

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA36422

<b>Project Name</b>	Economic Governance and Citizen Engagement Project (P155121)
<b>Region</b>	AFRICA
<b>Country</b>	Burkina Faso
<b>Sector(s)</b>	Central government administration (60%), Public administration-Other social services (40%)
<b>Theme(s)</b>	Managing for development results (30%), Public expenditure, financial management and procurement (50%), Other accountability/anti-corruption (20%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P155121
<b>Borrower(s)</b>	Ministry of Economy and Finances
<b>Implementing Agency</b>	Ministry of Economy and finances
<b>Environmental Category</b>	C-Not Required
<b>Date PID Prepared/Updated</b>	19-Nov-2015
<b>Date PID Approved/Disclosed</b>	19-Nov-2015
<b>Estimated Date of Appraisal Completion</b>	20-Nov-2015
<b>Estimated Date of Board Approval</b>	18-Feb-2016
<b>Appraisal Review Decision (from Decision Note)</b>	

## I. Project Context

### Country Context

Burkina Faso is a low-income landlocked country in western Sub-Saharan Africa with a population of 17.5 million in 2012 and a per capita gross domestic product (GDP) of US\$1,202. Until recently, the country has achieved relative political stability in contrast to other countries in the region. President Compaoré held the presidency since 1987 through a military coup followed by successive presidential and legislative electoral victories. The ruling elite's attempt at bypassing the Constitution to allow President Compaoré to run 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. Following the regime collapse in late 2014, a transition government has been put in place, with the support of the Economic Community of West Africa States (ECOWAS), to steer the country to peaceful and democratic elections. 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. The recent tentative of military coup has been stopped by a strong resistance from the population that

evidenced their determination to end the transition period with democratic elections and lay the foundations of a strong economic and political governance system.

Following a long period of relatively robust growth, a combination of weakening investor confidence and unfavorable external market conditions has slowed the 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% between 2000 and 2014, 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 averaged 5.2% due to strong agricultural output, a successful reform of the cotton subsector, and improvements in public investment management. Between 2010 and 2014, growth averaged 6.5%, supported by robust mineral and agricultural output, a significant increase in gold prices and the development of the service sector. Despite 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% in 2012 to 6.6% in 2013 and 5% in 2014.

## **Sectoral and institutional Context**

### **1. Country Economic Governance Strategy**

The government program is summarized in its Strategy for Accelerated Growth and Sustainable Development (SCADD). This strategy, which covers the years 2011-16, was formally adopted by the Council of Ministers on March 16, 2011 and has been endorsed by the transition regime. The SCADD has four strategic axes: (i) promoting growth and reducing economic vulnerability; (ii) investing in human capital and social protection to increase economic resilience; (iii) improving governance and enhancing the efficiency of the public sector; and (iv) addressing cross-cutting priorities, such as gender, demography, and the government's capacity to implement development policies and programs. The SCADD acknowledges the serious challenges posed by governance reform, especially in operations. It defines good governance as strategically crucial to economic growth and the achievement of the government development objectives.

The government strategy on economic governance reforms was integrated in the Economic and Finance Sector Policy (POSEF) for the period 2011 to 2020. The POSEF program has six axes: (i) reinforcing the institutional and organizational capacity of the Ministry of Economy and Finance (MEF); (ii) improving the macro-fiscal framework and promoting a performance-based budget management; (iii) enhancing revenue mobilization and management; (iv) strengthening budgetary planning and efficiency of public expenditure; (v) improving the efficiency of public accounts and financial systems; (vi) instituting an effective control system, audit of public finance and mechanisms to fight corruption and fraud; and (vii) developing close collaboration with WAEMU and ECOWAS. Its implementation is supported by most donors in the Multi-donor Budget Support Group (CGAB), based on the findings of various public financial management diagnostics. 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, procurement and external audit. Various interventions of donors in the economic governance areas, are summarized in annex 5.

WAEMU has adopted in 2009 Public Finance Management (PFM) directives to be fully enforced on January 1, 2017. These directives set ambitious objectives in addition to program budgeting as the cornerstone of performance management, such as modernization of expenditure management and adoption of accrual accounting. They also impose significant changes in internal and external audit and control systems and new budget and accounting classifications aligned with international standards. The laws related to these directives have just been adopted by the National Transition Council. Their specific impact on the financial management systems and procedures are expected to be significant. The country will need strong support to implement these reforms and overcome the gap between rules on the books and implementation.

## 2. Public Finance Challenges: Low Revenue Collection and Budget execution weaknesses

Low performance in fiscal revenue mobilization undermines sustainable economic development. Tax revenue to GDP ratio is 15 percent in 2014, one of the WAEMU lowest. The share of VAT in the overall revenue collected by DGI (Taxes General Directorate) has steadily declined since 2010, from 41 percent in 2009 to 32 percent in 2014. This situation mainly results from a lack of focus to the creditworthy taxpayers. The VAT arrears (CFAF 35 billion) represented 55% of the most productive taxes (CFAF 63 billion) at the end of the fiscal year 2014 and its recovery performance is at the lowest. The plethoric population of taxpayers, notably those in the informal sector, that is little productive in terms of revenue leads to low collection productivity. Finally, the presence of duplicates and idle data in the database of tax identification numbers has resulted in a bulky database of taxpayers, yet with a limited reliability.

Fiscal revenue administration is 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 VAT reimbursement. Of particular concern in this area is that Burkina Faso ranks 160 out of 185 for the Cost of Doing Business indicator for paying taxes in 2014. This poor ranking reflects the inefficiency of payment procedures with 45 tax payments per year for a single taxpayer and an average annual delay of 270 hours. Weaknesses in revenue mobilization negatively impact budget reliability, creating significant gaps between planned and actual revenue. Limited domestic revenue collection has also an impact on Treasury and often results in delayed payments, leading to low budget execution rates as a result of high unpredictability in the resource flows to service delivery agencies and accumulation of arrears. Expansion of the tax base and improvement of collection capacities are crucial for increasing domestic resources, which in turn ensure a credible fiscal policy management.

Shortcomings on budget execution processes negatively impact development outcomes. A Bank study on boosting capital expenditure in WAEMU countries conducted in 2013 shows that a significant part of investment budget is neither spent as intended, nor actually translated into tangible results for communities due to weaknesses in budget preparation and execution processes. Some of the key financial management bottlenecks include: (i) failure to take into account the actual capacity of the State to commit public investments in twelve months; (ii) disconnect between

annual budget cycle and the multi-year nature of some capital budget commitments leading to unfunded commitments; (iii) lack of monitoring of investment projects and delays in execution; (iv) lack of technical and financial feasibility of investment projects proposed for inclusion in the National Investment Plan; (v) numerous procurement steps, and often redundant procurement procedures worsened by excessive controls and clearances; (vi) cash flow constraints coupled with complex and useless control and payment processing procedures; and (vii) inconsistencies in governance arrangements with a high turnover of administrative and financial directors and procurement officers. Weaknesses in skill levels of the various actors and the lack of modern tools limit civil servants working on financial planning, procurement and budget execution in the administration.

### 3. Weak public administration accountability and citizen engagement

In March 2015, the National Transition Council adopted an Anti-Corruption Law (loi 04/2015 portant prévention et répression de la corruption au Burkina Faso), which further strengthens the legal framework on transparency and accountability in the public sector. The law requires public institutions to make information publicly accessible to users on their functioning and decision making processes as well as organising effective access to information for the media and the public at large. It also reinforces regulatory and legal measures, rationalizes and makes existing anti-corruption tools and law enforcement more effective for greater transparency. Notably, it enhances civil society participation and private sector involvement in the fight against corruption. It complies with international conventions and agreements signed and ratified by Burkina Faso. Based on the Transition Organic Law, members of the transition government took the first step to implement the legislation by declaring their assets in compliance with the law.

The government has initiated a process to create anti-corruption branches within the two first instance tribunals and strengthen the capacity of judges to deal exclusively with corruption cases. While public perception of corruption in the public sector is widespread, the evidence suggests low administrative capacity to enforce rules and sanction misbehavior. According to the National Network against Corruption (REN-LAC) 2014 report, the four most corrupt areas of public sector are: procurement, customs, transportation, and justice. Large number of corruption cases transmitted for judgment at the courts are still pending after several months and in some cases several years.

Critical improvements in the delivery of basic public services are required. The health and education sectors in Burkina Faso have performed relatively well in increasing coverage and quality of services in the past decade but significant improvements in the delivery of health and education services are required, as simply demonstrated by high rates of absenteeism among health professionals and teachers, leakages of public funds, unregulated fees and shortages in text-books, pharmaceutical products and delivery of school feeding. Governance, including enhanced accountability, has been identified by the Government in both sectors, through their sector strategies and plans, as a key area to address in order to consolidate gains and continue to improve sector performance.

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:

- 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;
- Perception of impunity for 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, exacerbated by its inefficiency and resulting in limited transparency on outcomes of corruption cases;
- 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 financial and budget information, which limit the scope of citizen oversight;
- Weak redress institution, due to a limited citizens' awareness and Ombudsman's accessibility, weak collaboration between the Ombudsman and government institutions and non-government actor.

While the transition government has taken important steps to enhance the regulatory framework to improve government effectiveness, critical challenges remain on the citizen engagement agenda. Burkina Faso has a strongly supportive legal and regulatory framework for making public information accessible and has recently taken steps to improve its disclosure practices. But while the legal framework makes appropriate provisions, there is an important gap between the texts and their implementation, making it difficult for citizens to hold government accountable for its management of public resources. The government's efforts to disclose information have been largely uncoordinated, have had little effectiveness in making the information available to users and have made the information available in formats that have not been easily accessible to citizens.

This project seeks to help Government make the evolution sustainable and irreversible, beyond the transition period. Burkina Faso has embarked on an in-depth renovation process of its State-citizens relationship after the last President's step down under street pressure. Generating citizens' transparent information and fostering civil society participation in processes until then exclusive to Government institutions has been initiated over the past months. At this moment, the process is in early stages and the public administration is not cognizant with ways and means of ensuring civil society true participation in public policies design, monitoring, and evaluation, to improve service delivery.

In parallel, Burkina is facing an acceleration of PFM reform needs. Revenue collection is one of the lowest in the region; computerized management systems reach a stage where they need crucial updates and modernization. Treasury cash management and procurement processes, among other obstacles to budget execution need to be fixed for ensuring adequate service delivery and tangible development outcomes.

## **II. Proposed Development Objectives**

The proposed development objective of the project is to enhance domestic revenue mobilization and improve the use of public resources by strengthening accountability mechanisms, revenue collection systems and public expenditure management.

## **III. Project Description**

### **Component Name**

Strengthening Citizen Engagement and Accountability

**Comments (optional)**

**Component Name**

Improving domestic revenue mobilization and public expenditure management

**Comments (optional)**

**Component Name**

Rapid Response Facility

**Comments (optional)**

**Component Name**

Project Management Support

**Comments (optional)**

**IV. Financing (in USD Million)**

Total Project Cost:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			30.00
Total			30.00

**V. Implementation**

The institutional and implementation arrangements proposed for the project are based on the government's experience with other large scale projects supported by the Bank and other development partners. Given the number of beneficiaries involved in the implementation of the project and the variety of activities to be executed, it was agreed with the MEF General Directorate of Cooperation (DGCOOP) that institutional arrangements for this project implementation will be simplified and streamlined based on the lessons learned during the implementation of similar projects. The Ministry decided, due to the importance the government gives to the project and the capacity required for implementation, to make the project a category "B" project indicating that it would benefit from a semi-autonomous implementing unit under the authority of the MEF. Most other successful government projects supported by development partners in Burkina Faso are category "B". The Project Manager and the core team who will manage the project will be recruited through a competitive basis and will work exclusively on this project. The specific details for the institutional and implementation arrangements to support the project are summarized below:

The Steering Committee of Country's Economic and Finance Sector Policy - (POSEF), was established by Ministerial Order 2012-137/MEF/CAB dated April 5, 2012. The Steering Committee is made of Government officials, Multi-donor Budget support group (CGAB), Private Sector and

Civil Society and conducts an annual review of the Economic and Finance Sector Policy. This committee provides overall advice on progress of reforms and discusses any coordination issue in the funding of the action plan. Its role is strictly advisory and it helps foster donor coordination with respect to Economic and Finance Sector reforms.

The Project Steering Committee (PSC): It will provide overall policy guidance for the Economic Governance and Citizen Engagement Project. The PSC will be chaired by the Minister of Economy and Finance or his Designate and will comprise all key stakeholders involved in the project including representatives of the line Ministries and CSOs. The PSC will meet quarterly to: (i) discuss the strategic direction and orientation of the Governance program, including progress in meeting project PDOs; (ii) review the implementation status of the components and critical activities; (iii) provide guidance and address policy related issues; (iv) approve the budget and the annual work plans and (v) review and approve the publication of annual progress reports and audited financial statements of the project at least six months after the end of each fiscal year.

Project Coordination Unit (PCU): The project will be implemented by the Coordination Unit set up within the MEF under the oversight of the MEF General Secretary. The PCU will be in charge of the day to day implementation of the activities, handle the procurement and financial management, including the disbursement aspects of the project and will be responsible for the overall coordination of the project. A project manager will be appointed to be responsible for the overall project coordination. He will lead a project management team comprising, inter alia, three program managers (PFM, Governance and IT specialists), procurement specialist, a monitoring and evaluation specialist, a financial management specialist and an accountant. Each program manager will be responsible for the implementation of activities under him/her and will be reporting to the project manager. Key implementing agencies such as DGI, DGD, line Ministries, CSOs, ASCE, will designate focal points fully dedicated to the coordination and monitoring of their respective work programs in the project. The focal points will handle technical aspects of their respective work programs in the project.

## VI. Safeguard Policies (including public consultation)

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

**Comments (optional)**

## VII. Contact point

**World Bank**

Contact: Maimouna Mbow Fam  
Title: Sr Financial Management Specia  
Tel: 5331+3411  
Email: mfam@worldbank.org

**Borrower/Client/Recipient**

Name: Ministry of Economy and Finances  
Contact: Lassane KABORE  
Title: Director of Cooperation  
Tel: 22650312550  
Email: chlaskab@yahoo.fr

**Implementing Agencies**

Name: Ministry of Economy and finances  
Contact: KABORE  
Title: Director of Cooperation  
Tel: 22650312550  
Email: chlaskab@yahoo.fr

**VIII. For more information contact:**

The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: <http://www.worldbank.org/infoshop>