

**INVESTMENT CLIMATE IN AFRICA
PROGRAM
FOUR-COUNTRY IMPACT ASSESSMENT

BURKINA FASO COUNTRY
REPORT**

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in association with

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ABBREVIATIONS AND ACRONYMS

ADR	Alternative dispute resolution
CAMC-O	Centre d'Arbitrage, de Médiation et de Conciliation
CCIA - BF	Chambre de commerce et d'industrie du Burkina Faso
CEFAC	Centre de Facilitation des Actes de Construire
CEFORE	Centre de Formalités des Entreprises
DADF	Direction des Affaires Domaniales et Foncières
DB	Doing Business
DBBBF	Doing Business Better in Burkina Faso
DGD	Direction Générale des Douanes
DGI	Direction Générale des Impôts
DGPSP	Direction Générale de la Promotion du Secteur Privé
EU	European Union
FIAS	Foreign Investment Advisory Service
GOBF	Government of Burkina Faso
GUF	Guichet Unique du Foncier
ICF	Investment Climate Facility for Africa
IFC	International Finance Corporation
IMF	International Monetary Fund
LNBTP	Laboratoire National du Bâtiment et des Travaux Publics
MEBF	Maison de l'Entreprise du Burkina Faso
MINCOM	Ministry of Commerce and Industry
MINFIN	Ministry of Economic Affairs and Finance
OHADA	Organisation pour l'Harmonisation du Droit des Affaires en Afrique
PCR	Project Completion Reports
PM	Program Manager
PPD	Public –Private Dialogue
PR	Progress Reports
PSCS	Private Sector Cost Savings
SECO	Secretariat for Economic Affairs of Switzerland
SCM	Standard Cost Model
SME	Small and Medium Enterprises
SR	Supervision Reports
WB	World Bank
WBES	World Bank Enterprise Survey

Currency

CFA Franc (CFAF)

Exchange Rates

2006	US\$ 1.00 = CFAF 552.05
2007	US\$ 1.00 = CFAF 547.05
2008	US\$ 1.00 = CFAF 546.62
2009	US\$ 1.00 = CFAF 565.12
2010	US\$ 1.00 = CFAF 585.00

EXECUTIVE SUMMARY

Introduction

The purpose of the Report is to provide an evaluation of the *Doing Business Better in Burkina Faso Project* (DBBBF or the “Project”) implemented by the IFC over the 2006 – 2010 period. In line with the Terms of Reference (TOR), the analysis is aimed at assessing “*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*” (page 2 and 3). In particular, the exercise involves (i) a **qualitative part**, focusing on the relevance, effectiveness (outputs and outcomes), and efficiency of the IFC intervention, and (ii) a **quantitative part**, aimed at quantifying the impacts achieved both by the Project as a whole (‘cross cutting’ impacts) and by specific interventions (‘product or component-specific’ impacts).

Project Overview

Objective and Approach. As indicated in the approval document, the Project’s **overall objective** was “*an improved investment climate as measured by the Doing Business indicators.*” Accordingly, the Project sought “*to improve key areas of the business climate, incorporating those measured in Doing Business, and thereby help Burkina Faso move from the bottom to the first half of Sub-Saharan African countries as measured in Doing Business at the end of the project.*” To a large extent, the Project can be seen as a response to the criticisms voiced by the Government of Burkina Faso (GOBF) regarding the country’s poor ranking in the Doing Business (DB) Reports for 2004 and 2005, which placed Burkina Faso third from the bottom. The basic concept informing the Project, as well as its key challenge, was essentially to turn the initial GOBF’s negative attitude into a positive one, by supporting reforms whose results could be made visible through an improvement in the country’s DB rankings.

Timeline and Budget. The Project was **approved in September 2005** and became operational on March 16, 2006, with an initial duration of 21 months. During implementation, the duration was extended first to 31 months, then to 48 months and finally to **57 months**. At approval, the Project had an estimated budget of about **US\$ 2.2 million**, of which US\$ 1.9 million funded by Switzerland’s SECO and about US\$ 0.3 million covered by the IFC budget. During implementation, additional funding of US\$ 500,000 was secured, bringing the final budget to **US\$ 2.8 million**.

Components. Initially, the Project was to focus on five areas, closely connected with DB indicators, namely: (i) business registration; (ii) employment regulation; (iii) property registration; (iv) contract enforcement; and (v) business liquidation. During implementation, the scope of the Project was progressively extended, to encompass additional areas. In particular: (i) from Project start, work on business registration was complemented with the provision of assistance in the broader field of business licensing; (ii) starting with 2007, work on property registration was complemented with the provision of assistance in another, related area also covered by DB reports, namely the issuance of construction permits; (iii) finally, beginning in 2008, assistance was also provided in the fields of business taxation and trade logistics, again in connection with the two corresponding DB indicators. As a result, the Project can be seen to include **eight components**, labeled after the corresponding DB indicators, and whose objectives are summarized in the table below.

Project Components

Component	Objectives
#1 – <i>Starting a Business</i>	Primarily focused on the improvement of business registration procedures, with additional work on the simplification of business licensing at the sector level
#2 – <i>Dealing with Construction Permits</i>	Focused on the streamlining of procedures for the issuance of building permits
#3 – <i>Registering Property</i>	Aimed at simplifying procedures and reducing the cost for real estate transactions
#4 – <i>Employing Workers</i>	Supporting the implementation of legislative and regulatory reform to increase labor market flexibility
#5 – <i>Closing a Business</i>	Aimed at improving the effectiveness of bankruptcy proceedings
#6 – <i>Enforcing Contracts</i>	Aimed at supporting the use of ADR and at improving the functioning of commercial courts
#7 – <i>Paying Taxes</i>	Focused on the reform of business taxation, in line with private sector needs
#8 – <i>Trading Across Borders</i>	Supporting the adoption of reforms of import export procedures

Evaluation

Strategic Relevance. As the Project was primarily aimed at improving Burkina Faso's rankings in terms of DB indicators, the appropriateness to country conditions largely depends upon the ability of DB indicators to capture the essential features of the local investment climate. *The picture is mixed.* On the one hand, the simplification of the business registration process and the streamlining of procedures for property transfer and construction permits were certainly important steps to inject some dynamism into the Burkinabé economy. Similar considerations apply to the reform of the tax system and of the judiciary, whose importance for the creation of a conducive business environment cannot be underscored. On the other hand, some Project components were much less attuned with prevailing local conditions. This applies in particular to reform efforts in the areas of bankruptcy law, in a country where the majority of businesses continue to operate on the margin of informality, and of labor legislation, which - according to enterprise surveys - never constituted a serious constraint to business operations. Overall, the Project *achieved a good balance between 'quick wins' and more structural results.* Obviously, given the overriding objective of achieving an improvement in terms of DB rankings, no opportunity was missed to eliminate or streamline procedural steps here and there, sometimes irrespective of the real relevance of these 'reforms.' However, this 'tactical' attitude always coexisted with attention to deeper reforms. Project activities were *supervised by a Steering Committee* of representatives from key ministries and private sector organizations. Formally established by an inter-ministerial decree at the beginning of Project activities, the Steering Committee proved an effective institutional mechanism, as it contributed to ensure the ministries' active engagement in the reform process. Given the positive experience, starting in 2009 this approach was replicated on a smaller scale for two additional components.

Delivery of Outputs. The Project delivered a *substantial number of outputs, most of which were of good, if not excellent, quality and usually submitted on time.* The output targets included in the monitoring plan were usually over achieved. In addition, several outputs are not captured by the indicators used by the Project team, and this includes some very tangible deliverables, like software programs (e.g. for the handling of court cases) or support to communication activities. Even more importantly, the Project was instrumental in helping various Burkinabé institutions to secure additional financing for follow-up/parallel initiatives, thereby contributing to the mobilization of about US\$ 5 million. The assistance provided by the Project is *positively assessed by counterparts*, with virtually all beneficiary institutions declaring themselves highly satisfied or satisfied. Comments were particularly positive regarding the extremely cooperative attitude displayed by the in-country Project team, whose willingness to assist was highly praised by interviewees.

Achievement of Development Outcomes. The degree of acceptance and implementation of recommendations formulated under the Project is *very high, irrespective of the component or of*

the type of reform proposed. In some cases (e.g. labor legislation) acceptance and implementation of recommendations came at the end of a long and laborious process, requiring constant contacts with relevant GOBF entities and other stakeholders. In other cases (e.g. the business licensing reform), the initial endorsement took sometime to materialize, but once the ‘green light’ was obtained, things moved forward fairly quickly. Modest results were achieved in building local capabilities in the field of ‘economic analysis of regulation’, as the intervention in this area was too limited. As a result of the reforms supported by the Project, between 2008 and 2010 Burkina Faso recorded a **significant improvement in DB rankings**, gaining some fifteen positions in terms of overall “Ease of Doing Business.” In addition, some elements suggest that the evidence on which DB rankings are calculated may not fully reflect the results achieved. In the past this was the situation with the construction permits indicator, and now it seems to be the case with the starting a business indicator. The country lost some ground in the DB 2011, due to the elimination of the “Employing Workers” indicator, but this is certainly not the fault of the Project.

Efficiency. Average expenditures have been about US\$ 40,000/month, compared with some US\$ 100,000/month originally planned. The difference suggests *there might have been some over budgeting at inception but resources were also used sparingly*. This is mainly related to the fact that a larger than initially foreseen share of activities was carried out directly by the (less expensive) Project team, with limited reliance on (more costly) consultants and IFC staff from HQ. The **cost structure is well balanced**. Staff costs are the main item, accounting for 31% of expenses, followed by travel costs (21%), office rent (18%), and contractual services (13%). The main difference between budget and actual expenses refers to consultants, which account for only 2% of expenses compared with an estimated 10% of budget. Starting with 2007, the **Project team was characterized by remarkable stability**, with the same people being involved in Project activities for a fairly long period of time, which greatly helped ensure continuity of action. The decision made at inception to have a **strong on-the-ground presence** proved absolutely correct, and greatly contributed to establishing an effective working relationship with counterparts.

Impact Assessment

Introduction. The impact assessment exercise focused on 7 types of impact, namely:

- two **overall impacts**, relevant for all components or product areas, including: (i) the aggregate private sector cost savings, and (ii) the private sector investment generated;
- five **product-specific impacts**, including: (i) the number of new businesses registered, (ii) the number of new jobs created, (iii) the number of new businesses complying with tax regime, (iv) the tax revenue generated, and (v) the increase in trade flows.

Three methodological issues must be highlighted at the outset. First, the exercise required the use of a variety of data, both of a micro and macro-economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, **sometimes only rough estimates could be produced**. Second, the notion of ‘product-specific’ impact (i.e. related to work carried out in a specific area of intervention) is at times diminutive, as some impacts are in fact the result of more than one strand of activities or components (as well as by other external factors). Therefore, **whenever feasible, the analysis was extended to consider all the main contributing factors**. Third, the impact assessment exercise covers the period until end 2010. It is well known that in many cases investment climate reforms take time to produce effects, which become visible only in the medium term. This is particularly the case for impacts on investment and employment, as economic agents tend to respond with a time lag to the opportunities created by changes in the legislative and regulatory framework. Therefore, it is important to stress that the quantitative estimates provided in this Report refer only to **the initial impacts of the IFC intervention, and do not consider the effects that could materialize in the future**.

Private Sector Cost Savings. Private sector cost savings (PSCS) are defined as the savings accruing to private economic agents as a result of reforms in the investment climate. They include: (i) *cost savings*, associated with the reduction in out-of-pocket expenses incurred by private enterprises thanks to the elimination/reduction of certain fees (stamp duties, service fees, etc.) and/or of the need to rely on service providers for certain formalities (e.g. elimination of notarization for articles of incorporation); (ii) *time savings*, referred to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services; and (iii) *financial savings*, related to the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages. Over the 2007 – 2010 period, the PSCS generated by the reforms supported by the Project can be estimated at **about US\$ 2.7 million**. Overall, about one third of total PSCS are connected with a single reform, the reduction of the *ad valorem* tax on property transactions. Other significant sources of PSCS include the simplification of business registration (14% of total PSCS) and the elimination of police escorts for containerized traffic (12%), followed by the establishment of a one-stop-shop structure for construction permits (8%) and the reduction of fees for the registration of court awards (also 8%). Other reforms appear to have yielded limited benefits, with value below US\$ 200,000.

Private Sector Investment Generated. The impact on private investment is the result of the acceleration of the enterprise formation process supported by the investment climate reforms. Based on average investment parameters in newly formed enterprises, the value of incremental private sector investment somehow associated with the reforms promoted by the Project can be estimated at about **US\$ 5 to 6 million for the 2008 – 2010 period**. When compared with overall developments in private sector investment, these are undeniably modest figures, representing at most 0.5% of total private investment in 2010. However, this comparison is only partially appropriate, given the strong influence on overall investment levels of a few large foreign investments, while investment climate reforms are primarily targeted at improving the operating environment for local businesses. In this respect, while figures on domestic private investment are lacking, there is no doubt that the Project contribution has been more significant.

Number of New Business Registered. Investment climate reforms appear to have contributed to accelerate the pace of enterprise formation, and out of the some 12,000 new businesses registered during the 2008 – 2010 period, **about 1,200 can be regarded as ‘incremental’ registrations**, somehow linked to the reforms supported by the Project. When allowance is made for non operational firms and for firms previously operating informally, it can be estimated that the reforms supported by the Project contributed to the **formalization of about 250 – 300 previously existing businesses** and to the **creation of some 900 - 950 new businesses**, of which, about 200 – 250 have or are expected to have temporarily or permanently ceased operations three years after registration.

Number of Jobs Created. The increase in the number of new businesses also reverberates on employment levels. Based on average parameters for employment levels in newly established enterprises, the number of jobs somehow associated with reforms supported by the Project can be estimated on the order of **1,700 – 2,000 for the period 2008 – 2010**. This accounts for about 0.3 – 0.4% of formal employment in the private sector. No impact on employment could be detected in the case of the reform of labor legislation.

Other Impacts. The higher level of formalization associated with the reform of the business registration system has probably contributed to an increase in the **number of businesses complying with tax regulations** but the effect is likely to be tenuous and undistinguishable from that of other factors. In the case of **tax revenues**, aggregate data show a positive trend but this is the result of a

general effort to combat tax evasion that the GOBF has been deploying for some time, as part of agreements with the IMF. Under these conditions, no significant impact on fiscal variables can be ascribed to Project activities. The same applies in the case of *trade flows*. In fact, import-export largely concentrates on time-insensitive goods, and therefore the impact of minor modifications in the time spent by operators in obtaining some documents appears to have had a negligible effect.

Recommendations

The Project is expected to be followed up by another initiative whose preparation is currently ongoing. Evaluation results provide elements that could be considered in the design of the new initiatives. In particular:

- in order to enhance strategic relevance, the *scope of reform interventions should be expanded beyond DB-related indicators*. An area deserving special attention is that of business licensing reform, where efforts have just begun. In this context, of paramount importance are conditions for new entrants, as larger, more powerful and politically connected private groups might be in the position to influence regulatory activities, in a manner that effectively precludes the arrival of new entrants;
- to further enhance relevance, efforts targeted at legislative and regulatory reform should be complemented by *actions aimed at strengthening the enterprise growth process*. This could involve the strengthening of existing enterprise support structures, whose range of services could be augmented by making available tools developed by the IFC;
- concerning operational aspects, the *current organizational model centered on a strong in-country presence should be maintained*, although with possible adaptations that may be required by broadening the areas of intervention;
- regarding monitoring, an *effort should be made to develop datasets and tools that provide quantitative evidence* about the problems addressed. This should be complemented by the *systematic tracking of resources used by various components and product lines*, in order to be able to properly assess cost effectiveness of reform efforts;
- finally, in order to create a solid basis for sustaining the reform process over time, *more resources should be invested to build local capabilities in the analysis and quantification of reform impacts*, in particular regarding the assessment of benefits associated with regulatory reform.

MAIN TEXT

1 INTRODUCTION

This Burkina Faso Country Report (the “Report”) is submitted to the International Finance Corporation (IFC) within the framework of the “Investment Climate in Africa Program - Four-Country Impact Assessment” (hereinafter referred to as “the Assignment” or “the Study”). The Report was prepared by *Economisti Associati*, in collaboration with the *Center for Economic and Social Research* and *The Africa Group*, collectively referred to as “the Consultant.”

The purpose of the Report is to provide an evaluation of the *Doing Business Better in Burkina Faso Project* (DBBBF or the “Project”) implemented by the IFC over the 2006 – 2010 period. In line with the Terms of Reference (TOR) for the Assignment, the analysis is aimed at assessing “*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*” (page 2 and 3). In particular, the exercise involves (i) a **qualitative part**, focusing on the relevance, effectiveness (outputs and outcomes), and efficiency of the IFC intervention, and (ii) a **quantitative part**, aimed at quantifying the impacts achieved both by the Project as a whole (‘cross cutting’ impacts) and by specific interventions (‘product or component-specific’ impacts).

The Report is based on a combination of primary and secondary sources. Secondary sources consist of a variety of **project documents** including approval documents, supervision reports (SR), progress reports to donors (PR), as well as **substantive reports** on various topics produced by IFC staff or consultants during implementation. Primary information was collected during a **field mission** carried out in July – August 2010 as well as from subsequent fact finding work carried out by local consultants in August – October 2010. Throughout the implementation of the Assignment, the Consultant enjoyed the **full support of the relevant IFC staff**, who kindly supplied background documents and, most importantly, provided clarifications and contributed their views on various aspects of Project activities. The assistance provided by the Program Manager, Mr. Alain Traoré, and his team members, Ms. Marie-Geneviève Compaoré, Mr. Inoussa Ouédraogo and Mr. Hamidou Songo, proved instrumental in a number of occasions and is gratefully acknowledged here.

An earlier version of this Report was submitted in November 2010¹. The current version benefits from some comments formulated by IFC staff as well as from the collection of additional information on selected aspects.

The Report is structured as follows:

- Section 2 provides an overall presentation of the DBBBF (timeline, budget, components, etc.);
- Section 3 provides a detailed analysis of Project activities, focusing on individual components;
- Section 4 provides a qualitative evaluation of the Project, focusing on issues related to relevance, effectiveness and efficiency;
- Section 5 provides a quantification of Project impacts, looking at ‘cross cutting’ impacts as well as at some component-specific impacts;
- Section 6 summarizes the key findings and formulates some recommendations.

The Report also includes four Annexes. In particular:

- Annex A, listing the documentary sources used;
- Annex B, listing the persons and entities interviewed during fieldwork;
- Annex C, providing a detailed analysis of one of the impacts analyzed, the so called private sector cost savings;
- Annex D, providing a detailed analysis of the other impacts.

¹ Report #5 – Burkina Faso Country Report, November 18, 2010.

The Report was written by Roberto Zavatta (Team Leader) with substantial support from Enrico Giannotti (Senior Evaluator) and research assistance from Tommaso Grassi (Senior Evaluator), and Elena Esposito and Elisa Farri (Research Assistants). Fact finding work in Burkina Faso was carried out by Roberto Zavatta, with the assistance of Jean Claude Bonkougou (Local Consultant). As indicated above, the Consultant greatly benefited from inputs provided by IFC staff involved in the Project. However, as it is customary for consulting reports, especially in the case of independent evaluation assignments, the views expressed in this Report are those of the authors only and should not be attributed in any way to the IFC, its staff and, in general, the World Bank Group.

2 PROJECT OVERVIEW

2.1 Objective and Timeline

Objective. DBBBF is one of the initiatives of the Investment Climate Advisory Services program of the World Bank Group, which provides technical assistance and advice to countries seeking to improve their investment climate. As indicated in the approval document, the Project's *overall objective* is “an improved investment climate as measured by the Doing Business indicators.”² Accordingly, the Project sought “to improve key areas of the business climate, incorporating those measured in Doing Business, and thereby help Burkina Faso move from the bottom to the first half of Sub-Saharan African countries as measured in Doing Business at the end of the project.”³ To a large extent, the Project can be seen as a response to the criticisms voiced by the Government of Burkina Faso (GOBF) regarding the country's ranking in the Doing Business (DB) Reports for 2004 and 2005, which placed Burkina Faso third from the bottom. The basic concept informing the Project, as well as its key challenge, was essentially to turn the initial GOBF's negative attitude into a positive one, by supporting reforms whose results could be made visible through an improvement in the country's DB rankings.

Timeline.⁴ The Project was prepared in 2005, building upon earlier advisory work performed by FIAS, including a study on investment barriers carried out in 2000 and a study on administrative barriers completed in 2003. An Early Review was prepared in February 2005⁵ and the Project was approved in *September 2005*. The start of operational activities was delayed by an initial slow response from GOBF, partly in connection with the November 2005 elections. Operations started on *March 16, 2006*, with the official launch ceremony taking place in July 2006. Initially, the Project was expected to last for 21 months, but duration was extended first to 31 months, then to 48 months and finally to *57 months*. The Project was the subject of mid-term evaluation in the *second half of 2007*.⁶

2.2 Components

Initially, the Project was to focus on *five areas*, closely connected with DB indicators, namely: (i) business registration, in order to complete the process initiated by earlier FIAS work; (ii) employment regulation, focusing on the reform of the labor code; (iii) property registration, with a view to streamline procedures and costs; (iv) contract enforcement, with special emphasis on the development of the arbitration center and the implementation of other alternative dispute resolution (ADR) mechanisms; and (v) business liquidation, in order to improve bankruptcy procedures. During implementation, the scope of the Project was progressively extended, to encompass *additional areas*. In particular: (i) from Project start, work on business registration was complemented with the provision of assistance in the broader field of business licensing; (ii) beginning in 2007, work on property registration was complemented with the provision of assistance in another, related area also covered by DB reports, namely the issuance of construction permits; (iii) finally, starting in 2008, assistance was also provided in the fields of business taxation and trade logistics, again in connection with the two corresponding DB indicators. As a result, the

² TAAS PDS Approval, version dated September 19, 2005 (hereinafter, “First Approval”).

³ TAAS PDS Approval, version dated March 29, 2010 (hereinafter “Second Approval”).

⁴ There are some uncertainties regarding the timeline, as some documents are not dated and/or the date of key steps is not explicitly indicated (e.g. we were unable to locate the precise approval and review dates). However, this does not impact significantly on the analysis.

⁵ TAAS PDS Early Review, version dated February 14, 2005 (hereinafter, “Early Review”).

⁶ Nathan Associates Inc., *Doing Business Better in Burkina Faso, Mid-Term Evaluation*, Final Report, December 19, 2007

Project can be seen to include *eight components*, labeled after the corresponding DB indicators, and whose objectives are summarized in Table 2.1 below.

Table 2.1 Project Components

Component	Objectives
<i>#1 – Starting a Business</i>	Primarily focused on the improvement of business registration procedures, with additional work on the simplification of business licensing at the sector level
<i>#2 – Dealing with Construction Permits</i>	Focused on the streamlining of procedures for the issuance of building permits
<i>#3 – Registering Property</i>	Aimed at simplifying procedures and reducing the cost for real estate transactions
<i>#4 – Employing Workers</i>	Supporting the implementation of legislative and regulatory reform to increase labor market flexibility
<i>#5 – Closing a Business</i>	Aimed at improving the effectiveness of bankruptcy proceedings
<i>#6 – Enforcing Contracts</i>	Aimed at supporting the use of ADR and at improving the functioning of commercial courts
<i>#7 – Paying Taxes</i>	Focused on the reform of business taxation, in line with private sector needs
<i>#8 – Trading Across Borders</i>	Supporting the adoption of reforms of import export procedures

Source: Project Approval Documents

Two aspects are worth noting, namely:

- work on trade logistics was set up as an administratively separate project, the *Trade Logistics Burkina Faso Project* (#569567), approved at the end of 2008. This project was implemented largely in parallel with DBBBF and is therefore covered by this Report;
- work on the ADR part of the ‘Enforcing Contracts’ component was transferred to another project, the *AFR Burkina ADR Project* (#570207). Approved in April 2010, this project has an expected duration of 24 months, only marginally overlapping with DBBBF. Activities of this project are therefore excluded from the analysis.

2.3 Organization and Budget

Project Counterparts. Project documents indicate the GOBF as the Project ‘client.’ This translated into the establishment of a high level *Steering Committee*, chaired by the Ministry of Commerce and Industry (MINCOM) and comprised of representatives from various ministries and the private sector. In line with its very broad scope, during implementation the Project interacted with *a variety of government and private sector counterparts*. Key counterparts included:

- the Ministry of Economic Affairs and Finance (MINFIN), both in general and with reference to work on the ‘Paying Taxes’ and ‘Trading Across Borders’ components, whose operational counterparts have been, respectively, the *Direction Générale des Impôts* (DGI) and the *Direction Générale des Douanes* (DGD);
- the Ministry of Labor, mainly in connection with the reform of labor regulations and legislation;
- the Ministry of Justice (MINJUS), in connection with the ‘Enforcing Contracts’ component but also with reference to general legislative reform;
- the MINCOM, regarding work on business registration and business licensing reform;
- the *Chambre de commerce et d’industrie du Burkina Faso* (CCI-BF) and the *Maison de l’Entreprise du Burkina Faso* (MEBF), which were key counterparts in matters related to business registration, real estate transactions and building permits.

Project Organization. Since the very beginning, great emphasis was placed on the provision of “*on-the-ground implementation support to the national... government*” (Early Review, page 1). Accordingly, the Project was implemented primarily by a ***core team of 4 professionals permanently based in Burkina Faso***. The core team was supplemented by IFC staff from various specialized units, who visited the country on short term missions. In certain cases, reliance was also made on the work of consultants, mainly for fact finding work. The core team enjoyed a high degree of stability, with the same Program Manager and most of the other staff working on the Project since late 2007.

Budget. At approval, the Project had an estimated budget of about ***US\$ 2.2 million***, of which US\$ 1.9 million funded by Switzerland’s SECO and about US\$ 0.3 million covered by the IFC budget (First Approval, page 4). Because of the two separate sources of funding, from an administrative point of view DBBBF was implemented as two ‘projects,’ i.e. Project #534608 for the part financed by SECO, and Project #540124 for the part supported by the IFC subsidy. During implementation, an additional funding of US\$ 80,000 was secured, seemingly from SECO. Additionally, the subsidy element was increased to about US\$ 555,000 while another US\$ 200,000 were raised to finance work on trade logistics under project #569567.⁷ All things considered, the total final budget appears to be in the order of ***US\$ 2.8 million***. No information is available on the budget composition by component, either ex ante or ex post. Approval documents do contain an indication of the importance of the various ‘product lines’ encompassed by the Project, but it is unclear whether this has any relationship to the allocation of funds.

⁷ Another US\$ 360,000 were allocated to the AFR Burkina ADR Project (#570207).

3 PROJECT COMPONENTS

3.1 Component #1 – Starting a Business

This component focused on two aspects, namely: (i) the simplification of the business registration process, and (ii) the simplification of business licensing in various sectors.

Business Registration. In Burkina Faso, business registration procedures are handled by the *Centre de Formalités des Entreprises* (CEFORE), a one-stop-shop structure established in 2006. Although the creation of CEFORE predates the launch of DBBBF, the Project actively supported the *strengthening of the institution*. In particular, this involved (i) the organization of workshops with lawyers, notaries and other stakeholders involved in the registration process, and (ii) the provision of support for the progressive decentralization of CEFORE services, along with the financing of communication activities in connection with the opening of branches in various cities and towns (Bobo-Dioulasso, Tenkodogo, Koudougou, etc.). As CEFORE's assistance needs for the decentralization and computerization of services largely exceeded the Project's capabilities, in 2008 the IFC team assisted CEFORE (as well as CEFAC, see below) to secure additional funding from the Investment Climate Facility for Africa (ICF). As a result of this work, ICF approved an US\$ 555,000 project to support CEFORE. Institutional strengthening efforts were accompanied by *advisory work* aimed at simplifying procedures and reducing costs for business registration. This involved the formulation of recommendations regarding the amendment of certain pieces of legislation (e.g. the amendment to the 2008 Loi de Finances regarding the abolishment of the obligation to register the articles of incorporation and minutes of the founding meeting with the tax administration), the adoption of regulatory measures (e.g. the 2009 decision of the Ministry of Justice legalizing the online registration of companies' registration notice), as well as the improvement of some practical aspects (e.g. the simplification of registration forms used by CEFORE). As a result of this work, registration procedures were considerably eased, with a reduction in both time and costs.

Business Licensing. Work on business licensing started at the end of 2006 with the identification of the business licenses falling under the remit of six ministries. The exercise was continued in 2007, eventually leading to the mapping of more than 120 business licenses across 15 ministries. This initial fact finding work was to be followed up with the formulation of reform proposals but there were difficulties in mobilizing the required support from HQ and work was largely put on hold until May 2008, when a FIAS mission took eventually place. The mission led to the formulation of a concept note laying out a strategy for reforming the licensing regime. The concept note was endorsed by the GOBF, and a Steering Committee (*Comité de Pilotage*), chaired by MINCOM, was set up. In 2009, the Project recruited a consultant to provide training to government officials in Standard Cost Model (SCM) techniques. Implemented in April 2009, the training was aimed at developing capabilities in the analysis of the administrative burden of business licenses and on related data collection techniques.⁸ In parallel, the Project identified an initial set of 15 licenses targeted for reform and at the end of 2009 a first set of recommendations for elimination/streamlining was formulated. Implementation involved the adoption of a participatory approach, with the creation of dedicated technical committees (*sous-comités techniques*), organized at the ministry level and reporting to the Steering Committee, comprised of representatives from both the public and private sectors. Reform efforts began to produce results during 2010, when some ministries began adopting measures aimed at simplifying registration requirements. An example, referred to the Ministry of Education is provided in Box 3.1 below.

⁸ Lourdeurs Administratives Projet Pilote: Reforme des Licences pour les secteurs industriels, SIRA Consulting, presentation, 15 et 16 avril 2009. See also Burkina Faso Business Licensing Reform Project, SIRA Consulting, s.d. (but 2009).

Box 3.1 Business Licensing Reform in Private Education

The technical committee established at the Ministry of Education focused their attention on the simplification of licensing for the opening and operations of private schools. The theme was discussed at a couple of meetings in early 2010 and several measures were envisaged to simplify the application package to obtain the license and to clarify the difference between the various steps in the procedure (*agrément* and *ouverture*). In parallel, the Ministry decided to delegate certain inspection functions to the regional offices, in order to reduce the burden on both private promoters and ministry staff working in the capital. The recommendations for reform were consequently implemented through the adoption of various administrative acts (one *décret* and several *arrêtés*) adopted during the Spring/Summer 2010 so that private schools applying for the opening in September could already benefit from the new regulatory framework.

3.2 Component #2 – Dealing with Construction Permits

Work on this component started in 2006, with the preparation of a report on property transfer and building permits.⁹ The recommendations formulated in the report were discussed and validated at a workshop organized in March 2007 and this paved the road to subsequent operational activities.¹⁰ In particular, at the end of 2007, the GOBF decided to proceed with the establishment of the *Centre de Facilitation des Acts de Construire* (CEFAC), a one-stop-shop structure responsible for the issuance of construction permits which became operational in May 2008. The Project actively supported the **establishment of CEFAC**, both at the policy and operational level, including the provision of practical assistance on selected aspects (e.g. development of dedicated software). Assistance to CEFAC was accompanied by **advisory work on legal and regulatory issues**. In this respect, the Project team was particularly busy in clarifying issues related to mistakes that had been detected in the 2007 and 2008 DB Reports, and which resulted in a particularly unfavorable ranking of Burkina Faso. For instance, with assistance from the Project team, in December 2007 the Ministry of Infrastructure issued a circular letter clarifying that the on-site inspections mentioned in the DB Report were not (and, in fact had never been) mandatory. Likewise, clarification was obtained regarding the fees charged by the *Laboratoire National du Bâtiment et des Travaux Publics* (LNBTP). More tangible results were made in the area of fees charged by municipal authorities (which declined from CFAF 400,000 to CFAF 50,000) and by the Ministry of Housing (with the elimination of a ‘technical’ check costing 0.003% of the estimated value of the building). As a result of the correction of errors and of more substantive improvements, Burkina Faso’s ranking in the Dealing with Construction Permits indicator improved considerably in DB 2009 and DB 2010, reaching the 80th position.

3.3 Component #3 – Registering Property

Starting in 2006, Burkina Faso embarked on a major land registration and titling exercise, the so called *opération spéciale de délivrance de titres fonciers*. The Project actively contributed to **strengthen the institutional aspects of the reform**, namely by supporting the establishment of the *Guichet Unique du Foncier* (GUF), another one-stop-shop structure dealing with land registration matters. The issues related to the establishment of such a structure were analyzed in a report commissioned by the Project in early 2008.¹¹ Based on the recommendations formulated by this

⁹ FIAS, Analyse des procédures d’attribution de terrains et de permis de construire, Novembre 2006.

¹⁰ Rapport général de l’atelier de validation du rapport de synthèse de l’analyse des procédures d’enregistrement de terrains et de délivrance de permis de construire, 16 mars 2007.

¹¹ Projet de mise en place du Guichet Unique du Foncier - Rapport de mission de Peter Bloch auprès de la Société Financière Internationale à Ouagadougou, du 3 au 10 janvier 2008.

report, the GOBF decided to proceed with the creation of GUF in late 2008, and the structure became operational in March 2009. GUF operations were supported by the Project through the financing of software for the management of land application files. Even more importantly, the Project was instrumental in supporting GUF to secure additional funding from the ICF, for the computerization of operations and the establishment of connections with other institutions involved in land registration. As in the case of other components, work on institution building was paralleled by the provision of *advice for legislative and regulatory reform*. This translated into two successive cuts in the tax on property transfers, which was cumulatively reduced from 15% to the current 8%, and to the simplification of procedures, with the elimination of some procedural steps and documents (e.g. elimination of the need to obtain permission for the transfer from the municipality).

3.4 Component #4 – Employing Workers

Work on this component started in late 2006, when the Project team assisted the Ministry of Labor in drafting two *implementing regulations* of the Labor Code. Adopted in March 2007, these regulations contributed to increasing flexibility in the use of the labor force, by removing the need for employers to obtain authorization to use overtime and by allowing the work week to be organized in line with production requirements. Building upon this early success, the Project team undertook a comprehensive review of labor legislation and in April 2007 proposals were submitted for a major *reform of the Labor Code*. Given the highly sensitive nature of the subject, consultations with stakeholders inevitably took a considerable time, but at the end of the process a new Labor Code was unanimously approved by the Parliament in May 2008. The new Labor Code introduced several significant changes, reflected in the DB Report 2009, which saw a major improvement in Burkina Faso's ranking for the Employing Workers indicators, from the 153rd to the 79th position. A summary of the main changes introduced by the new Labor Code is provided in Box 3.2 below. Having achieved the intended objective, work on this component was de facto halted at the end of 2008.

Box 3.2 Main Innovations Introduced by the Labor Code of 2008

- suppression of the prohibition to indefinitely renew fixed term contracts;
- suppression of work contract visa for nationals;
- distinction between irregular dismissal and unfair dismissal;
- limitation of damages to a maximum of 18 months salary;
- setting of time limits for wage claims (2 years) and for claims for damages (5 years);
- a posteriori intervention of the Labor Board in case of dismissal for economic reasons;
- easing of the priority for re-employment;
- easing of procedures for the dismissal for economic reasons;
- shortening of holidays for family events from 20 to 10 days;
- shortening of the period allowed for breast feeding from 15 to 14 months
- broadening of the definition of strike, to encompass solidarity strikes;
- introduction of measures to protect vulnerable groups (quota system for handicapped workers, anti discrimination measures for AIDS/HIV affected workers)

Source : adapted from 'Les innovations du nouveau Code du Travail', s.d. (but 2008)

3.5 Component #5 – Closing a Business

Work on this component started in mid 2007, with a diagnostic study of bankruptcy proceedings and practice in the country.¹² The study reviewed the existing legal framework and the functioning of bodies in charge of implementing bankruptcy proceedings and formulated a series of recommendations to address legal and institutional weaknesses. The report was well received by the GOBF and, in 2009, the Project assisted the Ministry of Justice in the drafting of legislation aimed at organizing a specialized body of bankruptcy professionals with a code of ethics and a fee schedule. However, implementation was subsequently put on hold due to a combination of factors, including: the possibility that a bankruptcy code be developed at the OHADA level, the mismatch in timing with another similar initiative funded by the World Bank¹³, and the seemingly limited interest from GOBF.

3.6 Component #6 – Enforcing Contracts

This component focused on two aspects, namely: (i) the reform of the commercial justice system, and (ii) the promotion of ADR mechanisms. In both cases, Project activities were mainly carried out in the period 2007 through 2009, as support to these themes was subsequently entrusted to other initiatives.

Commercial Justice. Work on this theme accompanied the evolution of the institutional setting, following the initial decision of the GOBF to establish specialized commercial sections within the *Tribunaux de Grande Instance* (October 2006) and, then (May 2009) to create full fledged commercial courts. During 2007, the Project contributed to the debate on the best possible institutional setting, with the organization of two *workshops* in July and December. In 2008, the Project supported the computerization of Ouagadougou's district court, through the provision of hardware and software and related training. *Advisory work* focused on the reform of some procedures, which led to the reduction of fees for the registration of court decisions, and on the formulation of comments on the draft law establishing the commercial courts. With the passing of this law in May 2009, the need for substantial resources for the establishment of new structures became apparent and the Project team actively contributed to finding additional sources of finance. This resulted in the approval of a US\$ 3.9 million *ICF project* that is currently providing training to commercial judges and equipment for the commercial courts in Ouagadougou and Bobo Dioulasso.

Alternative Dispute Resolution Mechanisms. In the area of ADR mechanisms, the Project provided assistance to the *Centre d'Arbitrage, de Mediation et de Conciliation de Ouagadougou* (CAMC-O). Established in January 2005, the CAMC-O was still in the take off phase when the Project became operational. Accordingly, Project support initially concentrated on *communication activities*, aimed at raising awareness about ADR in the business community. This included the printing of information materials and assistance in the organization of sensitization workshops involving various professional groups (cotton growers, mining firms, business women and construction enterprises) in several cities and towns across the country. The provision of practical support to CAMC-O was paralleled by an in-depth *assessment of the existing ADR mechanisms*. Carried out by FIAS, this study largely focused on the feasibility of supporting the introduction of commercial mediation as an effective mechanism to reduce the time and cost of commercial disputes.¹⁴ The FIAS study was part of larger exercise covering other African countries and its

¹² Etude sur la cessation des activités au Burkina Faso, Octobre 2007.

¹³ World Bank, *Burkina Faso - ROSC - Insolvabilité et droits des créanciers*, Juin 2009.

¹⁴ FIAS, Diagnostic of Alternative Dispute Resolution (ADR) Mechanisms in Burkina Faso, Final Report, September 2008.

findings ultimately led to the formulation of a specific project on ADR. With a budget of US\$ 360,000 and an expected duration of 24 months, the new project was approved in April 2010.

3.7 Component #7 – Paying Taxes

Work in the field of business taxation started in May 2008, with the launch of a *diagnostic study* aimed at assessing the appropriateness of the existing tax system from a private sector point of view. Starting from a marginal effective tax rate analysis, the study reviewed issues related to the simplification of tax procedures to reduce compliance costs, the revision of the appeal process to increase taxpayers' confidence, the revision of the withholding tax system, and the general modernization of the tax administration through computerization.¹⁵ This analytical work provided the basis for *advisory work* with the MINFIN, which led to the modification of some procedural aspects (e.g. reduction in the deposit to be paid when filing appeals against tax assessments). The study was completed in June 2009 and part of its recommendations were incorporated in a *comprehensive reform of the tax system* that the GOBF had been discussing for some time with the IMF within the framework of the Poverty Reduction and Growth Facility. The related legislative measures were approved by the Parliament in January and April 2010.

3.8 Component #8 – Trading Across Borders

Work on this component started in 2008, with a couple of *scoping missions* and this led to the formulation of an action plan.¹⁶ *Advisory work* started in 2009, with the objective of achieving some quick results that could induce an improvement in Burkina Faso's ranking in terms of DB indicators, namely in terms of number of procedures required for import export and of time required to obtain certain documents. In line with this approach, in 2009 discussions were held with the BCEAO and commercial banks in order to achieve a reduction in the time required for issuing letters of credit. As for customs procedures, apart from the provision of some advice regarding border controls (whose improvement has been supported by other entities, and especially by the IMF), the focus was on the prolongation of the validity of certain import-export documents and on the elimination of the police escorts for containerized traffic, both of which materialized in mid 2009. During 2010, the attention was concentrated on the assessment of the customs risk management system, although the overall pace of work appears to have slowed down.

¹⁵ FIAS, Burkina Faso - A Summary Review of Tax and the Investment Climate, June 2009

¹⁶ Reforming Burkina Faso Trade Logistics System: Phase 1, December 2008

4 PROJECT EVALUATION

4.1 Introduction

This Section is devoted to the ‘qualitative’ part of the Assignment, i.e. the evaluation of the Project in terms of *four evaluation criteria*, namely: (i) strategic relevance, (ii) delivery of outputs, (iii) achievement of development outcomes, and (iv) efficiency. The aspects to be analyzed for each evaluation criterion (the so called “evaluation questions”) are listed in Box 4.1 below.

Box 4.1 Evaluation Questions¹⁷

Strategic Relevance:

- Did the intervention fit the country’s political and economic conditions? Was the right timing selected for the program’s start?
- Did the program address the most acute problems in the business environment or has it selected “low-hanging fruits”?
- Were the right partners selected given program objectives?

Delivery of Outputs:

- Were key outputs of the appropriate quality delivered in a timely fashion?
- To what extent were clients satisfied with the assistance received?

Achievement of Outcomes:

- Did the various government agencies implement the recommendations provided? Did the government pass new laws/regulations recommended by/drafted with assistance from the project?
- How did the recommendations implemented/new laws adopted translate into effective improvements in the investment climate and/or in other relevant variables (e.g. increased capability of entities receiving support)?

Efficiency:

- How reasonable were costs vs. benefits?
- How economically were funds, expertise, time, etc., used?
- Were there less costly ways to achieve objectives?

The aspects relevant to the above evaluation criteria are analyzed in the following four sections, while a fifth section summarizes the key results. For each evaluation criterion, the analysis of findings is accompanied by an assessment, inspired by the approach used by IFC in the case of Project Completion Reports, which involves the use of a four-tiered rating system, ranging from “highly satisfactory” to ‘unsatisfactory.’¹⁸

4.2 Strategic Relevance

Strategic relevance refers to the *quality of project design at the moment of approval as well as to the ability to adjust to changing circumstances*. In this context, three aspects are of particular importance, namely: (i) the appropriateness of the intervention to country conditions, (ii) the

¹⁷ A list of standard evaluation questions was provided in the TOR. The list presented here is an adaptation of that found in the TOR, to reflect the nature of the project under consideration (e.g. elimination of questions related to capital investment, addition of reference to capacity building activities, etc.).

¹⁸ For a summary presentation of the rating system, see Luba Shara, “How to Improve the Quality of Project Completion Reports”, presentation at a PCR training workshop, Johannesburg, July 27, 2009.

balance between ‘quick wins’ and structural reform efforts, and (iii) the appropriateness of institutional arrangements.

Appropriateness to Country Conditions. As illustrated in the previous sections, the Project was primarily aimed at improving Burkina Faso’s rankings in terms of DB indicators, and only partially concerned with the achievement of improvements in other areas of the business environment. Therefore, assessing the appropriateness of the Project to country conditions is tantamount to assess the appropriateness of DB indicators in capturing the essential features of Burkina Faso’s investment climate. The picture is mixed. *On the one hand*, the simplification of the business registration process and the streamlining of procedures for property transfers and construction permits are certainly important steps towards injecting some dynamism into the Burkinabé economy. As it will be seen in the impact assessment (see Section 5), the numbers involved are often small (e.g. a few hundred transactions per year), but these reforms also have an important ‘signaling value’, which produces a long term positive effect, beyond what can actually be measured. Similar considerations apply to the reform of the tax system and of the judiciary, whose importance for the creation of a conducive business environment cannot be understated. *On the other hand*, some Project components, and hence the related DB indicators, appear much less attuned with prevailing local conditions. For instance, the relevance of reform efforts in areas such as bankruptcy law, in a country where the majority of businesses continue to operate on the margin of informality, appears to be dubious. Similar considerations apply to the reform of labor legislation. While any increase in labor market flexibility is obviously appreciated by employers (“*bien évidemment, les CDD [i.e. fixed term contracts] sont avantageux*”), in general labor regulations never constituted a serious constraint to business operations. This is clearly shown by the World Bank Enterprise Surveys (WBES) carried out in 2006 and 2009, according to which labor regulations were regarded as a serious constraint only by a tiny minority (in 2009, less than 2%) of operators.

A more positive assessment can be made in the case of *activities departing from the mainstream “DB indicators” approach*. In particular, this is the case of the work on business licensing. Once again, the results of the WBES clearly show that business licensing has never been regarded a serious barrier by operators and the direct economic benefits are likely to be relatively small. But the reforms advocated by the Project contributed to the development of a positive attitude towards simplification ‘in general’ that is particularly important in an administrative and legal system that all too often privileged form over substance.

Balance between ‘Quick Wins’ and Structural Reform Efforts. Overall, the Project *achieved a good balance* between efforts aimed at achieving ‘quick wins’ and those aimed at achieving more structural reforms. Obviously, given the overriding objective of achieving an improvement in terms of DB rankings, no opportunity was missed to eliminate or streamline procedural steps here and there, sometimes irrespective of the real relevance of these ‘reforms’. However, this ‘tactical’ attitude always coexisted with attention to deeper reforms. For instance, the reform of the Labor Code, irrespective of its relevance and potential impact (see above), can certainly not be qualified as a ‘quick win’, as it was the result of an intensive, protracted effort the end result of which was by no means guaranteed (at the time the new Code passed, Burkina Faso was facing a phase of civil unrest, with widespread “*protest against fuelling, food prices and high cost of living*” Donor Progress Report #5). Also, the fact that in a number of cases advisory work was complemented with the provision of tangible support (the development of software programs, the printing of brochures, etc.) is not merely indicative of the Project team’s ability to put in practice one of the fundamental tenets of development work (“*il faut toujours accompagner les conseils avec quelque chose de pratique*”), but also reveals a genuine interest that reforms could actually continue to produce positive results.

Appropriateness of Institutional Arrangements. As already mentioned in Section 2, Project activities were *supervised by a Steering Committee* (*Comité de Suivi*) consisting of representatives of key ministries and private sector-related organizations. Formally established by an inter-ministerial decree at the beginning of Project activities,¹⁹ the Steering Committee proved to be an effective institutional mechanism, as it contributed to ensuring the ministries' active engagement in the reform process. Given the positive experience, this approach was ***replicated on a smaller scale for two components***. In particular: (i) a Steering Committee for the reform of import export procedures (*comité de pilotage des reformes des formalités d'importation et d'exportation*) was established in April 2009 by the MINFIN and MINCOM; (ii) and another *Comité de Pilotage* was established at the end of 2009 to oversee activities under the business licensing reform 'sub component'. Chaired by the MINCOM, this committee is further articulated into technical sub-committees (*Sous-comités Techniques*), dealing with matters within the remit of individual ministries. Apart from the formal mechanisms of coordination, the Project was able to establish a ***good, if not excellent, working relationship with virtually all counterparts***, with a particularly strong link with the powerful MINFIN. This ensured that once recommendations had been appropriately developed and explained to counterparts, they were usually implemented within a reasonable time span and without much resistance or backtracking.

Overall Assessment. Overall, the strategic relevance of the Project can be considered *satisfactory*. This assessment could have been more positive if it weren't for the scarce relevance of certain components, which in turn reflect the limited usefulness of certain DB indicators for economies such as Burkina Faso.

4.3 Delivery of Outputs

This section reviews the ***quantity, quality and timeliness of the deliverables produced by the Project***. A quantitative overview of Project outputs is derived from the analysis of the indicators presented in Supervision Reports. This is complemented by an assessment of the quality and timeliness of the main outputs for the various components and by a brief discussion of client satisfaction.

Overview of Project Outputs. Output indicators included in Supervision Reports are expressed in numerical terms and refer to various typologies of deliverables. Compared with other similar initiatives, the DBBBF was quite frugal in the use of output indicators, basically making reference to only three indicators, namely: (i) the number of new laws-regulations-amendments-codes drafted or contributed to drafting, (ii) the number of procedures-policies-practices-standards proposed for improvement or elimination, and (iii) the number of media appearances. Somewhat surprisingly, one of the most common output indicators for this type of operation, the number of reports produced, is not included in the Monitoring and Evaluation (M&E) system, which reflects the Project team's inclination for direct forms of assistance (i.e. the provision of advice to counterparts through personal interaction and group discussions). An overall picture of Project outputs can be derived from Supervision Report #10, which covers the period through June 2010.²⁰ The situation is summarized in Table 4.1 below.

¹⁹ Arrêté conjoint No. 06.137/MCPEA/MFB, 18 Décembre 2006, portant création du Comité de suivi des activités du Programme "Doing Business Better in Burkina Faso" de la Société Financière Internationale (SFI)

²⁰ In the case of Component #8 Trading Across Borders, which is formally structured as a separate project (#569567), data are taken from Supervision Report #2, which covers the period through the end of 2009. The indicators retained for this component differ somewhat from those used for the rest of the Project. For reasons of consistency, reference is made here only to indicators that are common to all components.

Table 4.1 Overview of Project Outputs

Indicators and Components	Target		Achievement	Difference
	Initial	Revised		
Number of new laws-regulations-amendments-codes drafted or contributed to drafting				
#1 – Starting a Business	7	8	8	0
#2 – Dealing with Construction Permits	4	4	5	+1
#3 – Registering Property	8	8	7	-1
#4 – Employing Workers	6	6	5	-1
#5 – Closing a Business	4	4	5	+1
#6 – Enforcing Contracts	3	3	6	+3
#7 – Paying Taxes	4	3	4	+1
#8 – Trading Across Borders	0	0	0	0
Total	36	36	40	+4
Number of procedures-policies-practices-standards proposed for improvement or elimination				
#1 – Starting a Business	4	6	6	0
#2 – Dealing with Construction Permits	2	2	3	+1
#3 – Registering Property	8	8	10	+2
#4 – Employing Workers	5	5	4	-1
#5 – Closing a Business	2	2	1	-1
#6 – Enforcing Contracts	4	4	4	0
#7 – Paying Taxes	4	3	1	-2
#8 – Trading Across Borders	3	3	3	0
Total	32	33	32	-1
Number of media appearances				
#1 – Starting a Business	4	4	7	+3
#2 – Dealing with Construction Permits	4	4	4	0
#3 – Registering Property	2	2	3	+1
#4 – Employing Workers	3	3	2	-1
#5 – Closing a Business	1	1	0	-1
#6 – Enforcing Contracts	5	5	13	+8
#7 – Paying Taxes	2	2	1	-1
#8 – Trading Across Borders	0	0	0	0
Total	21	21	30	+9

Source: Supervision Report #10

The above table suggests that the *Project has displayed a positive performance*, achieving or surpassing targets for a majority of components. However, data offer only a partial picture of achievements in terms of output delivery for three main reasons. In particular:

- several outputs are not captured by the indicators presented in Supervision Reports. As indicated above, this applies to the reports produced by Project staff and consultants, but the workshops organized (e.g. those with CAMC-O) and other outputs delivered to counterparts (such as the software developed for GUF, CEFAC and the commercial courts) are also not accounted for. Even more importantly, the indicators do not reflect the work done by the Project team to secure additional financing for some initiatives, namely the assistance provided to various entities for the preparation of financing proposals submitted to the ICF. In this respect, *the output indicators presented in Supervision Reports significantly underscore the volume of work actually carried out by the Project*;
- a proper comparison between results and targets is difficult because the latter were revised during implementation and sometimes it is not easy to understand the real benchmark against which performance should be measured. For instance, in the case of Component #4, the last Supervision Report indicates a target of 6 new laws-regulations-amendments-codes drafted or contributed to drafting, with an actual result of 5, which implies under performance. However, the revised TAAS PADS Approval indicates a target of 4, which when compared with the results achieved shown in the last Supervision Report, would imply over performance.

However, *while precluding a precise measurement, these inconsistencies do not alter the overall positive assessment made above*;

- the numbers refer to very heterogeneous phenomena. This is most evident in the case of the indicator ‘number of new laws-regulations-amendments-codes drafted or contributed to drafting’, where the drafting of a major piece of legislation such as the new Labor Code counts as “one” exactly like an amendment to a ministerial decree concerning a relatively minor aspect. In this respect, *quantitative indicators inevitably provide a very partial picture of the work done*.

Quality and Timeliness of Main Outputs. The analysis of the quality and timeliness of Project outputs is subject to two caveats. The first refers to the unavoidable element of subjectivity in the assessment of the quality of outputs. This is particularly the case for the Project under consideration, whose scope extends over a broad range of themes and issues, which (admittedly and inevitably) are not all equally well mastered by the Consultant. The second caveat is of a practical nature and refers to the fact that possibly not all the deliverables could be analyzed by the Consultant.²¹ Subject to the above, the following considerations apply:

- **reports** were produced primarily by IFC specialists coming from HQ and by local consultants. These reports are very detailed and operationally oriented and were usually delivered on schedule. Delays seem to have occurred for a report on business licensing, seemingly because of the long time elapsed between the first and the second FIAS mission. Reports produced under Component #2 were also useful to clarify the real situation regarding the procedures required for the construction of new buildings and, therefore, contributed to correcting errors included in the DB 2008 Report²²;
- other **tangible outputs**, such as software delivered to various institutions, were usually appreciated by recipients and deemed useful. In the case of GUF, some problems encountered in the issuance of certain documents (the *certificats d’état des droits reels*) were reportedly linked to issues with the IT system, but the latter was supported by the ICF project and not by the DBBBF;
- **workshops** organized to discuss policy issues and/or for awareness enhancing purposes (such as those in the field of ADR) were reportedly well attended and attracted significant attention from the press and other media (as witnessed by the high number of media appearances – see Table 4.1 above). The training on SCM delivered as part of Component #1 was also attended by several public officials, although its effectiveness was seemingly marginal (see Section 4.4 below).

Client Satisfaction. The quality of the assistance provided by the Project was one of the aspects discussed during interviews with counterparts. The *overall assessment is definitely a positive one*, with virtually all beneficiary institutions declaring themselves to be highly satisfied or satisfied.

²¹ In reality, this risk appears to exist only in the case of the Trading Across Borders component. Supervision Report #2 of project #569567 makes reference to a fairly long list of reports, including 8 different items, of which 5 produced during the second half of 2009. The documents that the Consultant could locate include two action plans, both in the form of spreadsheets listing a series of steps to be undertaken, and two other lean documents, labelled as ‘back to office reports’. It is unclear if these documents should be considered as part of the reports produced as per list in the Supervision Report.

²² For instance, the 2006 FIAS report states that “*Au niveau des procédures liées à la construction dans le rapport Doing Business, il existe plusieurs écarts entre la méthodologie et les critères d’analyse utilisés au Burkina Faso et ceux appliqués dans d’autres pays. La question de la fréquence des inspections aussi laisse croire que les coûts, le nombre d’étapes et les délais dans ce domaine sont nettement supérieurs à ceux qui ont été observés dans d’autres pays, alors qu’il s’agit d’une différence de définitions. Si la méthodologie d’analyse du Burkina Faso dans ces domaines était plus conforme à l’usage général, le Burkina Faso se trouverait plus proche de la moyenne des pays de la région ouest africaine*” (emphasis added). See FIAS, Analyse des procédures d’attribution de terrains et de permis de construire, Novembre 2006, pages iv and v.

Comments were particularly positive regarding the extremely cooperative attitude displayed by the in-country Project team, whose willingness to assist was highly praised by interviewees (“*Il sont toujours disponibles et prêts à aider*”, “*ils ne se limitent pas à donner des bons conseils mais ils s’occupent aussi de la mise en oeuvre*”, “*l’assistance fournie a été toujours impeccable*”). Some vague critical remarks emerged during discussions with customs officials, but the comments appeared to refer more to the way in which the Trading Across Borders DB indicator is calculated than to the quality of the assistance received. Considering the sharp criticisms expressed in the past by Burkinabé authorities regarding the DB, it is apparent that a major change in attitude has taken place and the credit for this goes to the professional competence and diplomatic skills displayed by the local Project team. A summary presentation of the opinions expressed by interviewees is provided in Table 4.2 below.

Table 4.2 Client Satisfaction – Survey Results²³

Type of Assistance	Very Good	Good	Neither	Bad	Very Bad	Not Applicable
Training & capacity building services						
• Quality	XX	XX				XXXXXX
• Timeliness	XX	XX				XXXXXX
Advisory services (diagnostic studies, recommendations, etc.)						
• Quality	XXXXXXX	XXX				
• Timeliness	XXXXXX	XXXX				

Source: field interviews

Overall Assessment. The Project delivered a significant number of outputs, most of them of good, if not excellent, quality and usually on time. This, combined with the marked customer orientation displayed by the Project Team, resulted in an unusually high degree of client satisfaction, and the overall performance can be regarded as *highly satisfactory*.

4.4 Achievement of Development Outcomes

The evaluation of development outcomes refers to the achievement of the intended short and medium term effects. In practice, the analysis focuses on the *level of acceptance of the recommendations provided* (in terms of laws passed or amended, administrative procedures reformed or eliminated, improved organizational models adopted and the like) and on *how the accepted recommendations translated into concrete improvements in the investment climate* (e.g. in a reduction of the time required and/or expenses incurred to complete a certain procedure).

Acceptance and Implementation of Recommendations. The degree of acceptance and implementation of recommendations formulated under the Project is *very high, irrespective of the component or of the type of reform proposed*. In some cases acceptance and implementation of recommendations came at the end of a long and laborious process, requiring constant contacts with relevant GOBF entities and other stakeholders. An example is provided by the reform of the Labor Code, which by its very nature, required extensive consultation with trade unions and other parties, a process greatly facilitated by the Project. In other cases (e.g. the business licensing reform), the initial endorsement took some time to materialize, but once the ‘green light’ was obtained, things moved ahead fairly quickly; i.e. with the first batch of recommendations formulated by the *Sous-Comités Techniques* resulting in the adoption of relevant regulatory measures. An area where *little progress was achieved is that of building local capabilities in the field of the ‘economic analysis*

²³ Initially, an attempt was made to assess client satisfaction through a questionnaire but it quickly became clear that counterparts in the public administration were uneasy with this modality. Therefore, the results shown in the table reflect the Consultant’s interpretation of the qualitative comments formulated.

of regulation', namely with the use of SCM techniques. The training carried out in the Spring of 2009 was appreciated by participants, but as shown by interviews with some civil servants attending the workshop, it resulted in a marginal improvement in the understanding of the issues involved, with little effect on operational capabilities. This result is not surprising, given the fairly sophisticated nature of the technique and the short duration of the training. This is an area where further and more systematic efforts are required in order to achieve tangible results, and could possibly be done in the framework of a future follow up project.

Improvements in the Investment Climate. Given the marked orientation towards the improvement of Burkina Faso's ranking in terms of DB indicators, an assessment about the effectiveness of Project activities must obviously start from a review of the evolution of rankings over time. The relevant information is summarized in Table 4.3 below.

Table 4.3 Progress Achieved in DB Rankings

Indicators	DB 2008 Ranking	DB 2009 Ranking	DB 2010 Ranking	DB 2011 Ranking
Starting a Business	105	113	115	119
Dealing with Construction Permits	169	106	80	77
Employing Workers	152	79	82	..
Registering Property	170	148	114	118
Getting Credit	115	145	150	152
Protecting Investors	138	142	147	147
Paying Taxes	133	132	144	148
Trading Across Borders	170	173	176	175
Enforcing Contracts	109	110	110	108
Closing a Business	91	110	112	100
Ease of Doing Business	161	148	147	151

NB Due to changes in methodology (elimination of the employing workers indicator), the DB2011 'ease of doing business' ranking is not comparable with the those of previous DB reports

Source: DB Report, various years

Out of the eight DB indicators targeted, a *substantial improvement clearly linked to Project activities was recorded for three indicators*, namely Employing Workers, Registering Property, and Dealing with Construction Permits. In the case of the latter, as already mentioned, part of the improvement was the result of the correction of errors included in the early editions of the DB survey, but this also required a significant effort to clarify the situation. In *two other areas, Paying Taxes and Enforcing Contracts, progress has been/is being achieved, but has not yet been captured by the DB survey*. In the case of taxation, reforms are too recent and their results were not yet reflected in DB 2011. In the case of Enforcing Contracts, the reform initiated by the Project and continued by the subsequent ICF and AFR ADR Projects are of a more structural nature and may take some time before they are appropriately reflected in the DB survey. Also, in the case of the reform of commercial justice, efforts are currently being made to address very relevant problems, i.e. the reduction in the share of decisions that are reformed at the appeal stage (a crucial indicator of the overall quality of the service provided by courts), which however are not considered by DB indicators.

An area where *Project achievements are probably underestimated by the DB survey is that of business registration*. In fact, the relative worsening of Burkina Faso's ranking for this indicator (from the 105th position in DB 2008 to the 119th in DB 2011) does not seem to be justified by available evidence. In particular, the 14 days deemed necessary to register a company with CEFOR shown in DB 2010 and DB 2011 appear to be at odds with data collected during field work from CEFOR, which suggest an average waiting time on the order of 4-5 days. While data

from CEFOR cannot obviously be taken at face value, an acceleration in business registration procedures over the 2009 – 2010 period was confirmed by other sources (“*maintenant il est beaucoup plus rapide qu’il y a deux ans*”), who usually made reference to turnaround times of about one week (“*maintenant le système marche bien et on peut tout faire en une petite semaine*”).

The *picture is less favorable in the case of two other DB indicators targeted by the Project, Trading Across Borders and Closing a Business*, for which no improvement or a slight worsening was recorded. In the case of Trading Across Borders, Project activities did achieve some improvement in terms of streamlining documentation and reducing costs, but some of the improvements achieved (e.g. the elimination of police escorts to certain types of freight traffic) are not included in the relevant DB indicator. In more general terms, the DB trade logistics indicator is heavily influenced by factors (e.g. the cost to import/export a container) that reflect the structural conditions of a country, which in turn can scarcely be addressed by improvements at the margin of procedural aspects (“*il est comme prendre une aspirine contre le cancer, cela ne sert à rien*”). Finally, the lack of improvement in the case of the Closing Business indicator is obviously linked to the failure of getting the proposed legislation enacted. But, as already mentioned in Section 4.2 above, this is most likely the area where the relevance of DB-related reforms is lower, with a negligible effect on real business conditions.

Overall Assessment. Overall, the performance of the Project in terms of development outcomes can be considered *satisfactory*. As indicated above, there are some variations across the components, with Components #2, #3 and #4 performing very well (at least in terms of DB indicators), and Components #5 and #8 performing below average, but on the whole areas of underperformance are more than compensated for by achievements on other fronts.

4.5 Efficiency

Efficiency measures the extent to which the *resources devoted to a certain initiative are reasonable vis-à-vis the results achieved*. In principle, the analysis of efficiency would require the calculation of cost effectiveness ratios comparing the outputs delivered/outcomes achieved with the associated expenditures. However, this type of analysis is precluded by data limitations, as project expenditures are neither budgeted nor tracked by component or activity stream. Under these conditions, the analysis can only be carried out at a more general level, focusing on selected budgetary and organizational aspects.

Budgetary Aspects - Planning and Management of Funds. At inception, the Project had a budget of about US\$ 2.2 million with an expected duration of 21 months, which implied an average expenditure of little more than US\$ 100,000 per month. As of mid 2010, i.e. about 55 months after take off, actual expenditure (including some US\$ 100,000 spent on trade logistics by project #569567) totaled about US\$ 2.2 million, with an average monthly expenditure on the order of US\$ 40,000. The 60% difference between planned and actual monthly expenditure is a *prima facie* indication that the Project had been over budgeted at approval. While some degree of over budgeting is indeed likely, it should be noted that during the first year of operations actual expenditures were very limited, because of delays in the recruitment of the local team. This point was already mentioned in the Mid Term Evaluation, which noted that “*some of the variance between planned and actual costs is due in part to periods of understaffing. For example, DBBBF’s Economist and Institutional Reform Specialist joined the program several months after the Program Manager; also, the Institutional Reform Specialist and the Administrative Assistant left in mid-2007 and had not yet been replaced at the time of our visit*” (i.e. in the fall of 2007) (page 32). However, the main explanation for the dramatic drop in monthly expenditure is what the Mid Term Evaluation qualified as a “*judicious use of resources*.” In turn, this is primarily related to the fact

that a larger share of activities was carried out directly by the (less expensive) Project team than initially foreseen, with limited reliance on (more costly) consultants and IFC staff from HQ (see below). One drawback in the management system is the ***lack of any form of activity-based accounting***. This problem is not peculiar to the DBBBF (and indeed it affects all the IFC projects covered by this Assignment), but it had been noted and emphasized by the Mid Term Evaluation and some correction could have been introduced.

Budgetary Aspects - Cost Structure. Indications regarding the efficiency in the use of resources can be derived from the analysis of the Project cost structure. The budget breakdown by main cost items is shown in Table 4.4 below, which presents data for both planned and actual expenditures as of mid 2010.²⁴

Table 4.4 Cost Structure

Cost Items	Budget		Actual Expenditure (early - mid 2010)		Difference (B-A)
	US\$	% (A)	US\$	% (B)	%
Pre implementation	17,835	1%	0	0%	-1%
Staff Costs	642,126	26%	660,440	31%	5%
• IFC Staff	614,989	24%	604,439	28%	4%
• Extended Term Consultants and Temps	27,137	1%	56,001	3%	2%
Consultants	253,142	10%	50,974	2%	-8%
Communication and IT Chargeback	126,357	5%	85,680	4%	-1%
Contractual Services	315,606	13%	291,458	13%	1%
Office Equipment	150,079	6%	151,741	7%	1%
Office Rent	343,324	14%	390,756	18%	4%
Staff Representation and Hospitality	5,987	0%	3,070	0%	0%
Travel Costs	562,780	22%	460,304	21%	-1%
Other Expenses	97,848	4%	65,790	3%	-1%
Total	2,515,084	100%	2,160,213	100%	

Source: Project documents

In general, the ***cost structure is well balanced***. Staff costs are the main item, accounting for 31% of expenses, followed by travel costs (21%), office rent (18%), and contractual services (13%). The main difference between budget and actual expenses refers to consultants, which account for only 2% of expenses compared with an estimated 10% of budget. This was partly compensated for by an increase in staff costs, whose share increased from 26% to 31%. Expenses for office rent also increased compared to the budget, 18% vs. 14%, but this appears to be an inevitable consequence of the prolongation of the Project, whose total duration was more than twice the one initially envisaged. Travel costs were kept well under control, largely because of a less intensive use of IFC staff based at HQ or in other distant locations.

Organizational Aspects. The Project team suffered from some turnover in the first two years of operations, but since late 2007 the situation stabilized. The fact of having the same group of people at work for about three years greatly helped ensure continuity of action, with very positive effects on implementation. The decision made at inception of having a strong on-the-ground presence proved to be absolutely correct, and whatever loss there might have been in terms of high level specialization in certain fields (of the type that can be provided by IFC staff posted at HQ or in

²⁴ The table is the result of the consolidation of data for projects #534608, i.e. the portion of DBBBF funded by SECO, #504124, i.e. the portion funded by an IFC subsidy, and #569567, i.e. the trade logistics sub project. Data are not fully homogeneous: in fact, figures for #534608 refer to mid 2010 while those for #504124 and #569567 appear to refer to end 2009. However, as the analysis focuses on the cost structure rather than on absolute values, this should not have an appreciable impact on the findings.

regional offices), this was more than compensated for by the hard work carried out by the core team.

Overall Assessment. Subject to the above caveats regarding the general character of the analysis, the efficiency of the Project can be regarded as *highly satisfactory*.

4.6 Summing Up

A summary assessment of the Project is provided in Table 4.5 below. Overall, the Project can be regarded as *satisfactory*, with a higher rating attributed to delivery of outputs and efficiency. The rating is accompanied by some comments regarding the variance across components.

Table 4.5 Summary Evaluation

Evaluation Criteria	Summary Assessment	Comments
<i>Strategic Relevance</i>	Satisfactory	The project explicitly aimed at improving DB rankings, but the ability of some indicators to capture the nature of the local business environment is limited.
<i>Delivery of Outputs</i>	Highly Satisfactory	The project was able to deliver a substantial number of tangible, high quality outputs on schedule. More importantly, this was accompanied by the adoption of operating modalities that enhanced the value of the ‘technical’ advice provided, with an unusually high level of client satisfaction.
<i>Achievement of Development Outcomes</i>	Satisfactory	There are variations among the components, some performing less well than others, at least in terms of DB indicators. But in some cases the way in which DB indicators are defined and calculated do not do full justice to the results achieved.
<i>Efficiency</i>	Highly Satisfactory	Resources were used judiciously and the decision to have a strong in-the-field presence proved essential to ensuring effective implementation.
<i>Overall Assessment</i>	Satisfactory	

5 PROJECT IMPACT

5.1 Introduction

This Section is devoted to the ‘quantitative’ part of the Assignment, i.e. the assessment of the impacts achieved by the Project. In accordance with the TOR, the exercise focuses on 7 types of impact, namely:

- **two overall impacts**, relevant for all components or product areas, including: (i) the aggregate private sector cost savings, and (ii) the private sector investment generated;
- **five product-specific impacts**, including: (i) the number of new businesses registered, (ii) the number of new jobs created, (iii) the number of new businesses complying with tax regulations, (iv) the tax revenue generated, and (v) the increase in trade flows.

The two overall impacts are analyzed, respectively, in Sections 5.2 and 5.3, while other impacts are discussed in Section 5.4. The approach adopted in estimating impacts builds upon the methodological work done in the earlier stages of the Assignment and presented in a separate report. This Section also takes into account the numerous studies and methodological documents developed recently by the IFC.

A few methodological and practical aspects are worth highlighting at the outset. **First**, in principle, the analysis would require the comparison of situations ‘without and with’ the intervention. However, as recognized by the TOR, in the case of “*universally based interventions such as IFC’s [investment climate] programs*”, the recourse to control groups is generally unfeasible. Therefore, it was accepted that the exercise would rely on an assessment of “*changes in business environment before and after each project*” (TOR, page 6). **Second**, as already mentioned in previous Sections, in some cases the reforms promoted by the Project were also supported by other donor initiatives or were influenced by other factors. Under these conditions, as again acknowledged by the TOR, “*it is difficult to determine the impact of reforms on private sector that can be attributed solely to IFC*”. Again, efforts were made to isolate the effects of IFC-supported reforms from concomitant factors, but, in general, this was possible only in the case of private sector cost savings, for which the linkage between cause and effect is easier to determine. In the case of other impacts, the various donor initiatives were so intertwined that their effects could not be estimated separately. **Third**, the analysis of impacts focuses primarily on the 2007 – 2010 period, using the year 2006 as a baseline. However, it is acknowledged that in many cases investment climate reforms take time to produce effects. An attempt was made to assess the likely medium term evolution of impacts, but in general this could be done only in qualitative terms. Therefore, it is important to stress that the quantitative estimates provided in the Report refer primarily to what could be regarded as the initial impacts of the Program, which represent only part of the total impacts. **Fourth**, the exercise required the use of a variety of data, both of a macro and micro economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, only rough estimates could be produced.

5.2 Private Sector Cost Savings

Definitions and Methodology. Private sector cost savings (PSCS) are defined as the savings accruing to private economic agents as a result of reforms in the investment climate. These reforms may concern a wide range of themes, ranging from the simplification of procedures to obtain a certain permit or authorization to the elimination of certain fees or taxes. For the purposes of this exercise, three types of PSCS can be identified, namely:

- **cost savings**, associated with the reduction in out-of-pocket expenses incurred by private enterprises thanks to the elimination/reduction of (i) certain fees (stamp duties, service fees,

etc.) and/or (ii) the need to rely on service providers for certain formalities (e.g. elimination of notarization for articles of incorporation);

- **time savings**, refer to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services;
- **financial savings**, related to the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages.

PSCS were estimated based on a **methodology** inspired by guidelines recently developed by the IFC to quantify the savings associated with investment climate operations.²⁵ The **information** required was retrieved from a variety of primary and secondary sources. In the case of the latter, reference was made to official statistics and research reports of various origin. In some cases, reference was made to data published in the DB Reports and/or produced by the Project. Data retrieved from secondary sources were extensively complemented and augmented with information collected through interviews with a wide range of subjects (private firms, lawyers, accountants, public officials, etc.). The methodology and the sources used are illustrated in detail in Annex C, while a summary presentation of key aspects is provided in Box 4.1 below.

Box 5.1 - Estimating PSCS: Key Methodological Aspects

In essence, estimating PSCS involves the multiplication of a ‘price element’, i.e. the savings achieved in one particular case, times a ‘quantity element’, i.e. the number of relevant observations.

The nature of the **price element** depends upon the type of reform under consideration. In the case of cost savings, benefits can generally be measured directly (e.g. the registration fee is reduced from X to Y). In the case of time savings, the value to be considered is itself the result of the multiplication of the amount of time saved (typically, expressed in hourly terms) times the relevant unit labor costs. Finally, in the case of financial savings, reference is made to the value of payments postponed, to the duration of the postponement, and to the relevant interest rate that measures the opportunity cost of capital.

The **quantity element** also varies depending upon the nature of the reform considered. In some (most) cases, reference is made to the number of enterprises affected by the reform (e.g. number of enterprises benefitting from the simplification of registration procedures). In other cases, reference is made to the number of transactions facilitated by the reform (e.g. the number of trucks not undergoing a physical inspection at the border).

PSCS are calculated for the whole life of the Project. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to **proceed to compounding**, taking the terminal year of the Project as reference point. This is done using the relevant real interest rate.

Sources of PSCS. PSCS have been achieved thanks to reforms undertaken within the framework of **seven Project components**, concerning a wide range of themes, from business registration and licensing to trade logistics. The reforms generating PSCS considered in the analysis are summarized in Table 5.1 below.

²⁵ IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the ‘IFC Guidelines’.

Table 5.1 Summary of Reforms Generating PSCS

Reform	Specific Measures Generating PSCS	Timing
Component #1 – Starting a Business		
Business Registration - Companies	<ul style="list-style-type: none"> elimination of the need to register the articles of association with tax authorities and abolishment of related fees reduction in the cost for the publication of the formation notice reduction in registration fees consolidation of procedures for publication of the formation notice with registration process elimination of separate registrations with tax authorities and employment agency 	Reforms introduced starting in late 2006, with additional measures adopted in 2008 and 2009
Business Registration – Sole Proprietorships	<ul style="list-style-type: none"> reduction in registration fees elimination of separate registrations with tax authorities and employment agency 	Reforms introduced starting in late 2006, with other measures adopted in 2009
Private Schools Licensing Procedures	<ul style="list-style-type: none"> simplification of documents to be submitted for issuance of license delegation of licensing inspection to regional directorates 	Early – mid 2010
Component #2 – Dealing with Construction Permits		
Establishment of CEFAC and Related Measures	<ul style="list-style-type: none"> consolidation of various procedures (permission from municipality, etc.) into a streamlined process reduction in the fee payable to the fire department for the checking of the fire safety plan reduction in the fee for the carrying out of soil studies; elimination of technical check carried out by the <i>Direction Générale de l’Amenagement du Territoire</i> and related fee 	CEFAC established in 2008. Other measures gradually adopted starting in 2007
Component #3 – Registering Property		
Property Transfer Taxation and Procedures	<ul style="list-style-type: none"> reduction of <i>ad valorem</i> tax on property transfer elimination of the need to get permission for the transfer of property from the municipality and abolishment of related fee consolidation of procedures related to valuation inspections and payment of fees reduction in fees for valuation inspections and related registration 	Reforms implemented in stages starting in late 2006, with additional measures in 2008 and 2009
Component #4 – Employing Workers		
Work Contracts Registration Procedures	<ul style="list-style-type: none"> elimination of the need for employers to get a visa from the <i>Inspection du Travail</i> for new work contracts 	Mid 2008
Component #6 – Enforcing Contracts		
Court Awards Registration Procedures	<ul style="list-style-type: none"> elimination of <i>ad valorem</i> fees for the registration of court decisions 	Mid 2008
Component #7 – Paying Taxes		
Tax Appeals Procedures	<ul style="list-style-type: none"> reduction from 100% to 25% of the deposit required to file an appeal against assessments made by tax authorities 	Early 2009
Tax Payment Procedures	<ul style="list-style-type: none"> introduction of the possibility to pay taxes via bank transfer improved organization of tax offices for the direct payment of taxes 	Early – mid 2009
Component #8 – Trading Across Borders		
Control Procedures	<ul style="list-style-type: none"> elimination of police escorts for containerized goods 	Mid 2009
Import Export Documents	<ul style="list-style-type: none"> prolongation of validity of certain import-export documents from 6 months to 12 months 	End 2009

Not all the reforms introduced during the period of Project implementation were taken into consideration. This is particularly the case of some reforms implemented under components #4 and #7, which were excluded from the analysis for a combination of conceptual and practical considerations. In particular:

- in the case of **Component #4**, the reform of the Labor Code adopted in 2008 involved a series of changes that effectively reduced the cost of labor for private entrepreneurs. This is the case, namely, of the provisions limiting claims for damages in the case of irregular dismissal, the reduction of the period during which female workers are entitled to partial leave for breast feeding, and the reduction of entitlements to holidays for family reasons. However, the cost savings accruing to entrepreneurs cannot be regarded as ‘true’ PSCS, but rather as a ‘transfer’ between two parties within the private sector (entrepreneurs and workers), and, therefore, it was decided not to proceed to the calculation of cost savings²⁶;
- in the case of **Component #7**, the effects of the tax reform introduced in 2010 were not taken into account for two reasons. First, there is an attribution problem, because while the Project contributed to the formulation of several measures, it is also clear that the whole reform process was primarily driven by the IMF, which had been discussing the matter with the GOBF for a long time. Second, the reform was only recently introduced and this, combined with weaknesses in the information available, prevents any meaningful assessment of its impact.

Quantification of PSCS. Over the 2007 – 2010 period, the PSCS generated by the reforms supported by the Project can be estimated at **about US\$ 2.7 million**, expressed in 2010 value. The results of the exercise, with the breakdown by component/reform and type of savings, are summarized in Table 5.2 below.

Table 5.2 Summary of PSCS Generated (US\$, 2010 value)

Reform	Cost Savings	Time Savings	Financial Savings	Total PSCS	Comments
Component #1 – Starting a Business					
<i>Business Registration - Companies</i>	228,802	45,044	0	273,846	Does not include the so called ‘Bouquet Koodé’, which was never mandatory
<i>Business Registration – Sole Proprietorships</i>	84,626	76,888	0	161,514	
<i>Private Schools Licensing</i>	0	377	0	377	Preliminary, as reforms are currently being implemented
Component #2 – Dealing with Construction Permits					
<i>Establishment of CEFAC</i>	238,690	5,807	0	244,497	Strictly refers to commercial buildings only
Component #3 – Registering Property					
<i>Property Transfer Taxation and Procedures</i>	1,093,220	9,612	0	1,102,832	Results heavily influenced by estimates on the number of relevant transactions
Component #4 – Employing Workers					
<i>Work Contracts Registration Procedures</i>	0	28,648	0	28,648	Results highly hypothetical, due to uncertainty on key data.
Component #6 – Enforcing Contracts					
<i>Court Awards Registration Procedures</i>	240,440	0	0	240,440	Results heavily influenced by estimates of the value of typical contract award
Component #7 – Paying Taxes					
<i>Tax Appeals Procedures</i>	0	0	197,591	197,591	
<i>Payment of Taxes via Bank</i>	-410	914	0	503	
<i>Better Organization</i>	0	92,771	0	92,771	

²⁶ This point was raised in the comments formulated by IFC staff commenting an earlier report on the PSCS methodology.

<i>of Tax Offices</i>					
Component #8 – Trading Across Borders					
<i>Elimination of Police Escorts</i>	347,990	0	0	347,990	Results highly hypothetical, due to uncertainty on key data.
<i>Import Export Documents</i>	12,420	39,102	0	51,523	
Total	2,245,777	299,164	197,591	2,742,532	

Overall, *about one third of total PSCS are connected with just one reform*, the reduction of the *ad valorem* tax on property transactions. Other significant sources of PSCS include the simplification of business registration, especially in the case of companies (14% of total PSCS), and the elimination of police escorts for containerized traffic (12%), followed by the establishment of CEFAC and related simplification measures (8%) as well as the reduction of fees for the registration of court awards (also 8%). Other reforms appear to have yielded limited benefits, with a value below US\$ 200,000.

It is important to note that, in the case of at least three reforms, *results are heavily influenced by uncertainties regarding some key parameters*. This is particularly the case of the *ad valorem* tax on property transfers, for which the number of relevant transactions is not known and had to be ‘guess estimated’ based on only partially related data. In the case of the reduction of the fees for the registration of courts awards, there is considerable uncertainty regarding the value of a typical commercial court case. The value retained for the analysis is based on information provided by lawyers and Ministry of Justice officials, but it is much higher than the typical court claim considered in DB Reports and it may well result in an over estimate. Finally, the data used to estimate savings connected with the elimination of police escort of containerized traffic are less than ideal, and, again, an over estimate is possible.

Finally, it is worth noting that *more than 80% of PSCS refer to cost savings*, i.e. to the elimination or reduction of taxes and fees, whereas *time savings are generally of limited importance*. It is certainly possible that the amount of time saved with the elimination of certain procedures has been underestimated. But doubling or even tripling the amount of time saved would not appreciably alter the picture.

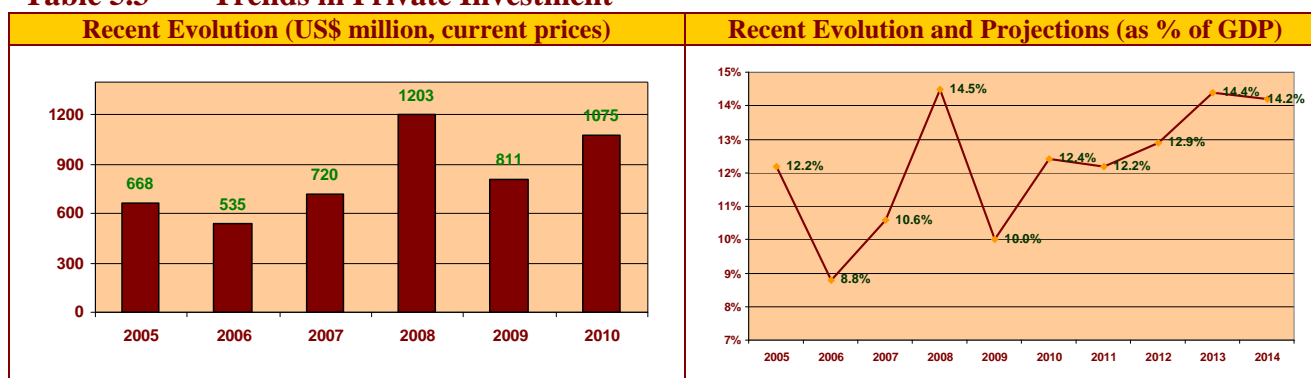
Assessment of Future PSCS. The possible value of future PSCS attributable to reforms supported by the Project can only be guess estimated, as too many factors are at play. On one hand, the value of PSCS is expected to increase as more progress is made in the simplification of business licensing procedures, although values are unlikely to be substantial judging from the results achieved in the case of private schools licensing. Additional savings may emerge as a result of the recent tax reform, but as mentioned above, only part of these savings could be attributed to the Project. On the other hand, following the approach adopted by IFC Guidelines, the impacts associated with the earlier reforms should be gradually eliminated from PSCS calculations, the rationale being that, after a certain number of years, the reforms would have been implemented even without IFC support. This is the case, for instance, of the property transfer tax, which was first reduced back in 2006. Based on these considerations, it seems reasonable to conclude that over the 2011 – 2013 period, the total value of PSCS attributable to the Project *is expected to decline, possibly reaching a level of one half, maybe one third, of the value estimated for the 2007 – 2010*.

5.3 Private Sector Investment Generated

Background. Over the last few years, Burkina Faso’s private investment displayed a markedly oscillating trend. After a decline to little more than US\$ 500 million in 2006, investment recorded

two positive years, peaking at US\$ 1.2 billion in 2008.²⁷ However, this was followed by an abrupt decline in 2009, when investments dropped by about a third, to around US\$ 800 million. An equally sharp recovery to US\$ 1.1 billion is expected for 2010. In relative terms, private investment ranged from less than 9% of GDP in 2006, to almost 15% in 2008. According to IMF projections, a more stable pattern is expected to prevail in the medium term, with private investments gradually passing from about 12% of GDP in 2010-2011 to about 14% in 2013 – 2014. The drastic changes recorded in the last few years are the result of a *limited number of large investment operations, promoted by foreign investors and concentrated in relatively few sectors*, such as the privatization of the telecom company (taken over by Maroc Telecom) and, especially, the launch of several gold mining projects by large Russian and Canadian investors. No data are available for domestic private investment, but anecdotal evidence suggests that it is still largely confined to the real estate sector and in service activities, with very few initiatives of importance in manufacturing and agro-processing. Overall trends in private investment are summarized in Table 5.3 below.

Table 5.3 Trends in Private Investment



Source: IMF, various country reports

Project Impact. The private sector investment generated (PSIG) falls under the so called ‘overall impacts’ category, in the sense that initiatives undertaken under various components may concur to increase investment levels, either directly or indirectly. In the case of Burkina Faso, the Project did not encompass actions directly aimed to increase private investment (as is the case of projects active in foreign investment attraction or in facilitating access to finance), and the effects on PSIG have essentially been of an indirect nature, namely through the acceleration of the enterprise formation process. A simple measure of this impact can be obtained by multiplying the number of newly formed enterprises by the average initial investment. The number of new businesses whose formation can be associated with Project supported reforms is estimated at about 650 - 750 over the 2008 – 2010 period. The average investment can be estimated on the basis of a recent survey of newly registered enterprises carried out by the *Maison de l’Entreprise du Burkina Faso* (MEBF) and covering a sample of firms registered in 2007.²⁸ Survey results reveal an average investment to the tune of US\$ 5,200 per newly established enterprise. However, the MEBF sample appears to be somewhat skewed, with under representation of more capital intensive activities, thus the average

²⁷ All data are taken from IMF publications. See in particular IMF, *Burkina Faso - Staff Report for the Request for a Three-Year Arrangement Under the Extended Credit Facility*, July 2010; IMF, *Burkina Faso - Staff Report for 2009 Article IV Consultation, Fifth Review Under the Poverty Reduction and Growth Facility, and Requests for Augmentation of Access and Modification of Performance Criteria*, January 2010; and IMF, *Burkina Faso - Staff Report for the Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria*, 2009.

²⁸ Maison de l’Entreprise du Burkina Faso, *Etude sur le profil des créateurs d’entreprises et d’évaluation de la mortalité des nouvelles entreprises*, Rapport provisoire, June 2010. The survey was based on a sample of 295 enterprises based in Burkina Faso’s two main economic centers. Ouagadougou and Bobo Dioulasso, representing about 9% of the target population of 3,284.

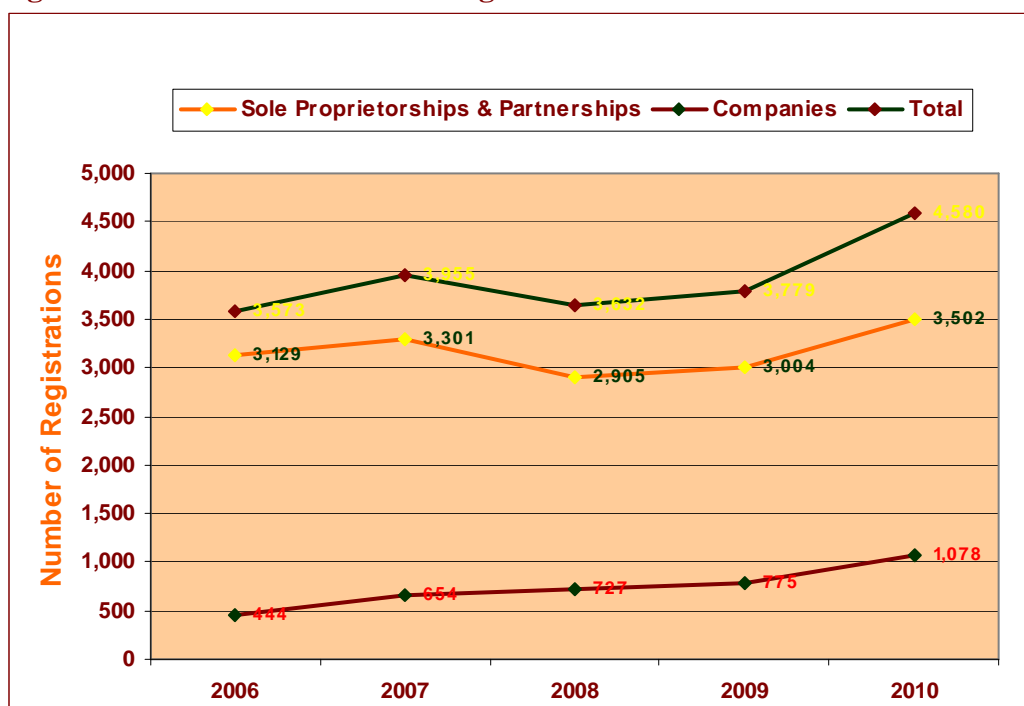
investment was increased by 30% to US\$ 7,500 per firm.²⁹ Based on these parameters, the value of incremental private sector investment associated with Project promoted reforms can be estimated at **US\$ 5.0 to 5.9 million for the period 2008 – 2010**, of which US\$ 0.7 - 0.9 million was invested in 2008, US\$ 0.5 – 0.6 million in 2009, and US\$ 3.8 – 4.5 million in 2010. When compared with overall developments in private sector investment, these are undeniably modest figures, representing at most 0.5% of total investment in 2010.

It is important to stress that the above figures refer only to *short term impacts*. In principle, the *medium term impact* could be estimated using the same approach, but this would require estimating future patterns in enterprise formation, which however are impossible to predict.

5.4 Product-Specific Impacts

Number of New Business Registrations. In Burkina Faso, the number of business registrations has varied significantly over the last decade. Available information indicates the number of registrations grew significantly in the years 2003 – 2005, when registrations peaked at nearly 5,000. This was followed by a steep decline in 2006, with only 3,600 registrations recorded. During 2007 – 2009, the number of annual business registrations ranged between 3,600 and 4,000, whereas in 2010 information provided by CEFORE suggests the number of registrations may have grown to almost 4,600. Regarding the types of enterprises registered, in the 2006 – 2010 period *personnes physiques* hovered around 3,000 registrations per year, whereas the number of companies has constantly increased, from 444 in 2006 to an estimated 1,078 in 2010. The evolution over time of business registrations is shown in Figure 5.1 below.³⁰

Figure 5.1 Trend in Business Registrations



Source: CEFORE and Chamber of Commerce

²⁹ For more details on the subject, please refer to Annex D.3.

³⁰ Data on business registrations are from two different sources, namely the archives kept by the chamber of commerce (the so called *fichier NERE*) and CEFORE. It should be noted that figures from the two sources are not fully consistent. For more details, please refer to Annex D, Section D.2.

Developments in enterprise creation are often associated with reforms in business registration procedures, which make it easier to establish new enterprises. However, the causation chain is more complex, involving the whole set of reforms that influence the investment climate, as well as other exogenous factors, such as the buoyant conditions of the economy. With this caveat in mind, an (inevitably rough) indication of the impact of Project activities on the enterprise formation process can be obtained by comparing business registration data over time. Based on this simple ‘before’ and ‘after’ comparison, the reforms supported by the Project can be credited with the registration of **about 1,200 new enterprises**, of which about 300 are sole proprietorships and 900 are companies.³¹

It is important to note that the increase in business registrations **does not necessarily translate into a similar increase in the number of new businesses in operation**, because some registrations may refer to pre-existing businesses that had been operating informally or, in some cases, formal registration may not have been followed by any real activity. Insights regarding the importance of these aspects are provided by the above mentioned MBEF survey. Survey results indicated that about 23% of registered firms had started their activity before registration, while some 22% never began operating. Therefore, the share of new businesses that actually began operating is about 55% of total registrations. However, the MBEF survey also found that about one fifth of these new businesses (i.e. 16% of the total sample) eventually suspended operations, leaving only 39% in operation after three years from registration. Based on this data, it can be estimated the reforms supported by the Project contributed to the **formalization of about 250 - 300 previously existing businesses** and to the **creation of some 900 - 950 new businesses**, of which about 200 - 250 have, or are expected to have, temporarily or permanently ceased operation three years after registration.

Number of Jobs Created. The number of jobs created is regarded by the TOR as a ‘product-specific impact’, logically linked to the reform of labor legislation which, by making the labor market more flexible, is expected to contribute to growth in the number of jobs. However, this appears to be rather diminutive, as the number of jobs can also be affected by other investment climate reforms. In this respect, the number of jobs created is conceptually not dissimilar from other ‘overall impacts’, namely the value of private investment generated.

Regarding the **product-specific dimension**, with support from Component #4, in 2008 Burkina Faso adopted a new Labor Code, which included a number of provisions to increase labor force flexibility (elimination of restrictions on the renewal of fixed terms contracts, limitation of claims for damages in case of irregular dismissal, etc.). Anecdotal information collected during field work suggests that some of the new measures were indeed utilized by private operators, who in particular tended to make greater use of fixed term contracts. However, this has so far failed to have an appreciable effect on overall employment levels.³² Under these conditions, **it is reasonable to exclude any significant impact**.

As for the **overall impact dimension**, it is possible to estimate the number of jobs associated with the creation of new businesses, following a similar logic to that utilized above to estimate private investment, i.e. by multiplying the number of newly formed enterprises times the average employment at start-up. An indication of the latter can again be obtained from the MBEF survey, which also collected data on employment levels in newly established enterprises registered in 2007. In general, values are rather modest, as about 80% of the firms surveyed declared an employment of 0 to 2 people. However, as indicated above, the MBEF sample is partially skewed, with an over representation of simpler activities in trade and services, and this is likely to depress workforce

³¹ It has to be noted that these estimates are highly sensitive to the choice of the reference period and of data sources. For more details, see the analysis presented in Annex D.2.

³² The matter was extensively discussed with the Project team, who kindly offered to assist in retrieving information from both public and private sources, but in the end no evidence of a positive impact could be found.

data. Therefore, two different values were considered in the analysis, namely: (i) in the case of micro businesses involved in trade, services and handicraft (deemed to account for about 70% of total registrations), job creation was estimated on the basis of an average of 1.5 employees per firm, broadly in line with MEBF data, and; (ii) in the case of more structured operations (30% of the total), an average employment of 5 workers per newly established enterprise was retained. Based on these parameters, the number of new jobs associated with reforms affecting the enterprise formation process can be estimated on the order of **1,700 – 2,000 for the period 2008 – 2010**. Considering a total formal workforce in the private sector of 500,000³³, the Project contribution to employment can be estimated at 0.3 – 0.4%.

Number of Businesses Complying with Tax Regulations and Tax Revenue Generated. These two impacts are primarily linked with reforms supported by the Project in two areas, namely: (i) the reform of the tax system supported by Component #7, and (ii) the reform of business registration procedures under Component #1. Regarding the ***number of businesses complying with tax regulations***, data provided by the DGI show a decline between 2006 and 2008, from about 9,400 to 4,800 registered taxpayers, probably due to a ‘cleaning up’ of records, with the elimination of non active taxpayers. This was followed by an increase to about 5,400 in 2009. Data on the payment of VAT show a gradual increase overtime, while a more contrasted trend is found for the payment of profit tax, with increases in certain years and declines in others. The overall trend is illustrated in Table 5.4 below.

Table 5.4 Trend in Tax Compliance

Years	Registered Taxpayers	Taxpayers Paying VAT	Taxpayers Paying Profit Tax
2006	9,318	359	179
2007	4,999	412	200
2008	4,761	413	180
2009	5,396	426	192

Source: DGI

In general, developments in tax compliance appear to be largely unrelated to the reforms supported by the Project. For instance, the increase in the number of registered taxpayers recorded in 2009 (about 700) is only a fraction of the number of newly registered enterprises that same year, nearly 3,800, which suggests (barring the existence of major flaws in DGI records) a limited linkage between the reform of business registration and an increase in tax compliance. Regarding the ***tax revenue generated***, aggregate data from IMF reports show a positive trend (e.g. with the tax revenue reaching 13.6% of GDP in 2009, up from 13.1% in 2008). However, this is the result of a general effort to combat tax evasion that the GOBF has been deploying for some time, as part of agreements with the IMF. Under these conditions, ***no significant impact on fiscal variables can be ascribed to Project activities***.

Increase in Trade Flows. This impact refers primarily to the reforms supported by Component #8. As in the case of tax revenue, it is ***not possible to proceed to any meaningful quantification of the impact of IFC supported reforms***, for a combination of factors. First, work on this component started relatively late, basically in early 2009, and so far has concerned only relatively marginal aspects, such as the elimination of a few import-export documents and the discontinuation of police escorts for containerized goods. While operators certainly appreciate these changes (and this was accounted for in terms of PSCS in Section 5.2), the influence on the trade logistics chain has so far been minimal. Second, and most important, the structure of Burkina Faso’s trade flows is

³³ Ministère de la Jeunesse et de l’Emploi, *Enquête nationale sur l’emploi et la formation - ENEF 2008*, Rapport Final, Mai 2009.

dominated by time-insensitive goods. Imports largely concentrate on basic goods (oil products, building materials, consumer goods), and the trend appears to be driven primarily by GDP growth, with a marginal influence of other factors. As for exports, they basically consist of two items, cotton and gold, and performance is influenced primarily by developments in production and in world markets. For instance, the good export performance recorded in 2008 and 2009 was determined by an increase in cotton volume and by a surge in gold volume and prices. Under these conditions, the impact of minor modifications to the time spent by operators in acquiring documents appears to have had a negligible effect.³⁴

5.4 Summing Up

A summary presentation of the Project impacts is provided in Table 5.5 below.

Table 5.5 Summary of Impacts

Type of Impact	Short Term Impact	Prospects for Medium Term Impact (3-4 years horizon)
Overall Impacts		
<i>Private Sector Cost Savings</i>	US\$ 2.7 million	Medium term impact is expected to decline, due to the phasing out of some benefits
<i>Private Sector Investment Generated</i>	US\$ 5-6 million	Medium term impact would depend upon developments in enterprise formation, which are impossible to predict
Product Specific Impacts		
<i>Number of New Businesses Registered</i>	1,200	No estimate for medium term impact is possible.
<i>Number of New Jobs Created</i>	1,700 - 2,000	No estimate for medium term impact is possible. Unclear if reform of labor legislation will translate into tangible effects
<i>Number of Businesses Complying with Tax Regulations</i>	No visible impact	In the medium term some positive impact is expected to occur following the full implementation of the recent tax reform, but this is mostly due to IMF
<i>Tax Revenue Generated</i>	No visible impact	
<i>Increase in Trade Flows</i>	No visible impact	No estimate for medium term impact is possible.

An indication of the Project's ability to generate impacts can be derived from the ratios between the budget (US\$ 2.4 million) and the estimated impact values. In the case of *PSCS*, the ratio is about 1:1, i.e. one dollar spent on the Project generated approximately 1.1 dollars of cost savings for private operators. In the case of *private investments*, the ratio is in the order of 1:2/2.5, with one dollar spent generating about 2 - 2.5 dollars of investment. Regarding the *non monetary impacts*, ratios are in the order of US\$ 2,300 per newly registered business and US\$ 1,400 – 1,600 per job created. These ratios must be interpreted with caution, because the impacts quantified are generally linked only to a *subset of Project activities*, whose budget was a fraction of total Project costs. If the ratios were calculated with reference to these activities, results would be much more favorable.

³⁴ It should be noted that in the literature there is no unanimity regarding the influence of customs simplification on trade flows. In fact, while there is a growing body of literature acknowledging the importance of the 'time factor' in general (i.e. inclusive of transport time, customs clearance, port handling, etc.) in determining trade flows, some recent work suggests that the time required to clear customs may have a relatively modest influence compared to delays experienced in other phases on the import – export process. In this respect, see Freund, Caroline and Nadia Rocha, "What Constrains Africa's exports?", World Trade Organization - Economic Research and Statistics Division, mimeo, January 2010.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary Assessment

The Project is widely regarded as a successful initiative and generally positive comments have been formulated by stakeholders and observers. The evidence reviewed in this Report definitely confirms this positive assessment, although with some qualifications.

The Project was ‘by definition’ aimed at achieving an improvement in Burkina Faso’s rankings in terms of DB indicators and this *objective was largely attained*, with the country gaining some fifteen positions in the overall ranking of “Ease of Doing Business.” The country lost some ground in the DB 2011, due to the elimination of the “Employing Workers” indicator, but this is certainly not the fault of the Project. Also, the DB rankings do not always do full justice of the results achieved by the Project, whose performance can be regarded as better than it appears. In fact, in some cases the DB rankings appear to be at odds with the evidence collected for this study (e.g. in the case of business registration). In other cases, the results achieved or likely to be achieved (e.g. in business licensing) are simply not captured by DB indicators.

By supporting simplification of the business registration process, the Project contributed to an injection of dynamism into the Burkinabé economy, with a positive influence on private investment and job creation. The numbers resulting from the impact assessment exercise may not be outstanding, but neither are they negligible, taking into account Burkina Faso’s structural features. Similar considerations apply to measures implemented to reduce the complexity and cost of property transfer and construction permit systems, which resulted in private sector cost savings and also contributed to development of related markets. In some areas (trade logistics, judiciary reform and ADR), no impact can be demonstrated in terms of macroeconomic variables, but the Project contributed (sometimes, along with other initiatives) to reduce the costs incurred by businesses.

An area where the Project was certainly successful in terms of the intended objective but had a seemingly limited impact is that of labor legislation. The passing of the new Labor Code did significantly improve the country’s DB rankings and must be regarded in itself as a ‘small masterpiece’ of reform implementation, made possible by the excellent work of the Project team in handling a sensitive matter. However, this reform seems to have generated limited impact so far and, considering labor regulation has never been a serious constraint to Burkinabé operators, it is unlikely to make much difference in the future. The fact that the Employing Workers indicator was removed from DB surveys starting in 2011 also adds an ironic element.

No progress was recorded regarding the reform of bankruptcy procedures, as the recommendations made by the Project were endorsed but not implemented by the GOBF. However, due to the rarity of bankruptcies in an economic system largely dominated by micro-enterprises which ‘come and go’, this missed target does not seem to have had any appreciable influence on the business environment.

As is normally the case for initiatives of this nature, the positive achievements were the result of a combination of factors. However, the presence of a *fully dedicated and pro-active Project team based in the country appears to have been a decisive element*. The Project implementation arrangements, centered on a high level Steering Committee, supported by similar structures for some components, were certainly well designed, but it was the constant interaction between the Project team and counterpart institutions that really caused the system to function well. This was instrumental in generating a significant change in the GOBF’s attitude toward investment climate

reforms, which shifted from initial skepticism, generated by the unfavorable DB rankings in the mid 2000s, to the current positive attitude.

The Project was not an expensive one, especially considering its duration and the volume of activities generated. At inception, there might have been some over budgeting, but resources were used sparingly throughout project implementation, which goes to the credit of the Project team. Also, the balance among cost items appears broadly appropriate and the value for money appears to be high.

6.2 Recommendations

The Project is expected to be followed up by another operation whose preparation is currently ongoing. The findings presented in this Report suggest some recommendations that might help to shape future work.

Recommendation #1 – Broaden the scope of reforms beyond DB-related areas. As mentioned in the last supervision report “*It has been so difficult to get some reforms in Burkina Faso this year. This is because the reforms are more and more difficult to implement.*” The author seems to refer primarily to contingent difficulties. However, the elements collected during this study suggest that DB-oriented reforms may have reached the stage of declining marginal returns. Certainly, there is a long way to go to achieve the rankings of better placed countries, but it is questionable whether this could make a real and visible impact on the economy. For instance, further cutting the number of days required to register a limited liability company would certainly improve Burkina Faso’s position in DB rankings, but the majority of businesspeople would in all likelihood continue to opt for sole proprietorships (and at any rate they would start operating even if the registration procedure is not complete). Under these conditions, the IFC might consider broadening the scope of new operations by focusing on other areas. In this respect, the theme of ***business licensing reform***, appears particularly relevant. In a country where state intervention in the economy is embedded in the legal and cultural traditions, public regulation will always play an important role in a variety of sectors and activities. Therefore, as the economic system gradually evolves and reaches further levels of complexity, the key issue is not so much implementing a sweeping liberalization (the ‘bulldozing approach’ to regulation reform) but rather of making sure that regulations in the various lines of business are designed to be conducive to market development. In this context, ensuring ***appropriate entry conditions for SME*** is of paramount importance, as large and politically connected private groups could be in the position to influence regulatory activities (e.g. by promoting artificially high quality or safety standards) in a manner that effectively precludes arrival of new entrants. Making sure that the regulatory reform process is not exposed to capture from powerful groups is certainly a challenging task, but for precisely this reason should be regarded as a possible area of intervention.

Recommendation #2 – Include an element of capacity building in enterprise support. Another crucially important theme is the need of ***strengthening the enterprise growth process***. While facilitating the creation of new enterprises is certainly important, even more important is ensuring that, once established, enterprises continue to operate and grow. Burkina Faso can count on some reasonably efficient enterprise support structures, such as the *Maison de l’Entreprise*, but the range and quality of support services provided to newly established and existing enterprises is still relatively limited. The IFC has developed over the years a series of tools (i.e. the SME toolkit) that could prove very useful in the Burkinabé context. Therefore, future operations might well consider leveraging these instruments to strengthen the capabilities of existing enterprise support structures.

Recommendation #3 – Maintain the organizational model centered on a strong in-country presence. The merits of the organizational model adopted by the DBBBF project have already been commented upon at length. It is important that future operations build upon this positive experience, with the adaptations that might be required with a broadening of the area of intervention, and that they do not disperse the wealth of experience that has been accumulated over the years.

Recommendation #4 – Collect baseline data and other quantitative information to assess the importance of the phenomena being tackled. The availability of baseline data is critical in order to assess progress achieved and to lay the foundations for a proper impact assessment. Also, the availability of quantitative information on some key variables (number of operators active in a certain line of business, number of transactions subject to a certain authorization, etc.) is essential to understanding whether a certain action is worth pursuing. In the later stages of implementation, some effort was made by the Project team to gather information on these aspects, but there is considerable room for improvement through the collection and systematization of more relevant information.

Recommendation #5 – Adopt an activity-based accounting system which allows for a detailed assessment of resource utilization. The collection of baseline data and other quantitative information should be complemented by the systematic collection and keeping of data on financial resources allocated and disbursed for each component or product line. This would allow for the calculation of cost ratios for different types of activities/components, thereby making it possible to assess their cost effectiveness.

Recommendation #6 – Support the development of local capabilities in the analysis and quantification of project impacts. Strengthening the capabilities of government counterparts in the analysis and quantification of impacts can contribute to creating a solid basis for sustaining reform efforts in the medium – long term. The Project provided some training in the use of the SCM techniques for measuring the administrative burden of regulation, but results have been fairly limited. The problem is not peculiar to Burkina Faso (weaknesses have been detected also in Rwanda) and this suggests that, if local capabilities are to be strengthened in this field, more resources are to be invested. This may require the development of training toolkits specifically tailored to the realities of African countries and, especially, a closer involvement of specialized IFC staff/consultants in supervising how SCM tools are implemented, so as to supplement formal training with practical guidance.

ANNEXES

ANNEX A – DOCUMENTARY SOURCES

Project Files – Approval, Supervision and Progress Reporting

DBBBF Project

- TAAS PDS Early Review, version dated February 14, 2005
- TAAS PDS Approval, version dated September 19, 2005
- TAAS PDS Approval, version dated March 29, 2010.
- Progress Reports for January – June 2006
- Progress Reports for July – December 2006
- Progress Reports for January – June 2007
- Progress Reports for July – December 2007
- Progress Reports for January – June 2008
- Progress Reports for July – December 2008
- Progress Reports for January – June 2009
- Progress Reports for July – December 2009
- Progress Reports for January – June 2010
- Final Donor Report
- Supervision Reports #1, #2, #3, #4, #5, #6, #7, #8, #9 and #10
- Nathan Associates Inc., Doing Business Better in Burkina Faso, Mid-Term Evaluation, Final Report, December 19, 2007

Trade Logistics Project

- Trade Logistics Supervision Report #2
- Donor Report, Burkina Faso Trade Logistics Project, July – December 2009

Project Files – Substantive Matters

- FIAS, Analyse des procédures d’attribution de terrains et de permis de construire, Novembre 2006
- Fiche de synthèse des recommandations relatives à la réduction des coûts de création d’entreprise au Burkina Faso, s.d. (but 2007)
- Rapport de synthèse de l’analyse des procédures d’enregistrement de terrains et de délivrance de permis de construire, Mars 2007
- Rapport général de l’atelier de validation du rapport de synthèse de l’analyse des procédures d’enregistrement de terrains et de délivrance de permis de construire, 16 mars 2007
- Etude sur la cessation des activité au Burkina Faso, Octobre 2007
- Projet de mise en place du Guichet Unique du Foncier - Rapport de mission de Peter Bloch auprès de la Société Financière Internationale à Ouagadougou, du 3 au 10 janvier 2008
- Améliorer le climat des investissements au Burkina Faso, Février 2008
- Les innovations du nouveau Code du Travail, s.d. (but 2008)
- FIAS, Diagnostic of Alternative Dispute Resolution (ADR) Mechanisms in Burkina Faso, Final Report, September 2008
- Reforming Burkina Faso Trade Logistics System: Phase 1, December 2008
- Trade Logistics - BTOR - Burkina Faso Mission, March, 30 – April 03, 2009
- Burkina Faso Business Licensing Reform Project, SIRA Consulting, s.d. (but 2009)

- Lourdeurs Administratives Projet Pilote: Reforme des Licences pour les secteurs industriels, SIRA Consulting, presentation, 15 et 16 avril 2009
- FIAS, Burkina Faso - A Summary Review of Tax and the Investment Climate, June 2009
- Licenses Sectorielles, version Novembre 2009
- Reforming Burkina Faso Trade Logistics System: Phase 1, January 2010
- Etude sur la rationalisation des licences d'affaires, Juin 2010

Methodological Documents

- Freund, Caroline and Nadia Rocha, "What Constrains Africa's exports?", World Trade Organization - Economic Research and Statistics Division, mimeo, January 2010
- IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010)
- SCM Network, *International Standard Cost Manual*, (s.d.)
- Shara, Luba "How to Improve the Quality of Project Completion Reports", presentation at a PCR training workshop, Johannesburg, July 27, 2009.

Other Documents

- CCIA-BF et MEBF, *Evaluation des gains generés par la mise en place des CEFORE pour le secteur privé*, Août 2005
- IFC, *Doing Business 2010 – Burkina Faso*, 2009
- IMF, *Burkina Faso - Staff Report for the Request for a Three-Year Arrangement Under the Extended Credit Facility*, July 2010
- IMF, *Burkina Faso - Staff Report for 2009 Article IV Consultation, Fifth Review Under the Poverty Reduction and Growth Facility, and Requests for Augmentation of Access and Modification of Performance Criteria*, January 2010
- IMF, *Burkina Faso - Staff Report for the Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria*, 2009
- Maison de l'Entreprise du Burkina Faso, *Etude sur le profil des créateurs d'entreprises et d'évaluation de la mortalité des nouvelles entreprises*, Rapport provisoire, June 2010
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- Ministère de la Jeunesse et de l'Emploi, *Enquête nationale sur l'emploi et la formation - ENEF 2008*, Rapport Final, Mai 2009.
- ONEF, *Tableau de bord du marché du travail 2000 – 2008*, 2009
- USAID, *Transport and Logistics Costs on the Tema-Ouagadougou Corridor*, West Africa Trade Hub Technical Report #25, April 2010
- USAID, *Trucking to West Africa's Landlocked Countries: Market Structure and Conduct*, West Africa Trade Hub Technical Report #32, September 2010
- World Bank, *Enterprise Surveys Country Profile – Burkina Faso 2009*, 2009
- World Bank, *Burkina Faso - ROSC - Insolvabilité et droits des créanciers*, Juin 2008

Statistics

- BCEAO, *Bulletin de Statistiques Monétaires et Financières*, various years
- CBC, statistics on containerized traffic
- CCIA-BF, statistics on enterprise registrations
- CEFORE, statistics on enterprise registrations
- CEFAC, statistics on construction buildings

- GUF, statistics on property registrations (land and buildings)
- DGI, statistics on taxpayers registration, compliance, payments via bank and appeal

ANNEX B – PERSONS AND INSTITUTIONS INTERVIEWED

Institution	Name	Position
MINFIN	Mme Nare	Conseiller Technique du Ministre de l'Economie et des Finances
MINFIN - Direction des Affaires Domaniales et Foncières	M. Moussa Traore	Directeur
MINFIN - Direction des Affaires Domaniales et Foncières	M. Rigobert Tahita	Directeur Adjoint
MINFIN - DGI	Pr Filiga Michel Sawadogo	Directeur General
MINFIN - DGI	M. Barthélémy Dabré	Chef de service législation
MINFIN - DGI	M. Séni Konkobo	Chef de Service Étude et Réalisation
MINFIN - DGI	M. Adama Badolo	Directeur de l'Informatique et des Prévisions
MINFIN - Direction Générale des Douanes	M. Adama Sawadogo	Directeur de la Législation et de la Réglementation
MINFIN - Direction Générale des Douanes	M. Victorien Zoungrana	Chef de service valeur
MINFIN - Direction Générale des Douanes	M. François Ouedraogo	Fonctionnaire
MINFIN - Direction Générale des Douanes	M. Aboubacar Ouedraogo	Fonctionnaire
Guichet Unique du Foncier	M. Kassoum Traoré	Directeur
MINCOM - Direction Générale de la Promotion du Secteur Privé	M. Bernard Zougouri	Directeur Général
MINCOM - Direction Générale de la Promotion du Secteur Privé	Mme Fatoumata Dayo	Fonctionnaire
MINCOM - Direction Générale de la Promotion du Secteur Privé	M. Warma	Fonctionnaire
MINCOM - Guichet Unique pour les DPI	M. Abdouramane Ouedraogo	Directeur
Ministère de la Justice	M. Julien Dabire	Conseiller du Ministre de la Justice
Ministère de la Justice	M Issa Fayama	Magistrat, Coordonnateur du projet création des tribunaux de commerce
Ministère des Enseignements Secondaires, Supérieur et de la Recherche Scientifique	M. Ludovic Bouda	Directeur de l'enseignement privé
CNSS	M. Edmond Sawadogo	
CCIA - BF	M. Djebre Sore	Administrateur Fichier NERE
Maison de l'Entreprise du Burkina Faso	M. Issaka Kargougou	Directeur
CEFORE	M. Moussa Traoré	Directeur
CAMC-O	Mme Bintou Boli	Secrétaire Permanente
	M. Julien Lologo	Avocat
AGEIM	M. Benoît Ilboudo	Directeur Administratif et Financier
Yomba Business	M. Bernard Yameogo	Owner

SATA Afrique	M. Roland Tamini	Architecte
International des Céréales et Oléagineux	M. Martial Sawadogo	Directeur
Cabinet de Soins Médicaux - Notre Dame du Perpétuel Secours	M. Victo Zongo	Urgentiste
African Development Bank	M. Dayo Tankien	Economist
IFC	M. Alain T. Traoré	Program Manager
IFC	Mme Marie-Geneviève Compaoré	Economist
IFC	M. Inoussa Ouédraogo	Associate Operations Officer
IFC	M. Hamidou Songo	Associate Operations Officer

In addition to the above, during fieldwork interviews were held with other counterparts in the private sector who asked that their name be kept confidential.

ANNEX C – IMPACT ASSESSMENT – PRIVATE SECTOR COST SAVINGS

C.1 Introduction

In this Annex, we provide detailed presentation of the data used and the approach adopted for the estimate of Private Sector Cost Savings (PSCS). The Annex is structured as follows:

- Section C.2 briefly recaps the methodological approach;
- Section C.3 presents some general parameters used in the analysis;
- Sections C.4 through C.10 illustrate the calculations of PSCS for, respectively, Components #1, #2, #3, #4, #6, #7 and #8.

The detailed calculations for the various types of PSCS are presented in a separate spreadsheet.

C.2 Methodology

Overview. The methodology adopted for estimating PSCS builds upon the preparatory work done in the earlier stages of the Assignment and presented in a separate report.³⁵ The approach presented here also takes into account the work done by IFC on the refinement of M&E indicators for investment climate projects and, more specifically, the methodology developed for estimating aggregate cost savings accruing to private operators.³⁶ With this in mind, it is worth noting that the IFC methodology is developed in an ex-ante framework, whereas this exercise adopts an ex-post perspective. As will be shown below, this involves some modifications in the definition of variables and in calculation procedures.

Taxonomy of PSCS. Three types of PSCS can be identified, namely:

- reduction in *out of pocket expenses* associated with the abolishment/simplification of certain procedures (“cost savings”);
- reduction in the *time spent by private operators* in dealing with certain procedures that have been abolished/simplified (“time savings” or “savings in the opportunity cost of time”);
- reduction in the *financial burden* related to changes in the payment profile for certain procedures (“financial savings” or “savings in the opportunity cost of money”).

Cost savings refer to two items, namely: (i) the elimination/reduction of certain fees (stamp duties, service fees, etc.) and (ii) the elimination/reduction of the need to rely on service providers for certain formalities (e.g. elimination of notarization for certain documents, development of standard articles of incorporation or memorandum of association, with ensuing elimination/reduction of the need for legal advice). These two effects are found in a wide range of areas of intervention, from the registration of buildings (i.e. reduction of the property transfer tax) to contract enforcement (i.e. reduction of fees for filing a commercial case in court).

Time savings refer to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services. This is, again, relevant for a wide range of areas of intervention, from business registration (e.g. as a result of the establishment of one stop facilities) to taxation (e.g. whenever payment of taxes via bank, rather than at the tax office, is accepted).

³⁵ Report #2 – Methodological Report, August 12, 2010.

³⁶ IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the ‘IFC Guidelines.’

Financial savings result from the reduction of financial burdens shouldered by private operators as a result of changes in the payment modalities for certain fees or taxes. For instance, in Burkina Faso the government recently reduced the amount taxpayers have to pay in order to file a tax appeal, and this provides some cash flow advantages to enterprises.

Estimating PSCS. In analytical terms, estimating PSCS is quite a straightforward exercise, as it essentially involves the multiplication of a ‘price element’, i.e. the savings achieved in one particular case, with a ‘quantity element’, i.e. the number of relevant observations, referred to as ‘transactions.’

The nature of the *price element* depends upon the nature of the reform under consideration. In the case of cost savings, e.g. the elimination of a certain fee or tax, the impact can generally be ascertained quickly. However, when the fee or tax is expressed in *ad valorem* terms (e.g. property transfer tax equal to a certain percentage of the value of the property) it is necessary to make reference to the value of the good on which the fee or tax is levied. The value of time savings is the result of the multiplication of the time saved thanks to a certain reform (expressed in terms of hours) times the unit value of labor (expressed in hourly total labor costs, i.e. inclusive of benefits, social security, and taxes). Finally, the value of financial savings is determined by multiplying the amount of the payment deferred thanks to a certain reform times the relevant interest rate.

The nature of the *quantity element*, i.e. the number of transactions, also varies depending upon the type of the reform considered. In certain cases, e.g. the registration of newly established firms, the number of transactions coincides with the number of economic agents affected by a certain reform. In other cases, e.g. the payment of VAT, the number of transactions is the result of the multiplication of the number of economic agents times the number of times these agents have to undergo a certain procedure. In still other cases, e.g. the checking of trucks at the border, there is no *a priori* rigid relationship between the number of economic agents and the number of procedures, and the number of transactions must be measured independently.

Two further aspects are worth highlighting:

- PSCS are calculated for the life of the whole Project. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to ***proceed to compounding***, taking the terminal year of the Project as reference point. This is done using the relevant real interest rate;³⁷
- some costs incurred by private operators (e.g. fees and taxes on specific transactions) are deductible for profit tax purposes, and this reduces the burden of complying with regulations. Therefore, in order to calculate the net impact of reforms, it is necessary to ***adjust the savings considering the relevant profit tax rate***. However, this does not apply to economic agents registered under ‘simplified’ tax regimes, typically involving the payment of turnover taxes and/or of lump sum taxes.

Practical Issues. While the method of calculating PSCS is relatively simple, significant practical problems arise for various reasons. This is particularly the case with cost savings and time savings, namely:

- ***Cost Savings.*** There are two main issues related to this typology of PSCS. First, sometimes baseline data refer only to partially relevant situations. For instance, in the case of the registration of enterprises, the benchmark fees provided by the DB Reports refer to the case of limited liability companies. However, in Burkina Faso the large majority of newly formed

³⁷ This represents a departure from the IFC Guidelines, which recommend the discounting of savings to the baseline year. The difference is obviously due to different perspective adopted, which is *ex ante* in the IFC Guidelines and *ex post* in this exercise.

enterprises are sole proprietorships. This means that baseline data for enterprises without a corporate form have to be reconstructed;

- **Time Savings.** In this case, baseline data are usually missing (DB Reports typically record the delays, not the time spent in performing the various tasks) and reconstructing the baseline situation after 3 to 5 years is made difficult by fading memories. Data obtained from companies and professionals are often at odds with each other, with wide variability. This means that calculations are inevitably based on fairly rough estimates. Also, coherent data on labor costs are also difficult to gauge given the huge differences in wage levels across various types of enterprises. In principle, there is also a conceptual problem with determining the hourly wage of an entrepreneur, who ‘by definition’ does not receive a wage. But this is largely a theoretical problem, because in the countries covered most entrepreneurs are ‘survivalist entrepreneurs,’ whose income is often lower than that of employees in the formal sector.

C.3 Basic Assumptions and Key Parameters

Baseline Year and Reference Period. The baseline year is **2006**, when the Project was approved. The reference period for the calculation of PSCS is **2007 – 2010**.

Profit Tax Rate. The standard profit tax rate in Burkina Faso was (i) 35% in 2006 and 2007, (ii) 30% in 2008 and 2009, and (iii) 27.5% in 2010. However, the standard rate is subject to exceptions. **First**, there is a minimum tax payable (*Impôt Minimum Forfaitaire* – IMF), corresponding to 0.5% of turnover and subject to thresholds depending upon the tax regime adopted, which in turn is linked to the size of the enterprise. In the case of business taxpayers under the so called *régime du bénéfice du Réel Normal* (RN), the IMF was CFAF 500,000 until the end of 2009 and was raised to CFAF 1,000,000 in 2010. In the case of taxpayers under the so called *régime du bénéfice du Réel Simplifié d'Imposition* (RSI), the IMF used to be CFAF 200,000 until the end of 2009 and was raised to CFAF 300,000 in 2010. In case taxpayers opt for the payment of the IMF, expenses incurred are not deductible. **Second**, rebates on the amounts payable are applicable to SMEs associated with the so called *centres de gestion agréés* (CGA). The rebate is 30% on the standard tax rate and 50% on the IMF. **Third**, favourable conditions are applicable to enterprises benefiting from special clauses in the Investment Code. **Finally**, since 2010 newly established SMEs are exempted from the payment of the IMF. No information is available regarding the number of business taxpayers falling in the different categories, but available evidence suggests that the standard tax rate is applicable only to a minority of business taxpayers, namely those having a corporate form (*personnes morales*). Therefore, the following assumptions were made:

- companies (*personnes morales*): 50% were subject to the standard tax rate and 50% paid the IMF or were exempted;
- sole proprietorships and partnerships (*personnes physiques*): 20% were subject to the standard tax rate and 80% paid the IMF or were exempted.

The relevant tax rates for the various years are presented in Table C.1 below. For the calculation of the overall average, reference was made to data on operational businesses provided by the Chamber of Commerce, according to which companies account for about 22% of total registered businesses.

Table C.1 Tax Rate

Year	Average Tax Rate - <i>personnes morales</i>	Average Tax Rate – <i>personnes physiques</i>	Average Tax Rate – All Businesses
2006	17.50%	7.00%	10.01%
2007	17.50%	7.00%	10.01%
2008	15.00%	6.00%	8.58%
2009	15.00%	6.00%	8.58%
2010	13.75%	5.50%	7.87%

Exchange Rate and Compounding. Annual *exchange rates* to transform CFAF values in US\$ terms are taken from IMF. The *real interest rates* used for compounding purposes were calculated as the difference between the average lending rate and the annual inflation rate. The average lending rate is calculated based on BCEAO data for the prime rate and the maximum lending rate (with weights, respectively of 30% and 70%) in June of each year.³⁸ Inflation is measured by the annual CPI increase as shown in IMF reports. Data are presented in Table C.2 below.

Table C.2 Exchange Rates and Real Interest Rates

Year	Exchange Rate	Lending Rate (A)	Inflation Rate (B)	Real Interest Rate (A-B)
2006	552.05	15.8%	2.4%	13.4%
2007	547.05	15.7%	-0.2%	15.9%
2008	546.62	15.7%	10.7%	5.0%
2009	565.12	15.2%	2.6%	12.6%
2010	585.00*	15.2%	2.3%	12.9%

* Estimated

Time Savings. For calculation of time savings, reference was made to key parameters indicated in the IFC Guidelines, namely: (i) 250 working days per year, and (i) 8 working hours per day.

Unit Value of Labor. Four professional profiles were considered, namely:

- high level staff (management);
- medium level staff (office manager/secretary);
- low level staff (newly recruited clerk, *agent de liaison*);
- independent small trader.

The unit value of labor is expressed in terms of hourly gross wage/earnings, inclusive of income taxes and social security contributions (when applicable). Estimates are based on two main sources. In the case of *high, medium and low level staff*, useful information was derived from the *Enquête nationale sur l'emploi et la formation* (ENEF), carried out in 2008, which provides data on wage levels in the private sector.³⁹ ENEF data show a great a variation across various types of enterprises (sole proprietorships, limited liability companies, joint stock companies, etc.), reflecting the different level of sophistication of the business models adopted. For the purpose of this PSCS exercise, reference was made to the average gross wages prevailing in limited liability companies, which were further increased by 16% to take into account the social contributions paid by employers and then rounded up to the next higher CFAF 10,000. In the case of high level staff, reference was made to the average value for two categories of personnel, namely *cadres supérieurs* and *cadres moyens*. For the medium and low level staff, reference was made, respectively, to the values for *agents de maîtrise* and *employés*. Data are summarized in Table C.3 below. Results of these calculations were checked with some employers interviewed during field work and found to be realistic, although possibly a bit on the high side. It should be noted that the average monthly wage of the low level category is two times the minimum wage (*salaire minimum interprofessionnel garanti* - SMIG).

³⁸ See BCEAO, *Bulletin de Statistiques Monétaires et Financières*, various years.

³⁹ Ministère de la Jeunesse et de l'Emploi, *Enquête nationale sur l'emploi et la formation - ENEF 2008*, Rapport Final, Mai 2009.

Table C.3 Monthly Cost of Labor – Data Analysis

Professional Profile	Monthly Gross Wage (A)	Social Security (16% of wage) (B)	Total (A + B)	Adjusted Value Retained for the Analysis
High Level	192,775	30,844	223,619	230,000
Medium Level	96,040	15,366	111,406	120,000
Low Level	55,290	8,846	64,136	70,000

Monthly labor costs were then multiplied by 13 (to account for the end of year bonus) and divided by 2,000, in order to obtain hourly labor costs, which yielded the following figures:

- high level staff (management): CFAF 1,495/hour;
- medium level staff (office manager/secretary): CFAF 780/hour;
- low level staff (newly recruited clerk, *agent de liaison*): CFAF 455/hour.

Strictly speaking, these values refer to 2008, but they were kept constant for the whole period under review, as field interviews suggested stability in labor costs over the last few years.

In the case of *independent small traders*, earnings vary enormously, depending upon type of business, the location, etc. Based on information collected through personal interviews an average (or rather, ‘typical’) income of CFAF 4,000 per day was considered, which yields an hourly income of CFAF 500.

C.4 Estimate of PSCS for Component #1 - Business Start-up and Licensing

In the case of Component #1, PSCS have been calculated with reference to several reforms, subsumed under two main headings, namely:

- the reform of business registration procedures, with separate calculations for companies and for sole proprietorships;
- the reform of licensing procedures for private schools.

Reform of Business Registration – Companies. This is a composite reform, involving the adoption of a series of successive legal, administrative and organizational measures entailing: (i) the simplification of registration requirements, with the elimination of certain steps and the concentration of responsibilities in a newly established one-stop-shop type of structure, and (ii) the reduction of registration fees and of other out-of-pocket costs. The relevant number of *transactions* is given by the number of companies (*SARL* and *sociétés anonymes*) registered during the reference period. In particular, for the years 2006 – 2009 reference was made to NERE data, whereas for 2010 CEFOR data were used (see Section D.2 below). PSCS relate to both cost and time savings. In particular:

- **Cost savings** include:
 - the elimination of the need to register the articles of association with tax authorities, with savings equal to (i) CFAF 6,000 for the fixed fee and (ii) CFAF 6,000 for the registration of the document (CFA 400 per page * an average of 15 pages). This results in a cost saving of CFAF 12,000 starting in 2008;
 - the reduction in the cost for the publication of the formation notice, passing from CFAF 45,000 in 2006 and 2007 to CFAF 20,000 in 2008 and to CFAF 10,000 in 2009 and 2010 (following the introduction of the web publication via CEFOR, with a cost saving of CFAF 25,000 in 2008 and of CFAF 35,000 in 2009 and 2010;
 - the reduction in registration fees with CEFOR, passing from CFAF 50,000 in 2006 through 2008 (excluding the so called ‘Bouquet Koodé’, which was never mandatory) to CFAF 37,500 in 2009 and 2010, with a cost saving of CFAF 12,500 in 2009 and 2010;
- **Time savings** include:

- the elimination of the need to register articles of incorporation with tax authorities, with a savings of 4 hours starting in 2008;
- the elimination of the need to file a declaration on the start of activities with the National Employment Agency, with a savings of 2 hours starting in 2007;
- the elimination of the need to file a declaration on the start of activities with the Inspection du Travail, with a savings of 2 hours starting in 2007;
- the elimination of the need to publish the formation notice in newspapers, with a savings of 2 hours starting in 2009.

A summary presentation of key parameters is provided in Table C.4 below.

Table C.4 Reform of Business Registration for Companies – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006	444		
2007	654		4
2008	727	37,000	8
2009	775	54,500	10
2010	1,078	54,500	10

Reform of Business Registration – Personnes Physiques. This concerns the registration of sole proprietorships and partnerships. Registration procedures for these firms were reformed in parallel with those used for limited liability companies, although the scope of reform was more limited. The relevant number of *transactions* is, again, given by actual registration data for sole proprietorships and partnerships (*personnes physiques*) during the relevant period. In particular, for the years 2006 – 2009 reference was made to NERE data, whereas for 2010 CEFOR data were used (see Section D.2 below). Again, PSCS relate to both cost and time savings. *Cost savings* refer to the reduction of the CEFOR registration, which declined from CFAF 47,390 in 2006 through 2008 to CFAF 39,890 in 2009, with a savings of CFAF 7,500 starting from 2009. *Time savings* refer to (i) the elimination of the need to file a declaration on the start of activities with the National Employment Agency, with a savings of 2 hours from 2007, and (ii) the elimination of the need to file a declaration on the start of activities with the National Employment Agency, with a savings of another 2 hours from 2007. A summary presentation of key parameters is provided in Table C.5 below.

Table C.5 Reform of Business Registration for Personnes Physiques – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006	3,129		
2007	3,301	..	4
2008	2,905	..	4
2009	3,004	7,500	4
2010	3,502	7,500	4

Reform of Private Schools Licensing Procedures. This concerns the consolidation of certain procedures, the simplification of documents to be submitted and the delegation of certain powers to regional directorates of the Ministry of Education in connection with the issuance of licenses (*agrément et ouverture*) of private schools. The reform was introduced in the Summer of 2010, and for the purposes of this exercise it is expected to produce PSCS for only half a year. The number of *transactions* is equal to the number of new private schools opening every year, which, based on information provided by the Ministry of Education, is estimated at around 30, i.e. 15 for the second half of 2010. *Time savings* related to the reform are estimated at 20 hours. The reform is also expected to bring about modifications in the fees charged by the Ministry. However, this is anticipated to result primarily in a rebalancing of fees between schools in Ouagadougou (which

would pay more) and schools in other cities (which would pay less), with a negligible overall effect. A summary presentation of key parameters is provided in Table C.6 below.

Table C.6 Reform of Private Schools Licensing Procedures – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	..	..	..
2009	..	..	..
2010	15	..	20

C.5 Estimate of PSCS for Component #2 – Dealing with Construction Permits

In the case of Component #2, PSCS have been calculated with reference to several reforms, subsumed under two main headings, namely:

- the creation of a one-stop-shop structure (the CEFAC) responsible for the handling of construction procedure permits;
- the reduction or elimination of various fees.

Establishment of CEFAC. CEFAC was established on 15 April 2008, to handle all the matters related to the issuance of construction permits. The number of *transactions* is equal to the construction permits (*licenses de construire*) issued by CEFAC since its establishment. For the year 2010, available data refer to the first five months, and were extrapolated for the entire year. In line with the nature of the exercise, transactions refer exclusively to permits for buildings *à usage commercial* or *à usage mixte*, excluding private houses. The establishment of CEFAC involved *time savings* associated with the elimination of five steps, namely: (i) the submission of the technical file to the municipality, (ii) the payment of a fee at the municipality, (iii) the payment of a fee at the *Direction Générale de l'Architecture et de la Construction*, (iv) the payment of a fee to the fire department, and (v) the submission of the technical file and payment of the related fee at the *Direction Générale de l'Amenagement du Territoire*. The time savings associated with these simplifications are estimated at some 15 hours starting in April 2008. It is important to note that these savings do not take into account the numerous on-site inspections listed in DB Report 2007, as they were never mandatory (and, indeed, never carried out even on a voluntary basis, at least with the abnormal frequency indicated in the DB Reports). A summary presentation of key parameters for the reform is provided in Table C.7 below.

Table C.7 Establishment of CEFAC – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	41*	..	15
2009	76	..	15
2010	145	..	15

* CEFAC operational since mid April only

Reduction or Elimination of Various Fees. Since late 2007 several fees connected with the issuance of construction permits were reduced or eliminated. The number of *transactions* was estimated based on data provided on the number of permits issued by CEFAC. In particular: (i) for 2009 and 2010 the number of transactions is equal to the number of permits issued by CEFAC (see above); (ii) for 2008 and 2007, the number of transactions was estimated (on a pro rata basis) based on the permits handled by CEFAC since mid April 2008. *Cost savings* refer to the following measures:

- the reduction in the fee payable to the fire department for checking the fire safety plan, was reduced from CFAF 30,000 in 2006/2007 to CFAF 5,000 from 2008, with a cost savings of CFAF 25,000 starting in 2008;
- the reduction in the fee charged by the *Laboratoire National du Bâtiment et des Travaux Publics* (LNBTP) for carrying out soil studies, which declined from CFAF 700,000 in 2006, to approximately CFAF 400,000 in 2007 (CFAF 300,000 for buildings up to 600 square meters, proportionally more for larger buildings) and to CFAF 300,000 from 2009 onwards, resulting in cost savings of CFAF 300,000 in 2007 and CFAF 400,000 starting with 2009;⁴⁰
- the elimination in 2008 of the fee associated with the technical check carried out by the *Direction Générale de l'Amenagement du Territoire* (see above), which used to be equal to 0.03% of estimated construction costs (*devis estimatif*). Assuming an average construction cost of about CFAF 40,000,000 (for a two story building for commercial use), this resulted in cost savings of CFAF 12,000 starting in 2008.

A summary presentation of key parameters for the above reforms is provided in Table C.8 below.

Table C.8 Reduction and Elimination of Various Fees – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	60*	300,000	..
2008	60*	337,000**	..
2009	76	337,000**	..
2010	145	337,000**	..

*Estimated based on number of licenses issued by CEFAC since mid April 2008

** Equals 300,000 + 25,000 + 12,000

C.6 Estimate of PSCS for Component #3 – Real Estate Regulations

Reform of Property Transfer Taxation. This concerns the reduction of the *ad valorem* tax on the transfer of property, which was reduced from 15% to 10% in 2007 and from 10% to 8% in mid 2008. The number of *transactions* is unknown and was ‘guess estimated’ by doubling the number of construction permits estimated based on CEFAC data (see above). In order to estimate the *cost savings*, reference was made to a property worth CFAF 12,000,000, a value in line with that of the so called ‘standardized property’ presented in the DB Reports. This yields a cost savings of CFAF 600,000 in 2007 and 2008 and of CFAF 840,000 in 2009 and 2010. The key parameters for this reform is provided in Table C.9 below.

Table C.9 Reform of Property Taxation – Parameters

Years	Transactions*	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	120	600,000	..
2008	120	720,000	..
2009	152	840,000	..
2010	290	840,000	..

*Set equal to the double of estimated construction permits

Reform of Property Transfer Procedures. This concerns the simplification of procedures for the registration of property with the establishment of the *Guichet Unique Foncier* (GUF), together with the reduction in some related fees. The number of *transactions* is set equal to those considered for

⁴⁰ This item is included in DB Reports, but its consideration for impact assessment purposes is somewhat debatable, as the carrying out of a soil study cannot be regarded as an administrative procedure but rather as a reasonable technical requirement for buildings of a certain type.

the reform of property transfer taxation (see above). **Time savings** refer to the elimination of three procedures, namely: (i) the elimination of the need to get permission for the transfer of property from the municipality (in 2008), (ii) the merging of two procedures related to the inspection valuation of the property (in 2009), and (iii) the merging of two procedures related to the payment of fees (again in 2009). This yields a time savings of about 7 hours in 2008 and in the first four months of 2009, and 15 hours starting in the remaining of 2009 and in 2010. **Cost savings** refer to (i) the elimination of the fee requested by the municipality for permission to transfer property (effective beginning 2008, as included in *Loi de Finance*), with a savings of CFAF 600, and (ii) the elimination of fees to obtain valuation (CFAF 6,200) and its registration (CFAF 6,200), replaced by fees to be paid to GUF (CFAF 6000 for the valuation + CFAF 4000 for the valuation registration + CFAF 1700 for the stamp duty = CFAF 11,700), with a net gain of CFAF 700; effective with the establishment of GUF in May 2009. Taken together, these reforms yield a cost savings of CFAF 600 in 2008 and in the first four months of 2009, and of CFAF 1,300 starting from May 2009. The key parameters reforms are provided in Table C.10 below.

Table C.10 Reform of Property Transfer Procedures – Parameters

Years	Transactions*	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	120	..	..
2008	120	600	7
2009	152	1,066	10**
2010	290	1,300	15

*Set equal to the double of estimated construction permits

** Weighted average of time savings in first four months (7 hours) and in subsequent 8 months (15 hours)

C.7 Estimate of PSCS for Component #4 – Labor Legislation

Reform of Work Contracts Registration Procedures. The introduction of the new Labor Code in mid 2008 involved *inter alia* the elimination of the need for employers to go to the *Inspection du Travail* (IDT) to get a visa for each new work contract, with corresponding time savings. The number of **transactions** is difficult to estimate, because compliance with this regulation was traditionally fairly low, although seemingly on the rise. Figures on work contract visas published by the *Observatoire National de l'Emploi et de la Formation Professionnelle* (ONEF)⁴¹ show that the number of contracts registered was on a rising trend at the moment of reform, and it is reasonable to assume that without the reform there could have been 3,500 visas issued in the second half of 2008, and around 7,000 in 2009 and 2010. However, several contracts could be brought at the same time to the IDT for registration, therefore the number of transactions was estimated to be equal to a third of the total number of contracts, i.e. 1,200 in second half of 2008, and 2,400 in 2009 and 2010. **Time savings** refer to the elimination of two visits to the IDT, one to submit the contracts and the second to collect them duly stamped, with a savings of 4 hours starting in mid 2008. The key parameters are summarized in Table C.11 below.

⁴¹ ONEF, *Tableau de bord du marché du travail 2000 – 2008, 2009*. Data for contract visas are as follows: 2005: 3,345; 2006: 4,363; 2007: 5,972; 2008: 5,625. The report suggests that the increase between 2005 and 2007 was due to increasing compliance (“*propension des employeurs à se conformer de plus en plus à la législation sur le marché du travail*”, page 28). The figure for 2008 (only marginally lower than that for 2007), suggests that visas were phased out only gradually after the passing of the new Labor Code. The assumption made here is that compliance would have continued to grow in 2008, reaching a plateau of 7,000 visas issued, and remained thereafter.

Table C.11 Reform of Work Contract Registration Procedures – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	1,200	..	4
2009	2,400	..	4
2010	7,000	..	4

C.8 Estimate of PSCS for Component #6 – Contract Enforcement

Reform of Court Award Registration Procedures. This refers to the elimination of the court decisions registration fees, calculated on the value of the court award. A first reduction in this *ad valorem* fee (from 4% to 2%) took place in early 2006, and can not be attributed to the Project. The fee was eventually eliminated in May 2008. The number of *transactions* is estimated on the basis of the number of court cases handled by the *Tribunal de Commerce* in Ouagadougou, which was 186 in the first six months of 2010. Extrapolating the number to the entire year and considering that the court in Bobo Dioulasso typically has a workload that is 50% lower, the total of transactions was estimated at 500 year (250 in 2008). *Cost savings* are estimated using the average value of court awards of CFAF 5,000,000 (i.e. about US\$ 9,000). This value was estimated based on information collected during fieldwork and is significantly higher than the typical court claim considered in DB Reports. Therefore, the savings is of CFAF 100,000 starting with mid 2008. The key parameters are summarized in Table C.12 below.

Table C.12 Reform of Court Awards Registration Procedures – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	250	100,000	..
2009	500	100,000	..
2010	500	100,000	..

C.9 Estimate of PSCS for Component #7 – Paying Taxes

Introduction of Tax Payment through Banks. This refers to the possibility, introduced by the *Loi de Finance 2008*, of paying taxes through banks, instead of at the tax office. The number of *transactions* refers to the number of payments made via bank. It should be noted that this modality is not very popular for various reasons (i.e. i) queuing up at the bank is only marginally better than queuing at the tax office; ii) unless the payment is done at the very last minute, payment via bank may entail commissions, and iii) the bank does not take responsibility in case of mistakes, which exposes taxpayers to risk with the tax administration). In fact, data from 2009 provided by the *Direction Générale des Impôts* (DGI), show a total of only 140 payments via bank, accounting for a mere 5.52% of the total value of taxes paid. In 2010, it is reasonable to assume the number of payments via bank has increased, so the number of transactions was set at 200. The *time savings* are estimated to be around 2 hours per payment since 2008. However, banks charge a commission on the payment of taxes, as in the case of all *virements bancaires*. Therefore, this reform involves a negative *cost savings* of CFAF 720 per transaction. The key parameters are summarized in Table C.13 below.

Table C.13 Introduction of Tax Payment via Banks – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	..	..	..
2009	140	-720	2
2010	200	-720	2

Improved Organization of Tax Offices. This refers to the improvement of organization for the handling of tax payments at DGI's peripheral offices, starting in 2009, with the distribution of tickets, allowing taxpayers to spend less time in line. This change is not directly linked to any specific recommendation formulated by the Project but can nonetheless be regarded a consequence of the Project staff's emphasis upon more 'user friendly' organizational models and their adoption by tax authorities for interactions with the public. The number of *transactions* is not known but can be estimated based on data provided by DGI. In particular, the total number of taxpayers registered was 5,396 in 2009, and assuming the progressive broadening of the tax base, can be expected to reach 6,000 by 2010. The number of payments to be made by taxpayers varies according to the tax regime, which is a function of the size of the taxpayer (see above, Section C.2). In the case of large taxpayers, there are monthly payments for both profit tax and VAT. In the case of small taxpayers paying the IMF and not subject to VAT, there is only one payment per semester. As small taxpayers are a vast majority, an average number of 6 payments per registered taxpayer was guess estimated. Based on the above, the number of transactions can be estimated at 32,376 in 2009 and 36,000 in 2010. The time savings is relatively modest, considering that tax offices tend to be crowded only in the last couple of days before a payment deadline, and is estimated at about 1 hour per payment, starting in 2009. The key parameters are summarized in Table C.14 below.

Table C.14 Improved Organization of Tax Offices – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	..	..	..
2009	32,376	..	1
2010	36,000	..	1

Reduction of Deposit for Tax Appeals. This refers to a reduction of the deposit taxpayers are required to pay when filing an appeal against an assessment made by the tax administration. The reform, introduced by the Loi de Finance 2009, involves a reduction of the deposit from 100% to 25% of the amount claimed by the administration. Irrespective of the final result of the appeal, this translates into a financial savings, due to postponed payment. The information required to define the key parameters was provided by the DGI and relates to the situation in 2009. In particular:

- the number of *transactions* was set equal to 68, which is the number of tax appeals received in 2009, and kept constant for 2010 as well;
- the *average value of the postponed payment* is equal to 75% of the average claim appealed by taxpayers in 2009, namely CFAF 76,891,702;
- the *average duration of the postponement* is 105 days, which is the average *délais de traitement* recorded in 2009, and kept constant for 2010.

The *reference interest rate* is the deposit rate, which measures the interest income earned as a result of the postponement in payments. Based on BCEAO data, this rate was set at 3.5%.

C.10 Estimate of PSCS for Component #8 – Trading Across Borders

Elimination of Escorts for Freight Traffic. This reform relates to the discontinuation of mandatory police escorts for selected categories of inbound and transit freight traffic (oil products, personal items, and especially containerized goods), which became effective on 29 May 2009. The number of *transactions* refers to the numbers of trucks that would have been escorted without the reform, and the number of containers used as proxy. Data collected by the Project team indicate for the January – June 2010 period a total of 13,066 containers transported by road. However, based on other statistics provided by the *Conseil Burkinabé des Chargeurs* (CBC), this figure appears to refer primarily to 20 foot containers (TEU), of which 2 are typically carried by a single truck. Therefore, the number of trucks no longer escorted can be grossly estimated at around 7,000 for the first semester of 2010. The same figure is retained for the second half of the year and well as for the period June – December 2009. *Cost savings* are estimated on the basis of tariffs for police escorts set by customs in 2008, which range from CFAF 5,000 for inbound traffic to CFAF 10,000 - 20,000 for transit traffic (e.g. CFAF 10,000 for trucks going from Dankola to Niger or Mali or CFAF 20,000 for trucks going to Mali from Faramana or Koloko). For the purposes of the exercise, an average value of CFAF 10,000 per truck starting in mid 2009 was considered. The key parameters are summarized in Table C.15 below.

Table C.15 Elimination of Escorts for Freight Traffic – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	..	..	..
2009	7,000	10,000	..
2010	14,000	10,000	..

Prolongation of Validity of Documents. This reform relates to the prolongation of the validity from 6 to 12 months for certain import – export documents, namely the *Déclaration Préalable d'Importer* (DPI), the *Autorisation Spéciale d'Importer* (ASI), and the *Autorisation Spéciale d'Exporter* (ASE), which became effective at end 2009. The number of *transactions* can be estimated based on the number of documents issued in 2009, when 22,976 DPI, 402 ASI and 115 ASE were issued. In principle, the doubling of the validity should reduce the number of documents issued by half. However, a number of transactions can actually be carried out within a period of 6 months, and therefore do not require the prolongation of the related document. Based on some anecdotal information on import – export transactions, the number of documents for which a prolongation would have been necessary has been guess estimated at one third of the total, i.e. about 7,600 DPI and 170 ASI/ASE. *Cost savings* are determined based on the fees paid, which are CFAF 1,000 for each DPI and CFAF 1,685 for each ASI/ASE. Time savings refer to the elimination of the two visits to the relevant office for each document, estimated to involve a saving of 4 hours in 2010. The key parameters are summarized in Table C.16 below.

Table C.16 Prolongation of Validity of Documents – Parameters

Years	Transactions	Cost Savings (CFAF)	Time Savings (Hours)
Baseline 2006			
2007	..	..	..
2008	..	..	..
2009	..	..	..
2010	7,600 DPI/170 ASE/ASI	1,000 DPI/1,685 ASE/ASI	4

ANNEX D – IMPACT ASSESSMENT – OTHER IMPACTS

D.1 Introduction

In this Annex, we provide detailed presentation of the data used and the approach adopted for the estimate of impacts other than the PSCS. In particular:

- Section D.2 deals with estimating newly established businesses;
- Section D.3 analyzes the impact of new businesses formation on investment and job creation.

D.2 Estimate of Newly Established Businesses

Data on business registration come from two sources, namely: (i) the archives kept by the *chamber of commerce* (the so called *fichier NERE*), which cover the period since 2000, and (ii) the records of *CEFORE*, which keep track of registrations since 2006. In both cases, available data concern the number of registrations for both companies and sole partnerships. In the case of 2010, data from both sources refer only to a few months and the figure for the entire year was estimated through extrapolation. Statistics on business registration from the two sources are shown in Tables D.1 and D.2 below.

Table D.1 Data on Business Registrations – Fichier NERE

Years	Sole Proprietorships and Partnerships (<i>personnes physiques</i>)	Companies (<i>personnes morales</i>)	Total
2000	2,047	204	2,251
2001	2,677	395	3,075
2002	3,459	377	3,836
2003	3,117	470	3,587
2004	4,189	470	4,659
2005	4,258	545	4,803
2006	3,129	444	3,573
2007	3,301	654	3,955
2008	2,905	727	3,632
2009	3,004	775	3,779
January – August 2010	1,442	493	1,935
2010 (estimate)	2,163	740	2,903
Total	34,249	5,801	40,050
Total 2006 - 2010	14,502	3,340	17,842

Table D.2 Data on Business Registrations – CEFORE

Years	Sole Proprietorships and Partnerships (<i>personnes physiques</i>)	Companies (<i>personnes morales</i>)	Total
2006	2,014	567	2,581
2007	2,583	606	3,189
2008	2,534	730	3,264
2009	2,891	783	3,674
January – June 2010	1,751	539	2,290
2010 (estimate)	3,502	1,078	4,580
Total 2006 - 2010	13,524	3,764	17,288

Noticeably, there are *some discrepancies between the two sources*. In particular, in the period 2006 – 2010 covered by both sources, total registrations recorded by NERE are on the order of 18,700,

compared with the about 17,200 shown by CEFORE records. The difference is mainly attributable to different figures for *personnes physiques*, with about 15,100 registrations according to NERE, against some 13,600 according to CEFORE. In the case of *personnes morales*, the difference is smaller, but with CEFORE showing a larger number (almost 3,800) than NERE (little more than 3,300). These discrepancies appear due to a combination of factors. To some extent, the difference is due to the different geographical coverage of the two sources, with NERE in principle covering the whole country and CEFORE covering only the centers where one stop shop structures have been created. This explains why in the years 2006 - 2008 NERE figures are bigger than those from CEFORE, although the difference reduces over time due to the progressive extension of CEFORE services. Also, in the case of NERE, data are uploaded in the archives with significant delay, and this partly offsets the advantage of a broader geographical coverage. This was particularly the case in 2010, when NERE figures are lower than those from CEFORE,⁴² but changes in the dataset have been retroactively introduced for other years as well. Finally, and possibly more important, there appear to be differences in the classification of firms by the two sources, as in certain years the number of *personnes morales* recorded by NERE is smaller than the number shown by CEFORE, and this despite the fact that CEFORE's geographical coverage was smaller.⁴³

In an attempt to minimize the problems above, the analysis of registrations attributable to the reforms supported by the Project was based on a dataset combining NERE and CEFORE data. In particular, NERE data were used for the years 2006 through 2009, whereas reliance was made on (estimated) CEFORE data for 2010. The analysis was based on a simple 'before' and 'after' comparison,⁴⁴ dealing separately with companies and with *personnes physiques*. In particular:

- in the case of companies, reforms began to be felt in 2008, with elimination of the need to register articles of incorporation, followed by a reduction in fees in 2009. Therefore, for the 'before' situation (or 'baseline') reference was made to the average number of registrations for the years 2006 and 2007;
- in the case of *personnes physiques*, reforms began making their effect felt one year later, with a reduction in registration fees. Therefore, the average number of registrations for the years 2006 through 2008 was used as 'baseline.'

The results of the exercise are presented in Table D.3 below.

Table D.3 Extrapolation Exercise – Results

Years	Sole Proprietorships			Companies			Total		
	Baseline	Actual	Increase	Baseline	Actual	Increase	Baseline	Actual	Increase
2008	...	...	...	549	727	178	549	727	178
2009	3,112	3,004	-108	549	775	226	3,661	3,779	118
2010	3,112	3,502	390	549	1,078	529	3,661	4,580	919
Total			282			933			1,215

Overall, the reforms supported by the Project can be credited with the registration of **about 1,200 new enterprises**, of which about 300 are sole proprietorships and 900 companies. It is important to note that results are strongly influenced by some assumptions. For instance, if the analysis of

⁴² NERE data extracted in November mostly referred to Ougadougou, as information on registrations in Bobo Dioulasso was still completely missing and data for other towns were only partially included.

⁴³ This is particularly the case in 2006, when NERE records show only 444 SARL compared with 567 reported by CEFORE, which at that time has just begun operating outside Ougadougou.

⁴⁴ In principle, the availability of a relatively long time series from NERE could have allowed the estimate of a counterfactual scenario, by extrapolating the trend prevailing in the pre-reform period, with subsequent comparison between predicted and actual registration data. However, NERE data show an oscillating trend, with several ups and downs in registration, making use of extrapolation inappropriate.

personnes physiques were done for the whole 2008 – 2010 period, with the baseline set as the average for the years 2006 and 2007, the number of incremental registrations of sole traders would become negative. Also, the bulk of the gains occurred in 2010; the result of which is heavily dependent upon the estimate of registrations that year, which is a result of extrapolation based on data for the first six months. Even a small deceleration in the registration rate in the second half of the year would result in a significant reduction in the number of incremental registrations. Such a high sensitivity of results upon assumptions incorporated in the analysis inevitably invites a cautious interpretation.

It should be noted that not all the newly registered enterprises involve the creation of new businesses, either *because registrations may refer to pre existing businesses that had been operating informally for sometime or because formal registration may not be followed by the start of any real activity*. Insights regarding the importance of these aspects are provided by the already mentioned MEBF survey of newly established enterprises. Survey results indicate that about 23% of registered firms had started their activity before registration, while some 22% never began operations (and another 13% started operations only one of two years after registration). It is also interesting to note that, out of the 55% (100% -23% -22%) of newly registered firms that started operating, about one fifth (i.e. 16% of the total sample) had suspended operations, leaving only 39% of new businesses operational after three years from registration. Data on the operational status of enterprises surveyed are shown in Table D.4 below.

Table D.4 Operating Status of Firms Registered in 2007

Status	Share of Sample	Comments
Operational	62%	Of which 39% new businesses and 23% former informal businesses
Not Operational – Temporary Suspension	5%	All new businesses
Not Operational – Closed	11%	All new businesses
Never Started Operations	22%	
Total	100%	

Data from the MBEF survey certainly provide useful insights. However, as they refer to enterprises registered in 2007, they may not be fully representative of recent trends. In particular, there are reasons to believe that the share of enterprises that never initiated operations after registration declined in recent years, especially in connection with the increase in the number of registrations of *personnes morales*. Therefore, two different scenarios have been developed, namely:

- a Low Case Scenario, based on MEBF results with the following subdivision of new registrations: (i) 23% of previously informal businesses, (ii) 22% of non operational enterprises, and (iii) 55% of newly registered businesses that actually began operations;
- a High Case Scenario, with the following subdivision of new registrations: (i) 20% of previously informal businesses, (ii) 15% of non operational enterprises, and (iii) 65% of newly registered businesses that actually start operations.

Based on the above scenarios the number of *newly established businesses can be estimated to be between 668 - 790*, whereas the *number of formalized enterprises can be estimated to be between 243 – 279*. An estimated 182 – 267 new registrations were estimated to belong to enterprises that would not become operational. Details of calculations are provided in Table D.5 below.

Table D.5 Estimate of Formalized and Newly Established Businesses

Years	New Registrations	High Case Scenario			Low Case Scenario		
		Formalized	Not Operational	New Businesses	Formalized	Not Operational	New Businesses
2008	178	36	27	116	41	39	98
2009	118	24	18	77	27	26	65
2010	919	184	138	597	211	202	505
Total	1,215	243	182	790	279	267	668

D.3 Estimate of Investment and Employment Associated with Establishment of New Businesses

The impact on private sector investment and employment associated with growth in enterprise formation was estimated on the basis of the results of the above mentioned MEBF survey. It should be noted that the document was made available to the Consultant in a preliminary (and seemingly incomplete form) and that data were presented in a less than ideal manner. Nonetheless, the survey provides some useful figures.

Investment. The MEBF survey found initial investments of newly registered businesses to range between CFAF 25,000 and CFAF 15 million. The breakdown of surveyed enterprises by investment categories is shown in Table D.6 below.

Table D.6 Data on Initial Investment

Investment Category	Number of Enterprises	Share of Sample
CFAF 0 – 1,000,000	41	14%
CFAF 1,000,000 – 2,000,000	175	59%
CFAF 2,000,000 – 10,000,000	56	19%
CFAF 10,000,000 – 15,000,000	23	8%
Total	295	100%

Taking the mid point value for each investment category, the above yields an average investment per enterprise of CFAF 2,883,051, i.e. about US\$ 5,200 per enterprise. Two aspects are worth noting. **First**, the average value reflects *inter alia* the sector composition of the sample, which is only partially representative of the whole population of newly registered firms. In fact, low investment intensive activities, namely trade, services and handicraft, account cumulatively for 98% of the firms surveyed, with ‘capital intensive’ activities, such as industry, construction and transport, accounting for only 2%. Instead, in the case of the entire population of newly registered firms, ‘capital intensive’ activities account for a larger share, approximately 13%.⁴⁵ Therefore, for the purpose of this exercise, the average investment per firm resulting from the MEBF survey was increased by 30%, to CFAF 3,747,966, in order to compensate for the sample bias in sector composition. **Second**, the MEBF survey refers to investments made in 2007, and the corresponding values for 2008 through 2010 were obtained considering the inflation rate (see Annex C.2), with subsequent rounding to the next CFAF 100,000, i.e. CFAF 4.1 million in 2008, 4.3 million in 2009, and 4.4 million in 2010. These values were then multiplied by the number of new enterprises whose establishment can be linked to Project activities. Overall, the Project can be credited with having contributed to the mobilization of *between CFAF 2.9 and 3.5 billion worth of investment, an*

⁴⁵ This percentage refers to the firms registered over the 2007 – 2010 period and is calculated based on NERE data. The sector classification of the MEBF survey and of the NERE archive is not the same, and therefore the comparison between the two sources is only tentative.

amount equivalent to about US\$ 5 to 6 million. Calculations are shown in Tables D.7 and D.8 below.

Table D.7 Estimate of Investment in Newly Created Businesses – High Case Scenario

Years	New Businesses	Average Investment (CFAF)	Total Investment (CFAF)	Exchange Rate CFAF/US\$	Total Investment (US\$)
2008	116	4,100,000	475,600,000	546.62	870,074
2009	77	4,300,000	331,100,000	565.12	585,893
2010	597	4,400,000	2,626,800,000	585.00	4,490,256
Total	790		3,433,500,000		5,946,224

Table D.8 Estimate of Investment in Newly Created Businesses – Low Case Scenario

Years	New Businesses	Average Investment (CFAF)	Total Investment (CFAF)	Exchange Rate CFAF/US\$	Total Investment (US\$)
2008	98	4,100,000	401,800,000	546.62	735,063
2009	65	4,300,000	279,500,000	565.12	494,585
2010	505	4,400,000	2,222,000,000	585.00	3,798,291
Total	668		2,903,300,000		5,027,939

Employment. The MEBF survey provides limited information on employment levels, the only reference being to the fact that “*Près de 82,38% des entreprises rencontrées ont déclaré entre 0 et 2 employés. L’employabilité reste donc assez faible*” (page 29). While definitely vague, this information is consistent with the prevalence of trade, services and handicraft activities, although the above mentioned sample bias in sector composition might have contributed to depress values. Also, with reference to enterprises registered in 2007, MEBF data may not be fully representative of recent trends, especially regarding the increased share of companies among newly established businesses. Therefore, for the purpose of our exercise, 70% of newly formed firms were assumed to be micro-enterprises, mostly involved in trade and services, with an average of 1.5 workers per firm (including the promoter/owner); while for the remaining 30% of enterprises, a larger value of 5 workers per firm was retained. Overall, the Project can be credited with having contributed to an **additional employment of about 1,700 – 2,000**. Calculations are shown in Tables D.9 and D.10 below.

Table D.9 Estimate of Employment in Newly Created Businesses – High Case Scenario

Years	New Businesses		Average Employment		Incremental Employment		
	Micro Enterprises	Other Enterprises	Micro Enterprises	Other Enterprises	Micro Enterprises	Other Enterprises	Total
2008	81	35	1.5	5	122	174	296
2009	54	23	1.5	5	81	116	196
2010	418	179	1.5	5	627	896	1522
Total	553	237			830	1,185	2,015

Table D.10 Estimate of Employment in Newly Created Businesses – Low Case Scenario

Years	New Businesses		Average Employment		Incremental Employment		
	Micro Enterprises	Other Enterprises	Micro Enterprises	Other Enterprises	Micro Enterprises	Other Enterprises	Total
2008	69	29	1.5	5	103	147	250
2009	46	20	1.5	5	68	98	166
2010	354	152	1.5	5	530	758	1288
Total	468	200			701	1,002	1,703

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