ICR Review
Operations Evaluation Department

Report Number : ICRR10832

1. Project Data:		Date Posted :	02/22/2001	
PROJ ID :	P069165		Appraisal	Actual
Project Name :	Burkina Faso - Sac III	Project Costs (US$M)	25	25
Country :	Burkina Faso	Loan/Credit (US$M)	25	25
Sector(s):	Public Sector Management Adjustment	Cofinancing (US$M)	0	0
L/C Number :	C3299			
		Board Approval (FY)		00
Partners involved :	none	Closing Date	06/30/2000	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group :	

2. Project Objectives and Components

a. Objectives

The project was part of the Bank's strategy to help Burkina consolidate recent progress in macroeconomic management and move toward sustained economic growth . It aimed to: (i) enhance the competitiveness of the economy so as to increase growth and alleviate poverty (in the medium term); (ii) improve public finance management, particularly tax policy and the use of public resources; and (iii) complete the 3rd phase of the common external tariff (CET) adopted by the West African Economic and Monetary Union on 1/1/00. The credit was also expected to help the government deal with the expected drop in fiscal revenue due to reductions in tariffs and corporate income taxes.

b. Components

Measures to be implemented prior to Board presentation consisted of : (i) Tax and trade policy--lowering the maximum tariff rate from 25% to 20%; lowering the corporate tax rate from 40% to 35% and studying a further reduction to 25-30%; improving revenue collection by introducing a withholding tax at customs and on purchases from wholesalers to be credited against the profit tax; removing the ban on exports of hides; and computerizing and strengthening the two major tax offices. (ii) Public expenditure management--issuing TORs and recruiting consultants for studies in the framework of the PER (education, health, financial decentralization and public investment program); and adopting a plan of action and timetable for extending the medium term expenditure framework (MTEF) to all key government ministries for the 2001 budget. (iii) Budgetary procedures and transparency--integrating the payroll management system into the government's financial management system; and improving transparency by completing and sending budget execution reports to the Supreme Audit Institution, starting with those for 1993 and 1994. (iv) Establishing the regulatory authority for the telecommunications sector .

c. Comments on Project Cost, Financing and Dates

This was a one-tranche adjustment credit of US$25 million. It was fully disbursed and closed on time on June 30,2000

3. Achievement of Relevant Objectives:

All of the conditions were met by the time of effectiveness, and their outcomes so far have been satisfactory (it is still too early to judge the impact of a number of measures). (i) The CET was implemented and tax rates reduced, and the fiscal shortfall was less than expected (in 1999); this was due in part to an increase in taxable profits of enterprises and strengthening of the tax and customs administrations . Withholding taxes at customs and on purchases from wholesalers were instituted on January 1, 2000. (ii) The four studies were carried out and their lessons integrated into the MTEF, new budget guidelines, and the PRSP . The share of public spending on education and health has increased beyond the targets, and monitoring indicators are in place to assess its impact . Six key ministries have shifted to performance budgeting, and the MTEF has led to major improvements in budget formulation. (iii) Budgetary procedures have been simplified, governance improved and corruption reduced through such measures as the integration of payroll management into the financial management system; completion of the unified budget system and computerized expenditure management system; creation of an independent Supreme Audit Court; improvement of public procurement procedures, including the publication of bids received in public tenders; and reduction of rents through trade liberalization, tariff reform, and privatization . Parliament and the Supreme Audit Institution are involved in the auditing of government accounts; budget reports for 1993 and 1994 have been submitted, and those for 1995-98 are due in March. (iv) A regulatory authority for telecommunications was established, and domestic competitiveness has improved : telecommunications costs in Burkina fell by an average of 40% in one year.

4. Significant Outcomes/Impacts:

SAC III played an important role in helping Burkina enhance domestic competitiveness and meet its commitment to deeper regional integration. The reforms it supported, particularly tax and trade reform, are essential elements in creating an environment conducive to efficient private sector investment . Its preparation contributed to a close working relationship between the Bank team and its Burkinabe counterparts .

5. Significant Shortcomings (including non-compliance with safeguard policies):

None.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(i) The use of two one-tranche loans proved to be an effective way to build a consensus on the longer term reform agenda. (ii) Efforts to control expenditures strictly from an administrative perspective will have limited success; improved public expenditure management requires fundamental changes in government commitment . (iii) Because public resources are fungible, it is appropriate to focus on the government's overall use of resources rather than just its specific use of Bank funds; this implies a knowledge of the country's public financial management arrangements .

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:

The ICR cites the ICRs for SAC 1 and the ERC, but does not mention that these projects were also audited (and some of the ratings adjusted downward).