BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Burkina Faso</td>
<td>P166298</td>
<td>First Fiscal Management, Sustainable Growth and Health Service Delivery</td>
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<td></td>
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<td>Development Policy Operation (P166298)</td>
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<thead>
<tr>
<th>Region</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>AFRICA</td>
<td>24-Apr-2019</td>
<td>Macroeconomics, Trade and Investment</td>
<td>Development Policy Financing</td>
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<tr>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tr>
<td>Government of Burkina Faso</td>
<td>Ministry of Economy, Finance and Development</td>
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Proposed Development Objective(s)

The objective of the first Development Policy Operation is to support the Government's efforts to: (i) strengthen fiscal management; (ii) improve natural resources management and raise mining and livestock productivity; and (iii) improve health service delivery.

Financing (in US$, Millions)

SUMMARY

| Total Financing | 100.00 |

DETAILS

<table>
<thead>
<tr>
<th>Total World Bank Group Financing</th>
<th>100.00</th>
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<tr>
<td>World Bank Lending</td>
<td>100.00</td>
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Decision
The review did authorize the team to appraise and negotiate
B. Introduction and Context

Country Context

Despite security and weather-related shocks, economic growth has remained robust. Following the slowdown during the 2014-15 political transition, the economy has recovered. In 2017, growth reached 6.3 percent, driven by expansive fiscal policy and buoyant gold mining activity. In 2018, growth is estimated at 6 percent, driven by the gold mining sector and a rebound of the agricultural sector.

The Government has taken steps to restore fiscal discipline, after a sharp deterioration in 2017. The fiscal deficit soared from 3.4 percent of GDP in 2016 to 7.8 percent in 2017. Most of the fiscal expansion was due to increased public investment. Deteriorating security has called for increases in security-related expenditure. With recurrent and prolonged strikes in the civil service, social unrest put upward pressure on wages and recurrent transfers to the energy sector, thereby reducing the quality of public spending. In this context, fiscal space for the Government’s ambitions to address large deficits in infrastructure and social services has further narrowed. As part of a new Extended Credit Facility (ECF) with the International Monetary Fund (IMF), the Government has committed to a deficit of 5 percent of GDP in 2018, and to the WAEMU convergence criterion of 3 percent of GDP in 2019. To achieve this substantial fiscal adjustment, the authorities have reduced domestically-funded public investment and begun to tackle the rapid rise in the wage bill. On the revenue side, efforts have focused on strengthening tax and customs administration. The fiscal deficit is estimated at 4.7 percent of GDP in 2018.

The macroeconomic policy framework is adequate for the purpose of this operation. While the economy will remain vulnerable to a range of shocks, the medium-term growth outlook is positive, driven by private investment in the growing mining sector. The IMF ECF program provides an anchor for maintaining macroeconomic stability and further consolidating fiscal sustainability. WAEMU membership provides an anchor for monetary and exchange rate policies. Debt is sustainable, and the risk of external debt distress is moderate.

Reforms are undertaken in a context of widespread poverty, fragility, and vulnerability to climatic shocks. The share of the population living below the national poverty line decreased from 46.7 percent in 2009 to 40.3 percent in 2014, thanks to strong economic growth. Nevertheless, with a Gross National Income (GNI) per capita of US$610 in 2017, Burkina Faso is among the 20 poorest countries in the world. Poverty continues to be overwhelmingly concentrated in rural areas, which are home to 90 percent of poor households, due to limited improvements in agricultural productivity. Poverty outcomes across regions reveal significant regional disparities. Indeed, poverty incidence ranges from less than 10 percent in the Central region to more than 70 percent in the north of the country. Vulnerability is also high: in 2014, two thirds of households reported that they had been negatively impacted by shocks, mostly natural hazards. Poor rainfall, pests and bird attacks in 2017 have reduced cereal output and led to a food security crisis in 2018. About half of the country’s 45 provinces and an estimated 950,000 persons have been affected by food insecurity during June-August 2018.

Relationship to CPF

The proposed operation is well aligned with Burkina Faso’s CPF for FY18-FY23. The CPF draws on the World Bank Group’s (WBG) 2017 Systematic Country Diagnostic (SCD) for Burkina Faso and feedback from in-country consultations with stakeholders. It follows the Burkina Faso Country Partnership Strategy (CPS) FY13-FY16 and builds on the Performance and Learning Review (PLR) completed in May 2015. The CPF aims to support the PNDES goals in areas that are consistent with the WBG’s comparative advantage and the priorities identified in the 2017 SCD, including fiscal management, natural
resources management, agriculture and livestock, and human capital development. 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 adaptation to increasing risks of animal disease (through vaccination) and by supporting protection of forests and other environmentally-protected areas in a context of rapidly growing mining activities, the proposed operation will also contribute to the IDA Policy Commitment to “increase the use of DPOs that support climate co-benefits”.

C. Proposed Development Objective(s)

The objective of the first Development Policy Operation is to support the Government’s efforts to: (i) strengthen fiscal management; (ii) improve natural resources management and raise mining and livestock productivity; and (iii) improve health service delivery.

Key Results

The achievement of the proposed development objective will be measured against a series of results indicators described in the Program Document. The main results expected from the reforms supported in the fiscal management pillar of the operation consist in increasing the number of taxpayers in the Government’s taxpayer database, increasing collection of property taxes, increasing the proportion of public investment projects in the budget that have a feasibility study, and reducing nominal annual wage bill growth rate. For the pillar on natural resources management and raising mining and livestock productivity, the expected results are an increase in the registered exports of artisanal gold mines, an increase in the number of cooperatives registered with ANEEMAS, and an increase in the share of small ruminant herd vaccinated against Small Ruminants Plague (PPR). For the healthcare service delivery pillar, the expected results are to increase the proportion of rural primary health care facilities that meet minimum WISN standards, to reduce the proportion of healthcare facilities that experience shortages of listed essential medications (tracer medicines), and to increase the proportion of the population covered by universal health insurance.

D. Project Description

To support the Government’s reforms in the areas of fiscal management, natural resources management, mining, livestock productivity and health, the series is organized around three pillars:

- **Pillar 1: Improving fiscal management.** The Government aims to increase domestic revenue mobilization to finance its ambitious program of infrastructure and social spending and to maintain public debt at a manageable level. Concurrently, the efficiency of public spending must be improved, especially by improving the selection and preparation of public investments, and by containing public wage bill growth.

- **Pillar 2: Improving natural resources management and raising mining and livestock productivity.** The objective is to support the growth of the artisanal mining sector while strengthening controls and providing incentives for formalization and technical upgrades that improve productivity and reduce adverse environmental impacts. The series also supports efficient land management through greater formalization of land rights. In addition, it aims to improve productivity in the livestock sector by supporting animal and public veterinary health, including through the adoption of mechanisms to develop animal vaccination.

- **Pillar 3: Improving health service delivery.** The objective is to improve access and the quality of services in a cost-effective manner. The program supports the planning and implementation of a more equitable and transparent system for allocating personnel across health centers and hospitals. It also aims to improve the management and
distribution of pharmaceutical drugs in hospitals. Lastly, it supports the rationalization of social insurance and free
health care schemes, and the efficient provision of health insurance to vulnerable persons.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Economy, Finance and Development (MEFD) is the designated implementing agency and has the responsibility for monitoring the overall execution of the measures outlined in the DPF series. MEFD has experience in coordinating and implementing DPF and is the designated implementing agency. Day-to-day monitoring of the program will be the responsibility of the Directorate in charge of Cooperation (DGCOOP) within the MEFD. The MEFD will be responsible for coordinating and reporting to the World Bank on progress for the proposed operation. The World Bank multi-sectoral team will undertake supervision missions and provide technical assistance where needed. The institutional arrangements for the preparation and execution of this operation are within the established framework of the monitoring and evaluation 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. PFM and tax reforms will be implemented by the respective technical units in the MEFD and the General Directorate of Taxes (Direction Générale des Impôts - DGI), 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 of achievements under the DPF will also benefit from leveraging the M&E systems in place for ongoing technical assistance and investment operations in tax administration and public-sector management, mining, livestock development, and health service.

The results matrix that tracks the three operations in the series will provide concrete indicators and empirical benchmarks to monitor progress and facilitate ex-post evaluation following the end of the program in December 2021. The World Bank is currently supporting Burkina Faso and other WAEMU countries to harmonize poverty assessment methods, which will help monitor this DPF series results framework.

F. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

The proposed DPF series is expected to help alleviate poverty and inequality in Burkina Faso. First, increased fiscal space through tax reform and improved tax collection should enable the Government to increase its contribution to the PNDES, which aims at promoting inclusive growth and achieving the objectives of the sustainable development goals. Second, the service delivery and efficiency improvements in healthcare supported by this operation should allow more equitable deployment of health care providers in public health facilities. This should benefit the rural and more remote areas where most of the poor live. Likewise, the improvements in the distribution of essential generic medications in public health facilities are expected to benefit the poor. The implementation of universal health insurance is a pro-poor policy. Third, the improved institutional framework for managing artisanal mines should encourage the creation of more decent jobs by improving security in the workplace and helping raise productivity and incomes. Upgrades to animal health management, including by improving access to an affordability of animal vaccination will benefit the poor. Livestock contributes to food and nutrition security, it remains the primary source of cash income (39 percent) for rural households, it serves as a store of wealth to cope with climatic and economic shocks, and it is resilient since it can rebuild or restock
rather quickly after climatic shocks, particularly drought.

Environmental Aspects

The reforms and policy actions supported by the proposed operation are not likely to have significant negative effects on the country’s environment, forests and other natural resources, and some may have positive effects. As per policy, the World Bank assessed whether specific country policies supported by the DPF series are likely to cause significant effects on the country’s environment, forests, and other natural resources. The assessment concluded that the policies supported by the proposed DPF are not likely to have 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 investments or involve policy actions with significant environmental consequences.

Prior actions designed to improve the sustainability of natural resources management are significantly positive for the environment. The reform program will have significant positive effects by improving the institutions for controlling environmental degradation in artisanal mines, discouraging the expansion of mines onto protected areas, and promoting environmentally-friendly technologies. Furthermore, land titling reinforces the incentives for sustainable management of resources.

G. Risks and Mitigation

The overall risk rating for the proposed operation is substantial (S). The most important risk categories for the proposed operation are: (a) Political and governance (S), (b) Macroeconomic (H); (c) Institutional capacity for implementation and sustainability (S) and (d) Environmental and social (S). Political and governance risk has increased following the 2014-15 events, and security threats related to terrorism have also heightened. Security risks could directly affect the attainment of some results in this program. Also, new recurrent strikes in the civil service could affect the government’s willingness and ability to implement efficiency reforms in public sector management. The national consultations recently organized by the government helped gain broader-based support for difficult reforms in this area. The proposed operation will contribute to monitor the above issues and address them in close collaboration with the IMF through its focus on fiscal management reform. In addition, the Emergency Recurrent Cost Financing Project (P169486) is expected to help the government address the multiple crises it is facing by supporting delivery of targeted core services and strengthening public sector capacity in critical sectors and regions. Macroeconomic risks are due to exogenous commodity price shocks and policy slippage risks. This could divert resources away from priority needs and reduce the government’s efforts and ability to sustainably implement the agreed fiscal adjustment. It could also reduce resources for improving public service delivery. The operation is designed to help mitigate fiscal risks by supporting measures designed to improve tax collection. Prudent fiscal management would lessen the effects of commodity price shocks. Lack of capacity at the Ministries of Health, Mining, Animal Resources, and at the MEFD may delay the implementation of some measures supported by this-operation, including improvements in investment policies, in human resources management and in Tax administration. To address this risk, the World Bank will increase its engagement at the technical level to ensure that the reforms implemented under this operation prove sustainable over the long term. The World Bank in collaboration with the IMF, the ADB as well as the EU will continue to provide technical assistance to support the strengthening of the Recipient’s capacity in the area of tax administration and fiscal management, public sector reform, health systems strengthening, land administration, mining development and water resources management. Climatic shocks could reduce economic activity and therefore jeopardize domestic revenue mobilization targets and narrow fiscal space for infrastructure and social expenditures. Climate shocks represent a serious threat to Burkina’s agriculture sector, both food crops and cotton production, and consequently to rural livelihoods and food security. IDA’s mining sector support project is strengthening...
capacity to assess, mitigate, manage and monitor environmental and social risks associated with investments in the mining sector.

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**APPROVAL**

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<td>Approved By</td>
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<tr>
<td>Country Director:</td>
<td>Pierre Laporte</td>
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