's external economic transactions were favorably affected by the average decline in world prices for petroleum products and by the rise in non-monetary gold prices. In this context, trade with the rest of the world resulted in a significant increase in the current account balance, which stood at 3.7% of GDP in 2020, compared with a deficit of 3.3% in 2019. This performance is mainly due to the improvement in the trade balance. Indeed, the balance of goods showed a



surplus of CFAF 806.6 billion in 2020, after a surplus of CFAF 214.3 billion in 2019, due to an increase in exports (+19.4%) due to an expansion in sales of non-monetary gold (+33.1%) and a slight decline in imports (-6.6%).

5. Between the end of December 2019 and the end of December 2020, the evolution of the monetary situation was marked by an increase in Net External Assets (NEA) (+31.5%) and an increase in domestic claims (+9.3%), leading to an increase in the money supply of CFAF 682.1 billion, with non-monetary liabilities of deposit-taking institutions increasing by CFAF 122.5 billion.
6. In terms of public finances, the level of tax revenue collection fell by 3.4% in 2020 compared to 2019, due to the slowdown in economic activity and the tax measures taken by the government to relieve taxpayers, in connection with the mitigation of some of the effects of COVID-19. This decline was felt more in “taxes on goods and services” and “taxes on foreign trade and international transactions.” However, thanks to the surge of international solidarity from which the country benefited, the overall level of revenue mobilization recorded an increase of 5.8%, or +1.0% of GDP. Indeed, the mobilization of grants more than doubled (especially the “capital” component) to reach 3.0% of GDP in 2020, compared with 1.4% a year earlier.
7. As for expenditures, they were executed at 24.0% of GDP in 2020, compared with 22.9% of GDP in 2019. This change is attributable mainly to the increase in net acquisitions of non-financial assets (+2.7% of GDP) and, to a lesser extent, in expenses (+0.1% of GDP).
8. Transactions in non-financial assets, benefiting from a significant inflow of external financing to implement development projects and programs (+109.1%) and a slight improvement in capital expenditure from own resources (+3.3%), stood at 7.1% of GDP in 2020 compared with 4.8% in 2019.
9. The increase in expenses is largely driven by the increase in compensation of employees (+6.1%) and interest on debt (+22.2%). The increase in compensation of employees is due to the financial impact of the commitments made by the government with the social partners from 2016 to 2019 (reversals in Law 081, salary increases for police, health, education and prison security officers, etc.), additional effects and statutory promotions. The increase in interest is explained by the rise in domestic debt charges, due to the increasing use of government securities on the regional financial market.
10. The financing requirement increased in 2020 to 4.9% of GDP compared with 3.4% in 2019. This need was mainly financed by a net accumulation of liabilities amounting to 4.8% of GDP, leading to an increase in the central government’s outstanding debt.

II. New development framework

11. The implementation of the National Economic and Social Development Plan (PNDES) for the period 2016-2020 took place in a difficult context marked by insecurity with terrorist attacks, social movements and the occurrence of the COVID 19 pandemic. Despite this context, the rate



of achievement of the indicators of results and impacts of the PNDES targets was 74%, thanks to the gains made in terms of reforms and investments made in the three (03) strategic areas of the Plan.

12. In the area of institutional reforms and modernization of the administration, several achievements have been made. In the area of justice, human rights, the promotion of democracy and the rule of law, texts have been adopted relating to the independence of the judiciary, the improvement of social justice and human rights, and the fight against money laundering and the financing of terrorism. Infrastructures have also been put in place to bring justice closer to the people.
13. In the area of security, reforms have been made to the military programming law in order to plan medium-term needs, allowing for a substantial increase in the budget, the creation of the Special Brigade for Anti-Terrorist Investigations and the Fight against Organized Crime (BSIAT), the strengthening of the operational capacities of the defense and security forces, and the acquisition of equipment.
14. In the area of decentralization and local governance, new texts and reference documents have been adopted for effective land use planning and sustainable development.
15. In the area of economic governance, reforms have been carried out in the context of economic steering and public financial management, with the switch to program budgets, the creation and development of new instruments for financing the economy and entrepreneurship, such as the Banque Agricole du Faso, the Caisse des Dépôts et Consignations, the Fonds National de la Finance Inclusive, etc.
16. With regard to human capital development, reforms have been undertaken to improve health policy, with the policy of free health care for children under 5 years of age and pregnant women, the creation of the Caisse Nationale d'Assurance Maladie Universelle (CNAMU) and the establishment of the Public Hospital Service. In the area of education, the efforts made have made it possible to improve the educational offer with a good orientation towards technical and vocational training. In the area of access to drinking water, the rate of access to drinking water at the national level has improved with the establishment of drinking water and sanitation infrastructures
17. In terms of boosting the sectors that are key to the economy and employment, key reforms have been undertaken to improve productivity with the adoption of the agricultural investment code, the establishment of the development fund and agricultural insurance, and the creation of the central purchasing office for agricultural inputs and equipment. Road, water and energy infrastructure necessary for the structural transformation of the economy have been built, as well as digital infrastructure to improve bandwidth and the internet penetration rate.
18. In the energy sector in particular, reforms have been made to liberalize energy production with the general regulation of the energy sector, the operationalization of the National Agency for



Renewable Energy and Energy Efficiency (ANEREE), the transformation of the Electrification Development Fund into the Burkinabe Rural Electrification Agency (ABER), whose objective is to improve the energy supply through the construction of various power plants and interconnections with neighboring countries.

19. In order to sustain the gains made and continue the reforms, Burkina Faso has developed the second National Economic and Social Development Plan (PNDES-II) for the period 2021-2025. Thus, in its ongoing quest to improve the living conditions of its population and to meet current development challenges, the PNDES-II aims to “restore security and peace, strengthen the nation’s resilience and structurally transform the Burkinabe economy, for strong, sustainable and inclusive growth,” despite a security and health situation that needs to be improved and social cohesion consolidated. The PNDES-II is built around the following four (4) strategic axes: (i) consolidating resilience, security, social cohesion and peace, (ii) deepening institutional reforms and modernizing public administration, (iii) consolidating the development of human capital and national solidarity, and (iv) boosting sectors that are promising for the economy and jobs.

III. Reform measures agreed upon in the framework of the third operation of the Development Policy Financing series

20. The third operation in the World Bank’s Development Policy Financing series comprises six (06) prior actions implemented through three (3) pillars, namely: (i) Strengthening fiscal management, (ii) Improving natural resource management and livestock productivity, and (iii) Enhancing service delivery and social spending efficiency.

Pillar 1: Strengthening Fiscal Management

21. The implementation of e-declaration and e-payment will increase the efficiency of the tax administration, while reducing the transaction costs for taxpayers to pay their taxes. Thus, as part of the third budget support operation, it is agreed that the Ministry of Economy, Finance and Development (MINEFID), through the 2021 Finance Law, will (i) simplify taxation based solely on the turnover (or income) of microenterprises and (ii) make e-payment of taxes mandatory for medium-sized enterprises. To this end, these commitments have been enshrined in the Finance Law 2021 respectively, by Articles 29 to 37 and Article 44.
22. Managing the wage bill is a major challenge for Burkina Faso. In this regard, in order to contain the increase in the wage bill, the Government has undertaken to adopt a number of decrees. These are five (05) decrees N°2021-0285 to 0289/PRES/PM/MINEFID/MFPTPS of April 22, 2021, and four (04) decrees that (i) rationalize the main professions of the administration (from 20 to 10), (ii) eliminate unnecessary jobs in the public administration, (iii) introduce mobility between professions and administrations and (iv) establish a transparent recruitment process. These are:
 - Decree N°2021-308/PRES/PM/MINEFID/MFPTPS of April 27, 2021 on the special status of the human and animal health profession;
 - Decree N°2021-430/PRES/PM/MINEFID/MFPTPS of May 19, 2021 on the special status of the



mining and energy profession;

- Decree N°2021-0529/PRES/PM/MINEFID/MFPTPS of June 9, 2021 on the special status of the structuring profession;
- Decree N°2021-0696/PRES/PM/MINEFID/MFPTPS of July 6, 2021 on the special status of the communication, culture and tourism profession.

Pillar 2: Improving Natural Resource Management and Livestock Productivity

23. Under this pillar, as part of the actions taken to reduce deforestation, the Government has committed to (i) adopt an inter-ministerial decree that ensures the harmonization and sharing of data between the mining geographic database and the forest geographic database systems as evidenced by Decree N°2021-337/MEEVCC/MEMC/MINEFID of June 21, 2021; (ii) exclude sixteen (16) forests from the mining cadaster and (iii) register five (05) classified forests in the land cadaster. Compliance with the latter two commitments is evidenced by the list of forests excluded from the mining cadaster and by copies of the land titles of the registered forests, respectively.
24. Also, in order to increase both the climate change adaptation capacity of farmers and the climate change mitigation potential of their herds, it was agreed to adopt a number of regulatory texts. These include Inter-ministerial Order N°2020-74/MRAH/MINEFID of November 25, 2020 on the payment of vaccination teams and private health veterinarians for livestock vaccination campaigns in the rural sector and Inter-ministerial Order N°2021-76/MRAH/MINEFID/MATD on the organization of vaccination campaigns against the sheep and goat plague in Burkina Faso.

Pillar 3: Enhancing Service Delivery and Social Spending Efficiency

25. At this level, in order to improve the presence of the State on the national territory, it was agreed within the framework of the redeployment of State agents to adopt a decree that establishes transparent procedures relating to it. Decree No. 2021-1012/PRES/PM/MINEFID/MFPTPS of October 18, 2021 attests to the fulfillment of this commitment.
26. Also, to improve the efficiency of the social protection system and its ability to respond to covariant shocks, the government has committed to adopting a decree on the social registry and its institutional arrangements, operational principles and mechanisms for the effective use of social programs. This is Decree N°2021-354/PRES/PM/MATD/MINEFID/MFPTPS/MFSNFAH/MENPTD of September 30, 2021.

IV. Outlook for the year 2021

27. Growth is expected to return to its former momentum in 2021, assuming that COVID-19 is kept under control, accompanied by a recovery in global economic activity, an improvement in the security situation, favorable rainfall, and a further easing of social unrest.
28. Economic activity in 2021 is expected to pick up again with a real GDP growth rate of 7.1%



compared to 2.5% in 2020. This growth would be driven mainly by the secondary (+8.5%) and tertiary (+8.0%) sectors and, to some extent, by the primary sector.

29. The acceleration in growth is attributable to the good orientation of agricultural activity, thanks in particular to the provision of tractors, power tillers, seed drills, mineral fertilizers and improved seeds to producers, the development of new lowlands and innovative irrigation technologies. In addition, growth would be supported by the dynamism of the extractive industry with the start of production at the Yimiougou gold mine (by the mining company BISSA Gold), and the continuation and start-up of major construction, asphaltting and rehabilitation works. Economic activity will also benefit from the recovery of the “accommodation and catering” sub-sector, the good performance of “real estate activities,” “financial services and insurance,” “trade and repairs,” and the resumption of the organization of international events.
30. Average annual inflation is expected to be 1.6% in 2021, thanks to the good results of the 2020-2021 agricultural season and assuming the continuation of government measures to combat high living costs.
31. In the short term, Burkina Faso’s external economic transactions would continue to benefit from the increase in gold exports. In this context, trade with the rest of the world would result in an increase in the current account balance, which would show a surplus of 4.2% of GDP in 2021. This development would be linked to the good performance of the goods account, driven by exports. Indeed, the trade balance would be in surplus, amounting to 9.4% of GDP in 2021, as a result of the 11.3% increase in exports. Imports of goods are also expected to increase by 7.2% in 2021.
32. At the end of December 2021, revenue mobilization would be CFAF 2,090.3 billion, or 19.3% of GDP. Compared to their level in 2020, revenues are expected to increase by 7.9%, driven by tax revenues (+16.0%) and grants (+4.3%).
33. Expenditures, for their part, would stand at CFAF 2,644.0 billion, representing 24.4% of GDP. Compared to 2020, expenditures would increase by 8.8%, driven by expenses (+5.0%) and net acquisitions of non-financial assets (+17.8%). The increase in expenses would be driven by wages (+5.5%), use of goods and services (+16.4%), interest (+24.1%), grants (+2.0%) and social benefits (+9.9%).
34. The financing requirement is projected to be 5.1% of GDP, an increase of 0.2 percentage points compared to 2020.

V. Other reforms supported by the current series of Development Policy Financing

35. At the end of the team’s mission, which enabled it to assess the progress of the current operation’s actions, it was agreed to monitor the reforms being implemented. These are not disbursement triggers, but the related information will be capitalized on in the final evaluation of the program.
36. Four (4) of the reforms underway have been identified. These are the reforms on: (i) property taxes, (ii) Public Private Partnerships (PPP), (iii) WISN and (iv) last mile drug distribution.



37. To improve the performance of property taxes and strengthen the mobilization of own resources at the local level, it was agreed: (i) to adopt a reform of the property tax administration, (ii) to create and make operational new land registry services in the commune of Ouagadougou and in Bobo-Dioulasso. In this regard, the first has been achieved. As for the second, this institutional reform is on the agenda. Regarding PPPs, a new law was adopted by the National Assembly on June 25, 2021 to improve the management of PPP projects. In the health sector, in order to better align the distribution of health personnel with the specific human resource needs of health facilities, it was agreed to establish an open computerized platform to ensure better transparency in human resource management, compatible with the optimization of budgetary resources of the public health system. In addition, to improve the distribution of medicines to the last mile, new distribution systems have been introduced.

VI. Institutional framework for implementation

38. The Ministry of Economy, Finance and Development will assume responsibility for program implementation. To this end, it will ensure that the relevant ministries and structures of the Burkina Faso administration fully play their respective roles in implementing the reforms and measures that fall within their areas of competence. The technical implementing body will be the Directorate General for Cooperation, which is responsible for monitoring Development Policy Financing programs.

39. The Government remains convinced that, with the support of its partners, particularly the World Bank, the implementation of this Development Policy Financing program, through the planned actions, will help promote the development of the sectors concerned, consolidate the macroeconomic framework and support strong and inclusive economic growth for a significant and sustainable reduction in poverty. I hereby request the disbursement of this Development Policy Financing in the amount of two hundred (200) million dollars, half of which will be in the form of grants.

40. Thanking you for the continued support of your institution to my country, please accept, Mr. President, the assurance of my highest consideration

Lassané KABORE

Minister of Finance, Economy and Development



ANNEX 5: STRENGTHENING GOVERNMENT CAPACITY TO STRUCTURE PPPs

100. **In Burkina Faso, large infrastructure financing needs cannot be met through public financing alone, while an incomplete and opaque PPP framework has deterred private investors.** Access to infrastructure lags significantly behind the WAEMU and Sub-Saharan Africa (SSA) averages. Given annual infrastructure investment needs of 12 percent of GDP and limited fiscal space,⁶⁶ the IMF PIMA (2017) underscored the need to revamp the PPP agenda. In 2017, the PPP capital stock was 1.7 percent of GDP, well below the average for SSA (3.6 percent) or WAEMU (5.7 percent), largely a result of an incomplete and opaque PPP framework. Limited government planning and execution capacities, together with a lengthy and cumbersome procurement process as well as the quasi-systematic recourse to negotiated agreements deterred private investors. These shortcomings have resulted in the cancellation of several open-tender processes. Also missing was the requirement for PPPs to be screened for environmental and climate effects, and to have a positive environmental (incl. climate) balance.

101. **The adoption of a new PPP law supported through the policy dialogue related to this DPF series removes a major bottleneck to private investment.** The new PPP law was approved by the parliament on June 25, 2021. The new framework includes: (i) clear policy guidelines; (ii) appropriate legal provisions and institutional set up; (iii) standard procedural guidelines for efficient project screening and execution; and (iv) adequate transaction, technical, contract management and project monitoring expertise. Guidelines for environmental safeguards are introduced, including best international and industry-specific practices to identify and assess potential environmental and climate impacts of PPP projects as well as potential mitigation and adaptation measures. The PPP reform has been supported by IFC and complements public investment management reforms facilitated through DPF2 and the Covid-19 Crisis-Response DPF.⁶⁷ It enables the Government to develop well-structured PPPs, including in infrastructure and service delivery. While the measure is specific to Burkina Faso's PPP framework and to the adoption of the relevant legislation, it is linked to the ongoing Building PPP Institutional Capacity in the WAEMU Region Program, a Joint Initiative of the World Bank, AFD and the Public-Private Infrastructure Advisory Facility (PPIAF), which is expected to result in a new WAEMU Directive.

102. **The adoption of the new PPP law and the implementation of accompanying measures is expected to lead to more investments through PPPs.** As of end-2020, only 6 projects with private sector participation have reached financial closure, including two PPPs in the energy sector, and a total private sector investment of US\$912 million (of which US\$535 million in railways). The new PPP framework will facilitate investment through PPPs and IFC has been supporting implementation through a PPIAF grant (ID:604386). Accompanying measures include the development of a new PPP strategy, a communication plan, a web-based PPP Toolkit to help the Government streamline its approach to PPPs, and the delivery of a PPP training course to key public officials involved in PPP project development. Together these measures will help attract private investors to implement PPP projects based on a credible and well-prepared pipeline.

⁶⁶ AfDB Economic Outlook Report 2018.

⁶⁷ The PPP law was not included in the policy matrix of DPF3 as its proper implementation requires further legal work.



ANNEX 6: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

| Prior Actions | Significant positive or negative environment effects | Significant positive or negative poverty, social or distributional effects |
|---|--|--|
| Pillar 1: Strengthening Fiscal Management | | |
| Prior Action #1 | No | Positive |
| Prior Action #2 | No | Positive |
| Pillar 2: Improving Natural Resource Management and Livestock Productivity | | |
| Prior Action #3 | Positive | Positive |
| Prior Action #4 | Positive | Positive |
| Pillar 3: Enhancing Service Delivery and Social Spending Efficiency | | |
| Prior Action #5 | No | Positive |
| Prior Action #6 | Positive | Positive |