

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC27015

Project Name	Economic Governance and Citizen Engagement Project (P155121)
Region	AFRICA
Country	Burkina Faso
Sector(s)	Central government administration (60%), Public administration- Other social services (40%)
Theme(s)	Managing for development results (30%), Public expenditure, financial management and procurement (50%), Other accountability/anti-co rruption (20%)
Lending Instrument	Investment Project Financing
Project ID	P155121
Borrower(s)	Ministry of Economy and Finances
Implementing Agency	Ministry of Economy and finances
Environmental Category	C-Not Required
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Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. The transition that has started with the popular uprising in 2014 is a defining moment for Burkina Faso. Following the resignation of President Compaoré and the departure of his government in late 2014, a transition government has been put in place to lead the country to elections in October 2015. The popular uprising of October 30 and 31, 2014 which resulted from a loss of the population's trust in the deposed regime marks a historic turning point for Burkina Faso. President Compaoré held the presidency since 1987 through a bloody coup followed by successive presidential and legislative electoral victories. Until recently, the country has achieved relative political stability in contrast to other countries in the region. However, citizen dissatisfaction with the Government, exacerbated by the ruling elite's attempt to extend the constitutional limitation on presidential tenure to allow President Compaoré to stand for another term in 2015 was met with

massive resistance from the population. Unprecedented public protests across the country and the burning of the Parliament building ultimately forced the President to step down. The Government was dissolved, the constitution suspended and a transitional government was installed, with the support of the Economic Community of West Africa States (ECOWAS), to assist the country in moving towards peaceful and democratic elections.

2. This profound political change took place in a national context of weak political, economic and local governance and low citizen trust in Government. As the country is in a transition, there is a strong demand from State and non-State actors to seize this opportunity to lay the foundations of a strong economic governance system and restore the citizens' trust in government. The critical challenge for the transition authorities is to strengthen governance institutions, engage citizens as well as develop accountability mechanisms that are capable of ensuring adequate service delivery and tangible development outcomes. The expectations of the citizens are high in regards to better governance practices especially in the area of cases pending before the courts, as well as for the recovery of illicit assets. This sensitive issue bears the risk of potentially negative developments in the post-election period. Distrust towards the government and wide-ranging discontent with social and economic conditions are lingering in the back of people's mind. Against this background, economic governance and the credibility of public sector institutions have to be strengthened. In addition, there is a need for better balance between the executive, legislative and judiciary powers. On the back of the popular uprising, there is also stronger demand for transparency and accountability through citizen engagement.

3. Following a long period of relatively robust growth, a combination of weakening investor confidence and unfavorable external market conditions have slowed the expansion of Burkina's economy. Over the last fifteen years, sound macroeconomic management, combined with favorable commodity prices for cotton and gold, has yielded strong economic growth rates. Real GDP grew by an average of 5.8 percent during the period, and this rate has accelerated over time. From 2000 to 2009, the country faced several exogenous shocks, including the international financial crisis as well as domestic droughts, floods and sub-regional security issues. Economic growth was sluggish, but averaged 5.2 percent due to strong agricultural output, the reform of the cotton subsector, and improvements in public-investment management. Rising growth rates and declining volatility have altered the character of growth during the last five years. Growth averaged 6.5 percent between 2010 and 2014, supported by robust mineral and agricultural output, a significant increase in gold prices and the development of the service sector. Despite, the lingering effects of the international financial crisis which slowed investment and commodity prices, sound policies and robust donor support helped the authorities successfully maintain a sound macroeconomic stability. Nevertheless, real GDP growth declined from a peak of 9; 0 percent in 2012 to 6.6 percent in 2013 and 5 percent in 2014.

Sectoral and Institutional Context

4. Legal and institutional framework: the West African Economic and Monetary Union (WAEMU) has adopted, in 2009, six new PFM directives covering transparency in public finances including budget laws, government accounting, budget classifications, central government chart of accounts (CoA), and central government operations (tableau des opérations financières de l'Etat-TOFE). These new directives set ambitious objectives such as performance budgeting, modernization of expenditures management, implementation of accrual accounting. In addition, they have proposed significant changes in internal and external audit and control systems and new budget classification aligned with international standards. The draft laws related to these directives

are expected to be approved by the National of Transition Council by June 30, 2015. These new directives are expected to be fully implemented by January 1, 2017. Their specific impacts on the financial management systems and procedures are yet to be assessed, but are expected to be significant, given the strong focus on results and principles contrary to the current model which is rule-based. The country will therefore need strong support to implement these reforms and overcome the gap between rules on the books and implementation.

5. Recent Assessments performed by or at the request of the authorities evidenced apparent paradox with strong Public Financial Management (PFM) institutions but weak outcomes. The 2013 and 2010 PEFA assessments highlighted significant progress made in the areas of comprehensiveness and transparency of the budget, policy-based budgeting with the introduction of multi-year programmatic budgets for all sectorial ministries and internal controls, as well as compliance with good practices in budget preparation, approval and amendment procedures. However, the assessment reports identified a number of critical shortcomings in revenue forecasting, effectiveness in collection of tax payment, availability of information on resources received by service delivery units, and external audit. As an initial response to these challenges, the government developed a PFM reform strategy and program with the support of most of the donors in the Multi-donor Budget Support Group (CGAB), to respond to the findings of various PFM diagnostics. The government is also continuing to improve PFM through the implementation of its Economic and Financial Sector Policy (POSEF). The goals of the POSEF include: (i) improving budget programming; (ii) strengthening budget execution; (iii) publishing budget-related information; (iv) aligning expenditures on initially approved line items with the priorities of the Strategy for Accelerated Growth and Sustainable Development (SCADD); (v) increasing the share of expenditures allocated to priority sectors; (vi) strengthening oversight by the Court of Accounts; and (vi) strengthening risk-based audit mechanisms under the supervision of the High Authority for State Oversight (ASCE).

6. Weak fiscal revenue mobilization. The revenue to GDP ratio in 2014 was 15 percent – one of the lowest in the WAEMU region. Fiscal revenue administration services are constrained by inefficient administrative processes, weaknesses in the collection of arrears and limited coverage due to a focus of the tax administration on a small tax base consisting mainly of larger, formal sector enterprises, while most of the informal sector is untaxed. In addition, there are delays in tax collection and high risk of fraud on tax exemptions and reimbursement of VAT. Of particular concern in this area is that Burkina Faso ranks No.160 out of 185 on the Cost of Doing Business indicator for paying taxes in 2014. This poor ranking reflects the inefficiency of payments procedures with 45 payments per year and an average annual delay of 270 hours. Weaknesses in the mobilization of revenues impact negatively the credibility of the budget, given significant variances between planned and actual revenue. Limited domestic revenue collection has also an impact on the Treasury and often results in cash rationing, leading to low budget execution rates as a result of high unpredictability in the resource flows to service delivery agencies. Expansion of the tax base and the improvement of collection capacities are crucial for increasing domestic resources needed to ensure a credible fiscal policy management. The reforms to be implemented should give priority to i) modernizing tax and customs administration through the effective use of IT applications and tools designed to guarantee the coordinated and transparent management of customs and tax revenue, ii) increasing transparency on collection rates; iii) reviewing and revising as needed tax exemptions.

7. The capacity of customs and tax administration is still improvable given the limited access

to IT systems and the lack of interconnection between applications of tax management. The customs administration is using UNCTAD/ASYCUDA++ which is currently being upgraded to a new web-based platform, ASYCUDA World. The migration process is scheduled to complete by May 31st, 2015. The new system is currently being piloted in some locations and end user training is ongoing. The system is not deployed in all the customs offices (40 remaining) because of limitations related to the network infrastructure, environmental issues and hardware equipment. One of the main issues is the management of warehouses and clearance areas which are not supported currently by the system. Also, as part of the Customs General Directorate (DGD) IT strategic plan, one important project is the provision of remote connectivity to forwarding agents and customs declarants (about 88 agents).

8. The Tax administration (Tax General Directorate – DGI) is using SINTAX++ to automate its business processes. However, remotes services such as e-services (e-declaration, e-payment, etc.) and mobile services are still not available through the system. The DGI is planning to enhance SINTAX++ by adding more functionalities and updating the IFU – Taxpayers database ID. Another important activity in their strategic plan is the revamping of the website and the provision of the interfaces with ASYCUDA World and other IT systems. The system is now available in 11 provinces (out of 13) and the DGI is aiming at extending the coverage to about 40 additional locations.

9. The modernization of collection procedures is key to improving the efficiency and integrity of revenue administrations. The GoBF has started the process of implementing a Treasury Single Account located at the Central Bank (BCEAO) and using a network of accounts in commercial banks. Although this process is yet to be improved, it will secure and centralize cash and check collection. Currently the ACCT (Accountant General) is using the tele compensation system – SICA UEMOA to collect checks from regional treasuries. This system limited by the network (regional treasuries scan and send checks on a regular basis to the ACCT for him to present at the compensation). Also there is a ceiling of 50 million for each transfer. The DGTCP aims at finalizing its participation to the STAR-UEMOA EFT system which uses Real Time Gross Settlement System - RTGS.

10. Debt and cash management: A recent evaluation of debt management performance following up on the findings of the debt management review conducted in 2011 (using the Debt Management Performance Assessment tool, DeMPA) indicated that the country has improved its debt management framework with the elaboration of its three year debt management strategy in 2013 adopted by the Parliament and annexed to the annual Budget l law.

11. There is scope, however for Burkina to further improve its institutional framework for debt management which is currently too fragmented with several entities intervening through various process of commitment, management and payment of debt operations. The lack of consideration to macroeconomic constraints and poor analysis of the credit risk and cost-risk tradeoffs of different debt management options are also major weaknesses of the debt management system. In addition, the issuance of treasury bonds in the regional market does not factor into a coherent and long-term debt management strategy.

12. The Cash management is not yet effective due to the absence of commitment plans which limits the ability of the Treasury to develop reliable monthly cash flow forecasts to cover capital

expenses.

13. The debt management strategy would need to be improved with a medium to long-term framework, and would necessarily include alternative scenarios for macroeconomic projections and a deeper analysis of cost-risk tradeoffs plans, debt structure profiles and a strategic plan for borrowing in the regional market. Also, there is a need to strengthen capacity and systems with qualified staff with appropriate profiles to better manage the operational risk and ensure the periodic publication of financial information on public debt. Strengthening the cash management is also critical to minimize net interest cost and ensure cash is available to meet commitments.

14. Shortcomings on budget execution processes: A recent Bank study on boosting capital expenditure in WAEMU countries conducted in 2013 shows that a significant part of the investment budgets intended to develop human and physical capital are not spent as intended, or not actually translated into tangible results for communities due to salient issues on budget preparation and execution processes. Some of the key financial management and procurement bottlenecks include: (i) the failure to take into account the actual annual capacity of the State to commit public investments; (ii) the disconnect between annual budget cycle and the multi-year nature of some capital budget commitments and the lack of monitoring of investment projects, leading to unfunded commitments and delays in execution; (iii) the lack of technical and financial feasibility of investment projects proposed for inclusion in the National Investment Plan; (iv) the number of procurement steps, controls, clearances and signatures and often redundant procurement procedures and excessive controls and clearances and ; (v) the cash flow constraints coupled with complex and superfluous control and payment processing procedures ; and (vi) inconsistencies in governance arrangements with persistent problem of high turnover as a result of political interference in the appointment of administrative and financial directors and directors of public procurement. Weaknesses in skill levels of the various actors and the lack of modern tools limit the opportunities of civil servants working on financial planning, procurement and budget execution in the administration.

In addition, Burkina faces duplication of controls, insufficient rationalization of the tasks of internal auditors, and a lack of independence, weak technical capacity of the Supreme Audit Institution and poor follow-up of its findings. It is therefore imperative that the risk of fraud and corruption affecting public resources be managed more effectively, by reorganizing and building the capacities of the country's internal audit units, in line with the risk-based audit approach.

15. Lack of accountability mechanisms: Limited outcomes of public services and weak government accountability on the delivery of public services have had a significant impact on citizen's trust in government and on levels of social cohesion. Key issues are summarized below:

- A perception of ineffectiveness of public institutions, resulting from widespread perception of corruption in the public sector, for example, some corruption cases uncovered by oversight entities and revealed in the press have not yet submitted to the courts;
- The perception of impunity that has characterized the public sector, due to limited application of the due process of law or use of criminal proceedings to discipline public officials linked to mismanagement of public funds;
- Limited independence of the judiciary, exemplified by the Norbert Zongo issue, exacerbated by ineffectiveness of the courts and tribunals, resulting in limited transparency on outcomes of corruption and financial embezzlement cases that have been filed with the judiciary;
- The absence of citizen control due to lack of mechanisms for alert, follow-up and access to

financial information;

- Lack of transparency and difficulties of access to budgetary information which limit the scope of citizen oversight and holding government accountable;
- Limited citizens' awareness and accessibility of the Ombudsman, weak collaboration between the Ombudsman and government institutions and non-government actors such as civil society and media, are among factors that affect effectiveness of the grievance redress institution.

16. The transition Government organized a national dialogue on justice reform which highlighted deep-seated frustrations with regard to the performance of the judiciary. Among others, the effective delivery of these judicial services in Burkina is impeded by:

- a) Limited capacity for coordination and implementation of sectorial reforms. At the level of individual jurisdictions, performance is hampered by poor working conditions, continued reliance on inefficient case management systems, limited access to laws and jurisprudence, and rent seeking behavior.
- b) Limited accountability for service delivery results in the judiciary induced by weaknesses in the production of statistics on judicial decisions, ineffective performance evaluation and heavily politicized career advancement processes.
- c) Lack of functionality of de-concentrated courts to ensure access to justice. While the construction of Superior First Instance Courts (Tribunal de Grande Instance – TGI) in the regions has advanced in recent years, these regional jurisdictions are often poorly equipped and lack adequate and quality human resources.

17. In March 2015, the Government enacted an Anti-Corruption legislation: The new law aims at reinforcing regulatory and legal measures, rationalizing and making existing anticorruption tools and law enforcement more effective for greater transparency. It complies with international conventions and agreements signed and ratified by Burkina (2003 United Nations Convention Against Corruption; 2000 agreement against transnational network of criminality; 2003 UN Convention; 2004 African Union Convention on preventing and combating corruption; the 2001 ECOWAS Protocol against corruption and the 2009 WAEMU Directive on transparency code in PFM). The new law also enhances civil society's participation and private sector involvement in the fight against corruption.

18. Under the new legislation, sanctions against cases of corruption are strengthened. The anti-corruption law could bring changes, innovations and improvements in good governance practices, if it were fully implemented. These could include: (i) the requirement for asset declarations for public officials (ii) more protection for whistle blowers and witnesses; (iii) referral to a court by civil society representatives for misuse of public funds (NGOs like National Network Against Corruption (REN LAC) who investigate and disclose on an annual basis a report on perception of corruption in Burkina could now directly refer corruption cases to a court) and, (iv) international cooperation for stolen asset recovery.

19. In April 2015, members of the Transition Government took the first step to implement the legislation by declaring their assets in compliance with the law. Despite the supportive legislative and institutional frameworks, public perception of corruption in the public sector is still high due to the lack of evidence that administrative sanctions are enforced in a systematic manner (large number of corruption cases transmitted for judgment are still pending after several months and in some cases several years). According to the REN LAC 2013 report, the four most corrupt areas of

public sector are: customs, transportation, justice, and procurement.

20. The sectorial and institutional context is characterized by a huge gap between the rules on the books and practice (de jure vs de facto) due to flaws in the enforcement of the former. The legal and governance environment is generally satisfactory on paper but the texts are not rigorously applied. The principal challenge of any governance program is the effective enforcement of the adopted laws and implementing decrees which require the definition of technical solutions as well as a change management strategy in order to impact on behaviors and thus obtain tangible results. Critically, incentives have to evolve for behaviors to adjust. There is therefore a need to assist the Government to operationalize the Anti-corruption law through improved capacity building, development of mechanisms to support improved tracking and assessment of implementation of the law and changes in incentives for the individuals involved, through greater emphasis on transparency and credible enforcement actions. While ASCE functions with limited political interference with its operations and demonstrates relatively strong ability to perform its legal mandates, it lacks adequate resources and capacity, particularly investigation skills. The Government has initiated a process to create within the two Superior First Instance Courts criminal branches to deal exclusively with anti-corruption cases and the Government has requested support to operationalize these two courts.

Relationship to CAS

21. The Burkina Country Partnership Strategy (CPS) is premised on three strategic themes: (i) accelerating inclusive and sustainable economic growth; (ii) enhancing governance for more efficient social service delivery; and (iii) reducing economic, social, and environmental vulnerabilities - and two cross-cutting themes: governance and gender equality. The proposed project is aligned with the second strategic theme of the 2013-2016 CPS and cross-cutting theme of governance.

22. In addition, the Performance Learning Review of the CPS conducted in February 2015 to assess progress towards achieving the CPS objectives and changes in Targeted Objectives and Indicators confirmed poor governance as one of the main causes of the popular uprising of October 30 and 31, 2014. Building on lessons learnt, the PLR highlighted the importance of investing in both demand and supply-side governance to enhance accountability based on the strong demand from Government and Civil Society to seize the opportunity of this political transition to lay the foundations of an upright economic governance system and restore the citizens' confidence. By strengthening the credibility of the institutions of the Republic for a better balance between the executive, legislative and judiciary powers and greater involvement of citizens in public management through the civil society and the media, the proposed Project will improve economic governance and enhance social accountability

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

23. The proposed project development objective of the project is to enhance transparency and accountability mechanisms in the management and use of public resources, enhance domestic revenues mobilization and improve the efficiency of expenditure.

Key Results (From PCN)

24. The expected outcomes of the project are a better functioning of accountability mechanisms, citizen engagement and PFM system. The key results are:

Enhanced transparency and accountability mechanisms (i) Increased number of regular publication of comprehensive and accessible citizen budgets, and key budget information, (ii) Citizens' engagement in monitoring public policies, programs and service delivery evidenced by feedback generated by CSOs and service users; and government's use of feedback to introduce improvements and corrective measures to service delivery chains, (iii) Effective implementation of Anti-corruption law and PFM code of transparency evidenced by increased number of cases of misuse of public funds prosecuted,

Enhanced domestic revenue mobilization: (iv) Improved effectiveness in collection of tax payment – PEFA PI-15,

Improved efficiency of expenditures: (v) establishment of multi-year program budgeting as measured by the production and adoption of multi-year programming documents and monitoring indicator reports of key, (vi) Improved predictability and control in budget execution and effectiveness of external audit scrutiny as evidenced by an improvement in the scope nature and follow-up of external audits - PEFA PI-26.

25. The project will contribute to increasing fiscal space, strategic allocation of resources, and service delivery through strengthened systems and accountability mechanisms and effective citizens' engagement

III. Preliminary Description

Concept Description

26. The proposed project will have four inter-related components over a five-year period, at an estimated total cost of about US\$30 million. It will provide an integrated package of interventions aimed at supporting the demand and supply sides of governance. These areas of intervention should be mutually strengthening: transparency and participation require the effective provision of goods and services and the production in good time of relevant information on public expenditure and performance; in return, transparency and participation can contribute to improving the performance of public services. It will therefore focus on strengthening core areas of economic governance and citizen engagement including (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) assisting the Government in increasing fiscal space through the modernization of tax and customs systems and the improvement of collection capacities; and (iii) assisting the Government in strengthening the budget preparation and execution processes, including the strengthening of the procurement system and the implementation of the WAEMU PFM regulations, focusing on performance and service delivery. The rationale for strengthening institutions and systems is that they are a necessary condition for effectively implementing the government's macro-fiscal and socioeconomic policies.

27. Complementing interventions of donor partners in the economic governance improvement is a key theme of the proposed operation. The team will coordinate with all Development partners involved in the PFM reform group to ensure greater impact on development objectives, and avoid overlaps and duplications in their respective responses to the needed reforms.

Component 1: Strengthening Public Sector Accountability and Monitoring (US\$8.0 million)

28. Objective: The objective of this component is to improve public sector transparency and accountability and strengthen civil society's capacity to monitor public sector performance and

service delivery. To achieve these objectives, the component will support a series of complementary areas that are critical to strengthening the enabling environment for improved public transparency, accountability and citizen engagement. These areas include: (i) improving analysis and disclosure of budget information to enhance government accountability on public resource management; (ii) enhancing citizens access to public information to foster demand for accountability on public policies and services; (iii) strengthening citizens' monitoring of the delivery of public services in selected sectors such as Health, Education, Infrastructures and (iv) implementing the measures set out in the fraud and anti-corruption law, such as the preparation of codes of conduct for public officials, the institution of the declaration of interest and assets and the application of charges and penalties to promote integrity, accountability and transparency in the management of public and private sectors.

29. More specifically, this component will be implemented through the following key sub-components:

Sub-component 1.1: Developing Transparency and Accountability Mechanisms:

30. The objective of this sub-component is to support the development of mechanisms to facilitate and foster transparency and accountability in government.

31. Activities to be financed: the project sub-component will finance capacity building efforts in budget analysis and reporting. Such efforts will include: (a) operationalizing the provisions of the transparency code and developing relevant government institutions' skills and capacities for financial information analysis and reporting; (b) developing and institutionalizing guidelines for systematic budget analysis, reporting & dissemination; (c) supporting the Ministry of Finance to improve the citizen's budget by implementing a strategic plan to sustain its production and dissemination; (d) closing the feedback loop by integrating citizens' feedback into the budget process through specific mechanisms and (e) strengthening the Ombudsman's outreach and reporting functions and increased collaboration with citizens and civil society organizations. This is expected to make the institutions more visible, accessible and enhance its ability to redress citizens' complaints against injustice from maladministration by government and public institutions. The sub-component will also provide the requisite technical assistance for improved constructive engagement and collaboration between public sector and civil society and media through, inter alia, (a) supporting the Ministry of Finance to engage with the multi-stakeholder Platform of Civil Society Organizations for joint problem-solving that can lead to tangible results; (b) promoting citizens' access to public information through government data platform, and (c) reviewing current methods of informing the media about Government proceedings to enhance media relations.

Sub-component 1.2: Strengthening the Capacity of the Civil Society in Monitoring Public Sector Service Delivery

32. The objective of this sub-component is to strengthen the engagement and monitoring capacity of the civil society in enhancing public sector service delivery outcomes through a gradual approach with a pilot of three sectors such as Health, Education and Infrastructures to work across the whole service delivery chain.

33. Activities to be financed: These include, inter alia, (i) support to Multi-Stakeholder Platform of civil society organizations (a) to improve coordination of citizens' monitoring of

government policies and budget implementation, and (b) supporting citizen's involvement in monitoring a select number of public services which have a direct interface with the population (filing tax returns, standards in education and health care delivery services etc.); (ii) provision of 'small grants' to civil society organizations, through competitive basis, to finance civic and innovative engagement towards re-establishing government credibility and (iii) pilot citizen feedback mechanisms utilizing text messaging technology to capture feedback on service delivery in the three sectors selected.

Sub-component 1.3: Consolidating Mechanisms and Capacity to Fight against Fraud and Corruption

34. The objective of this sub-component is to consolidate mechanisms and enhance the capacity for fighting fraud and corruption in the public sector.

35. Activities to be financed: The sub-component will support the strengthening of the anti-corruption institutions; improve civil society monitoring of implementation of the anti-corruption legislation as well as tracking public perception of corruption; and operationalization of the anti-corruption criminal branches of the Superior First Instance Courts of Bobo et Ouaga. These will be achieved through: (i) improving the capacity of ASCE to comply with its anti-corruption mandates, including monitoring and reporting and policy recommendations for continuous improvement of the legal and institutional framework to fight fraud and corruption; (ii) strengthening ASCE's capacities for greater professionalization and expertise in the conduct of investigations and the effective implementation of recommendations emanating from investigation missions.

(iii) designing and implementation of public awareness campaigns in coordination with civil society organizations to improve the general understanding of the Anti-Corruption legislation, including the provisions, processes, and the roles of ASCE and other relevant government agencies; (iv) developing mechanisms for tracking and reporting how key institutions comply with the anticorruption legislation; (v) operationalization of two anti-corruption criminal branches that the Government will establish within the First Instance Courts of Bobo and Ouaga; and (vi) promoting a stronger linkage between ACSE, the Prosecutor and the two tribunals handling corruption cases to create an anti-corruption criminal justice chain.

Component 2: Increasing Fiscal Space and Domestic Revenues Collection (US10.0 million)

36. Objective: The objective of this component is to broaden, and enhance the reliability of the tax base to include the informal sector and instituting mechanisms to monitor and control tax gaps. It will support the modernization of tax and customs administration including treasury through the effective use of IT applications and tools designed to enhance the effective and transparent institutional management, simplification of procedures and the revision of fiscal exemptions. Beyond the technical improvements to be made, the purpose of this component would be i) to identify the concrete problems which affect users of tax and customs services in order to strive for their progressive resolution; and ii) to improve transparency relating to the concrete operation of tax and customs services in order to stimulate voluntary tax compliance.

37. More specifically, this component will be implemented through the following three sub-components:

Sub-component 2.1: Broadening and Enhancing Reliability of the Tax Base

38. The objective of this sub-component is to increase the tax to GDP ratio which currently stands at 15%.

39. Activities to be financed: The sub-component will support (i) the review of various sources of fiscal information (Customs, Chamber of Commerce and Tax data bases) to strengthen the reliability of the tax base, (ii) to study possibilities to broaden the tax base with the inclusion of the informal sector and the reduction of tax evasion and (iii) the revision of tax exemptions and reforms of tax policy and administration in line with the fiscal objectives.

Sub-component 2.2: Modernization of the Tax and Customs System

40. The modernization of the procedures of resource mobilization is key to improving the efficiency and integrity of revenue administrations. The objective of this sub-component is to complement the activities undertaken by the GoBF in modernizing the Revenue administration IT Systems (ASYCUDA++ and SINTAX) and supporting their rollout to cover the remaining locations.

41. Activities to be financed: the sub-component will finance the following key activities: (i) expansion of the telecommunications network (Wide and Local Area Networks) coverage for systems rollout to additional locations as well as enhancement of systems security; (ii) supporting the interfacing of the systems with other systems; (iii) acquisition of hardware and additional software licenses for systems rollout; (iv) implementation services as updated web site; (v) acquisition and implementation of a statistical and performance management tools; and (vi) technical assistance and advisory services for the implementation of the Electronic Fund Transfer (EFT) system and implementation of RTGS, widening ways for electronic payments.

Sub-component 2.3: Simplification of Customs Clearance Procedures and Institution of Mechanisms to Monitor and Investigate Tax Noncompliance.

42. The objective of the sub-component is to strengthen revenue collections through reforms in the areas of revenue policy formulation, and revenue administration procedures and processes.

43. Activities to be financed: These will include: (i) simplification of tax procedures, especially in the area of VAT, so as to improve VAT refunds control and delivery; (ii) rationalization of customs clearance procedures and an intensive tracking of risky taxpayers and (iii) coordinated control and audit strategy between tax and customs administration and iv) implementation of some of the recently adopted reforms such as the customs interconnection agreement with Cote d'Ivoire.

Component 3: Strengthening Budget Management Systems and Processes (US10.0 million)

44. Objective: The objective of this component is to improve budget preparation and execution processes, including streamlined financial management and procurement procedures and the performance of the internal control system and external oversight. It will support the implementation of the new WAEMU regulations as well as the removal of the bottlenecks in the PFM system. In particular, this component will support the on-going efforts of the Government of Burkina Faso to modernize the budget execution processes by rendering them more efficient and transparent. The component will be implemented through the following four sub-components.

Sub-component 3.1: Strengthening Budget Preparation and Execution Processes

45. The objective of this sub-component is to support the implementation of performance based budgeting system, and, integrate procurement planning and execution as part of the budget preparation and execution system.

46. Activities to be financed: The sub-component will finance, inter alia, the following key activities: (i) assessment of the impact of the WAEMU directives, enhancement of the institutional configurations and consistency of planning and budgeting processes and development of tools; (ii) updating and disseminating multi-year budgeting documents and establishing program results indicators, in the sector ministries, that are easily measurable each year and can serve as the basis for budget arbitration and negotiations; ; (iii) conducting economic management studies to inform budget preparation processes and sectoral analysis; (iv) assisting four selected Ministries to make appropriate procurement planning, ensuring linkages with the budget, to carry out their procurement activities, develop internal tools for procurement tracking and reorient internal control to performance and service delivery; (v) developing and disseminating tools for the use of new procurement documents in particular contracts under framework agreements and multi-year contracts, and training of the actors to be familiarized with these tools; and (vi) developing an electronic system, enabling (a) electronic transactions between the contracting authorities and the procurement control body and regulatory body, (b) a tracking system to monitor delays in the procurement processing, and (c) the establishment of a database for statistical and archiving purpose.

Sub-component 3.2: Enhancing Budget Management Information Systems

47. The objective of this subcomponent is to enhance the existing IT systems developed by the MoF to support the implementation of the overall PFM systems in Burkina Faso. This component will build on the work already done by the MoF and will support the upgrade and adaptation of the existing IT systems and their underlying infrastructure to integrate the new WAEMU Directives, consistent with the new budget preparation and execution framework, and enhance the fiscal reporting capabilities and system capacity and performance.

48. The Government of Burkina Faso (GoBF) has made the strategic choice to internally develop and maintain its Integrated Financial Management Information System (IFMIS). While this choice provides a high level of flexibility to the IFMIS, it puts the pressure of its maintenance and adaptation solely on the DGSI which will require a better internal organization to carry out these functions.

49. Activities to be financed: Under this sub-component, the project will finance, inter alia, the following key activities: (i) network infrastructure capacity and performance enhancement; (ii) Primary Data Center rehabilitation and Disaster Recovery Center setup; (iii) systems integration and data management; (iv) technical assistance, implementation, and advisory services for IFMIS systems adaptation and rollout; (v) capacity building for IT staff and users; (vi) hardware and software enhancements. Advisory services will be required to provide technical assistance and quality control during the entire process of systems adaptation to support mitigating the main risks related to the overall systems development and deployment.

Sub-component 3.3: Cash and Debt Management

50. The objective of this sub-component is to strengthen the management of cash and debt with a view to minimizing net interest cost and ensuring cash is available to meet commitments and obligations for service delivery –thereby reducing arrears).

51. Activities to be financed: Under this sub-component, the project will finance : (i) improvement of a medium term debt management strategy and the management of operational risks; (ii) update and dissemination of a manual of procedures for debt management; (iii) enhanced data coverage and retrocession of guarantees, (iv) functional enhancement of the debt and cash management information system; (v) technical assistance to assist the Government to improve its liquidity management and the predictability of budget releases to line ministries, and (vi) capacity building of the staff in key areas of debt and cash management, i.e. borrowing and related financing activities, cash flow forecasting and debt sustainability analysis, Operational Risk Management, audit of public debt and periodic publication of financial information on public debt etc.

Sub-component 3.4: Enhancing Performance of Internal Audit and Control Systems and the External Audit Oversight

52. With the devolution of payment authorization and the adoption of a performance approach based on the concepts of programs, objectives and results indicators, the internal controls and audits procedures will be reoriented to achieve targeted results.

53. The objective of the sub-component is to support the Government of Burkina Faso in enhancing the performance of the internal control systems, through an operational internal audit function within line ministries as well as support the development of the Supreme Audit Institution's capacity in conducting performance and special audits and in clearing the backlog of audits and certifications.

54. Activities to be financed: The sub-component will finance the following activities: (i) orienting and shifting the work programs of internal auditors towards risk-based audit methodologies and reinforcing their capacities to focus on systemic issues as well as enable them to use IT-based systems in their audit work; (ii) support the development of the Supreme Audit Institution's capacity in conducting performance and special audits as well as assist the SAI in completing the clearance of the backlog of audits and certifications.

Component 4: Project Management Support (US\$2 million)

55. The objective of this component is to establish an effective and efficient project coordination and administration function during the implementation of the project. The component will be implemented under two sub-components

Sub-component 4.1 Project Management and Central Coordination

56. The objective of this sub-component is to provide leadership and management of the overall governance program and to ensure the specific project objectives are met on time, on quality and in

line with the allocated funds.

Key activities to be implemented under the sub-component through technical assistance consultancies, operational expenses, project coordination and procurement of goods and services, financial management and audit.

Sub-component 4.2 Monitoring, Evaluation and Communication

57. The objective of this sub-component is to enhance the project performance through effective monitoring and quality feedback to the Project institutional coordination mechanism and stakeholders.

58. Activities to be financed under the sub-component will include sensitization and awareness, preparation of a robust monitoring and evaluation strategy and overseeing its implementation, communication and change management strategy

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

V. Financing (in USD Million)

Total Project Cost:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			30.00
Total			30.00

VI. Contact point

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