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July 18, 2017

<p>Closing Date: Friday, August 4, 2017 at 6 p.m.</p>
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FROM: Vice President and Corporate Secretary

Burkina Faso - Local Government Support Project

Additional Financing and Restructuring

Project Paper

Attached is the Project Paper regarding a proposed additional grant and restructuring to Burkina Faso for a Local Government Support Project (IDA/R2017-0271), which is being processed on an absence-of-objection basis.

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Report No. PAD2260

PROJECT PAPER
ON A
PROPOSED ADDITIONAL GRANT AND RESTRUCTURING
IN THE AMOUNT OF SDR 43.4 MILLION
(US\$60.0 MILLION EQUIVALENT)
TO
BURKINA FASO
FOR A
LOCAL GOVERNMENT SUPPORT PROJECT
July 13, 2017

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective May 31, 2017)
Currency Unit = United States Dollar (US\$)
SDR 0,722337633 = US\$1

FISCAL YEAR
January - December 31

ABBREVIATIONS AND ACRONYMS

AIP	Annual Investment Plan
AMBF	<i>Association des Municipalités du Burkina Faso</i> /Municipalities Association of Burkina Faso
APE	<i>Association de Parents d'Elèves</i> /Parent Teacher Association
APL	Adoptable Program Loan
AME	<i>Association des mères éducatrices</i> /Association of Mothers Educators
ARBF	<i>Association des Régions du Burkina Faso</i> /Regional Association of Burkina Faso
ARD	<i>Agences Régionales de Développement</i> /Regional Development Agencies
ARMP	<i>Autorité de régulation des marchés publics</i> /Public Procurement Regulatory Authority
ASCE	<i>Autorité Supérieure de Contrôle d'Etat</i> /Higher State Supervisory Authority
BUNEE	The National Environmental Assessment Bureau
CAM	<i>Commission d'attribution des marchés</i> /Tender Commission
CAS	Country Assistance Strategy
CBO	Community-Based Organization
CDP	<i>Congres pour la Democratie et le Progres</i> /Democracy and Progress Party
CDR	<i>Commission de Règlement des Différends</i> /Dispute Resolution Commission
CGCT	<i>Code Général des Collectivités Territoriales</i> /General Code for Local Governance
CIFE	<i>Circuit Intégré des Financements Extérieurs</i> /Integrated Circuit for External Financing
CND	<i>Commission Nationale de la Décentralisation</i> /National Commission of Decentralization
COGES	<i>Comité de Gestion</i> /Local Management Committee
COPEGOL	<i>La Compétition Pour l'Excellence dans la Gouvernance Locale</i> /Competition for Excellence in Local Governance
CPAR	Country Procurement Assessment Report
CR	<i>Commission de réception</i> /Acceptance Commission
CRAL	<i>Commission de Règlement Amiable des Litiges</i> /Amicable Dispute Settlement Commission
CSMOD	<i>Cadre Stratégique de Mise en Oeuvre de la Décentralisation</i> /Strategic Framework for the Implementation of Decentralization
CVD	<i>Conseils Villageois de Développement</i> / Village Development Councils
DA	Designated Account
DAF	<i>Direction de l'Administration et des Finances</i> /Department for Administrative and Financial Affairs
DEP	<i>Direction des Etudes et de la Planification</i> /Directorate of Research and Planning
DGB	<i>Direction Générale du Budget</i> / Budget Directorate
DGCT	<i>Direction Générale des Collectivités Territoriales</i> /General Department for Local Authorities
DGF	<i>Dotation générale de fonctionnement</i> /Grants for recurrent expenditures
DGE	<i>Dotation générale d'équipement</i> /Grants for investments

DGMP	<i>Direction générale des marchés publics/</i> General Department for Public Procurement
DGLPAP	<i>Directeur General Libertés Publiques et des Affaires Politiques/</i> General Department for Public Liberty and Political Affairs
DPL	Development Policy Loan
DREBA	<i>Direction régionale de l'éducation de base/</i> Regional Directorate for Basic Education
DRED	<i>Direction régionale de l'économie et du développement/</i> Regional Directorate for Economy and Development
DRS	<i>Direction régionale de la santé/</i> Regional Directorate for Health
EA	Environnemental Assessment
EIS	Environmental Impact Study
EMP	Environmental Management Plan
ENAM	<i>Ecole Nationale d'Administration et de Magistrature/</i> National Public Administration School
ENAREF	<i>Ecole Nationale des Régies Financières/</i> National School of Financial Institutions
ESMF	Environmental and Social Management Framework
EU	European Union
FA	Financing Agreement
FPDCT	<i>Fonds Permanent de Développement des Collectivités Territoriales</i>
GDP	Gross Domestic Product
IDA	International Development Association
IDG	Institutional Development Grant
IDF	Institutional Development Framework
IDP	Institutional Development Plan
IE	Impact Evaluation
IGF	<i>Inspection Générale des Finances/</i> General Inspection of Finance
IGFF	Intergovernmental Fiscal Framework
IFMIS	Integrated Financial Management and Information System
IFR	Interim Financial Report
JSDF	Japanese Social Development Fund
M&E	Monitoring and Evaluation
MATD	<i>Ministère de l'Administration Territoriale /</i> Ministry of Territorial Administration and Decentralization
MDG	Millennium Development Goal
MINEFID	<i>Ministère de l'Economie, des Finances et du Développement/</i> Ministry of Economy, Finance and Development
MIS	Management Information System
MOH	Ministry of Health
NGO	Non-Government Organization
OHADA	<i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires/</i> Organization for the Harmonization of Business Law in Africa
PACT	<i>Programme d'Appui des Collectivités Territoriales/</i> Territorial Local Government Support Program
PAO/PNG	<i>Plan Action Operational de PNG/</i> Operation Action Plan of the PNG
PBC	Performance-Based Contract
PCD	<i>Plan Communal de Développement/</i> Communal Development Plan
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

PNDES	<i>Plan National de Développement Economique et Social/</i> National Plan for Economic and Social Development
PNGT	<i>Programme National de Gestion des Terroirs/</i> Community-Based Rural Development Program
PNG	Politique Nationale Genre/National Gender Policy
PRD	<i>Projet Poles Régionaux de Développement/</i> Decentralized Urban Capacity Building Project
PRCA	Projet de Renforcement des Capacités Administratif/Administrative Capacity Building Project
PRGED	<i>Programme de Renforcement de la Gestion de l'Economie et du Développement</i>
PRM	<i>Personne Responsable des Marchés/</i> Person Responsible for Procurement
PRSC	Poverty Reduction Support Credit
RAP	Resettlement Action Plan
RBF	Results-Based Financing
RPF	Resettlement Policy Framework
SCADD	<i>Stratégie de Croissance Accélérée et du Développement Durable/</i> Strategy for Accelerated Growth and Sustainable Development
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SG	Secretary General
SRFP	<i>Stratégie de Renforcement des Finances Publiques/</i> Public Finance Strengthening Strategy
TA	Technical Assistance
TUPP	<i>Taxe unique sur les produits pétroliers/</i> Tax on Petroleum Products
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union
VPD	Vision Prospective de la Décentralisation

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BURKINA FASO

Local Government Support Project Additional Financing

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ADDITIONAL FINANCING DATA SHEET

Burkina Faso

Burkina Faso Local Government Support Project AF (P162742)

AFRICA

GGO13

Basic Information – Parent							
Parent Project ID:		P120517		Original EA Category:		B - Partial Assessment	
Current Closing Date:		31-Aug-2017					
Basic Information – Additional Financing (AF)							
Project ID:		P162742		Additional Financing Type (from AUS):		Scale Up	
Regional Vice President:		Makhtar Diop		Proposed EA Category:			
Country Director:		Pierre Frank Laporte		Expected Effectiveness Date:		01-Sep-2017	
Senior Global Practice Director:		Deborah L. Wetzel		Expected Closing Date:		1-Oct-2021	
Practice Manager/Manager:		Chiara Bronchi		Report No:		PAD2260	
Team Leader(s):		Gabriel Dedu, Serdar Yilmaz					
Borrower							
Organization Name		Contact	Title	Telephone	Email		
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Project Financing Data - Parent (Local Government Support Project-P120517) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P120517	IDA-H7360	Effective	01-Nov-2011	08-Dec-2011	06-Jun-2012	31-Dec-2016	31-Aug-2017

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P120517	IDA-H7360	Effective	XDR	37.30	37.30	0.00	35.53	1.77	95.25
Project Financing Data - Additional Financing Burkina Faso Local Government Support Project AF (P162742)(in USD Million)									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input checked="" type="checkbox"/> IDA Grant <input type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		70.00		Total Bank Financing:		60.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								10.00	
IDA Grant								60.00	
Total								70.00	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
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Bank Staff									
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	Responsible)			
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Sekou Kone	Team Member	Consultant	Impact Evaluation	GPSJB
Yolande Bougouma-Zagre	Team Member	Program Assistant	Program Assistant	AFMBF

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Burkina Faso	Est	Fada-Ngourma	X	X	
	Nord	Ouahigouya	X	X	
	Centre Ouest	Koudougou	X	X	
	Sud Ouest	Gaoua	X	X	
	Hautes-Bassins	Bobo Dioulasso	X	X	
	Centre	Ouagadougou	X	X	
	Boucle du Mouhoun	Dedougou	X	X	

Institutional Data
Parent (Local Government Support Project-P120517)
Practice Area (Lead)
Governance
Contributing Practice Areas
Additional Financing Burkina Faso Local Government Support Project AF (P162742)
Practice Area (Lead)
Governance
Contributing Practice Areas
Consultants (Will be disclosed in the Monthly Operational Summary)
Consultants Required? Consultants will be required

Burkina Faso

Local Government Support Project Additional Financing (P162742)

I. INTRODUCTION

1. **This project paper seeks the approval of the Executive Directors to provide an additional financing (AF) in the amount of US\$60.0 million equivalent to the Burkina Faso for the Local Government Support Project (P120517).** The proposed AF is an International Development Association (IDA) grant that is being processed at the request of the Government of Burkina Faso, to scale-up the project and expand its scope in the following critical areas: (i) expansion of the geographical scope of project activities; (ii) deepening the strengthening of institutional capacity for better results; and (iii) deepening citizen engagement in local governance.

2. **The AF will strengthen the development impact of the project and scale up the geographic scope of the original project.** The Board of Directors approved the original IDA financing of US\$60.0 million equivalent on November 1, 2011, which received co-financing in the amount of US\$5.0 million equivalent from the Government of Burkina Faso. The proposed AF entails project restructuring to: (i) revise the project objectives, components and introduce new activities; (ii) modify the project Results Framework and Monitoring, and (iii) extend the closing date of the original project by a little more than four years, from August 31, 2017 to October 1, 2021, to allow for successful implementation of the original and newly introduced activities.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

Country Context and Development Challenges

3. **Burkina Faso has witnessed a dramatic regime change in 2014 with the ousting of the former President.** The social uprising that led to the sudden end of the almost three-decade rule of the former presidency marked a historic turning point for Burkina Faso. The popular uprising in 2014 had a chilling impact on the reforms in Burkina initially, as the Government, national parliament and local councils were dissolved, and the constitution suspended. A transitional government was constituted, with the support of the Economic Community of West African States (ECOWAS), to assist the country in moving towards peaceful and democratic presidential, parliamentary and local elections. At the local level, the transitional government issued a decree replacing elected municipal councils with the special delegates (*délégation spéciale*).¹ Presidential and parliamentary elections were held in November 2015, resulting in the election of country's new President. The local elections held in May 2016

¹ The decree of the transitional government dissolved commune councils and installed *délégation spéciale*. The *délégation spéciale* is an administrative commission composed of members appointed by a territorial authority and responsible for the administration of the commune when its deliberative body has been dissolved. The conditions for the installation, composition and functioning of these special delegations are governed by Decree No. 2013-431 PRES / PM / MATD / MATS / MEF of May 30, 2013.

marked the end of *délégation spéciale* administrations, installed by the transitional government.

4. **This profound political change is taking place in a context of persistent poverty, weak human development outcomes, and declining citizen trust in Government.** With the recent increase in terrorist attacks, ensuring safety of all citizens now dominates the policy agenda of the Government. The new Government's challenge is to provide security for citizens, while focusing on delivering basic services and improving the investment climate to create jobs.

5. **Burkina Faso has maintained higher than average growth rates relative to the sub-region since 2000.** Over the past 15 years, Burkina Faso has been one of the best performers in Sub-Saharan Africa with a GDP growth rate exceeding 6 percent, and benefiting from relative social and political stability, except for the 2014 uprising. As a strong reformer, consistently in the top five African economies of the Country Policy and Institutional Assessment (CPIA) rating,² the country has traditionally received large aid inflows. However, in spite of progress, Burkina Faso today remains very poor with approximately half of its adult population living under the national poverty line in 2014. It is also at the bottom of the human capital development ranking (183th out of 188 countries in the 2015 United Nations Human Development Index), reflecting low educational and health outcomes.

6. **This gap between sustained growth and poor development outcomes, also known as the 'Burkinabe' Paradox, is explained in part by the inefficient and highly centralized public expenditure system.**³ The non-inclusive pattern of growth and the sub-optimal performance of the public administration have limited the impact of economic growth and stability on poverty reduction, anti-corruption and service delivery. Burkina Faso continues to be ranked among the poorest countries in the world and was unable to meet many of the Millennium Development Goals (MDG).⁴

7. **The critical challenge for the new Burkinabe Government is to rapidly restore public confidence by strengthening governance institutions, as well as developing a modern and accountable administration that is capable of effectively and efficiently delivering high quality services and tangible development outcomes for all its citizens, in both rural and urban settings.** The Government has translated the presidential campaign program into a new national plan for economic and social development for the period 2016-2020 (*Plan National de Développement Economique et Social*, PNDES). The PNDES has three components: (i) reforming the institutions and modernization of the administration; (ii) development of human capital; and (iii) energizing the growth sectors for the economy and jobs.

² Burkina Faso's CPIA score since 2010 has been 3.78, making it one of the best performers in West Africa.

³ There is a high level of concentration of human and financial resources of the government. More than 56 percent of civil servants reside in the Centre region where the capital city, Ouagadougou, is located. Although, on average there are 160 people for each civil servant in Burkina, in the Centre Region, this number goes down to 35. On the other hand, in the Sahel region there are 439 people per each civil servant. The combined effect of the concentration of financial and human resources is the lack of availability of resources to front-line service delivery in rural areas where the majority of people live. Not only almost eight out of 10 Burkinabe still live in rural areas but the vast majority of poor are also concentrated in these areas.

⁴ The under-five mortality and infant mortality rates per 1,000 live births in 2012 were 102 and 66 respectively, well above the MDG targets of 69 and 35. Illiteracy rates also remain high at 28.7 percent. And the proportion of the population with access to improved sanitation facilities in 2012 was 17 percent, compared to the MDG 2015 target of 54 percent.

8. **The first component of the PNDES on reforming institutions and modernization of the administration has three strategic objectives and eleven expected result areas.** The third strategic objective on decentralization and good local governance is expected to (i) improve the efficacy of decentralization and local governance; and (ii) energize local economic development and reduce regional disparities. The AF is expected to support the government's objectives for decentralization by strengthening institutional capacity of local governments and improving intergovernmental systems.

Sectoral and Institutional Context

9. **The 1991 Constitution established a decentralized local government system organizing the country into territorial units.**⁵ Since then, the Government has taken incremental steps towards implementation of reforms consistent with the constitutional provision, including passing legislations to enable the implementation of the decentralization process.⁶ The decentralization reform was initially implemented on a limited scale, with the creation of 49 urban communes in 1995 and commune elections held in 2000 (after the 1995 elections).

10. **A major milestone was achieved in 2004 with the adoption of the General Code for Local Government (*Code Général des Collectivités Territoriales--CGCT*),** defining the legal and regulatory framework for the implementation of decentralization. CGCT created 13 regional communes and 302 rural communes in addition to the 49 urban communes created in 1995. The CGCT, therefore, brought the total number of local communes to 351 covering the entire country.⁷ The first countrywide democratic elections were held at the commune level in 2006. This was a turning point in the process of decentralization, which set in place the possibility for transferring authority to the new locally elected political authorities.

11. **While the structural framework for decentralization is in place with the CGCT, progress towards the actual implementation of decentralization has been slow due to the capacity constraints of communes.** The slow pace of implementation is also in part linked to the *tutelle*⁸ model that Burkina inherited from the French administration, which has been relied upon heavily by the central government to exert *ex ante* control over local government decisions, thereby limiting their discretion and enabling central interests to retain authority. Taking significant capacity constraints at the local level into account, the original project provided support to the Ministry of Territorial Administration and Decentralization (MATD), and

⁵ Article 143 of the 1991 Constitution stipulates that "Burkina Faso is organized in territorial collectivities." Articles 144 and 145 of the 1991 Constitution stipulate that "The creation, suppression and division of territorial collectivities shall be defined by law" and "Democratic participation of populations to the administration of territorial collectivities shall be organized by law."

⁶ There are several laws enacted: (i) Loi n°003/93/ADP du 7 mai 1993 portant organisation de l'administration du territoire au Burkina Faso; (ii) Loi n°004/93/ADP du 12 mai 1993 portant organisation municipale; (iii) Loi n°005/93/ADP du 12 mai 1993 portant statut particulier de la province du Kadiogo et de la Commune de Ouagadougou; (iv) Loi n°006/93/ADP du 12 mai 1993 portant statut particulier de la Commune de Bobo-Dioulasso; (v) Loi n°007/93/ADP du 12 mai 1993 portant régime électoral des conseillers de village, de secteur communal, de département et de province.

⁷ Today, Burkina Faso has 13 regions, 49 urban municipalities – two of which (Ouagadougou and Bobo-Dioulasso) have a specific status – and 302 rural municipalities. At the deconcentrated level, there are three tiers of territorial administration with 13 regions, 45 provinces, and 350 departments.

⁸ The *tutelle* implies a top-down supervisory model entailing an oversight role of the central state *vis-à-vis* local governments. The *tutelle* powers are exercised by the MATDS and MEF.

the Ministry of Economy, Finance and Development (MINEFID) to provide better *tutelle* services to local authorities.

12. The slow pace of implementation of the CGCT is also a design feature. The CGCT assigns service delivery responsibilities to local governments according to the principles of subsidiarity⁹ and progressiveness.¹⁰ The CGCT specifies the distribution of competencies between the two levels of local government. Regional communes are responsible for development coordination and planning in their regions. They are responsible for delivering specific services, such as secondary schools and regional hospitals. On the other hand, rural and urban communes are responsible for building and managing most basic socioeconomic infrastructures, such as kindergartens, primary schools and clinics. Among the 11 areas mentioned for devolution to local governments in the CGCT,¹¹ only four were initially transferred to the urban communes.¹² In rural and regional communes, the transfer of responsibilities was supposed to take place within three years after the 2006 local elections. However, due to capacity constraints at the commune level the transfer of responsibilities specified in the CGCT has been slower than expected. In 2009, a limited number of functions related to four of the 11 areas identified under the CGCT were transferred to rural communes. The original project supported the improvement of commune capacity in 140 communes in six regions and helped the Government to come up with a strategy to transfer the service delivery responsibilities specified in the CGCT. In July 2014, with the support of the project, the Government adopted 21 decrees to transfer responsibilities in all 11 areas to communes. The Government has developed implementation guidelines (*protocol d'operations*), which clarify the roles and responsibilities of central governments and communes, and relationships anticipated between communes and other actors in the implementation of the decrees.

Description of the Project and its Performance

13. The overall implementation progress, progress towards the achievement of the Project Development Objective (PDO) and performance of all project components is rated as satisfactory. In addition, financial management, procurement, project management, and monitoring and evaluation are rated as satisfactory. Smooth project implementation has translated into high disbursement rate of the project funds, which after five years of effective implementation stands at 97 percent as of the end of June, 2017.

14. The project was originally designed as an adaptable program loan (APL). The main aim of the programmatic approach was to undertake project activities in half of the 13 administrative regions of Burkina Faso, during the first phase. The second phase was envisioned

⁹ The subsidiarity principle implies that activities are assigned to the level that can best carry them out.

¹⁰ The progressiveness principle means that responsibilities are transferred gradually to local governments as their capacity increases.

¹¹ These eleven functions are defined in Articles 80 through 105 of the CGCT as (i) land, (ii) communal development and physical planning; (iii) environment and natural resources management; (iv) planning and economic development; (v) health and hygiene; (vi) education, literacy, and vocational training; (vii) culture, sports, and leisure; (viii) civil defense, assistance, and social protection; (ix) funeral services and cemeteries; (x) water and electricity; and (xi) marketplaces, slaughterhouses, and fairs.

¹² They are (i) culture, youth, sports, and leisure; (ii) pre-schooling, primary education and literacy; (iii) drinking water distribution and sanitation; (iv) health.

as scaling-up of project activities geographically, to other regions, subject to meeting certain performance requirements. The Government has met the following triggers for moving to phase II:

- An increase in percentage of resources transferred to local governments to achieve targets set in the 2011-2013 Strategy for Accelerated Growth and Sustainable Development (*Stratégie de Croissance Accélérée et du Développement Durable – SCADD*).¹³
- A more predictable and transparent intergovernmental transfer system, as measured through publication of indicative allocation of the transfer amounts to local governments and early disbursement of funds to region/commune accounts during the fiscal year.¹⁴
- A relaxation of *a priori* financial controls over local governments and a simplification of procurement process at the local level.¹⁵
- A redefinition of the *tutelle* role of the de-concentrated office of the prefect¹⁶ to relax *a priori* administrative controls.¹⁷
- Adoption of a legal framework for the establishment of regional agencies for development (*agencies regionales de developement—ARD*¹⁸), which are going to be the technical departments of regional local governments to support communes.
- Adoption of a legal framework to enable communes to engage in joint service provision (inter-communality arrangements).¹⁹

15. The project has provided support for improvements in the intergovernmental framework, as well as institutional development of communes. The decentralization reforms in Burkina Faso have achieved appreciable results over the past few years. The share of central government budget transferred to local governments, which was 3.9 percent in 2011, increased to 5.6 percent in 2014. However, because of the economic difficulties the country faced during the transition, the share of central government budget transferred to local governments

¹³ In 2011, the percentage of resources transferred to local governments was 3.93%. The percentage reached to 4.07% in 2012 against the SCADD target of 3.96%. In 2013, the SCADD target was 4.27% and the government transferred 4.44%.

¹⁴ The government operationalized Section 98 of the budget (transfers of financial resources to local governments) to improve predictability of transfer resources and their transparency in disbursement. Furthermore, the Ministry of Finance has started holding consultations before and after the adoption of the budget with the sectoral ministries and the local government associations (ARBF and AMBF).

¹⁵ In 2012, the Government issued two decrees (Décret n°2012-123/PRES/PM/MEF du 02 mars 2012 and Décret n°2012-546/PRES/PM/MEF du 2 juillet 2012) to simplify financial controls by coupling the General Department for Public Procurement (*Direction Générale des Marchés Publics - DGMP*) and General Department of Financial Control (*Direction Générale du Contrôle Financier –DGCF*), and increased simple procurement ceilings to accelerate the implementation of commune procurement plans.

¹⁶ *Prefet* is the central government's representative in a prefect (department). The office of a prefect is known as a prefecture. Prefects are appointed by a decree of the President of the Republic in the Council of Ministers, following the proposal of the Prime Minister and the Minister of the Interior.

¹⁷ The government adopted a decree to eliminate *a priori* control of the prefect (Décret n°2012-804/PRES/PM/MATDS/MEF).

¹⁸ ARD decree has been adopted thanks to PACT trigger. PADIC (an operation funded by EU) is supporting the government to establish ARDs in regional communes (Décret n°2014-157/PRES/PM/MATD/MEF du 10 mars 2014). ARDs are created in 13 regional communes to support rural communes in the implementation of their tasks.

¹⁹ The government adopted a decree for inter-communality (Décret n°2012/308/PRES/PM/MATDS).

declined to 4.7 percent in 2015. With an ambitious PNDES, the Government is seeking to further increase the share of central government budget transferred to local governments to 15 percent by 2020. Prioritization of decentralization in the country's PNDES (2016-2020) signals a strong government commitment to making decentralized service delivery a key approach to reducing extreme poverty and boosting shared prosperity. Furthermore, the component supported establishing a predictable intergovernmental transfer system by publishing the indicative allocation amounts to local governments and crediting to their budget early in the fiscal year. To this end, the project supported the development of a fiscal decentralization roadmap by the MINEFD.²⁰ In addition, the cumbersome a priori control mechanisms have been simplified allowing communes to implement the activities in their commune development plans. In December 2016, the Government issued a new procurement code²¹ with three decrees that will lead to a more comprehensive, efficient and transparent public procurement system. The new legal framework simplifies the procurement process and reduces delays by fixing time to respond for each entity involved in the process. It has also deleted redundant controls.²²

16. Development of a long-term vision for decentralization (*La Vision Prospective de La Decentralization*) in March 2017, is intended to address the most critical challenges confronting decentralization in Burkina Faso, including inadequate attention to the financial dimension of decentralization, weak fiscal capacity of local governments, and low citizen participation in local decision making. This long-term vision is expected to further define concrete government commitments to fiscal decentralization.

17. The Government enacted new legislations supporting the creation of a municipal public service cadre, transfer modality of human resources between national and local government, and improvements in the salaries of local government employees. The new legislations, enacted in January 2017, would allow transfer of civil servants to local government from the national civil service to reinforce the human resource capacity of local governments. The laws also mandate improvements in the salary structure and compensation for local government employees, making it more attractive, and allow local government to attract and retain skilled personnel.

18. There has been significant improvement in the institutional capacity of communes. Provision of resources directly to communes through the institutional development grants has significantly improved the capacity of 140 communes, particularly in areas such as construction of facilities, acquisition of transportation vehicles, office furniture, hardware, technical support, and scholarships to attend courses. Some direct results include: (i) reduction in time taken for citizens to obtain birth certificates from municipal governments from one week to two-three hours; (ii) sustained increase in the execution rate of annual commune procurement plan, reaching 85 percent in 2013 and 90 percent in 2016; (iii) decrease in the deviation of commune

²⁰ MINEFID. Avril 2017. Feuille de route de la decentralization.

²¹ LOI N°039-2016/AN PORTANT REGLEMENTATION GENERALE DE LA COMMANDE PUBLIQUE.

²² For example, in World Bank projects, all procurement process subject to Bank prior review will not be submitted to DGCMEF for control.

approved and executed budget from 33 percent in 2012 and 20 percent in 2016; and (iv) increase in the municipal workforce through the addition of 446 new staff, resulting in improvement of the administrative and financial management function. Provision of equipment, including computers and vehicles, contributed to the improvement in the operational efficiency of communes. All 256 new buildings and 154 renovated structures funded by the project are being utilized, and 44 percent of participating communes are equipped with solar energy, while 12 percent have acquired generators, resulting in reduced operating inefficiencies of the communes.

19. **Formal citizen engagement mechanisms have been introduced as a result of the increased engagement of CSOs in each region and will facilitate citizen engagement in municipal processes.** These mechanisms are helping to strengthen the accountability linkages between citizens and their local governments. Implementation of the annual Competition for Excellence in Local Governance (*La Compétition Pour l'Excellence dans la Gouvernance Locale* - COPEGOL), supported by the project in the period 2011-2014, contributed to improved capacity of communes to effectively engage with citizens and allowed knowledge sharing on innovative governance approaches across communes. COPEGOL has also laid the foundation for a systematic assessment of municipal performance, which is being introduced under the AF. Furthermore, policy experiments through impact evaluations²³ to test and build knowledge on innovative approaches to improving accountability linkages between citizens and local authorities were introduced under the original project. These include the invitation of randomly selected citizens to attend municipal council meetings, and the dissemination of performance information to municipal administrations on local service delivery and their administrative capacity. As part of the latter, a systematic assessment of municipal capacity through the municipal performance monitoring system (*Suivi de la Performance Municipale*--SUPERMUN) was introduced.²⁴ SUPERMUN, subsequently integrated as a sub-component in the Bank-assisted eBurkina project (P155645), will form the basis for a redesigned COPEGOL as well as further policy experimentation (impact evaluation) to be supported under the AF.

Relationship to CPS

20. **The proposed AF supports the World Bank's twin goals of ending extreme poverty and promoting shared prosperity by supporting the Government in its efforts to strengthen the capacity of local governments for better service delivery.** It is fully consistent with the Country Partnership Strategy (CPS) for FY2013-2016 (Report No 78793-BF), which was endorsed by the Board on September 19, 2013. The CPS objectives, as revised during the Performance and Learning Review (May 2015, Report No. 96513-BF), include: (a) accelerate inclusive and

²³ The Burkina Faso Local Government Support Project impact evaluations (IEs) test novel bottom-up mechanisms to improve municipal government accountability, citizen engagement, and service delivery. The first IE, "Performance Targets and Public Pressure: Innovative Approaches to Local Government Accountability" (P145211), tests whether providing municipal performance scorecards to local administrations has an impact on their subsequent performance. The second IE, "Citizens at the Council" (P148392), tests whether inviting randomly selected citizens to municipal council meetings has an impact on attendance, citizen knowledge and attitudes relating to local governance, and on municipal councilor behavior.

²⁴ SUPERMUN is a product of a research collaboration between the Local Government Support Project, the World Bank's Development Impact Evaluation Unit (DECIE) and Yale University.

sustained economic growth; (b) enhance governance to deliver social service more efficiently; and (c) reduce social, economic, and environmental vulnerabilities; and two cross-cutting themes: governance and gender equity. The Bank has undertaken a Systematic Country Diagnostic (April 2017), which has two core pathways: job creation; and improvement of human and infrastructure assets. This AF will provide support to the achievement of results in both pathways.

Rationale for the Additional Financing

21. **Following the satisfactory implementation of the original project, the Government of Burkina Faso has requested an AF to scale-up the project to the remaining seven regions, not originally covered by the project.** The official request from the Government was received on November 21, 2016.

22. **The proposed project will continue to support the central government efforts to strengthen intergovernmental fiscal and administrative systems.** The central government in Burkina Faso remains the senior partner in the intergovernmental relationship, retaining control over the vast majority of state resources. Total municipal expenditures are only a small share of total government expenditures, standing at only 5 percent of total government expenditures in 2015. The PNDES aims to increase this share to 10 percent by 2018 and 15 percent by 2020.

23. **To achieve these PNDES targets, Burkina Faso needs to revise the intergovernmental fiscal and administrative architecture and strengthen capacities of commune governments.** The original project has already supported improvements in the intergovernmental administrative and financial systems, and continued support will be critical in consolidating achievements to date. The AF will support Government's efforts to transfer service delivery responsibilities together with equipment and materials in the 11 areas specified in the CGCT.²⁵ In addition, the AF will support the Ministries of Finance and Territorial Administration in strengthening financial and human resource capacities of communes. The Ministry of Economy, Finance and Development has developed a roadmap to improve intergovernmental fiscal system including strengthening own-source revenue collection and achieving predictability in transfers.²⁶

24. In line with the SCD's emphasis on reducing gender bias against women in Burkina Faso, the project will seek to promote and track gender inclusion in local government activities. The project will put emphasis on targeting women. The number of beneficiaries of the project will be disaggregated by gender in the project monitoring. The Project will also track participation of community members in local government processes, with a focus on female participation.

25. **The proposed AF is fully consistent with the Operational Policy Guideline OP/BP10.00**

²⁵ The Government has already adopted 21 decrees for this purpose, with the support of the original project.

²⁶ The analyses in the Annex 6 reveal that commune revenues exhibit a low coefficient of buoyancy (a measure of whether revenues grow as the economy grows) and a high degree of instability. The low buoyancy coupled with instability hampers commune efforts for planning and providing consistent level of public services.

and the OPCS instructions on AF. Implementation of the original project has consistently been rated as satisfactory, for both progress towards achievement of PDO and implementation progress. The proposed AF is the best option to sustain the gains made in local governance arena by the original project and other Bank interventions. In particular, the advantage of the AF as compared to a new operation is that it can build directly on the existing activities and implementation structure that have generated satisfactory results through the implementation of the project, hereby maintaining the positive momentum of the results achieved to date and responding rapidly to the current urgent priorities of the new Government. The AF will be complementary to the interventions by other Development Partners, particularly the European Union and Government's activities.

Lessons Learned and Reflected in the AF

26. The AF draws on important experience and lessons of the original project implementation. Decentralization in Burkina Faso is focusing on developing critical capacity and competences of local government structures, as a precondition for increasing fiscal autonomy to local governments. Even within this narrowly defined approach, management of decentralization policy is a very complex undertaking. The key lessons from the implementation of the original project includes the need to: (i) improve coordination and communication with key stakeholders; (ii) ensure appropriate balance between national and local levels interventions; (iii) promote a robust high level monitoring of the implementation of decentralization policies; (iv) maintain high-level political will and reform champions; (v) ensure the project design is tailored to client's capacity; (vi) maintain existing institutional and implementation arrangements to further drive the reform; (vii) ensure proper monitoring, evaluation, and cross-institutional collaboration as key for the successful implementation of the funded reform programs.

27. Leveraging the Bank's comparative advantage in the areas of decentralization and local government reforms in Burkina Faso and the Bank's convening powers, the AF seeks to influence outcomes in the critical experience areas outlined above. The Government's own efforts to address these challenges is visible through the PNDES process, which includes setting up of a Coordination Unit for the PNDES anchored in the Prime Ministers' Office. The AF has been structured to contribute to the Government efforts. The proposed support to the Prime Minister's Officer is intended to build capacity for high level monitoring of government commitments on decentralizations, while enhancing coordination of relevant national and local stakeholders for improved decentralization. Furthermore, the project steering committee is chaired by the Secretary General of the Office of the Prime Minister. In addition, the AF is proposing to support the Parliamentary Network on Decentralization to reflect these experiences, by seeking stronger parliamentary oversight over decentralization policy.

28. The Bank's governance sector support in Burkina Faso's post-transition era has a larger vision to support public administration for improved service delivery, at both central and local levels. Particular attention is being paid to investment in governance and accountability instruments and institutional capacity to foster government accountability to citizens, while addressing upstream economic governance issues, such as budget transparency, public financial management (PFM) and revenue mobilization under the Economic Management and Citizen

Engagement Project (P155121). The Public Sector Modernization Program (P132216) supports public administrative reforms in selected ministries to achieve better service delivery outcomes.

29. There are ongoing World Bank and other donor projects, which play an important role in supporting local government and decentralization in Burkina Faso. The AF will support collaboration for synergy with other development partners in the areas of strengthening institutional capacity for decentralization at the national level. For example, the AF will support Association of Municipalities of Burkina Faso (AMBF) by building on the EU's support to AMBF to build synergy in capacity building for a national level organization for effective monitoring of local level activities in the context of decentralization. The AF will coordinate with ongoing World Bank and other donor projects in critical areas as outlined below to maximize impact:

- (a) National Program for Territorial Management (*Programme National de Gestion des Territoire--PNGT*), building on existing implementation arrangements with PNGT, allowing the use of their regional structures to facilitate the implementation and monitoring of activities of the project at local level.
- (b) Transport and Urban Infrastructure Development Project (TUIDP- P151832) by promoting synergies with TUIP in the areas of institutional support and sector governance, in particular focusing on instruments of community engagement and monitoring of reforms by municipalities.
- (c) Decentralized Forest and Woodland Management Project (DFWMP-- P143993) by coordinating with DFWMP in supporting transfer of competences to fill key positions in communes falling under the scope of DFWMP.
- (d) EU supported *Programme d'Appui à la Décentralisation et aux Investissements Communaux* (PADIC) through synergy in the areas of monitoring and evaluation of the decentralization and strengthening the institutional capacity of government and local governments.
- (e) e-Burkina (P155645) through collaboration in developing municipal performance monitoring data platform for systematic tracking of commune performance. (see Annex 8 for more details).

Exit Strategy

30. The project would aim to promote sustainability of project activities by developing an exit strategy that would prepare Burkina Faso towards sustainable capacity building for municipalities (SCBMs). The SCBMs should become a key focus of future investments in local governments' capacity by the Government and donors, informed by a strong diagnosis. The exit strategy's key focus areas would include sustained capacity building for communes; improving intergovernmental architecture; investing in fostering and strengthening capacities of other stakeholders; and investing in fostering and strengthening corporate governance of municipalities. (See annex 7 for detailed information).

III. PROPOSED PROJECT CHANGES

Summary of Proposed Changes

Summary of Proposed Changes

The proposed additional financing entails a number of proposed changes, summarized around five clusters of activities as described below.

- (a) Expansion of the geographic scope of the project activities. The original project covered six of Burkina Faso's 13 regions. The AF will scale up project activities to the remaining seven regions, while providing streamlined support to the original six regions to ensure continuity in selected activities and increase overall development impacts.
- (b) Strengthening institutional capacity for better results. The original project provided support to strengthen institutional capacity of MINEFID and MATD, in addition to improving the institutional capacity of 140 communes in six regions. The AF will scale up this effort, by extending support to Parliament to increase parliamentary oversight capacity over policy directions on decentralization. It will also finance technical support to the AMBF to improve stakeholder coordination and improved implementation of social accountability approaches. At the local government level, the AF will strengthen institutional capacity of 211 communes in seven regions through the project's institutional development grants and improve the human resources capacity of all 351 communes of Burkina Faso through implementation of the 21 decrees and other legislations intended to transfer competences to local governments. The new focus of the capacity development activities will support implementation of critical next generation reforms needed to enhance the functioning and capacities of communes.
- (c) Deepening citizen engagement in local governance. The original project financed the strengthening of accountability linkages between communes and communities through community mobilization by CSOs and implementation of COPEGOL. The AF will continue these activities. In addition, it will introduce new activities to reflect new priorities with respect to citizen engagement. The new focus areas include systematically measuring and publishing performance of communes, and promoting proactive engagement of community-based organizations in municipal governance and service delivery.
- (d) Extending the project closing date. The AF will extend the project closing date by a little more than four years, from August 31, 2017 to October 1, 2021, to allow for successful implementation of the original, scaled up and newly proposed activities.
- (e) Adjusting the Results Framework and Monitoring. The Results Framework and Monitoring will also be adjusted to reflect the changes in the PDO and project design, including the proposed extension of end targets.

Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
<p>Original PDO</p> <p>The proposed project seeks to harness emerging government commitment to local government reforms by supporting the implementation of critical aspects of fiscal and administrative decentralization in six of the 13 regions of Burkina Faso. The primary objective of the project is to strengthen the central government's capacity for administrative and fiscal decentralization and the institutional capacities of communes in six regions, and to improve accountability linkages between local policy makers and citizens in the six regions.</p>	
Change in Project's Development Objectives	
<p>Explanation:</p> <p>The regions covered has changed from "six regions" to "all regions". The PDO's original focus on improving "accountability linkages between local policy makers and citizens" has changed to increasing "citizen participation in local governance".</p> <p>The modifications introduced in the PDO are intended to reflect the expansion in scope of the project and the new emphasis on citizen engagement in municipal governance. In terms of new project scope, the proposed AF will scale up the project activities to seven new regions, while providing streamlined supports to the initial six regions. With regards to the new emphasis on citizen engagement, the AF will finance new activities that have broader objectives of deepening citizen participation in local governance. The new activities include municipal scorecard and performance tracking; community based-organizations partnership approach; and technical assistance to the AMBF. Accordingly, new PDO indicators have been introduced with emphasis on outcomes of citizen participation in a range of areas, such as accountability, service delivery and transparency.</p>	

Proposed New PDO - Additional Financing (AF)						
The development objective of the project is to strengthen the national capacity for decentralization, the institutional capacities of communes in all Regions and to increase citizen participation in local governance.						
Change in Results Framework New indicators have been introduced, including proportion of central government budget transferred to communes; increase in communes own local taxes; communes that fill at least 70% of key positions in the minimum organigramme; communes that meet at least 80% of IDG requirements; number of citizens that participated in Council Meetings; and number of Municipal Town Hall meetings that meet at least 50% of the meeting requirements. These new indicators are intended to improve fiscal and human resources capacity of communes, while improving their effectiveness and accountability to citizens.						
Explanation: At both PDO and intermediate level, new indicators are proposed to measure progress on the newly introduced and revised components/sub-components while several indicators included in the original project design have been dropped as they are no longer needed for the revised project context. End target dates are updated to reflect the revised closing date.						
Compliance						
Covenants - Additional Financing (Burkina Faso Local Government Support Project AF - P162742)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDAT	Schedule 2, Section I, A, 3	The Recipient shall update no later three (3) months of Effective Date, in accordance with terms of reference acceptable to the Association and furnish to the Association, one or more proposed implementation manuals for the Project.	03-Mar-2018	<input type="checkbox"/>		New
IDAT	Schedule 2, Section I, E, 1	To facilitate the carrying out of Part C(1) of the	03-Mar-2018	<input type="checkbox"/>		New

		Project, the Recipient shall no later than three (3) months of Effective Date enter into and thereafter maintain a cooperation agreement with AMBF, under the terms and conditions approved by the Association ("Cooperation Agreement").				
IDAT	Schedule 2, Section I, F, 1	The Recipient in cooperation with the Prime Minister's Office, MINEFID and MATD, shall, not later than November 30 in each calendar year, prepare and furnish to the Association, a program of activities proposed for inclusion in the Project during the following calendar year.		<input checked="" type="checkbox"/>	Yearly	New
IDAT	Schedule 2, Section I, F, 5	The Recipient shall not later than three (3) months after the Effective Date, open and	03-Mar-2018	<input type="checkbox"/>		New

		thereafter at all times throughout the Project period, maintain in a financial institution and on terms and conditions acceptable to the Association, an account into which the Recipient shall deposit all counterpart funds required for the Project (“Counterpart Funds Account”).				
IDAT	Schedule 2, Section II, B, 4	The Recipient shall no later than one (1) month of Effective Date, recruit and thereafter maintain an accountant and a disbursement assistant at the PCU, both with experience and terms of reference satisfactory to the Association	03-Jan-2018	<input type="checkbox"/>		New
Conditions						
Source of Fund		Name		Type		
IDAT		Withdrawal of proceeds, Schedule 2, Section IV, B, 1		Disbursement		
Description of Condition						

No withdrawal shall be made for payments made prior to the date of this Agreement, except: (a) for payments made prior to the date of this Agreement; or (b) under Category (1) and (2), until the amounts allocated for said Categories under the Original Financing Agreement have been disbursed or committed in full.

Description of Condition

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other Multiplicity of CSOs and CBOs to be engaged	Substantial
OVERALL	Moderate

Finance

Loan Closing Date - Additional Financing (Burkina Faso Local Government Support Project AF - P162742)

Source of Funds	Proposed Additional Financing Loan Closing Date
IDA Grant	31-Dec-2021

Loan Closing Date(s) - Parent (Local Government Support Project - P120517)

Explanation:

The proposed extension of the project closing date from August 31, 2017 to October 1, 2021 will enable successful implementation of the modified and newly introduced activities.

Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-H7360	Effective	31-Dec-2016	31-Aug-2017	1-Oct-2021	31-Aug-2017

Change in Disbursement Estimates (including all sources of Financing)

Explanation:

The Original Project Financing amount is US\$60 million, of which 95% has been disbursed as of March

2017. The AF will add US\$70 million (including US\$10 million in Government co-financing) and will extend the project closing date from August 31, 2017 to October 1, 2021, to allow for successful implementation of the modified and newly introduced activities.

Expected Disbursements (in USD Million)(including all Sources of Financing)					
Fiscal Year	2017	2018	2019	2020	2021
Annual	6.00	20.00	22.00	20.00	2.00
Cumulative	6.00	26.00	48.00	68.00	70.00

Allocations - Additional Financing (Burkina Faso Local Government Support Project AF - P162742)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
IDAT	USD	Goods, Works, Non-Consulting Services, Consultants' Services, Operating Costs, and Training for the Project	60.00	100.00
IDAT	USD	Payment of relocation benefits to eligible government employees transferred to from central to municipal governments	10.00	0.00
		Total:	70.00	

Components

Change to Components and Cost

Explanation:

The Proposed AF will retain the four components of the original project, with some modifications and additions to subcomponents.

Component 1: Establishment of the foundations for robust administrative and fiscal intergovernmental institutions (AF: US\$7 million equivalent).

The objective of this component is to support the central government to establish a transparent and rule-based intergovernmental fiscal framework and robust intergovernmental administrative systems. This Component has three subcomponents under the original Project. All subcomponents remain unchanged in the exception of modifications introduced to some of the activities:

Sub-component 1.1: Supporting high-level policymaking (AF: US\$3 million equivalent).

This sub-component is to support high-level decision makers, including the Office of the Prime Minister and other key actors at national level, in advancing decentralization reform, by providing macro policy guidance on the decentralization process. It is revised to place emphasis on institutional and donor coordination and parliamentary oversight of decentralization reforms, to ensure timely achievement of government decentralization targets. The AF will finance the following activities:

- (a) Support to the Office of Prime Minister. (i) Improve the monitoring functions of the Prime Minister's Office with particular attention to decentralization policies; (ii) publication of annual reports on the performance of government commitments to decentralization (iii) coordination of high-level engagement among development actors towards the achievement of government targets for decentralization in the PNDES.
- (b) Technical Assistance to Parliamentary Network on Decentralization. (i) Training for Network members on decentralization policies and emerging issues (with particular attention to recently approved laws and local government performance; (ii) developing a platform to promote Parliamentarians' interactions with local government actors and citizens both at local and national levels; and (iii) improving the oversight functions of the Parliamentary Network with particular attention to decentralization process.
- (c) Consultancy studies to identify and recommend suitable fiscal decentralization policy options, including (i) development of a robust intergovernmental fiscal framework (IGFF) and the elaboration of sector decentralization reviews; and (ii) communications and awareness activities through workshops for central and local government officials.

Sub-component 1.2: Support to the MINEFID (AF: US\$2 million equivalent)

The objective of this sub-component is to improve the institutional capacities of MINEFID and local governments with respect to revenue collection and administration, to improve the institutional capacity of local governments in expenditure planning and to rationalize fiscal transfers by MINEFID to local governments. The major constraints to the full realization of this objective is the non-existence of fiscal architecture that supports equitable and predictable central transfers to communes. In terms of transfer system (le système de dotation globale), there is no formula for the determination of the vertical pool. The MINEFID unilaterally decides the transfer amount for both recurrent (dotation globale de fonctionnement) and investment (dotation globale d'investissements) purposes. The AF will finance the following activities:

- (a) Support to complete the development of fiscal architecture that supports equitable and predictable central transfers to communes;
- (b) Support the finalization and implementation of key activities in the roadmap for fiscal decentralization, including identification of buoyant sources of revenues for local governments (including property tax), collection of local revenues, and establishing formulas for the vertical and horizontal distribution.

Sub-component 1.3: Support to the Ministry of Territorial Administration and Decentralization (AF: US\$2 million equivalent)

This subcomponent is to support MATD in its efforts to: (i) rationalize and strengthen the ministry's institutional arrangements and coordination functions; (ii) regulate, guide and monitor the application of

human resource management, procurement, PFM, and information systems by local governments; and (iii) strengthen proximate ministerial support to local governments through de-concentration. The AF will build on success achieved so far in these areas by supporting implementation of the new legislation (adopted by the government in January 2017) and supporting transfer of civil servants from national level to municipalities. The following activities are included:

- (a) Development of a roadmap for the implementation of new policy, which would allow timely transfer of competences to specific communes within a given timeframe.
- (b) Establishment of procedures for identification and transfer of required competences, ensuring that competences transferred to communes would have the greater impact on the communes' human resources capacity and delivery of services to communes.
- (c) Development of guidelines to facilitate communes' compliance with policy objectives with respect to communes' gradual takeover of salary top-ups for transferred staff.
- (d) Development of mechanisms for tracking and assessing the direct impact of competences transferred on recipient communes' performance.

Component 2: Strengthening capacity of municipalities to manage local development (AF: US\$49.5 million equivalent)

This component is to provide resources to communes through institutional development grants. It will support them in developing the core administrative systems and capacities they need to attain basic levels of administration, as well as effective municipal oversight functions, communication and feedback channels with the citizens. All activities under this component remain unchanged except for supporting the development and implementation of commune Institutional Development Plans (IDPs) in the seven regions that were not covered in first phase of the project. AF will finance:

- (a) Technical assistance to the Department for Local Authorities (Direction Générale des Collectivités Territoriales--DGCT) of the MATDS for the elaboration of the IDF;
- (b) Support to municipalities for the elaboration and implementation of their Institutional Development Plans (IDPs). This will include (i) limited IDPs for communes in the original 6 regions to improve the communes human resource and administrative capacity (ii) full IDPs for communes in the additional 7 regions to strengthen their core human resource and administrative systems, as required for proper public resource allocation for their socio-economic development; (b) carrying out of a program of works to put in place needed facilities; and (c) provision of required goods, equipment and technical assistance for the purpose, including facilities, transportation vehicles, office furniture, hardware, technical support and scholarships to attend courses (offered by Ecole Nationale d'Administration et de Magistrature (ENAM) and Ecole Nationale des Régies Financières (ENAREF) under the National Strategy for Capacity Development).

Component 3: Improving citizen participation in local governance (AF: US\$ 8 million equivalent).

This component is to strengthen local government accountability for resource utilization. It will seek to promote the development of a culture of citizen engagement and oversight in decision-making and service delivery. In doing so, it aims to strengthen the capacity of local councils and selected representatives of civil society and community based organizations to engage in monitoring of local government performance. Based on the experience of the original project, the sub-components and

activities under Component 3 have been restructured as follows:

Subcomponent 3.1. Strengthening local council and community oversight of local government performance (AF: US\$1.5 million equivalent)

This subcomponent is to support local governance stakeholders, including locally elected officials (commune councilors) and representatives of local populations, in developing robust accountability and transparency practices. Maintaining a series of contracts with different NGOs at the regional level proved difficult to manage. It was also difficult to coordinate preparation of comprehensive reports on the NGOs activities in each region by the PCU, and to provide comparative assessments of effectiveness of interventions. Regional NGOs will continue to facilitate implementation of Subcomponent 3.1 under direct supervision of the Association of Municipalities of Burkina Faso (AMBF). The NGOs will be recruited by PACT, in coordination with AMBF, who will coordinate and supervise the work of the NGOs, based on a **cooperation agreement**. The AF will finance:

Oversight of Local Government Performance. Carrying out of a program to develop robust accountability and transparency practices within local government, through partnerships with selected NGOs, with the assistance of AMBF. Such program to include:

- (a) carrying out of communications campaigns to enhance understanding on the part of local government officials and local community members of the implications of decentralization and their role in local governance;
- (b) organization of public meetings at local community level on issues of economic development;
- (c) provision of training to local government officials to enhance their institutional capacities in government management;
- (d) monitoring and evaluation of local government performance; and
- (e) conduct of citizen surveys of local government performance.

Subcomponent 3.2. Recognizing and rewarding good local governance practices through competitive sub-grants (AF: US\$3.0 million equivalent)

This sub-component is to promote good local governance practices through an annual competition. Sub-grants (Compétition pour l'Excellence dans la Gouvernance Locale - COPEGOL) under this program will be awarded to a selected number of urban and rural communes in all 13 regions. COPEGOL was implemented during the first four years of the Project (2011-2014). A key constraint to effective implementation of the activity was the assessment process, which was cumbersome for communes. The result was that highest performing communes consistently received the award, providing little incentive to improve for those that were not already performing well. During the review, the Government and the Bank agreed to revise the methodology for the assessment to make the competition more transparent, accessible, and to ensure that it provides performance incentives to communes operating at all levels. A streamlined approach with assessment based on the SUPERMUN municipal performance tracking system will therefore be developed (Subcomponent 3.3) to support selection of communes for COPEGOL awards. While new activities will not be added, the AF will continue to provide the same support as under the

original project.

(New subcomponent) Subcomponent 3.3. Municipal Performance Tracking (AF: US\$1.0 million equivalent).

This activity is to develop an annual municipal performance tracking system to foster systematic assessment of communes. The Government of Burkina Faso is taking measures to improve both human resources and fiscal capacities of communes. To improve value for money of government investments in communes, a systematic assessment of municipal performance is crucial. SUPERMUN will serve as the official system of municipal performance data for performance tracking and evaluation. SUPERMUN will be used for multiple purposes, including (i) allocation of COPEGOL performance rewards (under Subcomponent 3.2); (ii) production of performance scorecards to municipal administrations; (iii) basis for the financial incentive scheme for community based organizations (Subcomponent 3.4); (iv) public dissemination through the Burkina Open Data platform, (v) targeting of local government support programs, and (v) as a platform for research on municipal governance in Burkina Faso. This activity will build on an annual municipal performance and institutional capacity survey that was developed under the first phase of the project in collaboration with different line ministries. Performance tracking has been implemented in six out of Burkina Faso's 13 administrative regions since 2013. The AF will support the following activities:

- (a) Data collection and Production of Municipal Scorecard. In the first year, this will cover the seven regions not included under the original project. In the subsequent years of the AF, a comprehensive municipal scorecard will be produced, covering all of the 351 communes of Burkina Faso. Data collection for the comprehensive municipal scorecards will be funded under the Bank-assisted eBurkina project from 2018 onwards per the collaborative arrangements between the two projects.
- (b) Technical assistance to the SUPERMUN Technical Committee for municipal performance data collection, data management, and developing a technological and institutional platform for municipal performance monitoring.
- (c) Technical assistance to the Technical Committee for Municipal Scorecard (TCMS) to facilitate and coordinate the planning, running and publishing the annual municipal performance scorecard in coordination with relevant actors.

(New subcomponent) Subcomponent 3.4 Partnerships with Community-Based Organizations (AF: US\$1.0 million equivalent)

This subcomponent is to promote active engagement of community-based organization (CBOs) in municipal governance and service delivery process. Burkina Faso is home to an active and diverse civil society, and often such organizations have significant organizational and mobilization capacity, are well-integrated in local networks, and have in-depth local knowledge. CBOs in Burkina Faso could thus play a crucial role in local governance and service delivery. Yet, they may not have the incentive to further the general interests of their communes as a whole. Under the CBO partnership approach, selected high-functioning local CBOs will be given grants to carry out:

- (i) sensitization of people on social and economic issues in the communes; and (ii) conducting activities to improve communes' performance in service delivery relating to primary health, primary education, water and sanitation, and administrative services. Commune performance will be measured through the SUPERMUN municipal performance monitoring system (Sub-component 3.3). CBOs will sign a letter of engagement in which they commit to work towards improving their municipalities performance.

The beneficiary CBOs will be selected based on: (i) experience and capacity, particularly through demonstration of strong internal organizational capacity; (ii) track records of active involvement in commune affairs; (iii) experience in mobilizing citizens and other community groups; and (iv) ability to communicate and collaborate with other CBOs.

(New subcomponent) Subcomponent 3.5 Technical Assistance to the Association of Municipalities of Burkina Faso (AF: US\$1.5 million equivalent)

The objective of this subcomponent is to improve stakeholder coordination, capacity building and implementation of Component 3, namely; it will support AMBF to ensure effective coordination, fostering sustainable citizen engagement, and building capacity.

Based on the experience under the first phase of the project, the AMBF will participate in the implementation and reporting on all Component 3 activities. The AMBF will play a facilitation role, in coordination with PACT, in ensuring that Component 3 activities are implemented in accordance with project design and financial agreements. The relationship between AMBF and PACT will be formalized through a **cooperation agreement** that would lay down the funding and reporting arrangements regarding component 3 activities. AMBF will facilitate implementation of the activities in collaboration with regional NGOs. To achieve objectives of the activities, a **cooperation agreement** will be established between AMBF and each regional NGO to clarify relationships of accountability, expectations, expected results and delivery timelines for both sides. The TA will support activities including:

- (a) An active Social Accountability Platform in each region, consisting of civil society (CSOs) and community-based organizations (CBOs). The Social Accountability Platform shall promote citizen participation in municipal processes, e.g. through town Hall meetings and the Competition for Excellence in Local Governance (COPEGOL);
- (b) Establishment of **cooperation agreements** between selected regional NGOs and communes in each region, to promote citizen engagement in municipal processes, ensure timely fulfilment of the requirements of the institutional development grants (Component 2) and promote participation of communes in COPEGOL.
- (c) Capacity support to communes in citizen engagement, in collaboration with Regional NGOs and relevant actors.
- (d) Facilitating the annual municipal performance tracking activity (Suivi de la Performance Municipale; SUPERMUN) in collaboration with the National Agency for Promotion of Information and Communication Technologies, with support from the Bank-assisted eBurkina project, and in coordination with the World Bank research department
- (e) Systematic tracking and preparation of progress reports on Component 3 activities.

Component 4: Project Management and Evaluation (AF: US\$5.5 million equivalent).

This component will provide project management support to the project coordination unit in project implementation and support regular project evaluations as well as procurement and safeguards reviews and financial reporting and auditing.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
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Component 1 – Establishment of the foundations of robust administrative and fiscal intergovernmental institutions	Component 1 – Establishment of the foundations of robust administrative and fiscal intergovernmental institutions	9.80	16.80	Revised
Component 2 - Strengthening capacity of municipalities to manage local development	Component 2 - Strengthening capacity of municipalities to manage local development	37.98	87.48	Revised
Component 3 - Improving accountability linkages between local level policy makers and citizens	Component 3 - Improving citizen participation in local governance	5.94	13.94	Revised
Component 4: Project management and evaluation	Component 4: Project management and evaluation	10.00	15.50	Revised
	Total:	63.72	133.72	
Other Change(s)				
Implementing Agency Name	Type	Action		
MATD (Ministère de l'Administration Territoriale et de la Décentralisation)	Implementing Agency	No Change		
Change in Procurement				
Explanation: The new procurement framework will be used for the additional financing. The PCU's procurement specialist and the MTAD's DPM staff shall be trained on the new procurement framework, specifically the procurement regulations for borrowers.				
Change in Implementation Schedule				
Explanation: The change in implementation schedule is reflective of the proposed extension of project closing date, from August 31, 2017 to October 1, 2021, to allow for successful implementation of the modified and newly introduced activities.				
Appraisal Summary				
Economic and Financial Analysis				

Explanation:

Emerging operational evidence of similar projects suggests that there are potential efficiency gains that can be derived from implementing decentralization reforms supported by this project. Implementation of the project is likely to result in a reduction of transaction costs associated with the delivery of local services due to (a) improved predictability and reliability of transfers from the central government to local governments; (b) improved revenue collection and public financial management capacity at the local level resulting in better budget planning and execution, reporting and accounting practices; (c) improved administrative capacity at the local level resulting in improved responsiveness of municipal governments to citizens' concerns, needs and requests; and (d) improved accountability linkages between local decision makers and citizens, resulting in better living conditions and reduced social conflicts.

While the project activities will contribute to improved public sector service delivery, the benefits accrued are not easy to quantify. However, the expected benefits of the project are financial, economic, and social.

In terms of financial benefits, there is a consensus within the academic community that good public sector management and institutional capacity are important for local government expenditures to be effective. Institutional development grants will finance the implementation of institutional development plans, which will have positive impact on commune expenditures and revenues. The theoretical literature posits that there are efficiency gains from local government expenditures. For example, Cremer et al. (1996), Raff and Wilson (1997)²⁷ and Bucovetsky et al. (1998)²⁸ have argued that decentralization alleviates information asymmetry due to the proximity of principals and agents and thereby leads to better accountability and improvements in service delivery. However, it is very difficult to conduct a financial analysis on the efficiency gains from local expenditure; therefore, we have conducted economic analysis of local expenditures in the next section. However, the project aims to increase local revenue collection significantly in a sustained manner; therefore, we present the financial analysis of local revenue generation in this section. The PDO indicator on "Increase in local taxes collected for commune governments" will capture the progress made on local revenue mobilization. Based on conservative assumptions, the project will generate financial gains estimated at US\$11,498,091 from increase in local tax collection over the assumed lifetime of four years, with a financial real net present value (NPV) of US\$ 8,853,728.

In regards to economic benefits, the normative rationale for local government spending is deeply rooted in the political economy argument that decentralization leads to better service delivery. In this section, we analyze the economic impact of commune expenditures on local public goods, such as health and education outcomes. Since the analysis aims to estimate the economic impact of commune expenditures on local socio-economic outcomes, we use public school net enrollment rate and the proportion of maternal deaths as our dependent variables at the provincial level. We found a positive correlation between communes' expenditures and local socio-economic outcomes. It is hypothesized, for example, that any increase of local total and investment expenditures would more likely increase both education

²⁷ Cremer J, Estache A, Seabright P. 1996. Decentralizing public services: what can we learn from the theory of the firm? *Revue d' Economie Politique* 106: 37–60;

²⁸ Bucovetsky S, Marchand M, Pestieau P. 1998. Tax competition and revelation of preferences for public expenditure. *Journal of Urban Economics* 44: 367–390

and health sectors outputs.

In terms of social impact, the proposed project is most likely to yield several types of social impacts through the interventions around its different components, as explained below:

(a) Better efficiency of public expenditures is expected through the support of the project. This will mainly derive from support under Component 2 (Strengthening capacity of municipalities to manage local development) in which local public expenditures will be tailored to the needs and preferences of local populations as well as Component 3 (Improving citizen participation in local governance). Improvement in these areas will lead to better and more efficient use of public resources, which is expected to result in improved service delivery to the citizens, including investment programs with improved value-for-money and addressing the needs of the local populations.

(b) Improved compliance with tax payment is expected because of improved transparency and increased capacity anticipated in the local tax collection. Experience shows that better use of public resources leading to more efficient service delivery also contributes to behavioral changes toward better tax payment compliance. Improved transparency and accountability in the management of public finances supported under both Component 2 and Component 3 are expected to improve the efficiency of the use of public resources toward service delivery. Consequently, improvement of service delivery is expected to bring in more revenues due to improved tax compliance.

(c) Crowding-in effects of increased trust in public administration is anticipated through improved public sector and public financial management and governance. Improvement in these areas will increase trust in government among people and businesses, and will create favorable conditions for economic growth. This includes, for instance, the attraction of new private investments. Furthermore, a more efficient use of public financial resources, with more efficient investment programs is likely to also create an attractive environment for the private sector. In this case, improved public investments will crowd-in more private investments. (For detailed Economic and Financial Analysis, see Annex 5).

The World Bank's value added. In the areas of municipal institutional capacity building, citizen engagement and application of innovative local governance approaches, the Bank brings significance experience, with implementation of the original project. The Bank's governance sector support in Burkina Faso post- the transition era has a larger vision to support public administration for improved service delivery, at both central and local levels. Particular attention is being paid to investment in governance and accountability instruments and institutional capacity to foster government accountability to citizens, while addressing upstream economic governance issues, such as budget transparency, public financial management (PFM) and revenue mobilization under the Economic Management and Citizen Engagement Project (P155121). The Public Sector Modernization Program (P132216) supports public administrative reforms in selected ministries to achieve better service delivery outcomes.

Technical Analysis

Explanation:

The major technical feature of the original project was the development of institutional development plan by communes. Beneficiary municipal governments of the institutional development grants (IDGs) have experienced significant improvement in their capacity to develop and implement institutional development plans. The extension of the project to communes in entirely new regions would face initial

capacity challenges in developing and implementing municipal institutional development plans (MIDPs) that will be financed by the project. The Project will rely on technical support of the regional development agencies (Agences Régionales de Développement--ARD) to support communes in developing the IDAPs. The ARDs will be staffed with specialists capable of supporting local communes in realizing local development activities. The ARDs will play an important role in providing technical support to local governments in development planning, budget execution and service delivery. The ARDs will report to regional municipal councils. In addition, the Project will provide technical assistance to AMBFs to help strengthen processes for community participation in project planning and execution.

Social Analysis

Explanation:

Safeguards. The expansion in scope and inclusion of new activities under the AF are not likely to induce significant land taking related impacts as with the parent project. Similarly, OP 4.12 will be triggered given the similar nature of activities with the parent project and to set a framework for potential related impacts. During the implementation of the parent project, abbreviated Resettlements Actions plans were prepared, published and implemented accordingly in conformity with OP 4.12. Impacts were limited mostly to loss of small agricultural parcels in some areas and adequately compensated for. The PIU has conducted adequate monitoring and reporting of related issues.

Social. The social impacts of the project activities will continue to be positive. The activities to be undertaken by communes will continue to improve their capacity for improved services delivery, better resource mobilization and utilization, thereby improving the living conditions of their respective communities. The concept of social accountability will continue to be strongly embedded in project activities. Opportunities will be created for enhanced citizen participation in local government processes, including local service delivery through CBOS Partnership Approach, Town Hall Meetings, Regional Social Accountability Platforms, which are intended to enhance citizen engagement for results. The Project will continue to pay attention to gender inequalities, including promoting of participation and representation of marginalized groups, particularly women, in decision-making and monitoring of commune performance.

Environmental Analysis

Explanation:

As the project is Category B, the Legal and Institutional Framework for Environmental Assessments takes into account Burkina Faso's policies and the Operational Policies of the World Bank, which are triggered (OP/BP 4.01, OP/BP 4.12). The National Environmental Assessment Bureau (BUNEE) will review and approve the environmental classification of projects and approve impact assessments and Environmental and Social Management Plans (ESMPs) and participate in external monitoring, particularly concerning pollution and nuisances, and the improvement of the habitat and living environment. BUNEE will be responsible for the validation of Environmental and Social Impact Assessments and Resettlement Action Plan (RAP) reports.

The planned activities of the PACT bring benefits to the population of the 351 municipalities of the project area in terms of improving their living environment, access to communal services (civil status, hygiene, water supply, employment, etc.) their incomes and consequently of their standard of living.

Related to environment management, the ESMF prepared and updated has triggered all aspects in terms of negative impacts reduction and positive impacts enhancement. However, during the

construction/rehabilitation civil works, a large part should be oriented towards waste management, Security of workers, neighbors, users of civil works areas, plantations and supporting communes in implementing a tool for resilience to climate change by trainings and actions in case of emergency.

The negative environmental impacts of the project will mainly concern soil erosion (soils instability), risks of pollution and degradation of waters and air, loss of vegetation due to possible cuts to clear the rights-of-way and the noise nuisance that will come from the vehicles and machinery during the civil works. There is also modification of the landscape. Potential risks areas include: social frustration, social conflicts arising from encroachment of private land without compensation (if any), accidents, etc.

Dissemination of information and community engagement, with labor influx, will play a large part in project implementation particularly for Component 2. The public communication/consultation plan aims to bring stakeholders together, at the level of the 351 beneficiary communes, to a common vision and shared objectives of the actions undertaken by the project in a three-dimensional logic: before the project (Identification and preparation phase); In the course of the project (implementation phase); After the project (phase of management, operation and retrospective evaluation). It takes into account the local cultural contexts, the traditional communication channels and the publication conditions of the World Bank.

The main indicators of implementation of measures for environmental management are triggered with all institutional arrangements for the implementation of the ESMF.

Consultations were held with key stakeholders including regional and local government representatives, commune governments, the Ministry of the Environment and Livelihood staff, traditional leaders and NGOs during the October 2016 and February 2017 missions. The Resettlement Policy Framework (RPF) and ESMF have been updated through a consultative process and disclosed in the country as well as at the World Bank's Infoshop on May 10, 2017.

Risk

Explanation:

The overall governance environment in Burkina Faso is conducive for reforms. There is a cautious optimism that prevailed after peaceful elections. However, tenuous security situation is posing risk to stability. The overall risk rating for the project is assessed as Moderate, influenced by the country's political and macroeconomic situation, as well as governance and capacity risk. However, there a few areas where substantial risks have been identified:

(a) Institutional capacity for Implementation and Sustainability. The capacity of local and national governments for decentralization are improving but progress has been very slow. Municipal governments lack competences in critical areas such as procurement, financial management, M&E. Project has a high focus on improving institutional capacity and will continue to provide technical assistance support to address capacity constraints of central level agencies, including in procurement oversight and management, fiscal reforms, and financial management; providing a targeted capacity support program to participating communes; and addressing sustainability challenges through creating strong local governments with better management, higher revenues.

(b) Other risks. Multiplicity of CSOs and CBOs to be engaged could complicate coordination and effectiveness of project activities. A **cooperation agreement** between (i) PCU and AMBF and (ii) AMBF

and regional CSOs will specify results areas, which will form the basis for monitoring and tracking of project results. Moreover, stakeholder coordination will be addressed through the periodic meetings.

IV. WORLD BANK GRIEVANCE REDRESS

Communities and individuals who believe that they are adversely affected by a World Bank Group supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1A: Results Framework

BURKINA FASO: LOCAL GOVERNMENT SUPPORT PROJECT ADDITIONAL FINANCING

Project Development Objective: The development objective of the project is to strengthen the national capacity for decentralization, the institutional capacities of communes in all Regions and to increase citizen participation in local governance												
Project Outcome Indicators		Unit of Measure	Baseline		Cumulative Target Values				Frequency	Data source/ methodology	Responsibility for Data collection	Description (indicator definition etc.)
			Original	Current	2018	2019	2020	2021				
Current	Proposed											
New	Percentage of central government budget transferred to communes	%	New	5	8	10	12	15	Annual commutative	MINEFID Budget	PACT PCU	Measures the actual availability of all funds by the central government to local governments. <i>Level of data availability: central (MINEFID)</i>
Actual availability of funds to communes committed by the central government earlier in the budget cycle.	Revised	Date/month	30 April 2011	19 Jan. 2017	No later than 1 Feb.	No later than 1 Feb.	No later than 1 Feb.	No later than 1 Feb.	Annual	MINEFID	PACT PCU	Measures actual availability of funds to communes. Funds are transferred by an inter-ministerial decree (<i>les arrêtés interministériels de transfert des ressources financières aux communes</i>) and commune budgets are credit in Section 98 of the budget.
Notification of indicative allocation of transfer amounts by	Dropped The target has been achieved, but	Y/N	No	Yes	Yes	Yes	Yes	Yes	Annual	MINEFID	PACT PCU	Notification include indicative allocations for all general and sectoral transfers (per the sectoral

central government to each commune government by November of preceding fiscal year	to avoid possible slippages in the course of the AF, the target is moved to an intermediate indicator to allow continuous monitoring.											competencies delegated to each commune.
Number of direct beneficiaries of the Project, of which % of female	Revised Target has been revised upwards to match new closing date	Number	8,754 municipal councilors of which 33% female	9,000	10000	11000	11500	12,000	Annual cumulative	Communal Records kept by M&E officer	PACT PCU through MINEFID & MATD	Direct project beneficiaries are commune council members. The indicator measures commune council members trained—cumulative figures.
Increase in the execution rate of annual commune procurement plan	Revised	%	0	90%	>95%	>95%	>95%	95%	Annual	Communal Records kept by M&E officer	MINEFID & MATD	Execution rate will be measured in terms of monetary value: the share of monetary value of executed procurement plan in total monetary value of the procurement plan. Measures administrative capacity
Deviation of commune level budget implementation from initially approved annual	Revised. Targets have been revised upwards	%	40%	20%	18%	16%	15%	15%	Annual	Communal budgets in municipal records and central administrative records	PACT PCU	Measures local government's institutional capacity. Based on the difference between the 'budget primitif' and the

communal budget.												'compte administratif' records. <i>Level of data availability: (local commune)</i>
Increase in local taxes collected for commune governments	Dropped	%	42.4%					15%	Annual	Communes budget	PACT PCU	The scope of the indicator has changed. A new indicator has been included, reflecting the new scope
New	8% increase in Communes own local taxes (collected by DGI, DGTCP and communes)	%	0	Baseline in 2018	8	8	16	32	Annual cumulative	Communal Records kept by M&E officer	PACT PCU	Local taxes include all of revenue sources collected by DGI, DGTCP and communes.. Annual increase of 8% for a target of 32% in 2021)
Increase in percentage of citizens rating commune government's performance satisfactory	Revised	%	47%	52%		65%		70%	Midterm and Final year	Citizen Satisfaction Survey	PACT PCU	This will be conducted by an independent agency recruited by the PCU as an independent check on the work done by the commune government. The target will include an assessment of communes' engagement with citizens.
Intermediate Results indicators												
Intermediate Results (Component One): Establishing the foundations of robust administrative and fiscal intergovernmental institutions												
Intergovernmental fiscal policy statement	Revised	Yes/No	No					Yes	Once	Signed policy statement	PACT PCU Through MINEFID	Measures outcome of support of the policy dialogue process

issued by the government												<i>Level of data availability: central (MINEFID)</i>
Sectoral decentralization reviews/service delivery guidelines completed	Dropped	Number	26					7	Annual cumulative	National report	PACT PCU	This indicator has been achieved, and there is no need for continued monitoring of the target.
Number of government officials who participated in decentralization training courses and study tours	Dropped	Number	82					70	Annual cumulative	Register of MATD	PACT PCU	This indicator has been achieved, and there is no need for continued monitoring of the target.
Communes that established local budget committee	Revised	% of total	40	76	85	90	95	100	Annual	Communal records kept by the M&E officer	Communal records kept by M&E officer Regional MATDS administrative records	Measures level of institutional capacity of communes commitment to promoting transparency
Proportion of municipal officials who assess the collection of communes' own taxes by regional MINEFID agencies as effective	Continued / change in definition of target	%	20%	36%		60%		70%	Midterm And final year	Communal administration survey as part of citizen perception survey	PACT PCU	The survey will be run as a separate module in the citizen satisfaction survey
Communes that comply to 70	Dropped	%	30%0						Annual	Communes Register	PACT PCU	There is no need for this indicator. The

percent with organigramme for territorial collectivities in terms of responsibilities and functions implemented on regional and commune level												focus has changed to transfer of competencies, to fill key positions (key posts) identified by Government in both rural and urban communes.
New	Communes that filled at least 70% of the key positions in the minimum organigramme (key posts)	%	0	Baseline will be established in 2018	10% increase from baseline	20% increase from baseline	30% increase from baseline	40% increase from baseline	annual	Communal Records kept by M&E officer	PACT PCU	Compliance will be stipulated in the M&E manual based on the decree on the organigram used by MATDS
Intermediate Results (Component Two): Strengthening capacity of municipalities to manage local development												
Communes with council validated Institutional Development Plans	Revised	%	0	100	100	100	100	100	Annual	Reports submitted to regional authority	PACT PCU	Communes will develop IDP, which needs to be validated in an open municipal meeting.
Communes that were awarded the consecutive budget allocation	Dropped	%	100%						Annual	M&E Report of the Project Steering Committee	PACT PCU	The indicator has been dropped as the target has been achieved. There is no need for further monitoring of the target.
Investment made for institutional capacity building	Dropped	CFA	5.1 billion						Annual Cumulative	Communes Register	PACT PCU	The new focus is outcomes like budget execution, citizen satisfaction, as captured by PDO indicators. The current

												formulation of the indicator measures outputs, like vehicles, office equipment purchased.
New	Communes that meet at least 80% IDG requirements	%	New	0	100	100	100	100	Annual	Reports submitted to regional CSOs	AMBF	The IDGs Requirements: (a) Participatory development of community development plan (b) Achieve 8% increase in non-fiscal revenue annually (c) Having a functional grievance redress system (d) Publication of budget information by municipalities (e) Conduct at least two town hall meetings in a year.
Notification of indicative allocation of transfer amounts by central government to each commune government by November of preceding fiscal	PDO indicator became intermediate result indicator	Y/N	No	Yes	Yes	Yes	Yes	Yes	Annual	Central Budget Records	PACT PCU through MINEFID & MATD	Information will be taken from the "projet arrêtés". Notification to include indicative allocations for all general dotations and sectoral transfers (according to the sectoral competencies actually delegated to each

year												commune). <i>Level of data availability: central (MINEFID)</i>
Intermediate Results (Component Three): Improving citizen participation in local governance												
Increase in the number of people attending periodic/bi-annual public cadre de concentration	Continued/ Change in the definition of the indicator: municipal council meetings that meet the meeting requirements	%	38%	53%	60%	65%	70%	80%	Annual	Administrative records	PACT PCU Through MATD	The requirements of the Municipal Council Meetings are specified in the Code General des Collectivites Territoriales (General Code for Local Governance). It includes, among other things, requirement that communes organize at least four councils meetings per year.
Increase in the number of people who state that they have received announcement of the “cadre de concentration” meetings and who can recall through which channel	Dropped	%	12% Received announcement 52% Recalled through which channel					60% 60%	Med-term and end of project	Citizens satisfaction survey		There is no longer a need for this indicator. The project now focuses more on citizen engagement, and new CE indicators have been developed to measure new targets.
New	Number of citizens participated	%	New	10% increase over	20% increase	30% Increase over	40% Increase over	50% increase	Annual	Regional CSOs report	AMBF	This measures ability of CSOs and CBOs to mobilize citizens for

	in council meetings			baseline	over baseline	baseline	baseline	over baseline				improved participation in council meetings
Communes submitting their candidacy documents to the annual regional competition	Dropped	%	12.8%					60%	Annual	Activity report	PACT PCU	There is no longer a need for this indicator. The approach has changed for the regional competition and communes will no longer have to submit their candidacy.
New	Communes that hold at least two (2) Community meetings (Cadre de concertation communal) per year and comply with the meeting requirements	%	Baseline to be established in 2018	10% increase over baseline	20% increase over baseline	30% increase over baseline	40% increase over baseline	50% increase over baseline	Annual	Regional CSOs report	AMBF	Meeting Requirements: (a) Meetings attended by the mayor, representatives of the national assembly, MATD and MINEFID in the region; (b) Meeting date announced at least one month prior, (c) Discussion include budget (d) Minutes prepared

Annex 1B: Results Framework and Monitoring (Operations portal)

Project Name:	Burkina Faso Local Government Support Project AF (P162742)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s)	Gabriel Dedu	Requesting Unit:	AFCF2	Created by:	Herimpamonjy Mavoarisoa Ranaivoarivelo on 13-Dec-2016
Product Line:	IBRD/IDA	Responsible Unit:	GGO13	Modified by:	Herimpamonjy Mavoarisoa Ranaivoarivelo on 12-Jul-2017
Country:	Burkina Faso	Approval FY:	2018		
Region:	AFRICA	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P120517	Parent Project Name:	Local Government Support Project (P120517)		

Project Development Objectives

Original Project Development Objective - Parent:

The proposed project seeks to harness emerging government commitment to local government reforms by supporting the implementation of critical aspects of fiscal and administrative decentralization in six of the 13 regions of Burkina Faso. The primary objective of the project is to strengthen the central government's capacity for administrative and fiscal decentralization and the institutional capacities of communes in six regions, and to improve accountability linkages between local policy makers and citizens in the six regions.

Proposed Project Development Objective - Additional Financing (AF):

The development objective of the project is to strengthen the national capacity for decentralization, the institutional capacities of communes in all Regions and to increase citizen participation in local governance.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
New	Percentage of central government budget transferred to communes	<input type="checkbox"/>	Percentage	Value	5.00		15.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Revised	Actual availability of funds to communes committed by the central government earlier in the budget cycle	<input type="checkbox"/>	Text	Value	January 19, 2017		No later than February 1, 2016
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Marked for Deletion	Notification of indicative allocation of transfer amounts by central government to each commune government by November of preceding fiscal year	<input type="checkbox"/>	Text	Value	No	Yes	Yes
				Date	01-Nov-2011	12-Sep-2016	31-Aug-2017
				Comment			
Revised	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	8754.00		12000.00
				Date	30-Dec-2016		1-Oct-2021
				Comment			
Revised	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	2538.00	3960.00
Revised	Increase in the execution rate of annual commune	<input type="checkbox"/>	Percentage	Value	0.00	90.00	95.00
				Date	31-Mar-2017	30-Dec-2016	1-Oct-2021

	procurement plan			Comment			
Revised	Deviation of commune level budget implementation from initially approved annual communal budget	<input type="checkbox"/>	Percentage	Value	40.00		15.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Marked for Deletion	Increase in local taxes collected for the commune governments	<input type="checkbox"/>	Percentage	Value	0.00	42.35	15.00
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			
New	Increase in Communes own total local taxes (collected by DGI, DGTCP and communes for communes)	<input type="checkbox"/>	Percentage	Value	0.00		32.00
				Date	02-Jan-2018		1-Oct-2021
				Comment	Baseline in 2018		
Revised	Increase in percentage of citizens rating commune government's performance satisfactory	<input type="checkbox"/>	Percentage	Value	47.00		70.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Intergovernmental fiscal framework policy statement issued by the government	<input type="checkbox"/>	Text	Value	No		Yes
				Date	31-Mar-2017		1-Oct-2017
				Comment			
Marked for Deletion	Sectoral decentralization reviews/service delivery guidelines completed	<input type="checkbox"/>	Text	Value	0	11	8
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			

Marked for Deletion	Number of government officials who participated in decentralization training courses and study tours	<input type="checkbox"/>	Number	Value	0.00	82.00	70.00
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			
Revised	Communes that established local budget committees (Percentage of increase from baseline)	<input type="checkbox"/>	Percentage	Value	40.00		100.00
				Date	31-Mar-2017		1-Oct-2021
				Comment	Percentage of total		
Revised	Proportion of municipal who assesses the collection of commune's own taxes by regional MINEFID agencies as effective	<input type="checkbox"/>	Percentage	Value	20.00		70.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Marked for Deletion	Communes that comply to 70 percent with organigramme for territorial collectivities in terms of responsibilities and functions implemented on regional and commune level	<input type="checkbox"/>	Percentage	Value	5.00	30.00	30.00
				Date	01-Nov-2011	12-Sep-2016	31-Aug-2017
				Comment			
New	Communes that filled at least 70% of the key positions in the minimum organigramme (key posts)	<input type="checkbox"/>	Text	Value	Baseline will be established in 2018		40% increase from baseline
				Date	02-Jan-2018		1-Oct-2021
				Comment			
Revised	Communes with council-validated Institutional Development Plans (IDP)	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Marked for	Communes that were awarded	<input type="checkbox"/>	Percentage	Value	0.00	100.00	70.00

Deletion	the consecutive budget allocations			Date	01-Nov-2011	12-Sep-2016	31-Aug-2017
				Comment			
Marked for Deletion	Investments made for institutional capacity building	<input type="checkbox"/>	Amount(USD)	Value	0.00	13327862297.00	10000000.00
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			
New	Communes that meet at least 80% of the IDG requirements	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
New	Notification of indicative allocation of transfer amounts by central government to each commune government by November of preceding fiscal year	<input type="checkbox"/>	Yes/No	Value	No		Yes
				Date	31-Mar-2017		1-Oct-2021
				Comment	PDO indicator became IR indicator		
Revised	Increase in the number of people attending periodic/bi-annual public cadre de concertation and local council meeting	<input type="checkbox"/>	Percentage	Value	0.00		80.00
				Date	31-Mar-2017		1-Oct-2021
				Comment			
Marked for Deletion	Increase in the number of people who state that they have received announcements of the "cadre de concertation" meetings and who can recall through which channel	<input type="checkbox"/>	Percentage	Value	38.00	52.60	80.00
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			
New	Number of citizens participated into the council meetings	<input type="checkbox"/>	Text	Value	tbd in 2018		50% increase over baseline
				Date			1-Oct-2021

				Comment	New		
Marked for Deletion	Communes submitting their candidacy documents to the annual regional competition	<input type="checkbox"/>	Percentage	Value	10.00	12.82	60.00
				Date	01-Nov-2011	30-Dec-2016	31-Aug-2017
				Comment			
New	Number of Municipal Town Hall meetings that meet at least 50% the meetings requirements	<input type="checkbox"/>	Text	Value	Baseline to be established		50% increase over baseline
				Date			1-Oct-2021
				Comment			

Annex 2: Detailed Description of Modified or New Project Activities

1. The AF of \$70 million, of which \$10 million will be a co-financing from the Government of Burkina Faso, will support extension of the Project activities to new regions, introduce new activities and extend the Project end date to October 1, 2021. This amount will be distributed among the Project's components as follows:

- (a) Component 1: Establishment of the foundations of robust administrative and fiscal intergovernmental institutions – AF: US\$7 million.
- (b) Component 2: Strengthening capacity of municipalities to manage local development – AF: US\$49.5 million
- (c) Component 3: Improving citizen participation in local governance -- AF: US\$8 million
- (d) Component 4: Project Management and Evaluation – AF US\$5.5 million.

Component 1: Establishment of the Foundations of Robust Administrative and Fiscal Intergovernmental Institutions (AF: US\$7 million equivalent).

2. The objective of this component is to support the central government to establish a transparent and rule-based intergovernmental fiscal framework and robust intergovernmental administrative systems. It will help the government in establishing a predictable and transparent administrative and fiscal framework for local governance within the framework of the national decentralization policy. All the subcomponents under this Component remain unchanged in exception for some modifications explained below:

Sub-component 1.1: Supporting high-level policymaking (AF: US\$3 million equivalent).

3. This sub-component will continue to support high-level policymaking bodies, such as the Office of Prime Minister and several key ministries, in advancing decentralization reform, by providing macro policy guidance on the decentralization process. In addition, it will extend support to the Parliamentary Network on Decentralization to increase Parliamentary oversight of decentralization reforms. The discussions will continue to focus on pillars of intergovernmental fiscal design issues: expenditure assignment (service delivery responsibilities), revenue assignment and intergovernmental transfer system. The revised subcomponent places emphasis on institutional and donor coordination of decentralization reforms to ensure timely achievements of government targets for decentralization. The AF financing will finance the following activities:

- (a) Support to the Office of Prime Minister's Office. (i) Improve monitoring functions of the Prime Minister's Office with particular attention to decentralization policies; (ii) publication of annual reports on the performance of government commitments to decentralization (iii) coordination of high-level engagement among development actors towards the achievement of government targets for decentralization in PNDES.
- (b) Technical Assistance to Parliamentary Network on Decentralization. (i) Training for Network members on decentralization policies and emerging issues (with particular

attention to recently approved laws and local government performance); (ii) developing a platform to promote Parliamentarians' interactions with local government actors and citizens both at local and national levels; and (iii) improving the oversight functions of the Parliamentary Network with particular attention to decentralization process.

- (c) Consultancy studies to identify and recommend suitable fiscal decentralization policy options, including (i) development of a robust intergovernmental fiscal framework (IGFF) and the elaboration of sector decentralization reviews; and (ii) communications and awareness activities through workshops for central and local government officials.

Sub-component 1.2: Support to the Ministry of Finance (AF: US\$2 million equivalent).

4. The original aim of this subcomponent is to improve the institutional capacities of MINEFID and local governments with respect to revenue collection and administration, to improve the institutional capacity of local governments in expenditure planning and to rationalize fiscal transfers by MINEFID to local governments. The major constraints to the full realization of this objective is the non-existence of fiscal architecture that supports equitable and predictable central transfers to communes. In terms of transfer system (*le système de dotation globale*), there is no formula for the determination of the vertical pool. The ministry of finance unilaterally decides the transfer amount for both recurrent (*dotation globale de fonctionnement*) and investment (*dotation globale d'investissements*) purposes. Activities envisaged under this sub-component include:

- (a) Support to complete the development of fiscal architecture that supports equitable and predictable central transfers to communes;
- (b) Support the finalization and implementation of key activities in the MINEFID' fiscal decentralization roadmap, including identification of buoyant sources of revenues for local governments (including property tax), collection of local revenues, and establishing formulas for the vertical and horizontal distribution.

Sub-component 1.3: Support the Ministry of Territorial Administration and Decentralization (AF: US\$ 2 million equivalent).

5. Originally, this subcomponent seeks to provide support to the MATD to: (i) rationalize and strengthen the ministry's institutional arrangements and coordination functions; (ii) regulate, guide and monitor the application of human resource management, procurement, public financial management, and information systems by local governments; and (iii) strengthen proximate ministerial support to local governments through de-concentration. The additional financing will build on success achieved so far in these areas, but will focus more on supporting the establishment of a local government cadre and filling the minimum post in the local governments identified in the commune organigram. In January 2017, the Government adopted a legislation supporting transfer of civil servants at national level to municipalities. Subsequently, the Government has identified the following departments in the organigram as the priority functional areas of commune governments:

Key positions to be filled at rural commune level:

- General Secretariat

- Administrative and financial department
- Municipal technical service
- Registry office
- Department of State and Land Affairs

Key positions to be filled at the urban commune level

- General Secretariat
- Management of administrative and financial affairs
- Management of municipal technical services
- Directorate of Civil Status, Statistics and Informatics
- Management of State and land affairs

6. As part of the preparation, the Bank and the Government agreed to prioritize implementation of the new laws. The objective of the additional financing is to complement the Government efforts by co-financing the transfer of competences to fill at least one specialist post in the priority departments in all the communes. Specific activities include:

- (a) Development of a roadmap for the implementation of the newly adopted law, which would allow timely transfer of competences to specific municipalities within a given timeframe.
- (b) Establishment of procedures for identification and transfer of required competences, ensuring that competences transferred to communes would have the greater impact on the communes' human resources capacity and delivery of services to communes.
- (c) Development of guidelines to facilitate communes' compliance with policy objectives with respect to communes' gradual takeover of salary top-ups for transferred staff.
- (d) Development of mechanisms for tracking and assessing the direct impact of competences transferred on recipient communes' performance.

Component 2: Strengthening Capacity of Municipalities to Manage Local Development (US\$ AF: US\$ 49.5 million equivalent)

7. This component is to provide resources to communes through institutional development grants. It will support them in developing the core administrative systems and capacities they need to attain basic levels of administration, as well as effective municipal oversight functions, communication and feedback channels with the citizens. All activities under this component remain unchanged except for supporting the development and implementation of commune Institutional Development Plans (IDPs) in the seven regions that were not covered in first phase of the project. The additional financing will fund:

- (a) Technical Assistance to the Department for Local Authorities (*Direction General des Collectivités Territoriales--DGCT*) of the MATD for the elaboration of the IDF;
- (b) Support to municipalities for the elaboration and implementation of their Institutional Development Plans (IDPs). This will include (i) limited IDPs for communes in the original

6 regions to improve the communes human resource and administrative capacity (ii) full IDPs for communes in the additional 7 regions to strengthen their core human resource and administrative systems, as required for proper public resource allocation for their socio-economic development; (b) carrying out of a program of works to put in place needed facilities; and (c) provision of required goods, equipment and technical assistance for the purpose, including facilities, transportation vehicles, office furniture, hardware, technical support and scholarships to attend courses (offered by Ecole Nationale d'Administration et de Magistrature (ENAM) and Ecole Nationale des Regies Financieres (ENAREF) under the National Strategy for Capacity Development). Implementation of the IDP will be funded through institutional development grants (IDGs) provided through the project. Beneficiary communes are required to meet the following criteria: (i) participatory development of community development plan; (ii) publication of budget information, including planned and actual expenditures; (iii) achievement of at least 25% annual increase in local revenue mobilization; (iv) having a functional grievance redress system; and (v) conducting at least two town hall meetings in a year, the meetings attended by the mayor, representatives of the national assembly, MATD and MINEFID in the region.

Component 3: Improving citizen participation in local governance (AF: US\$8 million equivalent)

8. This component is strengthen local government accountability for service delivery. It seeks to promote the development of a culture of citizen engagement and oversight in decision-making and service delivery. In doing so, it aims to strengthen the capacity of local councils and selected representatives of civil society and community based organizations to engage in monitoring of local government performance. Based on the experience of the original project this component has been structured as follows:

Subcomponent 3.1. Strengthening local council and community oversight of local government performance (AF: US\$1.5 million equivalent):

9. This subcomponent was designed to support local governance stakeholders, including locally elected officials (commune councilors) and representatives of local populations, in developing robust accountability and transparency practices. Under the first phase of the Project, regional NGOs were recruited to (i) conduct local sensitization campaigns to strengthen local stakeholders' understanding of decentralization and their roles and responsibilities in local governance; (ii) support local communes in organizing inclusive and open council and *cadre de concertation* meetings to engage more effectively with local populations; (iii) support municipal councilors and community representatives to strengthen their engagement in decision-making and monitoring processes; and (iv) prepare annual performance reports on the component activities. Maintaining a series of contracts with different NGOs at the regional level proved difficult to manage. It was also difficult to coordinate preparation of comprehensive reports on the NGOs activities in each region by the PCU, and to provide comparative assessments of the effectiveness of interventions. In view of this, while regional NGOs will continue to facilitate implementation of Subcomponent 3.1 activities under the AF, they will function under direct supervision of the Association of

Municipalities of Burkina Faso (AMBF). The NGOs will be recruited by the PCU, in coordination with AMBF, who will coordinate and supervise the work of the NGOs, based on a **cooperation agreement**. NGOs will provide technical support to communes to implement IDG requirements, including systematic tracking of progress on level of communes' achievements on the requirements. The IDG requirements stipulate that beneficiary communes: (i) develop the community development action plan through a participatory process; (ii); publish budget information, including planned and actual expenditure; (iii) conduct at least two community/town hall meetings in a year, and meet basic requirements for organizing such meetings (e.g. attended by the mayor, meeting dates announced at least one month before it was organized, discussion include budget, and minutes prepared); (iv) develop and maintain a functional grievance redress system, developed in accordance with a GR Manual; and (vi) achieve at least 25 percent annual increase in local revenue mobilization. The Additional financing will fund:

Oversight of Local Government Performance. Carrying out of a program to develop robust accountability and transparency practices within local government, through partnerships with selected NGOs, with the assistance of AMBF. Such a program will include:

- (a) carrying out of communications campaigns to enhance understanding on the part of local government officials and local community members of the implications of decentralization and their role in local governance. These activities will be linked to the IDG requirements as well as ensuring that citizens participate effectively in local government processes, including town hall meetings, and seek grievance redress through the grievance redress system (GRS) at commune level;
- (b) organization of public meetings at local community level on issues of economic development;
- (c) provision of training to local government officials to enhance their institutional capacities in government management;
- (d) monitoring and evaluation of local government performance; and
- (e) conduct of citizen surveys of local government performance.

Subcomponent 3.2. Recognizing and rewarding good local governance practices through competitive sub-grants (AF: US\$3 million equivalent).

10. This sub-component is to promote good local governance practices through an annual competition. Sub-grants under this program will be awarded to a selected number of urban and rural communes in all 13 regions. COPEGOL was implemented during the first four years of the Project (2011-2014). A key constraint to effective implementation of the activity was the assessment process, which was cumbersome for municipalities. The result was that highest performing communes consistently received the award, providing little incentive to improve for those that were not already performing well. During the review, the Government and the Bank agreed to revise the methodology for the assessment to make the competition more transparent, accessible, and to ensure that it provides performance incentives to communes operating at all levels. A streamlined approach with assessment based on the SUPERMUN

municipal performance tracking system will therefore be developed (Sub-Component 3.3) to support selection of municipalities for COPEGOL awards.

(New Activity) Subcomponent 3.3. Municipal Performance Tracking (AF: US\$1 million equivalent).

11. This activity is to develop an annual municipal performance tracking system to foster systematic assessment of municipalities. The Government of Burkina Faso is taking measures to improve both human resources and fiscal capacities of municipalities. To improve value for money of government investments in municipalities, a systematic assessment of municipal performance is crucial. The SUPERMUN will serve as the official system of municipal performance data for performance tracking and evaluation. The SUPERMUN will be used for multiple purposes, including (i) allocation of COPEGOL performance rewards (under Subcomponent 3.2); (ii) production of performance scorecards to municipal administrations; (iii) basis for the financial incentive scheme for community based organizations (Subcomponent 3.4), (iv) public dissemination through the Burkina Open Data platform, (v) targeting of local government support programs, and (vi) as a platform for research on municipal governance in Burkina Faso. This activity will build on an annual municipal performance and institutional capacity survey that was developed under the first phase of the project in collaboration with different line ministries. Performance tracking has been implemented in six out of Burkina Faso's 13 administrative regions since 2013. Activities envisioned under this subcomponent include:

- (a) Data collection and production of Municipal Scorecard. In the first year, this will cover the seven regions not included under the original project. In the subsequent years of the AF, a comprehensive municipal scorecard will be produced, covering all of the 351 communes of Burkina Faso. Data collection for the comprehensive municipal scorecards will be funded under the Bank-assisted eBurkina project from 2018 onwards.
- (b) Technical assistance to the SUPERMUN Technical Committee for municipal performance data collection, data management, and developing a technological and institutional platform for municipal performance monitoring. SUPERMUN will be housed in the *Agence de Nationale de Promotion des TICs* (National ICT Promotion Agency). PACT, as the originator of the system, a core stakeholder, and user of the data, will serve on the SUPERMUN Technical Committee.
- (c) Technical assistance to the Technical Committee for Municipal Scorecard to facilitate and coordinate the planning, running and publishing the annual municipal performance scorecard in coordination with relevant actors.

(New activity) Subcomponent 3.4 Partnerships with Community-Based Organizations (AF: US\$1 million equivalent)

12. This activity is to promote active engagement of community-based organization (CBOs) in municipal governance and service delivery process. Since the citizen uprising in October 2014, demand has intensified to actively engage citizens and citizen-groups in the development process. The country's National Development Strategy (PNDES- 2016-2020) makes mobilization of local actors, including CBOs and CSOs, a priority for improved results from decentralization

reforms and local governance. Burkina Faso is home to an active and diverse civil society, with approximately 6,000 registered associations outside of the capital province and a substantial number of informal community organizations. Examples of CBOs include farmer cooperatives, hometown associations, parent-teacher organizations, savings and credit groups, as well as other local membership-based organizations. Often, these organizations are remarkably gender-inclusive, have significant organizational and mobilization capacity, are well-integrated into local networks and have in-depth local knowledge. The CBOs in Burkina Faso thus have the potential to play an important role in local governance and service delivery. Yet, while CBOs may have in-depth local knowledge, organizational capacity, and networks, they may not have the incentive to further the general interests of their municipalities.

13. Under the first phase of the project a CBO Partnership Approach was developed. This involved a financial incentive to select CBOs which gave them a direct stake in the performance of their municipal government. The feasibility of this approach has been demonstrated through a proof-of-concept study conducted in six municipalities. Under the CBO partnership approach, selected high-functioning local CBOs are given grants to undertake: (i) sensitization of people on social and economic issues in the communes; and (ii) activities to improve communes' performance in service delivery relating to primary health, primary education, water and sanitation, and administrative services. Commune performance will be measured through the SUPERMUN municipal performance monitoring system (Sub-component 3.3). CBOs will sign a letter of engagement in which they commit to work towards improving their municipalities performance.

14. The beneficiary CBOs will be selected based on: (i) experience and capacity, particularly through demonstration of strong internal organizational capacity; (ii) track records of active involvement in commune affairs; (iii) experience in mobilizing citizens and other community groups; and (iv) ability to communicate and collaborate with other CBOs.

Requirements for CBOs in the Partnership Initiative

- (a) The partner CBO must reside in a municipality in which the CBO partnership initiative is carried out and have the majority of members and activities in that municipality. It must be an established membership-based group whose activities pre-date the partnership with the PACT. While most partner CBOs are expected to be formally registered associations, formal registration is not a requirement. Informal associations can be considered, subject to satisfying the remaining eligibility criteria.
- (b) The partner CBO cannot be a political party, religious parish or community of worship, or an organization whose goal is to promote the interests of certain ethnic groups over those of other ethnic groups.
- (c) The partner CBO must be a non-profit organization, a cooperative, or an informal collective action group.
- (d) The partner CBO must have submitted an expression of interest in a competitive selection

process and must be among the two top-ranked applicant CBOs in a given municipality. For the purpose of establishing a statistically valid comparison group, the partner CBO must have been selected at random among the two top-ranked, eligible CBOs in a given municipality.

- (e) The partner CBO must have signed a collaboration agreement with PACT or its representative in which the CBO agrees to engage as a PACT partner and to work towards improving municipal capacity and municipal service delivery in their municipality. The partner CBO must have specified how the cash grant should be disbursed (e.g. by designating a bank account or an individual who is authorized to accept the cash grant on behalf of the partner CBO).
- (f) The partner CBO must have attended a training on the SUPERMUN service delivery indicators and on how the cash grants are calculated. The partner CBO must furthermore have conducted a brainstorming meeting about potential strategies of influence to improve the municipal government's performance. This brainstorming meeting must have been conducted in the presence of an observer appointed by the PACT.
- (g) The partner CBO must have fully cooperated with data collection agents acting on behalf of the PACT and/or its research partners and provide the requested information about the CBO's activities during the PACT partnership.
- (h) The cash grant must be calculated according to the formula specified in the PIM. The magnitude of the cash grant must solely depend on changes in the municipality's performance scores over time. The cash grant must not be conditional on any actions undertaken by the partner CBO, other than those specified in the aforementioned eligibility criteria.

(New Activity) Subcomponent 3.5 Technical Assistance to the Association of Municipalities of Burkina Faso (AF: US\$1.5 million equivalent)

15. The Association of Municipalities of Burkina Faso (AMBF) is a recognized national institution, serving as the interface between municipalities and public authorities, whose primary aim is to promote the interest and improved performance of municipalities in Burkina Faso.²⁹ However, AMBF's role has expanded rapidly over the years. Created in 1995 with 33 members, AMBF expanded to 49 members in 2000, and today, it consists of 352 mayors, representing 49 urban and 302 rural communes. AMBF's current focus is on creating an environment to enable mayors to contribute to effective implementation of the national decentralization policy, and positioning itself as a credible and invaluable player in the implementation of decentralization policy in Burkina Faso. The Organization's sixth National

²⁹ The governance structure of AMBF consists of a Congress, which meets every two and a half years and a General Assembly, which meets once a year. The preoccupation of the Congress and the Assembly is principally policy and strategy formation for AMBF. In terms of administration and operational functions, AMBF has a National Office, consisting of 28 members distributed in equal parity between urban and rural communes and regional offices. A President, who is assisted by Executive Secretary and two assistants, heads the National Office. At regional level, AMBF has a Regional Office (eight members each) with a permanent secretariat. It also has a Regional Assembly, which includes one delegate per commune within the region.

Congress held in 2016, for instance, was organized under the theme “Role and place of communes in the implementation of the National Development Plan Economic and Social (PNDES)”.

16. The AMBF’s most critical tool is platforms for training, constructive dialogue and knowledge sharing on municipal governance and performance, including service delivery. It seeks to create a consultative framework for decentralization. In term of funding, AMBF receives support from Government of Burkina Faso in the form of an annual subsidy and other development organizations such as the Federation of Canadian Municipalities, European Union and UNICEF. In 2016, the EU provided EUR500,000 to AMBF to support the association’s capacity development programs, which will be implemented for 3 years 2017-2019.

17. This subcomponent is to improve stakeholder coordination, capacity building and improved implementation of Component-3 activities. Implementation of this component-3 activities, notably: the *subcomponent 3.1- strengthening local council and community oversight of local government performance*, was facilitated by regional NGOs recruited in the six regions covered under the original project. The role played by the regional NGOs has contributed to the achievement of most objectives linked to component-3. However, the implementation has faced several challenges. Maintaining a series of contracts directly with different NGOs at the regional level was difficult to manage by the Project Coordination Unit. Direct field supervision of the NGOs’ activities by the PCU has had limited success. For instance, it was practically difficult for the PCU to prepare comprehensive reports on the NGOs activities providing comparative assessments of performance based on municipalities. In view of this, during review of the project, the Government and the Bank agreed to reassign coordination of Component-3 activities to the Association of Municipalities of Burkina Faso (AMBF).

18. The fundamental purpose of assigning the coordination role to the AMBF includes:

Effective Coordination- Facilitate stakeholder coordination for improved social accountability and effective reporting on the component activities.

Foster Sustainable Citizen Engagement- Promote a sustainable social accountability platform at a regional level for harnessing knowledge and fostering constructive engagement between municipalities and cities as well as no-government actors.

Build Capacity for AMBF. Build capacity for AMBF to support effective implementation of its mandates in relation to local governance and decentralization. This would allow AMBF to manage other subcomponents – COPEGOL and Municipal Scorecard, whose implementation requires a permanent institutional home and effective coordination.

19. Based on the experience under the first phase of the project, the AMBF will participate in the implementation and reporting on all Component 3 activities. The AMBF will play a facilitation role, in coordination with PCU, in ensuring that Component 3 activities are implemented in accordance with project design and financial agreements. The relationship between AMBF and PCU will be formalized through a **cooperation agreement** that would lay down the funding and reporting arrangements regarding component 3 activities. AMBF will facilitate implementation of the activities in collaboration with regional NGOs. To achieve objectives of the activities, a **cooperation agreement** will also be established between AMBF

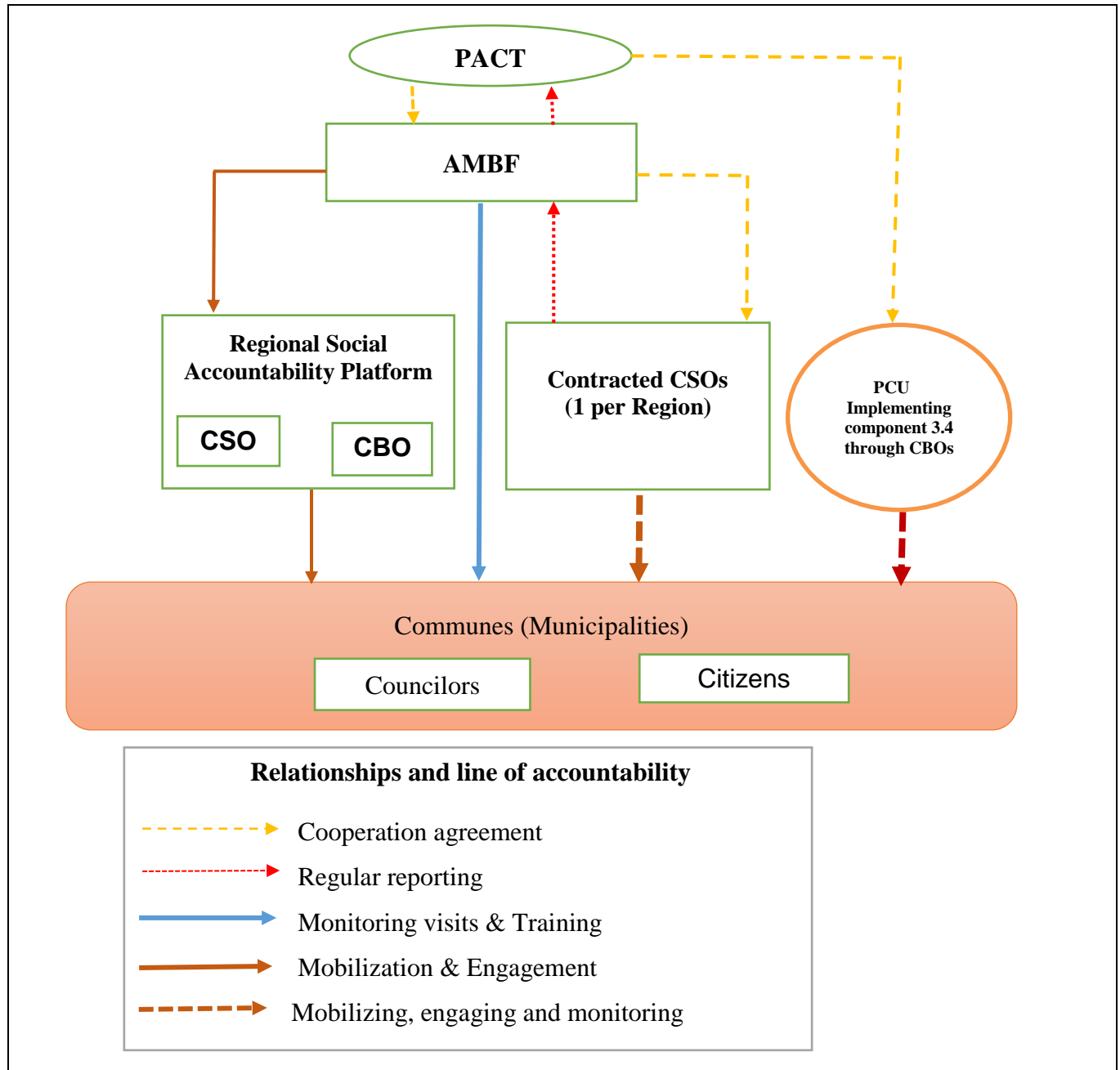
and each Regional NGO to clarify relationships of accountability, expectations, concrete deliverables and delivery timelines expected from both sides. The sub-component will support AMBF in executing the following tasks:

- (a) Establishing a Social Accountability Platform in each region, consisting of civil society (CSOs) and community-based organizations (CBOs). The Social Accountability Platform shall promote citizen participation in municipal processes, e.g. through town Hall meetings and the Competition for Excellence in Local Governance (COPEGOL)
- (b) Establishment of **cooperation agreement** between selected regional NGOs and communes in each region, to promote citizen engagement in local decision making processes, ensure timely fulfilment of the requirements of the institutional development grants (Component 2) and promote participation of communes in COPEGOL.
- (c) Capacity support to communes in citizen engagement, in collaboration with regional NGOs and relevant actors.
- (d) Facilitating the annual municipal performance tracking activity (*Suivi de la Performance Municipale--SUPERMUN*) in collaboration with the National Agency for Promotion of Information and Communication Technologies, with support from the Bank-assisted eBurkina project, and in coordination with the World Bank research department.
- (e) Systematic tracking and preparation of progress reports on Component 3 activities

Component 4: Project Management and Evaluation (AF: US\$5.5 million equivalent)

20. This component will provide project management support to the project coordination unit in project implementation and support regular project evaluations as well as procurement and safeguards reviews and financial reporting and auditing.

Diagram 1: Relationship of Accountability of Key Implementing Actors: Component-3



Annex 3: Revised Estimate of Project Costs

21. **The Project Costs and Financing.** The table below shows the total project costs, including the original and additional financing.

Project Costs and Financing according to Components in US\$ millions

Component	Original			Additional Financing			
	IDA	Govt. of BF	Total	IDA	Govt. of BF	Total	Revised Project Amount
(1) Establishing the foundations of robust administrative and fiscal intergovernmental institutions	9.8		9.8	2	5	7	16.8
(2) Strengthening capacity of municipalities to manage local development	37.98		37.98	47.5	2	49.5	87.48
(3) Improving citizen participation in local governance	5.94		5.94	8		8	13.94
(4) Project management and evaluation	4.65	5.35	10	2.5	3	5.5	15.5
Total	58.37	5.35	63.72	60	10	70	133.72

Annex 4: Implementation Arrangements and Support

(a) Project Institutional and Implementation Arrangements

22. The implementation arrangements designed for the original Local Government Support Project will remain unchanged, with overall technical and fiduciary responsibilities resting with the Project Coordinating Unit (PCU). Project components will continue to be implemented by the designated ministries. Component 3 would be coordinated by the AMBF through a *cooperation agreement* with the PCU that will lay down the funding and reporting arrangements regarding component 3 activities. The project team at the AMBF will be headed by a project director. The project team will include a qualified financial management specialist and a qualified procurement specialist to improve the AMBF's fiduciary capacity. The project director will ensure effective implementation of component 3 activities. In coordination with the PCU, the project director will develop a work program and budget that will feed into the project's procurement and annual work plans. In addition to improvements in fiduciary capacity of the AMBF, the sub-component 3.5 will aim to improve the technical capacity of the AMBF. The need was identified for the AMBF to recruit three technical experts (Governance, Monitoring & Evaluation, and Quality Assurance) to support AMBF in the implementation of Component 3. The Governance consultant will provide technical support on CSOs coordination across the region. The M&E consultant will be responsible for systematic tracking of project activities against targets in the regions. The Quality Assurance Consultant will provide technical advice and ensure production of regular publications, including information bulletin on the important achievements of the Component-3 activities.

23. **The Project Steering Committee.** The Project's Steering Committee in its current form will continue to function as the highest authority of the project, responsible for making final decisions on all aspects of the project, subject to Bank approval. The composition of this steering committee includes representatives from the relevant ministries (e.g. MINEFID, MATD, and social service ministries), civil society and donors. The head of the steering committee is the Secretary General of the Prime Minister's Office.

24. **The Project Coordinating Unit.** The PCU will continue to lead the day-to-day management of the Project, operating under the guidance of the Project Steering Committee. The PCU will continue to be led by the Secretary General of the MATD as National Coordinator and by the existing associate coordinator.

25. **Management of Components and Subcomponents of the Project.** A project management team within the Ministerial divisions of the MATD and MINEFID will be responsible for the execution of individual sub-components of the projects. With respect to Component 1, subcomponents 1 and 3, implementation will continue to be managed by MATD and subcomponent 2 will be managed by MINEFID. An assessment of support requirements for the responsible departments of MINEFID and MATD has been made and resources will be provided for both establishment costs and the initiation of core functionalities of these

departments. DGCT within MATD will manage the disbursement of Component 2 under the guidance of the Steering Committee using established budgetary mechanisms. There will be a **cooperation agreement** between the PCU and the PNGT coordination unit to receive technical assistance for FM and procurement systems and for use of the regional offices of PNGT to provide technical assistance to communes in the development and implementation of their IDPs. Component 4 activities will be managed by the PCU.

26. **Annual Work Plan.** All the project-funded activities will be determined based on the annual work plan. The PCU shall prepare an annual work program for the following year and submit it to the IDA not later than November 30 in each calendar year. The annual work program will include: (a) a detailed timetable for the sequencing and implementation of project activities; (b) the types of expenditures required for such activities and a proposed financing plan (including counterpart funds to be provided by the Recipient) for such expenditures; and (c) each Safeguard Instrument required for such activities.

(b) Financial Management and Disbursement and Procurement

27. The PCU of the MATD under the oversight of the steering committee within the Prime Minister's office will have the overall fiduciary responsibility of the Local Government Support Project. The financial management arrangements for this project will be based on the existing arrangements in place under the PCU. The overall performance of the PCU in financial management is **Satisfactory**. Staffing has remained adequate and proper books of accounts and supporting documents have been kept in respect of all expenditures. The PCU is familiar with the Bank FM requirements. The audit for the year ended December 31, 2015 for the PCU was submitted on time, but was qualified due to delays in the justification of advances. The interim un-audited financial reports for the on-going project are also submitted on time and their overall quality is satisfactory.

28. The AF introduces new activities under the component 3 to be coordinated by the AMBF through a **cooperation agreement** with the PCU that would lay down the funding and reporting arrangements regarding component 3 activities. An assessment of the FM capacity of the AMBF was also conducted to determine whether the AMBF has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to considerations of economy and efficiency. The assessment revealed that AMBF is in early stages with the implementation of the local development program co-financed by the European Union and a financial management system and FM staff are not yet in place.

29. The overall FM risk for the Local Government Support Project is rated **Moderate**. It is considered that the financial management satisfies the Bank's minimum requirements under OP/BP 10.00, and therefore is adequate to provide, with reasonable assurance, accurate and timely financial management information on the status of the project required by the Bank. However, in order to safeguard project's assets and maintain an adequate segregation of duties, an accountant and a disbursement assistant with qualifications and experience satisfactory to the Bank will be appointed and fully dedicated to the management of a sub

account opened by AMBF. The Implementation Manual including fiduciary procedures will also be updated to include specific arrangements related to execution agencies and the overall coordination of the project. These two mitigation measures are dated covenants and should be implemented within three months following the effectiveness of the project and before transferring funds to AMBF. The following are the financial management arrangements for the project:

Box 1 : Financial management Arrangements

Financial management Arrangements

Staffing: Through an internal protocol, PNGT will continue to provide FM technical assistance to oversee the municipalities control environment by using the fiduciary framework developed and enforced by the PNGT and by moving towards a results-oriented approach. This framework is built on a series of controls performed by PNGT regional coordination units. Each unit is staffed with an accountant. Municipality FM staff consists of a public accountant and a financial controller, the Mayor acts as budget holder. PNGT will continue to train the PCU FM staff to improve their capacity and effectiveness in monitoring the finances of municipalities. The AF will support AMBF to recruit an accountant and a disbursement assistant with qualifications and experience satisfactory to the Bank.

Budgeting: The PCU will prepare an annual work plan and a budget (AWP&B), which should be approved by the Project Steering Committee, and submit it to the Bank before the end of previous calendar year for comments. The project implementation manual will specify arrangements for allocation of funds for activities funded under the project, in line with the national budget process. The manual will also specify how the project funds will be allocated to support use of PNGT's regional structures and use of funds from other donor-financed projects to facilitate the implementation of the project activities.

Accounting Policies and Procedures: The PCU will (i) continue to use accounting manual of procedures and (ii) accounting software (multi project and multi-site) to maintain the books and accounts of the project activities and ensure that the annual financial statements are produced in a timely manner in accordance with OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) accounting principles – SYSCOHADA which calls for double entries system. Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the PCU in accordance with the SYSCOHADA but taking into account specificities related to external financed investment projects.

Internal Control and Internal Auditing: The PCU will continue using the manual of procedures dealing with delegation of authorities, fixed assets, accounts reconciliation, segregation of duties, and the control over the municipalities (performed by PNGT regional coordination units). *Ex ante* control and control over delivery (*contrôle du service fait*) of procurement contracts above the national thresholds will be performed by the Directorate of

Financial Control and its representative at municipal level. Reliance will be placed on the national internal audit arrangements managed by Public Control Institutions (*Autorité Supérieure de Contrôle d'Etat - ASCE, Inspection Générale des Finances – IGF and Inspection Technique du Ministère*). The Bank has provided technical assistance to develop a risk map and implement risk based audit for Public Control Institutions in three pilot ministries.

Funds Flow and Disbursement Arrangements: A segregated Designated Account (DA) was opened at the Central Bank in Ouagadougou. A Transactions Account was opened at the Public Treasury to replenish the municipalities' accounts and for the other project components (including sub grants that will be managed by the public management financial staff located at the municipalities' level). Replenishment of the Transactions Accounts will be made monthly based on need. Direct payments, will be made to service providers if needed. The Government will continue to use the separate account in the Treasury for counterpart funds required for the Project ("Counterpart Funds Account). Deposits will be made on a quarterly basis in amounts agreed with IDA under the Annual Work Plan (updated based on the quarterly IFRs), with the initial deposit being made no later than 3 months following the Effective Date. The proceeds of the Counterpart Funds Account will be used exclusively to pay for expenditures included in the Annual Work Program.

A dedicated Bank account will be opened by AMBF to manage funds received from the PCU based on the quarterly work program in line with the project FM manual. The relationship between AMBF and PCU will be formalized through a **cooperation agreement** that would lay down the funding and reporting arrangements regarding component 3 activities. In addition, the recruitment of an accountant and a disbursement assistant with qualifications and experience satisfactory to the Bank and fully dedicated to the management of a sub account opened by AMBF should precede any disbursement of funds to AMBF.

In-year Reporting and Monitoring: The un-audited Interim Financial Report (IFR) format of the original project will be updated to include the new elements introduced under additional financing. It will comprise sources and uses of funds by project expenditure classifications, a comparison of budgeted and actual project expenditures (commitments and disbursements) to date, and for the quarter. The PCU will submit the financial reports to the Bank within 45 days following the end of each calendar quarter.

Annual Financial Statements: As required under the original project, the PCU will prepare the project's annual financial statements, including the activities related to additional financing in compliance with IFAC Standards and World Bank requirements. These financial statements will include: (a) a statement of sources and uses of funds; (b) a statement of commitments; (c) accounting policies adopted and explanatory Notes; and (d) a Management Assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements.

External audit: The Financing Agreement will require the submission of Audited Financial Statements for the project (original and AF) to IDA within six months of the end of

Government's fiscal year. The scope of the work of the external auditor of the project will be extended to cover the additional activities under the additional financing. An opinion on the Audited Project Financial Statements in compliance with International Federation of Accountant (IFAC) and a specific opinion on the management of the micro-projects is required.

Financial Covenants: The Borrower shall establish and maintain, at all times, a financial management system including records and accounts, and shall prepare related financial statements in accordance with accounting standards acceptable to the Bank.

Table 1: Expenditure Categories Financed by the Grant

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services and Training and Workshops and Operating Costs for the Project except Parts C.2, C(4)(a), B.3 and B.5.	19, 000,000	100%
(2) Goods, works, non-consulting services, consulting services and Training and Workshops required for Sub-projects under Part B(5), Part C(2) of the Project.	23,600,000	100% and 100% of amounts disbursed under Sub-projects.
(3) CBO Grants under Part C(4)(a) of the Project.	800,000	100% of amounts disbursed under CBO Grants.
Total Amount	43,400,000	

Procurement Arrangement

31. **Procurement rules and Procedures:** Procurement for works, goods, non-consulting, and consulting services for the additional financing project will be carried out in accordance with the procedures specified in the "World Bank Procurement Regulations for IPF Borrowers" dated July, 2016 (Procurement Regulations) and the World Bank's Anti-Corruption Guidelines: Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

32. All goods, works and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VI. Approved Selection Methods: Goods,

Works and Non-Consulting Services of the “Procurement Regulations,” the consulting services will be procured in accordance with the requirements set forth or referred to in the Section VII. Approved Selection Methods: Consulting Services of the “Procurement Regulations,” the Project Procurement Strategy for Development (PPSD), and Procurement Plan approved by the World Bank. The Procurement Plan, including its updates, shall include for each contract (a) a brief description of the activities/contracts, (b) the selection methods to be applied, (c) the cost estimates, (d) time schedules, (e) the Bank’s review requirements; and (f) any other relevant procurement information. The Procurement Plan covering the first eighteen (18) months of the project implementation was submitted to Bank and approved prior to the project negotiations. Any updates of the Procurement plan shall be submitted to the World Bank for approval. The Recipient shall use the World Bank’s online procurement planning and tracking tools (STEP) to prepare, clear and update its Procurement Plans and conduct all procurement transactions.

33. When approaching the national market, as agreed in the Procurement Plan, the country’s own procurement procedures may be used with the requirements set forth or referred to in the National Procurement Procedures. For Burkina Faso, the requirements for national open competitive procurement include the following:

Requirements for national open competitive procurement	Actions
a. Open advertising of the procurement opportunity at the national level.	No action needed
b. The procurement is open to eligible firms from any country.	No action needed
c. The request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding to be incorporated in any resulting contracts, confirming application of, and compliance with, the Bank’s Anti-Corruption Guidelines, including without limitation the Bank’s right to sanction and the Bank’s inspection and audit rights.	The form elaborated by OPCS must be added to each contract agreement with bidders/consultants
d. Contracts with an appropriate allocation of responsibilities, risks, and liabilities.	No action needed
e. Publication of contract award information.	No action needed
f. Rights for the Bank to review procurement documentation and activities.	The requirement should be included in the Procurement Plan.
g. An effective complaints mechanism.	The PIM must develop an effective complaints mechanism in line with UEMOA guidelines.

h. Maintenance of records of the Procurement Process	The PIM must spell out the practical modalities and the appropriate documentation to archive
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34. **Procurement risk assessment and Mitigating Measures:** The PNGT's PCU for the initial project will be responsible for implementing the additional financing and it has a large experience to implement project founded by the World Bank. However, the PCU's procurement specialist (PS) and the MTAD's DPM staff shall be trained on the new procurement framework, specifically the procurement regulations for borrowers.

35. The client has prepared a PPSD including procurement plan), which has been approved by the Bank. The key elements are summarized as follows: (...) *the national and international environment is favorable for the procurement of goods intended for the implementation of the project. The national market is able to meet the needs of works, computer equipment, office equipment and furniture as well as office consumables which will be purchased according to the relevant procedures. The same applies to the market for consultant services. The contracts are also open to the sub-regional and international market for specific supplies and services that may require the participation of companies located at the international level. MTAD through PNGT has experience in managing these types of markets and therefore has a clear knowledge of the national, sub-regional and international market.*

36. According to the PPSD and Procurement risk assessment, the following procurement mitigation measures are proposed:

Table 2: Procurement Mitigation Measures

Implementing agency	Procurement mitigation measures	By when
PNGT and MTAD	Train the PS, DMP and the tender committee in Bank New Procurement Framework	3 months after effectiveness
PNGT	Update and submit to IDA approval the Project Implementation Manual with Procurement section	3 months after effectiveness

37. Oversight and monitoring arrangements for procurement: A PIM will be updated no later three (3) months of effective date of the project, developed based on PRAPS BF PIM and will be submitted to Bank for review. The PIM will define the project's internal organization and its implementation procedures, and will include, among other things, all the relevant procedures for calling for bids, selecting consultants, and awarding contracts. The project monitoring arrangements for procurement will be analyzed and developed.

38. Detailed procurement documentation (e.g. PPSD) may be referenced as such and retained in the project files. The detailed 18-month procurement plan, once agreed with the borrower, will be published on the World Bank website.

Annex 5: Economic and Financial Analysis

39. The Government has embarked upon decentralization reforms aimed at improving local governance and service delivery. The project will contribute to this reform process by supporting the strengthening of intergovernmental fiscal and administrative institutions and local government management capacity. It will contribute to the government's efforts to establish sustainable local government management systems through the provision of additional funds.

40. Emerging operational evidence of similar projects suggests that there are potential efficiency gains that can be derived from implementing decentralization reforms supported by this project. Implementation of the project is likely to result in a reduction of transaction costs associated with the delivery of local services due to (a) improved predictability and reliability of transfers from the central government to local governments; (b) improved revenue collection and public financial management capacity at the local level resulting in better budget planning and execution, reporting and accounting practices; (c) improved administrative capacity at the local level resulting in improved responsiveness of municipal governments to citizens' concerns, needs and requests; and (d) improved accountability linkages between local decision makers and citizens, resulting in better living conditions and reduced social conflicts.³⁰

41. In terms of a cost-benefit analysis, the project seeks to strengthen local government administration, leading to better management of local governments and improved managerial efficiencies, all of which should contribute to improved public sector service delivery. While these benefits are expected to be significant, they are not easy to quantify. The expected benefits of the project are both financial and economic as well as social. Therefore, this section is organized into three main parts:

- **Financial analysis.** The first section on financial analysis presents estimates of financial gains from the project over the implementation period.
- **Economic analysis.** The second section on economic analysis shows the economic benefits of the project that makes society as a whole better-off.
- **Social analysis:** The third section on social analysis describes transparency and accountability improvements which will have positive impacts on public sector behavior. These benefits will be assessed in qualitative terms.

Financial Analysis:

³⁰ About the history of social conflicts at the local see Harsch E. 2009. Urban Protest in Burkina Faso. *African Affairs* 108 (431): 263-288 and Hagberg S. 2007. Traditional Chieftaincy, Party Politics and Political Violence in Burkina Faso. In *State Recognition and Democratization in Sub-Saharan Africa*, Buur, L. Kyed, H. M. (eds). Palgrave Macmillan: Hampshire; 131-154.

42. There is a consensus within the academic community that good public sector management and institutional capacity are important for local government expenditures to be effective. Institutional development grants will finance the implementation of institutional development plans which will have positive impact on commune expenditures and revenues. The theoretical literature posits that there are efficiency gains from local government expenditures. For example, Cremer et al. (1996), Raff and Wilson (1997) and Bucovetsky et al. (1998) have argued that decentralization alleviates information asymmetry due to the proximity of principals and agents;³¹ it thereby leads to better accountability and improvements in service delivery. However, it is very difficult to conduct a financial analysis on the efficiency gains from local expenditure, therefore, we have conducted economic analysis of local expenditures in the next section. However, the project aims to increase local revenue collection significantly in a sustained manner. Therefore, we present the financial analysis of local revenue generation in this section. The PDO indicator on “Increase in local taxes collected for commune governments” will capture the progress made on local revenue mobilization. Based on conservative assumptions, the project will generate financial gains estimated at US\$11,498,091 from increase in local tax collection over the assumed lifetime of four years, with a financial real net present value (NPV) of US\$ 8,853,728.

43. The following assumptions, consistent with the country financial context, are used to estimate the financial gains:

- Macroeconomic assumptions are to remain constant over the project life with real growth rate of GDP assumed to be 6 percent per annum on average.
- The market exchange rate is assumed to be fixed at the average 2016 rate of FCFA 600 for US\$1.
- Discount rate is set at 3 percent, which is slightly above the inflation rate.
- The local tax revenue mobilization is expected to increase annually by 20 percentage points starting in 2018 until 2021;

Table 3: Local Tax Revenue Mobilization

		2017	2018	2019	2020	2021
Macro baseline						
GDP Growth			6	6	6	6
Inflation			2	2	2	2
Discount rate			3 %			
US\$/ FCFA			600			
Local taxes collected by DGI, DGTCP and communes (FCFA)	27,426,547,715 (2015) 32,911,857,257 (2016)	35,544,805,839	38,388,390,306	41,459,461,530	44,776,218,453	48,358,315,929
Percentage of increase per year		8 %	8 %	8 %	8 %	8 %
Increase per year (in US\$)		4,388,248	4,739,307	5,118,452	5,527,928	5,970,162
Cumulative increase (in US\$)			9,127,555	9,857,759	10,646,380	11,498,091

³¹ Bucovetsky S, Marchand M, Pestieau P. 1998. Tax competition and revelation of preferences for public expenditure. *Journal of Urban Economics* 44: 367–390; Cremer J, Estache A, Seabright P. 1996. Decentralizing public services: what can we learn from the theory of the firm? *Revue d' Economie Politique* 106: 37–60; Raff H, Wilson J. 1997. Income redistribution with well-informed local governments. *International Tax and Public Finance* 4: 407–427.

Economic Analysis:

44. The normative rationale for local government spending is deeply rooted in the political economy argument that decentralization leads to better service delivery.³² In this section, we analyze the economic impact of commune expenditures on local public goods, such as health and education outcomes.

45. To conduct economic analysis of commune expenditures, we collected the data from different sources. The first source of data contains fiscal observations for the period 2012 to 2015. This dataset includes central government subsidies, tax revenues, local government total revenues and expenditures, investment revenues and expenditures collected from the DGCT (*Direction Général des Collectivités Territoriales*) which is a division of the MATD (*Ministère de l'Administration Territoriale et de la Décentralisation*). The second set of data has been collected from the *Conseil National de la Statistics* (CNS) and the *Institut National de la Statistique et de la Démographie* (INSD) for the period 2007-2015. Although we collected commune level expenditure data, our unit of analysis is a province. The data on socio-economic characteristics are only available at the province level, therefore, we aggregate commune spending at the province level. That is to say we added all of the communes' expenditures in a province. However, we conducted the analysis in two stages. In the first stage, we analyzed the impact of urban commune expenditures and in the second stage both urban and rural commune expenditures.

46. Since the analysis aims to estimate the economic impact of commune expenditures on local socio-economic outcomes, we use public school net enrollment rate and the proportion of maternal deaths as our dependent variables at the provincial level. The reason of use these two as dependent variables is that education and health represent the main two sectors where the government is working to improve. Moreover, education and health are part of the 11 sector devolved to communes in the CGCT.

47. For the control variables, we use the total final production of cereals (in tons) as a proxy of economic growth given the difficulties in collecting income or output data at the commune level. Agriculture represents 32 percent of the country GDP and occupies 90% of the working population (before the gold mining boom, cotton was the main commodity exported with about 60% of the export revenues in 2012). Thus, any increase of agricultural revenues or income at the individual and community levels will more likely improve their living conditions and then increase their ability to pay taxes. A number of other explanatory variables such as local total expenditure, investment expenditure, the average access radius to medical centers, the total number of student, the total population, the area of each province and the population per km² are employed. It is hypothesized that any increase (decrease) of local total and investment expenditures would more likely increase (decrease) education and health sectors output. Factors such as the average access radius to medical centers, the total number of students, the total population, the area of each province and the population per square km, are

³² For example, see Tiebout (1956), Oates (1972), Cremer et al. (1996), Oates (1997), Raff and Wilson (1997), Bucovestsky et al. (1998), Oates (1999), and Mueller (2006).

the results areas that are more likely to explain education and health sector outcomes other than local total and investment expenditures.

48. The model by employing a provincial and year fixed effects model is estimated. The equation is as follow:

$$Y_{it} = \beta * Cur_Exp_{it} + \alpha * Inv_Exp_{it} + \rho * X_{it} + (jurisdiction_i year_t)\emptyset + \eta_{it}$$

49. Where y_{it} represents the dependent variables such as scolarization rate and maternal mortality rate in jurisdiction ($i = 1, \dots, n$) at year ($t = 1, \dots, T$). Cur_Exp_{it} and Inv_Exp_{it} represent respectively local government total current and investment expenditure in jurisdiction ($i = 1, \dots, n$) and ($t = 1, \dots, T$). X_{it} is a set of control variables such as the average access radius to medical centers, the total number of student, the total population, the areal of each province and the population per km^2 in jurisdiction ($i = 1, \dots, n$) at year ($t = 1, \dots, T$). The coefficients β and α measure the effect of current and investment expenditure on the dependent variables. ρ measures the impact of other factors than fiscal on the dependent variables. Jurisdiction_i is a vector of province indicator variables and year_t is a vector of yearly indicator. \emptyset represents the jurisdiction and time fixed effects coefficient. These jurisdiction and annual fixed effects control for anything that varies over each year and each month at the provincial level. η_{it} represents the disturbance term with $\varepsilon \sim (0_{n \times 1}; \sigma^2 I_n)$. It assumes that $E(\varepsilon) = 0$ and $var(\varepsilon) = \sigma_\varepsilon^2$ and $E(\varepsilon_{it}, \varepsilon_{zs}) = 0$ whenever $i \neq z$ and $t \neq s$.

50. Table 4 shows the impact of urban commune expenditures on education outcomes. The results provide evidence of a positive correlation between urban commune expenditures and education outcomes. The results show that any increase of local current expenditure by 1 CFA francs would increase local school enrollment rate by 0.0008 unit. Although the coefficient is small, it is consistent with many findings in the literature which pointed a positive impact of fiscal decentralization on education (Qibthiyyah, 2008³³, Faguet and Sanchez, 2006³⁴, Barankay and Lockwood, 2007³⁵).

Table 4: The impact of urban commune expenditures on education outcomes

VARIABLES	(1) Scolarication rate	(2) Scolarization rate
rcur_exp	0.000839** (0.000383)	
elevs	5.85e-05***	4.37e-05***

³³ Qibthiyyah, 2008 Essays on Political and Fiscal Decentralization, Economics Dissertations, Georgia State University

³⁴ Faguet And Sanchez (2006) Decentralization's Effects on Educational Outcomes in Bolivia And Colombia, Development Research Center *Working Paper No. 62 Issn 1740-5815*

³⁵ Barankay and Lockwood, 2007 Decentralization and the Productive Efficiency of Government: Evidence from Swiss Cantons *Journal of Public Economics*.

	(1.11e-05)	(9.50e-06)
rma	-2.963***	-2.766***
	(0.393)	(0.415)
popkm2	0.0284*	0.0260**
	(0.0148)	(0.0129)
cereal	3.12e-05***	3.34e-05***
	(1.04e-05)	(9.26e-06)
dcur_exp		-0.459
		(0.450)
Constant	75.61***	75.84***
	(3.630)	(3.694)
Observations	403	356
R-squared	0.263	0.265
Number of prov_id	45	45
Model	FE	FE

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

51. In addition, we estimate the impact of urban commune expenditures on health sector outcomes. Maternal mortality rate per 100,000 births is used as the dependent variable and also as a proxy to measure the efficacy of health provision at the commune level. The lack of access to skilled medical care during childbirth, the travel distance to the nearest clinic to receive proper care, barriers to accessing prenatal medical care and poor infrastructure all increase maternal deaths. It is hypothesized that maternal mortality rate is negatively correlated with local total expenditures and particularly direct expenditure on health services. The results in Table 5 show a negative correlation between local expenditure in health sector with maternal mortality rate. That is, any increase of local expenditure in health sector would generate a decrease of maternal mortality rate. However, the results show a positive correlation between maternal mortality rate and local government total expenditure. In the health sector, the impact of decentralization is mixed. Robalino, Picazo and Voetberg (2001)³⁶ showed that regions where local governments manage a higher share of public expenditures tended to have lower mortality rates and Khaleghian (2003)³⁷ showed that expenditure decentralization was positively related to improve health outcomes in low-and middle-income countries. Although the convention in the literature states the opposite effect, we can see that it doesn't apply in the case of Burkina Faso.

Table 5: The impact of urban commune expenditures on health outcomes

	(1)	(2)
VARIABLES	matdead_rate	matdead_rate

³⁶ Robalino, Picazo and Voetberg (2001) Does Fiscal Decentralization Improve Health Outcomes? Evidence from a Cross-Country Analysis, Policy Research Working Papers

³⁷ Khaleghian P (2003) Decentralization and Public Services: The Case of Immunization. Washington (D.C.): World Bank

dcur_exp	13.62** (5.652)	14.31*** (5.277)
drsante_exp		-4.60e-08** (2.25e-08)
rma	20.07*** (5.158)	7.144 (9.195)
popkm2	0.373** (0.162)	0.279* (0.152)
Constant	-90.37** (43.11)	15.45 (72.03)
Observations	354	283
R-squared	0.080	0.067
Number of prov_id	45	45
Model	FE	FE

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

52. Other socio-demographic control variables such as the average radius distance to access a health center and the total population per km² are employed. The results show a positive relationship between maternal mortality rate and both the average radius distance to access a health center and the total population per km². According to the results, any decrease of the average radius distance to access a health center by one unit would decrease maternal mortality rate by 20.07 unit while a unit increase of the total population per km² would increase maternal mortality rate by 0.279.

53. Table 6 shows the impact of urban and rural commune expenditures on education outcomes at the provincial level. As we have seen at the urban commune level, the results show a positive correlation between decentralization and education outcomes. The results show that both total and investment expenditure have a positive impact on education outcomes. A 1 percent increase of local total expenditure would increase local school enrollment rate by 3.52 units while 1 percent increase on investment expenditure would increase local school enrollment rate by 1.87 units. These results are consistent with our previous results at the urban level and also with many findings in the literature.

54. Including socio-demographic factors we can see a positive relationship between school enrollment rate and total number of enrolled student and population per km². That is a unit increase of population per km² by one unit would generate an increase of school enrollment by approximately 0.03 unit, while a unit increase to total number of pupils would lead to an increase of school enrollment by about 0.00038 units. The results also confirm the negative relationship between primary school enrollment and the average radius distance to access a health center. That is, a one unit decrease of the average radius distance to access a health center would increase school enrollment by approximately 2.5 units.

Table 6: The impact of urban and rural commune spending on education outcomes at the provincial level

	(1)	(2)	(3)	(4)
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VARIABLES	Scolarisation Net rate	Scolarisation Net rate	Scolarisation Net rate	Scolarisation Net rate
dlrInvexp		1.869***		1.117*
		(0.648)		(0.628)
dlrex			3.522***	3.092***
			(0.761)	(0.789)
eleves	6.15e-05***	0.000406***	0.000388***	0.000380***
	(1.11e-05)	(6.35e-05)	(5.96e-05)	(5.90e-05)
rma	-3.098***	-3.630**	-2.566*	-2.498*
	(0.398)	(1.572)	(1.499)	(1.480)
popkm2	0.0217	0.0368***	0.0313***	0.0319***
	(0.0144)	(0.0121)	(0.0114)	(0.0113)
Constant	80.23***	62.78***	56.17***	56.06***
	(3.464)	(13.67)	(12.90)	(12.74)
Observations	403	132	132	132
R-squared	0.234	0.472	0.538	0.555
Number of prov_id	45	45	45	45
Model	FE	FE	FE	FE

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

55. The impact of urban and rural commune expenditures on health sector outcomes is estimated. The results show that both total and investment expenditure have a positive impact on maternal mortality rate. We include some socio-demographic control variables to test the impact of other factors than fiscal on maternal mortality rate. The results show a negative relationship between maternal mortality rate and population growth rate, and a positive relationship with the total population per km². A 1% increase of local population would decrease maternal mortality rate by approximatively 23.02 units while a unit increase of the total population per km² would increase maternal mortality rate by 0.5 units.

Table 7: The impact of decentralization on Health outcomes at the provincial level

VARIABLES	(1) matdead_rate	(2) matdead_rate	(3) matdead_rate
dlrex	14.18 (11.88)	21.03* (11.41)	
dlrInvexp	17.03* (9.413)		20.61** (8.945)
rma	-9.335 (21.94)	-10.31 (22.23)	-15.52 (21.37)
popkm2	0.514*** (0.128)	0.493*** (0.129)	0.516*** (0.128)
dlnpop	-23.02* (13.62)	-24.81* (13.77)	-20.29 (13.47)
Constant	108.1 (166.4)	117.9 (168.6)	155.3 (162.1)

Observations	131	131	131
R-squared	0.230	0.199	0.217
Number of prov_id	45	45	45
Model	FE	FE	FE

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Social analysis:

56. The proposed project is most likely to yield several types of social impacts through the interventions around its different components, including the following:

- **Improved social well-being from improved service delivery.** Better efficiency of public expenditures is expected through the support of the project. This will mainly derive from support under Component 2 (Strengthening capacity of municipalities to manage local development) in which local public expenditures will be tailored to the needs and preferences of local populations as well as Component 3 (Improving citizen participation in local governance). Improvement in these areas will lead to better and more efficient use of public resources, which is expected to result in improved service delivery to the citizens, including investment programs with improved value-for-money and addressing the needs of the local populations.
- **Improved compliance to tax payment.** The project is expected to improve transparency and increase capacity in the local tax collection. Experience shows that better use of public resources leading to more efficient service delivery also contribute in behavioral changes toward better tax payment compliance. Improved transparency and accountability in the management of public finances supported under both Component 2 and Component 3 (are expected to improve the efficiency of the use of public resources toward service delivery. Consequently, improvement of service delivery is expected to bring in more revenues due to improved tax compliance.
- **Crowding-in effects of increased trust in the public administration.** The support provided through the project is expected to improve public sector and public financial management and governance. Improvement in these areas will increase trust in government by people and businesses, and will create favorable conditions for economic growth. This includes, for instance, the attraction of new private investments. Furthermore, a more efficient use of public financial resources, with more efficient investment programs is likely to also create an attractive environment for the private sector. In this case, improved public investments will crowd-in more private investments.

Annex 6: Analysis of Local Government Revenues

DGI	Local Government Revenues					
	2010	2011	2012	2013	2014	2015
Contribution of the patent	769,386,141	662,972,846	709,124,758	1,121,159,020	971,044,436	852,293,841
Mortmain property tax	79,384,886	111,020,834	114,699,544	80,406,743	136,267,400	117,426,847
CSI (CME)	363,636,038	364,111,394	343,332,851	406,038,455	392,026,384	387,433,017
Property tax	61,505,709	43,991,023	50,744,135	71,699,642	115,590,698	82,666,136
Tax on arms	9,488,383	9,842,531	19,310,983	9,005,340	10,185,872	8,857,419
Tax on entertainment	833,285,414	829,573,739	751,044,340	1,113,211,146	1,185,492,699	671,740,035
TCD	31,702,648	8,647,032	153,911,967	7,343,868	69,551,733	3,679,263
Tax on Road network		1,671,360	2,274,445	2,478,358	3,973,232	2,620,730
Public streets cleaning tax		229,285	316,950	642,500	581,500	353,800
TDC	45,002,201	17,455,800	1,047,205	492,990		
Total	2,193,391,420	2,049,515,844	2,145,807,178	2,812,478,062	2,884,713,954	2,127,071,088
		-6.56%	4.70%	31.07%	2.57%	-26.26%
GDI						
Contribution of the patent	6,448,422,048	6,677,780,909	7,063,769,352	7,594,317,586	8,831,289,047	9,891,104,918
Mortmain property tax	75,357,724	166,617,804	137,667,694	557,613,752	397,675,220	424,299,568
CSI (CME)	1,111,414,242	886,699,871	1,216,101,842	1,305,038,392	1,272,136,198	1,250,778,008
Property tax	398,554,255	267,454,684	413,903,472	458,925,002	442,036,602	386,349,191
Tax on arms	22,865,213	17,941,454	20,080,716	24,701,812	20,554,652	20,935,195
Entertainment tax	4,493,973,370	3,797,630,267	5,320,589,582	6,635,160,106	6,319,679,051	4,957,048,481
TCD	6,519,327	15,617,029	28,628,967	2,667,964	28,893,023	36,470,057
tax for occupation of the public domain		3,060,953	4,015,641	507,415	8,972,680	9,044,685
Public streets cleaning tax		182,293,039	687,629	24,800	1,193,169	513,423
TDC	509,041,474	113,378,786	513,690	76,000	1,919,000	
Total	13,066,147,653	12,128,474,796	14,205,958,585	16,579,032,829	17,324,348,642	16,976,543,526
		-7.18%	17.13%	16.70%	4.50%	-2.01%

DGTCP						
Entertainment Tax	16,502,600	12,050,900	12,220,400	17,252,550	18,218,150	17,877,450
Tax on avertissement	32,412,199	21,964,910	34,586,288	30,160,370	199,220,800	40,329,480
la taxe sur les jeux	9,438,191	34,252,177	2,863,175	7,531,775	9,017,575	1,626,850
Taxe on kiosques	1,754,600	1,265,500	618,500	1,229,500	907,756	990,506
Tax on selling carts	83,006,663	78,232,270	56,097,250	97,041,100	83,183,020	60,651,340
Total	143,114,253	147,765,757	106,385,613	153,215,295	310,547,301	121,475,626
		3.25%	-28.00%	44.02%	102.69%	-60.88%
Entertainment Tax	36,624,625	26,829,300	26,844,798	33,668,220	517,573,563	39,160,654
Tax on advertisement	40,948,780	360,954,508	433,401,941	722,331,413	646,905,511	822,483,734
la taxe sur les jeux	10,577,316	45,676,065	59,605,412	59,773,758	70,405,519	46,289,650
Tax on kiosques	236,200	1,979,500	1,532,600	2,504,200	891,000	17,424,700
Tax on selling carts	103,156,119	116,931,185	106,528,458	133,781,741	116,773,845	98,347,079
Total	191,543,040	552,370,558	627,913,209	952,059,332	1,352,549,438	1,023,705,817
		188.38%	13.68%	51.62%	42.07%	-24.31%

Annex 7: Exit Strategy

Local Government Support Project Additional Financing (P162742)

57. **The exit strategy aims to prepare Burkina Faso towards a sustainable capacity building for municipalities (SCBMs) by completion of the Project.** The SCBMs should become a key focus of future investments in local governments' capacity by the Government and donors, informed by a strong diagnosis.

58. The Government of Burkina Faso remains cognizant to the need for improving decentralization and local governance to effectively improve services for citizens and reduce extreme poverty. The Government's most recent efforts have included transferring of competencies to local governments and increasing transfers of fiscal resources to local governments in the next 4 years. With the IDA grants, the Government is more likely to achieve significant results concerning the broad objectives for decentralization. However, building local government capacity for better development results is a hard work. It requires continuous, long-term investments in capacity building and conscious efforts in measuring impact of capacity in terms of service delivery to citizens. This underscores the importance of continuous efforts to strengthen commune capacity, improving intergovernmental architecture and keeping pressures on the government to continue with effort to build a strong local government sector. Key focus areas include:

- (a) **Commune capacity.** Decentralization carries economic (allocative and managerial efficiency) and social (accountability) benefits, which in turn requires functioning local governments providing services. Therefore, successful decentralization requires that local governments function effectively and manage public funds and provide services. The project has made great strides in improving the physical, organizational and human capacities of communes. Since some of these interventions are a one-time investment, the government is expected to continue with strengthening human capacity of communes.
- (b) **Improving intergovernmental architecture.** This requires, investing in measures that promote gradual fiscal independence and responsibility of local Governments. There is growing shift in services delivery responsibility to local governments across the world, and this is likely to persist. Local governments with greater fiscal responsibility and autonomy are contributing in immeasurable ways to national development. This raises the issues about local government fiscal capacity in Burkina Faso. The fiscal architecture of Burkina Faso's local government needs to be significantly modernized for the country to close the service gap. While there is no silver bullet approach to increasing fiscal autonomy of local governments, a reasonable amount of regulatory frameworks has been adopted across the world, including in developing countries that Burkina Faso can learn from.

- (c) **Investing in fostering and strengthening capacities of other stakeholders.** The project invests in the capacities of two very important players who will keep the pressure on the government to continue improving local government system. Both AMBF and the Parliamentary network on Decentralization will continue pressuring the government.
- (d) **Investment in fostering and strengthening corporate governance of municipalities** - which can help to modernize local government's operations and prepare them towards fiscal independence and accountability. This could include systematic evaluation of impact of local government capacity to service delivery.

Annex 8: Theory of Change/Project Results Chain

The development objective of the project is to strengthen the national capacity for decentralization, the institutional capacities of communes in all regions and to increase citizen participation in local governance

Long-Term Outcomes	Medium/Short Term Outcomes by Component	Key Outputs by Sub-Component	Activities	Inputs
Strengthened central government capacity for decentralization	Component 1: Establishment of the foundations of robust administrative and fiscal intergovernmental institutions <ul style="list-style-type: none"> Transparent and rule-based intergovernmental fiscal framework established Robust intergovernmental administrative systems in place. 	Sub-component 1.1: Supporting high-level policymaking <ul style="list-style-type: none"> Periodic reports on monitoring and coordination functions of the Prime Minister's Office in regards to decentralization reforms Oversight capacity of Parliament over decentralization reforms Macro policy guidance on the decentralization process Institutional and donor coordination and communication 	<ul style="list-style-type: none"> Regular monitoring of decentralization policies by the Prime Minister's Office Regular publication of reports on the performance of government commitments to decentralization Coordination of high-level engagement among development actors towards the achievement of government targets for decentralization in the PNDES. Training members of Parliamentary Network on decentralization policies and emerging issues (with particular attention to recently approved laws and local government performance; Developing a platform to promote Parliamentarians' interactions with local government actors and citizens at local and national levels Studies to identify and recommend suitable fiscal decentralization policy options Development of a robust intergovernmental fiscal framework (IGFF) and the elaboration of sector decentralization reviews; Communications and awareness for central and local government officials. 	US\$ 3 million
		Sub-component 1.2: Support to the MINEFID <ul style="list-style-type: none"> Capacities for revenue collection and administration Formula for the determination of the vertical pool. Institutional capacity of local governments for expenditure planning and rationalization of fiscal transfers 	<ul style="list-style-type: none"> Development of fiscal architecture that supports equitable and predictable central transfers to communes; Implementation of roadmap for fiscal decentralization, including identification of buoyant sources of revenues for local governments (including property tax), collection of local revenues, and establishing formulas for the vertical and horizontal distribution 	US\$ 2 million
		Sub component 1.3: Support to the Ministry of Territorial Administration and Decentralization <ul style="list-style-type: none"> Institutional capacity of MATD in its efforts to: (i) rationalize and strengthen 	<ul style="list-style-type: none"> Development of a roadmap for the implementation of new policy, which would allow timely transfer of competences to specific communes within a given timeframe. Establishment of procedures for identification and transfer of required competences, ensuring that competences transferred to communes would have the greater impact on the communes' human resources 	US\$ 2 million

		<p>the ministry's institutional arrangements and coordination functions; (ii) regulate, guide and monitor the application of human resource management, procurement, PFM, and information systems by local governments;</p> <ul style="list-style-type: none"> ▪ Institutional capacity for proximate ministerial support to local governments through de-concentration. ▪ Institutional capacity to support implementation of transfer of civil servants from national level to municipalities. 	<p>capacity and delivery of services to communes.</p> <ul style="list-style-type: none"> ▪ Development of guidelines to facilitate communes' compliance with policy objectives with respect to communes' gradual takeover of salary top-ups for transferred staff. ▪ Development of mechanisms for tracking and assessing the direct impact of competences transferred on recipient communes' performance. 	
Enhanced institutional capacities of municipalities (communes)	<p>Component 2. Strengthening capacity of municipalities to manage local development</p> <ul style="list-style-type: none"> ▪ Operational efficiency of communes through provision of institutional development grants. 	<ul style="list-style-type: none"> ▪ Core administrative systems and capacities to attain basic levels of administration, ▪ Communication and feedback channels with the citizens. • Capacity of Department for Local Authorities to elaboration of the IDF; • Capacity of municipalities to develop and implement IDF 	<ul style="list-style-type: none"> ▪ Development and implementation of Municipal Institutional Development Plans (MIDPs). This will include construction of facilities, transportation vehicles, office furniture, hardware, technical support and scholarships to attend courses (offered by Ecole Nationale d'Administration et de Magistrature (ENAM) and Ecole Nationale des Regies Financieres (ENAREF) under the National Strategy for Capacity Development) 	USD 49.5 million
Increased citizen participation in local governance	<p>Component 3: Improving citizen participation in local governance</p> <ul style="list-style-type: none"> ▪ Strengthen local government accountability for resource utilization. ▪ Culture of citizen engagement and oversight in decision-making and service delivery. 	<p>Sub-component 3.1: Strengthening local council and community oversight of local government performance</p> <ul style="list-style-type: none"> ▪ Robust accountability and transparency practices. 	<ul style="list-style-type: none"> ▪ Regional NGOs supporting communes to implement the institutional development grants (IDG) requirements, ▪ Regional NOS tracking progress on level of communes' achievements on the IDG requirements. ▪ Community sensitization and mobilization by Regional NGOs for improved implementation of IDG requirements. ▪ An active Social Accountability Platform (SAP) in each region to promote knowledge sharing and strengthen capacity for CSOs and CBOs on citizen engagement practices, 	US\$ 1.5 million
		<p>Sub-component 3.2: Recognizing and rewarding good local governance practices through competitive sub-grants</p> <ul style="list-style-type: none"> ▪ Annual competition for the promotion good local governance practices 	<ul style="list-style-type: none"> ▪ Rewarding best performing municipalities to encourage innovations and better services to citizens 	US\$ 3.0 million

	<ul style="list-style-type: none"> Capacity of local councils and selected representatives of civil society and community based organizations to engage in monitoring of local government performance. 	Sub-component 3.3 Municipal Performance Tracking <ul style="list-style-type: none"> Capacity for municipal performance tracking 	<ul style="list-style-type: none"> Data collection for municipal performance tracking and evaluation Production and dissemination of Municipal Scorecard. Technological and institutional platform for municipal performance monitoring. Technical Committees for municipal performance data collection and data management and publication of municipal scorecard 	US\$1.0 million
		Sub-component 3.4 Partnerships with Community-Based Organizations <ul style="list-style-type: none"> Active engagement of community-based organization in municipal governance and service delivery process 	<ul style="list-style-type: none"> Piloting Partnership CBO approach by tapping the organizational and mobilization capacity of CBOS for better local governance and service delivery. Provision of financial incentive to high-functioning local CBOs to further the general interests of CBOs' communes as a whole. Testing viability of the CBOs Partnership Approach in selected communes, including conducting an impact evaluation to assess the effectiveness and sustainability of the approach and developing a roadmap for scale-up of the activity. Mainstreaming of the CBOs Partnership Approach, which includes rollout of the CPA across communes in the subsequent years. 	US\$1.0 million
		Subcomponent 3.5 Technical Assistance to the Association of Municipalities of Burkina Faso <ul style="list-style-type: none"> Capacity for stakeholder coordination and improved CE Platforms for improved CE 	<ul style="list-style-type: none"> Creating a Social Accountability Platform in each region, consisting of civil society (CSOs) and community-based organizations (CBOs) to promote citizen participation in municipal processes, Establishment of <i>cooperation agreements</i> between selected regional NGOs and communes in each region, to promote citizen engagement in municipal processes, ensure timely fulfilment of the requirements of the institutional development grants (Component 2) and promote participation of communes in COPEGOL. Building capacity support for communes in citizen engagement. 	US\$1.5 million
Improved Institutional coordination and implementation capacity	Component 4	Improvements in coordination of local government reform efforts	<ul style="list-style-type: none"> Management of fiduciary and monitoring activities; Coordination of technical work and provision of support services to the technical units within the relevant line ministries Monitoring of and reporting on the implementation of Project's activities 	US\$5.5

Annex 9: Map of Municipalities of Burkina Faso

