PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Date: 09/22/2014

Report No.: AB7638
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Operation Name	Growth and Competitiveness Credit 4
Region	AFRICA
Country	Burkina Faso
Sector	Central government administration (45%); General industry and trade sector (22%); Microfinance (11%); Other social services (11%); General agriculture, fishing and forestry sector (11%)
Operation ID	P151275
Lending Instrument	Development Policy Lending
Borrower(s)	Government of Burkina Faso
Implementing Agency	Ministry of Economy and Finance
Date PID Prepared	September 18, 2014
Estimated Date of Appraisal	October 30, 2014
Estimated Date of Board Approval	November 25, 2014
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

A low-income landlocked country in a volatile region, Burkina Faso significant structural economic vulnerabilities; yet despite its constraints the country has built an impressive record of economic stability. Burkina Faso has maintained this record in the face of serious and unpredictable shocks ranging from recurrent droughts in its agricultural regions to instability and conflict in its neighboring countries. Substantial reserves of gold and a vibrant cotton sector have supported relatively robust and accelerating growth rates, though the country remains highly sensitive to commodity-price fluctuations. Recent conflicts in neighboring countries have failed to derail growth in Burkina, and the real GDP growth rate rose from 5 percent in 2011 to 9 percent in 2012, 6.6 percent in 2013 and 6.8 percent in 2014. But, this performance stands below the rate of 10 percent target by the Strategy for Accelerated Growth and Sustainable Development (*Stratégie pour la Croissance Accélérée et le Développement Durable* – SCADD). Agriculture and services have been the primary drivers of recent growth, with the mining sector making an increasingly strong contribution. Although the government has made important strides in combating poverty, much more need be done to speed the pace of poverty reduction. The results of a recent poverty assessment conducted jointly between the Bank and the National Statistics Institute indicate a moderate decline in overall poverty trends (from 51 percent in 2003 to 46.7 percent in 2009).

II. Proposed Objective(s)

The program development objectives of the GCC series are to catalyze private-sector growth, improve governance, enhance public resource management, and build macroeconomic resilience. These reforms are in line with the Bank’s CPS for 2013-2016 and reflect the government’s priorities, as set forth in the SCADD, for reducing poverty and promoting sustainable growth. The design of the GCC-4 is predicated on established good-practice principles for DPOs and is fully consistent with the objectives of the government’s program. Pillar 1 of the GCC-4 encompasses two intermediate goals linked to broad economic growth: (i) greater private sector involvement in the agricultural input market; and (ii) more formalization and professionalism among transport operators. Intermediate goals under Pillar 2 focus on good governance and include: (i) greater transparency and equity in the mining sector; (ii) improved justice-sector efficiency and transparency; and (iii) greater efficiency and transparency in PFM. Pillar 3 concentrates on reinforcing economic resilience and reducing vulnerability to both macro- and microeconomic shocks; its intermediate goals are: (i) improved funding transfers for decentralized social-service provision; (ii) stronger oversight of microfinance institutions; and (iii) greater involvement by private firms in strategic food imports to improve food security in impoverished and vulnerable areas. The GCC series advances the Bank’s twin goals of reducing extreme poverty and boosting shared prosperity through its support for programs targeting vulnerable groups and reforms designed to build the institutional conditions necessary for robust private sector growth. The GCC-4 pursues good-governance initiatives designed to improve transparency in public resource management, alleviate constraints on the business and investment climate, and enhance local social service delivery to the poor and underserved.

III. Preliminary Description

This program document proposes the fourth and final operation in a programmatic series of Growth and Competitiveness Credits designed to support of the Government of Burkina Faso during the 2012-2014 period. The proposed Fourth Growth and Competitiveness Credit (GCC-4) will be a single-tranche disbursement of US$70 million equivalent, 50 percent in the form of an IDA grant and 50 percent in an IDA credit, provided on standard IDA terms. The GCC-4 will support the continued implementation of Burkina Faso’s second poverty reduction strategy paper, the Strategy for Accelerated Growth and Sustainable Development (SCADD), adopted on March 16, 2011. This fourth operation is fully consistent with the Bank’s twin goals of ending extreme poverty by 2030 and promoting inclusive growth. It is also in line with the objectives of the Bank’s FY2013-16 Country Partnership Strategy (CPS) for Burkina Faso, which was approved on September 19, 2013. The GCC-4 is expected to account for a significant share of the overall budget support provided to Burkina Faso by its development partners (DPs) during the coming fiscal year.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The proposed series is expected to have a direct positive impact on poverty reduction. The operational design of the program is intended to address critical obstacles to broad-based growth, poverty reduction and economic resilience by targeting a select set of priority reforms across a wide range of sectors. While all policy reforms entail change, none of those supported by the proposed operation is expected to have a significant negative impact on the interests of any particular group. Direct beneficiaries of the proposed operation include farmers, importers, communities in mining regions, female entrepreneurs, and communities vulnerable to food insecurity. In addition, the administrative decentralization, anticorruption and PFM reform measures supported by the proposed operation are expected to have positive direct and indirect impacts on all Burkinabe citizens through increased efficiency, transparency, responsiveness and accountability in the public sector. GCC-supported improvements in the efficiency of international transportation and trade should generate broadly positive welfare effects by reducing import prices faced by consumers and import-reliant firms. However, at least one possible adverse impact could arise from the transportation-sector reforms, as truckers with inadequate capital to upgrade their vehicles may be forced to leave the industry. However, compensatory measures designed to assist in vehicle upgrades or in shifting displaced truckers to other transit corridors are being planned.

Environment Aspects

Broadly, the activities supported by the proposed operation are expected to have positive effects on the environment. Indeed, three of the supported policy areas are expected to have positive environmental impacts: the establishment of a social development fund financed by a share of mining revenues, the promotion of a greater involvement by private firms in strategic food-import and distribution systems and, the transportation and trade reforms. However, the opening markets for the sale of fertilizers and other agricultural inputs to farmers can potentially damage groundwater quality, it will also reduce the use of biomass ash as a fertilizer substitute, which can yield important ecological benefits by reducing pollution from black carbon and particulate matter and discouraging deforestation or destruction of shrubby trees in rangelands. On balance, the opening of markets for the sale of fertilizers and other inputs to farmers is expected to have a marginally positive environmental impact. *Transportation and trade reforms*, will have a significant positive impact on the environment. They are expected to reduce pollution emissions from cargo trucks by promoting investment in newer, cleaner, more fuel-efficient vehicles. The strategic food-import and distribution systems should ease environmental risks by reducing the incentives of vulnerable populations to turn to unsustainable exploitation of environmental resources in response to food shortages. Finally, environmental protection is an explicit objective in *the revision of the Mining Code*. In particular, new mining regulations will require that environmental impact assessments be conducted before any new resource extraction project or related activity is approved. The country has the capacity and the legislation to manage such risk. However, the social development fund which will be financed by a share of mining revenues is not enough to mitigate environmental negative impacts generated by the mining sector because this fund does not target such an issue.

V. Tentative financing

Source:		($m.)
BORROWER/RECIPIENT		0
International Development Association (IDA)		**70**
Borrower/Recipient		
IBRD		
Others (specify)		
	Total	**70**

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