PROGRAM INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

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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	January 12, 2015
Estimated Date of Appraisal	February 13, 2015
Estimated Date of Board Approval	March 26, 2015
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Country and Sector Background

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. Operation Objectives

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.

III. Rationale for Bank Involvement

Over the last fifteen years, sound macroeconomic management, combined with favorable commodity prices for cotton and gold, has yielded strong economic growth. Burkina's real GDP growth rate averaged 5.8 percent during the period, and growth has accelerated over time. After reaching a peak of 9 percent in 2012, real GDP grew by 6.6 percent in 2013. This was slightly below the 6.8 percent forecast by IMF, as exports slowed following a decrease in gold prices. Meanwhile, the average growth rate for the rest of the West African Economic and Monetary Union (WAEMU) was just 2 percent. Recent growth has been driven by an increase in cotton and cereal production, combined with rising mining output, even despite falling gold prices. GNI per capita (Atlas method) increased from US$660 in 2012 to US$670 in 2013. Economic volatility has also declined over the last five years. Inflation fell to less than 1 percent in 2013, down from a 3.8 percent annual average in 2012. Abundant rainfall and successful government interventions in the agricultural sector, including donor-supported food security programs involving subsidized sales and free distribution to vulnerable households, have all contributed to a sharp decrease in food prices.

Burkina's fiscal deficit rose in 2013, reflecting sustained investment spending on roads, education, public health, as well as rising electricity subsidies, but the deficit remained within IMF parameters. Increased spending on oil subsidies, transfers to public enterprises, emergency food provision, and a growing wage bill helped widen the overall fiscal deficit (including grants) to almost 3.5 percent of GDP, up from 3.1 percent in 2012. This trend partly reflects the government's efforts to address unexpected, ongoing shocks that began in 2011 and continued throughout 2012 and 2013. Discussions continue regarding the status and future of social transfers. Meanwhile, tax revenues have increased over time and are now approaching the

WAEMU target of 17 percent of GDP. Rising tax receipts are the result of a dynamic mining sector and improvements in better tax administration.

IV. Tentative financing

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

V. Institutional and Implementation Arrangements

The Ministry of Economy and Finance (MEF) is the designated implementing agency and will be responsible for the overall execution of the measures outlined in the GCC series. The MEF has experience in coordinating and implementing development policy operations, demonstrated by its successful execution of the previous operations in the GCC programmatic series. As with previous operations, the institutional arrangements for the preparation and execution of the GCC-4 are within the established framework of the CGAB and in line with the SCADD performance matrix. Day-to-day monitoring of the program will be the responsibility of the General Unit in Charge of Cooperation.

VI. Risks and Risk Mitigation

The overall risk rating for the proposed operation is moderate. Four main areas of risk could jeopardize the expected outcomes of the GCC series. These are: (i) political-economy risks, (ii) macroeconomic risks, (iii) climate-change risks, and (iv) implementation capacity risks.

VII. 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

The majority of the activities supported by the proposed operation are expected to have neutral or positive effects on Burkina's environment. Indeed, actions under of the supported policy areas are expected to have directly positive environmental impacts. The establishment of a local mining development fund financed by a share of mining revenues will help to offset the environmental damage of Burkina's extractive industries. The promotion of a greater involvement by private firms in strategic food-import and distribution systems will help to secure the rural population against food crises, obviating the need for unsustainable hunting and foraging. Finally, the supported transportation and trade reforms will cut marginal pollutant emissions from trucking by promoting investment in newer, cleaner vehicles and reducing idling times caused by administrative delays. Also, training of staff (notably professional drivers) for operations' efficiency, safe and environmentally friendly driving would also contribute to these positive effects.

VIII. Contact point

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