

Document of
The World Bank

Report No. 25650

PROJECT PERFORMANCE ASSESSMENT REPORT
BURKINA FASO
TRANSPORT SECTOR ADJUSTMENT/INVESTMENT PROGRAM
(CREDIT 2332-BU)

March 31, 2003

Sector and Thematic Evaluation Group
Operations Evaluation Department

Currency Abbreviations and Acronyms

Currency Unit	= CFA Franc (CFAF)
Exchange Rates (October 2002):	
US\$1.0	= CFAF 670
CFAF 1 million	= US\$1,493
SDR1.0	= US\$1.323

Weights and Measures

Metric System

Abbreviations and Acronyms

AFD	Agence Française de Développement/French Development Agency
BOAD	Banque Ouest Africaine de Développement/West African Bank
CAE	Country Assistance Evaluation (prepared by OED)
CI	Côte d'Ivoire
EIB	European Investment Bank
ERR	Economic rate of return
GDP	Gross domestic product
ICB	International competitive bidding
ICR	Implementation Completion Report
IDA	International Development Association
MIHU	Ministry of Infrastructure, Housing and Urbanism
MITC	Ministry of Infrastructure, Transport and Communications
MTC	Ministry of Transport and Communications
OED	Operations Evaluation Department, World Bank
RAN	Régie des Chemins de Fer Abidjan-Niger
PCU	Project Coordinating Unit
SAR	Staff Appraisal Report
SCFB	Société des Chemins de Fer du Burkina
SICF	Société Ivoirienne des Chemins de Fer
SIPF	Côte d'Ivoire Railway Patrimony Corporation
SITARAIL	Concessionaire Operating Abidjan-Ouagadougou Rail System
SLM	Road Maintenance Equipment Company
SME	Small and medium size enterprises
SOPAFER-B	Burkina Railway Patrimony Corporation
SOTRAO	Burkina Urban Transport Company

Fiscal Year

Government: January 1 to December 31

Director-General, Operations Evaluation	: Mr. Gregory Ingram
Director, Operations Evaluation Department (Acting)	: Mr. Nils Fostvedt
Manager, Sector and Thematic Evaluation	: Mr. Alan Barbu
Task Manager	: Mr. Hernan Levy

March 31, 2003

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Assessment Report on Burkina Faso: Transport Sector Adjustment/Investment Project (Credit 2332-BUR)

Attached is the Performance Assessment Report (PAR) for the Burkina Faso Transport Sector Adjustment/Investment Project, for which a credit in the amount of SDR 49.6 million (US\$66 million equivalent) was approved on February 4, 1992. The project closed on October 31, 2000, three years and ten months behind schedule. The credit was fully disbursed.

The overall objective of the project was to assist the government in its efforts to rehabilitate and maintain essential transport infrastructure and to improve sectoral efficiency by strengthening existing institutions, adopting sound policy and regulatory measures, and restructuring transport parastatals.

The project consisted of two main components. The first, an adjustment component (\$30 million, solely contributed by IDA), aimed to make it possible for the government to take necessary measures to ensure that (a) road maintenance would be financed at agreed levels, (b) the urban transport company and the Burkina railway company would be put on a sound operational and financial footing, and (c) Air Burkina and the airfreight company Naganaganı would be successfully restructured. The second, an investment component (\$433 million, including \$36 million allocated by IDA, and cofinancing by 10 multilateral and bilateral agencies), focused on the rehabilitation and maintenance of existing infrastructure (roads, road transport, railways, and civil aviation).

Performance agreements were selected as the instrument to improve the efficiency of the transport parastatals. Privatization of these companies was not seen as an immediate objective. However, a significant increase in the role of the private sector was envisioned for road maintenance works.

The project was highly complex due to its broad coverage of the sector, the mix of adjustment and investment components, the large number of cofinanciers, and the poor performance and condition of physical assets of transport companies owned and operated by the state.

The long implementation delay was a consequence of policy reforms that took more time than expected as they went much deeper than originally planned, and delays in cofinanciers' contributions and disbursements.

The achievement of institutional development objectives went well beyond expectations. Instead of restructuring transport enterprises and public works operations, there was widespread privatization throughout the sector. The railways, the airline, road maintenance works and the road maintenance equipment pool were either concessioned as leases or sold. The result of these privatizations has been elimination of subsidies, higher efficiency, better service quality, and rapid development of the private sector contracting industry. Concessioning of the two main airports is in an

advanced stage of preparation. The freight airline was liquidated, as it could not become profitable. The urban transport company also was concessioned, but this operation has not been successful yet.

The program of road improvements was completed, although there were some changes in the composition of the program. Some roads were paved where a lower standard might have been justified; these investments generally were decided by cofinanciers. The latest surveys indicate that the condition of the road network has improved overall. The survey techniques used are expensive, however, and are not carried out with sufficient frequency. Road maintenance funding was allocated at the agreed level. As expected at appraisal, the economic returns to the road investments were high, in the 20–30 percent range, and the railway investments carried out by the private operator were also expected to have satisfactory returns.

The assessment finds that the project achievements were impressive, especially considering the difficult country conditions under which the privatizations were carried out. Some of the achievements, notably those related to international transport, may be in jeopardy as a result of the disturbances in neighboring Côte d'Ivoire that started in mid-2002.

The assessment rates the project outcome as **satisfactory**, sustainability as **likely**, and institutional development impact as **high**. It rates Bank performance as **highly satisfactory** and borrower performance as **highly satisfactory**. The outcome and sustainability ratings may be subject to the direction and extent of the situation in Côte d'Ivoire.

The key lessons from the project are as follows:

- Prospects for privatization of transport services and infrastructure may be better than generally believed, even in a difficult economic environment. Services with the higher potential to operate commercially, such as rail, road maintenance works, and air transport, have the best chance to succeed. Urban transport, especially when there is a tradition of highly subsidized services, is especially difficult to privatize.
- Low-income countries may not have the human and financial resources to mount regulatory agencies to oversee small enterprises. Burkina's policy of retaining minority ownership may be a suitable substitute, at least temporarily.
- Once a privatization process is launched, the government and cofinanciers should, in parallel, work to plan and assist in the restructuring and strengthening of central government agencies, whose role is likely to change after privatization of companies or services under their purview, and whose best staff are likely to be attracted by the newly privatized companies. The Bank should seek to allocate its financing in a way that provides it flexibility to reallocate funding toward technical assistance should the need arise.
- Road condition is the appropriate indicator for measuring the outcome of road programs. The cost, both capital and recurrent, of measuring road condition may be high, and countries should select measurement techniques and standards compatible with available resources.

Attachment



OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex, those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments, and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the OED Rating System

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the OED website. <http://worldbank.org/oed/eta-mainpage.html>).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies) *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through. (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project *Possible ratings:* High, Substantial, Modest, Negligible

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project) *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

Principal Ratings	v
Key Staff Responsible.....	v
Preface	vii
1. Background.....	1
2. Objectives and Design.....	1
<i>Objectives</i>	<i>1</i>
<i>Design.....</i>	<i>2</i>
3. Implementation	3
<i>Sectoral Adjustment.....</i>	<i>3</i>
Failure of Performance Agreements and Move to Privatization	3
Sector Adjustment and Tranche Release Changes	3
Privatization Approach.....	4
Problems with International Road Transport.....	6
Execution of Road Maintenance Works by Small Contractors	6
Road Maintenance Funding.....	7
<i>Investment Component</i>	<i>7</i>
Roads	7
Railways	7
Other Investments, Studies, and Training.....	8
<i>Donor Coordination</i>	<i>8</i>
4. Ratings.....	8
Comparison with ICR Ratings.....	11
5. Lessons	11
Annex A. Basic Data Sheet.....	13

<p>This report was prepared by Hernan Levy (Task Manager). William Hurlbut edited the report. Romyne Pereira provided administrative support.</p>

Principal Ratings

	<i>ICR*</i>	<i>ES*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Satisfactory
Sustainability	Likely	Likely	Likely
Institutional Development Impact	Substantial	Substantial	High
Bank Performance	Highly Satisfactory	Highly Satisfactory	Highly Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Highly Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The Evaluation Summary (ES) is an intermediate OED product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
Appraisal	Bngitta Mitchell	Peter Watson	Katherine Marshall
Completion	Hedi Larbi	Maryvonne Plessis- Fraissard	Hasan Tuluy

Preface

This is a Project Performance Assessment Report (PPAR) on the Burkina Faso Transport Sector Adjustment/Investment Program (Credit 2332-BUR), for which a credit in the amount of SDR 49.6 million (US\$66 million equivalent) was approved on February 4, 1992. The project closed on October 31, 2000, three years and ten months behind schedule. The credit was fully disbursed. Cofinancing was provided by ten multilateral and bilateral agencies.

The PPAR was prepared by the Operations Evaluations Department (OED) based upon a review of the President's Report (Report No.P-5609, December 19, 1991), Staff Appraisal Report (Report No. P-5609-BUR, December 19, 1991), Implementation Completion Report (Report No. 21543, December 21, 2001), transcripts of Board Proceedings, project correspondence files, Bank documents on other transport projects, and other Bank and non-Bank materials. In June 2002, an OED mission visited Burkina Faso to discuss the project with relevant government officials, beneficiaries, and representatives of the private sector, labor and trade organizations, and cofinanciers. OED also discussed the projects with Bank staff in charge of the project at headquarters. The kind cooperation and assistance of all the people consulted is gratefully acknowledged.

A PPAR of a Bank project in Côte d'Ivoire that supported the Côte d'Ivoire side of the Abidjan-Ouagadougou railway is being issued separately.

The PPAR agrees with most of the ratings of the ICR, and with OED's assessment of the ICR, although it upgrades some of the ratings. The PPAR adds value to the ICR by focusing on the various dimensions of privatization in the transport sector and by elaborating on lessons learned. The extensive privatization in the transport sector achieved under the project provides rich lessons of experience and is the main reason for undertaking this PPAR.

Some of the judgments and ratings in this PPAR, especially those related to performance of international transport services such as the railways, may be affected by the disturbances in Côte d'Ivoire in 2002.

Following standard procedures, copies of the draft PPAR was sent to the relevant government officials and agencies concerned as well as cofinanciers for their review and comments. No comments were received.

1. Background

1.1 With a per capita income of US\$210 (2001), Burkina Faso is one of the least-developed countries in the world. Conditions for development are difficult: Burkina is landlocked, has erratic rainfall, scarce natural resources, high population growth (2.8 percent), and low primary school enrollment (less than 40 percent). Its population of 11 million is about 80 percent rural, and agriculture is its main source of income and employment.

1.2 Despite adverse conditions, Burkina's economic growth during the 1980s and 1990s has been substantially higher than the average Sub-Saharan country. Since the devaluation of the CFA franc in 1994, GDP growth, led by rising cotton production and investments, reached some 5 percent annually in the mid to late 1990s.

1.3 In the early 1990s, the government launched an economic reform program to respond to the large expansion in public expenditures and investment in the previous decade. The program focus regarding privatization had a fiscal objective: to reduce the level of state subsidies to loss-making public enterprises. An initial privatization program targeted 44 public enterprises (soon reduced to 41), including 2 in the transport sector: the road maintenance equipment pool (SML) and the national urban transport company (Régie X9). One factor hampering the privatization program was Burkina's weak private sector, especially as entrepreneurs consisted mainly of traders lacking experience and knowledge of management methods and standards for their enterprises.¹

1.4 Because Burkina is landlocked, transport, especially services that link the country to ocean ports, is critical for its economy. Rural transport also is vital since 90 percent of the country's labor force works in agriculture. Weak infrastructure and high input costs (of which transport and logistics are important components) are considered to be the four major constraints to growth.² With the main exception of trucking, most transport services and transport infrastructure maintenance historically had been done by government companies or agencies.

1.5 The Bank extended to Burkina a first Structural Adjustment Credit in 1991. Its objectives were to improve public resource management and create incentives for private sector development. The transport project under review in this PPAR was approved shortly thereafter in the same year. The Bank subsequently approved two technical assistance projects to support the government's reform program, the Public Institutional Development Project (approved June 1992) and the Private Sector Assistance Project (approved March 1993).

2. Objectives and Design

Objectives

2.1 The overall objective of the project was to assist government efforts to rehabilitate and maintain essential transport infrastructure and improve sectoral efficiency by strengthening existing institutions, adopting sound policy and regulatory measures, and restructuring transport parastatals.

1 1 Cited in Project Information Document for Burkina Faso Competitiveness and Enterprise Development Project (Credit . . . 02800, approved June 8, 2001)

2. PID cited above

Design

2.2 To meet the objectives, the project consisted of an adjustment component (\$30 million, solely contributed by IDA) and an investment component (\$433 million, including \$36 million allocated by IDA, and the remainder by cofinanciers). The adjustment component, to be disbursed in three annual tranches, was expected to make it possible for the government to take necessary measures to ensure that road maintenance would be financed at agreed levels; the urban transport company, Régie X9, and the Burkina railway company would be put on a sound operational and financial footing; and Air Burkina and the airfreight company Naganagani would be successfully restructured.

2.3 The investment component covered a five-year investment and expenditure program for the sector, to be cofinanced by 10 other multilateral and bilateral donors. The program's main focus was the rehabilitation and maintenance of existing infrastructure (roads, road transport, railways, civil aviation, and transport administration). The program also aimed to help reverse in the road sector a high ratio (60:40) of new investments to maintenance outlays that prevailed during the 1980s.

2.4 Performance agreements between the government and each of the state-owned transport enterprises, establishing operating and financial targets to be met by the SOEs, were selected as the instrument to improve the efficiency of the transport parastatals. Privatization of these companies was not considered an immediate objective.

2.5 A significant increase in the role of the private sector was envisioned for road maintenance works. Project documents specifically required that the state-owned enterprises (SOEs) put all periodic maintenance and an increasing share of road maintenance works up for bids by private contractors.³ This is discussed in the next section.

2.6 The project was highly complex due to its broad coverage of the sector, the mix of adjustment and investment components, the large number of cofinanciers, and serious questions about the potential for improvement to a sustainable level of transport parastatals. In this connection, the project design incorporated two noteworthy features:

- A Project Coordinating Unit (PCU), financed from the project's technical assistance, to coordinate (i) the two ministries directly involved with the project (Equipment and Transport and Communications) and (ii) documentation and reporting to the various cofinanciers, and to carry out other related functions.
- An agreed policy alternative of liquidation, rather than restructuring, of the parastatals Naganagani and Burkina Railways should those companies fail to reach satisfactory operating and financial performance.

2.7 Preparation of the project was closely coordinated with other donors. However, the implementation phase did not have a clear timetable or any specific mechanism for donor coordination other than the role of the PCU. Considering the large number of donors, and the fact that IDA was expected to directly contribute only 10 percent of the confirmed financing of the project's investment component (at the time of project approval), lack of discussion of donor coordination is a surprising omission in an otherwise very well prepared appraisal.⁴ Problems of coordination with donors arose during implementation regarding road investment priorities, an issue that the appraisal team had identified as a project risk.

3. MOP, paras. 57 and 58.

4. OED's Country Assistance Evaluation report highlights the problem with donor coordination in Burkina, where 80 percent of the country's public investment program is donor-funded and the number of donors is large.

3. Implementation

3.1 The project took almost four more years to implement than originally scheduled. The main reasons were (i) major policy reforms, well beyond original project expectations, that the government decided during project implementation, and (ii) delays in donor financing. Because of the significant better results that were obtained, implementation delays should not be interpreted as poor project management but, rather, as the inevitable delays to expand the scope of the project and its reforms, given the political sensitivity of the reforms and their social impacts.

Sectoral Adjustment

Failure of Performance Agreements and Move to Privatization

3.2 Soon after the start of project implementation, it became apparent that the performance of the SOEs was not improving. Operational and financial targets in performance agreements (and their action plans) were not being met. At the same time, the government, with support of the Bank's two technical assistance projects (para. 1.5), had started experimenting with privatization in other sectors, notably energy. This opened the door for launching privatization in the transport sector as well, leading to a radical change in the extent of institutional reforms that the project would seek.

3.3 In retrospect, while performance agreements had strict requirements and were being extensively used in Africa (and in other continents) to promote better performance of public enterprises, it may have been optimistic to expect that they would work, without changing the incentive structure that caused the poor performance in the first place. By the early 1990s, there was much debate in the Bank about the usefulness of such agreements. However, the first concrete evidence about its problems came later.⁵ At the same time, the Burkina government in the early 1990s was not disposed to consider privatization, especially of strategic sectors such as transport. Therefore, performance agreements were the most that could be hoped for at that time.

Sector Adjustment and Tranche Release Changes

3.4 Under the adjustment component, conditions for tranche release covered practically the whole sector, and aimed essentially at ensuring that satisfactory performance agreements or action plans had been agreed and that targets were being met. During implementation, however, realization that measures taken were not giving satisfactory results led to a push for privatization. Tranche disbursement conditions were modified accordingly.

⁵ M Shirley, "Why Performance Contracts for State-Owned Enterprises Haven't Worked," *Viewpoint*, World Bank, 1998.

Table 3.1 Original and Revised Tranche Release Conditions

Sector	SOE/activity	Original Conditions (Tranche Number)	Revised Conditions
Air transport	Air Burkina	Performance-contract (2) PC targets met (3)	Adoption of new Action Plan (2), and implementation progress (3)
Air-Freight	Naganani	Action Plan implemented (2)	Company was liquidated in 1995
Airports	Ouagadougou and Bobo D.	Action Plan agreed (2) AP implemented on schedule (3)	Due to delays, AP requirement was moved to Tranche 3
Urban Transport	Régie X9	Performance Contract signed (2) PC targets met (3)	Privatization-launch bidding (2) Signature concession agreement (3)
Railways	SBCF	Achievement agreed traffic levels (2) Signature of Performance Contract, or liquidation if targets not met (3)	Tranches 2 and 3 waived when concession agreement signed in 1995.
Road Maintenance Works		Agreed works to be executed by contractors (2,3)	Done. No change required.
Road Maintenance Equipment	SLM	Creation of an equipment rental company was a loan condition but not a tranche condition.	Achieved. No change required

Privatization Approach

3.5 The table below summarizes the key features of the privatizations.⁶ Privatizations include both sale of assets (total or partial) to a private company and concessioning assets on a lease to a private operator/concessionaire.

Table 3.2 Privatization Process—Transport Parastatals and Road Maintenance Equipment

Sector	SOE/activity	Current Name	Year	Mode ^a	No. of Bids	Total or Partial	Gov't Equity (%)	Staff Equity (%)
Air transport	Air Burkina	Air Burkina	2001	Neg.	-	P	14	4
Air-Freight	Naganani	Company was liquidated		-	-	-	-	-
Airports	Ouagadougou and Bobo D.	No change	Expected 2003	tbd	-	-	-	-
Urban Transport	Régie X9	SOTRAO	1996	ICB	1	P	25	0
Railways	SBCF	Sitarail	1995	ICB	1 ^b	P	15	3
Road Maintenance	SLM	SLM	2000	ICB	3	P	23 ^c	0

a Modes: How the concession is awarded or the company is sold. Neg = direct negotiations; ICB=international competitive bidding. The privatization mode of airports, expected in 2003, is yet to be determined.

b. There were two bids, but only one was deemed to be valid.

c Equity structure is being revised, with a view to allocating some 15% to various small and medium size (SME) contractors.

3.6 *Process.* The government decided to use competitive bidding in all privatizations, even when no Bank financing was involved. As shown in the table, the road transport company, the railways, and the road maintenance equipment company were privatized using competitive bidding. As could have been expected given the type and condition of the transport companies being privatized, few companies were interested in bidding—in two out of three biddings there was only one valid bidder. Yet, this result was better than obtained overall for the government's first phase privatization program. Of 41 SOEs (after 3 SOEs were withdrawn from the original list) slated for privatization when the program was launched in

6. The privatization of Burkina railways, which was done as a package together with the adjoining Côte d'Ivoire railways, is discussed in detail in a parallel PPAR of a Côte d'Ivoire project that focused exclusively on the railway.

1991, only 22 were privatized; the remainder received no expression of interest or bids. The privatization of Air Burkina was done by direct negotiation with an interested group because the Privatization Commission considered it unlikely that bidding would bring more competition and yield better results.

3.7 *Capital structure.* The government, following general guidelines used throughout the economy, is retaining a minority equity (in the 20 percent range) in all privatized companies. The government's intention is to divest its equity once the newly privatized companies are fully established. The same guidelines call for employee participation in the capital structure. This has been applied in the transport sector companies that have been privatized. Some 4 percent has been given to the employees.

3.8 *Bid award criteria.* The award criterion was generally a simple one. When there was more than one valid bid, the highest bidder for the value of the assets was awarded the bid and contract. For the concessions, such as for the railway, the bid award was based on the amount of annual fees to be paid to the government by the concessionaire.

3.9 *Social Costs.* Because SOEs traditionally are overstaffed, staff redundancies are generally the main social cost of the privatization. In Burkina, the largest number of redundancies occurred in the railways, where the 1,950 staff⁷ of the SCFB were reduced by about half (divided between 800 for the operator-concessionaire SITARAIL and the remainder for the government infrastructure company SOPAFER-B). There was also significant reduction in Ministry of Infrastructure personnel whose jobs involved maintenance management and execution (from 1,100 to 423) when maintenance activities were shifted to the public works enterprises. MIHU officials claim that few of the redundant staff were left unemployed, since (i) some left to work with the small and medium size enterprises (SMEs), (ii) some were employed by other government agencies, and (iii) the rest were close to retirement age and left the workforce. SLM, a privatized company that rents road maintenance equipment, has retained all the original staff, since the new management does not consider the company to have been overstaffed.

3.10 *Regulatory system.* The privatization (including the concessions) of transport services began before a regulatory framework and agency had been established for the sector. As an alternative, the government took a significant minority equity in all the companies it privatized. In more recent privatization of public utilities the government prepared (telecoms) or is preparing (energy) a regulatory framework before launching the privatization process. So far, the most critical operation because of the level of traffic and its importance for the Burkina economy is the railway concession. This concessionaire, SITARAIL, appears to be working reasonably well from a competitive standpoint thanks to strong competition from trucking. SITARAIL has full freedom to adjust tariffs and has done so, but no user complaints (for example, about tariffs that are too high or are discriminatory) appear to have been raised. Air Burkina, as well as the two airports once they are concessioned, will be subject to the overview and regulation by the newly created Directorate of Civil Aviation.

3.11 The role of the government in more competitive markets, such as the contracting industry for civil works, is more debatable. The move toward execution of maintenance from force account to private contractors launched the development of small and medium size contractors. This industry may still be considered nascent. In this sense, a government role, as a shareholder of the equipment rental company for a limited time until the industry is more developed, may be justified to make it possible for the small, undercapitalized contractors to rent equipment as the need arises.

3.12 *Failure of urban transport concession.* This was the only privatization that went wrong. The new company that was awarded the concession to operate the Ouagadougou bus system, SOTRAO, is losing money. It has accumulated a deficit of CFAF 5.3 billion during the five years it has been in

7 MOP, para. 80.

operation, despite complete freedom for tariff setting (there were no subsidies). Urban transport services in Ouagadougou have deteriorated, and are limited to only a few corridors. The company claims that this is due in part to the state not providing buses it was expected to supply until SOTRAO could purchase its own. It is apparent that more detailed analysis of urban transport should have been done before launching the concessioning process, to assess the feasibility of a concession, especially given the existence of a large informal sector operating within the concession's market.

Problems with International Road Transport

3.13 An important goal of the project was to promote greater efficiency in long-distance road transport and to facilitate internal and external trade. However, the project made no progress on improving conditions for trucking (practically all privately-owned) operating to and from the port of Abidjan in Côte d'Ivoire, Burkina's major trade route with overseas markets. This critical transport link is plagued with bribe-seeking police and customs posts, which cost the transporters time and money. It is estimated that an average truck pays some US\$400 in bribes and pseudo-government charges when traveling between Abidjan and Ouagadougou. This observation is consistent with a statement in OED's Country Assistance Evaluation (2000) that in Burkina there is a "perception of growing corruption, particularly on the part of police and customs officials, and lack of transparency. It is important that the government reasserts its commitment to the traditional zero tolerance for corruption."⁸ Conditions for international transport are likely to have further worsened following the start of armed rebellion in Côte d'Ivoire in mid-2002.

Execution of Road Maintenance Works by Small Contractors

3.14 The project's requirement that periodic and routine maintenance increasingly be carried out through private contracts implied a major departure from traditional government policy. Under that policy private contractors executed only major road rehabilitation works, while all periodic and routine maintenance was executed by force account. The government, and especially the Ministry of Public Works, appeared committed to changing the way road maintenance was done. The transfer process was launched early in the project. A key enabling measure and a condition of release of funds under the credit's first tranche was the passing by the government of a decree adopting amended procedures for procurement and payment of contracts for small maintenance works. The borrower complied with this requirement soon after the project became effective, but in May 1996 the government introduced a new Procurement Code for the entire administration. This new code ended the derogation authorizing the Public Works Directorate to pass standardized small contracts for road maintenance. Fortunately, the government reintroduced the previously existing derogation a few months later.⁹ Had the derogation been ended, it would have made procurement so cumbersome that it would have effectively put an end to works by small contractors.

3.15 The transfer process was significantly helped and supported by the carrying out of technical audits to verify the quality of works. These audits were essential because the contracting industry was in its infancy; most contractors lacked experience with road works or with work by contract. The process was also helped by support given by the government's technical personnel to the small contractors.

8. Operations Evaluations Department, Burkina Faso, Country Assistance Evaluation, World Bank, 2000.

9. Supervision Report (14th Supervision Mission). Back-to-Office report dated December 12, 1996. This report notes that this problem had been anticipated in the BTO report for the 13th supervision mission.

Road Maintenance Funding

3.16 Under the project's Road Maintenance Action Plan (RMAP), the government was committed to allocate annually about CFAF 0.6 billion for routine maintenance of the paved roads and CFAC 2.6 billion for gravel and earth roads.¹⁰ While these amounts were considered a minimum, they were some 20 percent higher than the average budgetary allocation for maintenance during the decade preceding the preparation of the project (1978–88).

3.17 The expected allocation for routine maintenance was met. Since 1994 (after the CFAF was devalued to less than half its previous value) funding has remained around CFAF 5.0 billion, which is likely to represent the level of commitment in real terms under the project. A precise comparison is not attempted here for lack of a reliable deflator that would apply to the mix of equipment, materials, and labor in maintenance costs. While prices of equipment and foreign inputs (especially gasoline and diesel) probably went up by about the same proportion as the CFAF devaluation, those of local materials and labor increased little.

Investment Component

Roads

3.18 Road works was the project's largest investment component, representing 84 percent of actual project costs. Routine maintenance of the whole network, as well as all activities foreseen for the paved road system (which supports 80 percent of the traffic), and the paving of gravel and earth roads either met or exceeded the targets. However, because of financing that did not materialize, or changes in the priorities of some donors, rehabilitation and periodic maintenance of gravel and earth roads started late (periodic maintenance of paved roads did not start until 1995, and that of earth roads until 1997), and reached only a small fraction of the program plan.

Table 3.3. Road Works (kilometers per year)

	<i>Program</i>	<i>Actual</i>
Routine maintenance (paved, earth & gravel roads)	8,875	10,033
Paving of earth & gravel roads	367	506
Reconstruction of earth & gravel roads	861	894
Rehabilitation of earth & gravel roads	2,732	528
Periodic maintenance (earth & gravel roads)	2,280	33

Source: PCU. Completion Report, September 2000.

3.19 Paving of earth and gravel roads was an issue at appraisal, since the Bank considered that the level of traffic on some of the roads was too low to justify pavement. In practice, more paving than originally envisaged was actually carried out. Other donors financed these works, and the Bank had little leverage to alter the decisions.

Railways

3.20 Railways was the second-largest investment component, representing about 6 percent of actual project costs. When SCFB was privatized, some investment priorities changed. Most original items

10. MOP, Annex 2, and Annex 10 (para 11).

were reduced; for example, ballasting was halved, and the program to rehabilitate equipment was similarly scaled down. The exception was the rehabilitation of 64 freight cars that was carried out as planned. Cost savings resulting from the smaller investments were used to finance purchase of a new telecommunications system that the privatized company judged to be of high priority.

Other Investments, Studies, and Training

3.21 A number of other, smaller investments were carried out under the project, largely as expected. Noteworthy achievements included the establishment of a road database, which contains fairly up-to-date information on 40,000 kilometers of roads and has an excellent mapping capability; the computerization of driver and vehicle licensing; training of staff of public works SMEs; and studies on urban transport in Ouagadougou.

Donor Coordination

3.22 The project's Mid-Term Review (MTR) in November 1995, chaired by Burkina's Finance Minister, was attended by most cofinanciers and provided a good opportunity for coordinating donor funding. The main problem discussed was the maintenance of the gravel and earth road network, where ADB and CIDA financing failed to materialize. Unfortunately, none the donors who were financing the paving of the Bobo-Orodara road, which had been identified at appraisal as having a marginal ERR, attended the MTR. Subsequent contract amendments increased the cost of this investment from about CFAF 10 million to CFAF 17 million, practically ensuring a very low ERR. Outside the MTR, donor coordination was mainly done by the PCU and the Bank's supervision team through reporting and discussions with individual donors.

3.23 A donors' meeting in May 2000 wrapped up the project and established the basis for launching a follow-on project. This meeting requested the Bank to take the leading role in coordinating the preparation of the new project.

4. Ratings

4.1 *Outcome* is rated **satisfactory** based on the following:

- *Relevance.* The project objectives were, and continue to be, highly relevant to Burkina's development strategy. The objectives were consistent with the country's economic reform programs, and its emphasis on reducing subsidies, increasing involvement of the private sector in the provision of services, and improving the efficiency and quality of such services. While the project initially intended to restructure rather than privatize transport SOEs, this approach was justifiable since, at the time of project appraisal, the government was only starting to prepare a privatization program, and industrial and commercial companies were likely to take precedence in the privatization strategy over transport and other public utilities.
- *Efficacy.* As shown in Table 4.1, the institutional of objectives were surpassed, since restructuring was replaced by privatization, and privatization actually was accomplished for several activities.

Table 4.1 Outcome: Institutional Development

Sector	SOE/activity	Current Name	Intended Status (SAR)	Current Status^a	Outcome/Comments
Air transport	Air Burkina	Air Burkina	Remain SOE	Privatized	Early results indicate improved quality of service and substantial increase in traffic, both domestic and regional routes
Air freight	Naganani	—	Remain SOE	Company liquidated	No obvious prospects for relaunching a specialized air freight company.
Airports	Ouagadougou and Bobo D	—	Remain a government agency	Privatization (concessioning) under consideration	Two studies in preparation to privatize have been completed.
Urban Transport	RegieX9	SOTRAO	Remain SOE	Privatization via concessioning	The overall urban transport in Ouagadougou requires urgent review. SOTRAO's services are very limited and with small geographic coverage, leaving Ouagadougou practically without public transport SOTRAO's financial performance is poor.
Railways	SBCF	SITARAIL (operations, jointly with Côte d'Ivoire) SOPAFER (infrastructure, government patrimony company)	Remain SOE or liquidated if targets not met	Privatization via concessioning	SITARAIL's operating performance has been good, and finances are improving. Freight traffic in 2001 was about 3 times higher than before the railway was privatized.
Road Maintenance	Maintenance Equipment Pool	SLC	Equipment rental SOE to be created	Privatized	
Road Maintenance	Maintenance works (force account by ministry)	SMEs	Contracted out for: all paved roads; mechanized routine earth roads in two regions	Privatized (all contracted out)	Road SMEs industry requires restructuring in view of large number, and many unqualified enterprises.

a. All privatized companies have government and employee equity.

On the investment side, the road program had a mixed efficacy, since, as shown in Table 3.3, some targets were exceeded, and others were not met, especially the rehabilitation and periodic maintenance of earth and gravel roads. Road condition, in a sense the real outcome of the road investment program, did improve according to the most recent measurements available. The railway investments were modified upon the concessioning of the SCFB following an assessment by the private operators of the railway's most pressing needs. This assessment led to the purchase of a modern telecoms system and reduction, and in some cases elimination, of some of the investments originally selected.

- *Efficiency.* The much-improved operating and financial performance of the railways, the transfer of road maintenance works to a rapidly improving private sector contracting industry, the reduction in government subsidies to the transport sector all point to significant efficiency in the institutional achievements of the project. On the investment side, the road investment program, because of its focus on maintenance rather than new construction, is estimated to have a high rate of economic return, in the 20 to 30 percent range. The analysis conducted by

the private operator for selection of railways investments ensures that such investments are economically and financially justified. There are two potential issues regarding efficiency: (a) some of road paving works may not have been economically justified, although there is no data to confirm or reject this assertion, and (b) privatization in thin markets, because of potential vertical integration, by the successful private bidder with its other operations, may be less efficient than it could be. The reason is that users of the privatized operation (for example, contractors renting from the road maintenance equipment unit) may be discriminated against.

4.2 *Institutional Development Impact*¹¹ is rated **high**. As discussed in the previous section, major institutional development took place under the project.

4.3 *Sustainability* is rated **likely**. With the exception SOTRAO's urban transport services in Ouagadougou, all other privatized/concessioned transport operations are working satisfactorily, with improved operational and financial performance. The transfer of road maintenance from force account to private contractors has been completed, and the public works agency has been restructured adequately to operate in the new environment. Road maintenance funding was kept at the agreed level, and the PASEC-TII, under preparation, should help ensure that such funding is maintained. While this analysis may suggest that sustainability could be rated highly likely, this is precluded because some of the privatizations are too recent (Air Burkina) or still under preparation (airports), and SOTRAO's may have to be reversed.

4.4 *Bank Performance* is rated **highly satisfactory**. The staff prepared a highly relevant project, yet still a complex and ambitious one. The design was good, with a high level of detail. Setting up a PCU was appropriate given the large number of donors and broad scope of the project. The reorganization of the DGTP from a public works executing agency to programming and control was a well-conceived institutional adjustment to changing government functions. During implementation, the supervision team, which remained practically unchanged for most of the implementation period, was quick in amending the project when conditions changed as the government launched a privatization drive. The Bank team was instrumental in persuading the government to reinstate the derogation related to small contracts for road maintenance, a crucial decision. Coordination with the borrower was excellent during most of the project period (the borrower noted a few minor exceptions toward the end of the project), and so it was with most of the project's cofinanciers. The project team is due a large part of the credit for the project's successful outcome.

4.5 More broadly, the Bank did well in supporting the restructuring or privatization activities through several non-sectoral operations.

4.6 Yet, the Bank could have done two things that would have further improved outcome: (a) at design stage, formulate an approach to donor coordination, and include studies to find a simple, inexpensive way to measure the condition of the road network, so that the outcome of the road maintenance activities could be better assessed, and (b) during implementation, amend road maintenance funding levels when the CFAF was devalued.

4.7 In theory, the Bank's project team during implementation could have modified the institutional and training component to help government adapt its structure and human resources following the privatization or liquidation of transport SOEs. The restructuring of the DGTP that occurred following the outsourcing of routine maintenance and that helped DGTP adapt to its new functions could have been taken as a good example. The PPAR acknowledges, however, that

11. Both the outcome and the sustainability ratings may be subject to the length and direction of the rebellion in Cote d'Ivoire.

modifying the institutional component would have been difficult to achieve because it would have required a refocusing of the financing provided by some cofinanciers, over which the Bank had no control.

4.8 ***Borrower Performance*** is rated **highly satisfactory**. The borrower took many commendable actions that were key to achieving or exceeding expectations for the project, particularly regarding institutional development. Among these were the following:

- The decisions, generally followed by good implementation, to privatize transport SOEs when performance agreements were not yielding the expected improvements, and to carry out privatization of road works.
- Meeting commitment of funding road maintenance. Fulfilling such a substantial commitment to fund road maintenance as agreed is rarely found in Sub-Saharan Africa.
- Rapid reversal (in November 1996) of the new Procurement Code (introduced in May 1996), which would have seriously hampered execution of road maintenance by small contracts.
- Carrying out an excellent preparation of the Mid-term Review (implementation summary 1/26/96).
- Appointing high-level personnel for the PCU, with immediate access to the policymakers and senior officials in all the concerned ministries.

4.9 Two government decisions could be questioned, however. First, paving of roads that did not have sufficient traffic to justify the investment. This occurred in a limited number of cases, and was greatly encouraged by the interest of some donors in financing such works (although the money could have been better used for road maintenance, especially of gravel and earth roads). Second, in hindsight, the privatization of urban transport services is questionable. The sole bid received was not transparent as it mixed the concession business with another business owned by the bidder, and probably should have been rejected. The result is a non-performing private operation and a major deterioration of urban transport service throughout Ouagadougou.

Comparison with ICR Ratings

4.10 The above ratings upgrade the ICR ratings in two areas:

- Institutional development, on grounds that the achievements have been major, as confirmed close to two years after the ICR was issued. In addition, there has been further progress in reforming and privatizing the sector, such as (i) the privatization of Air Burkina and (ii) the advanced process for the concessioning of the Ouagadougou and Bobo Dioulasso airports. The only significant failure, the privatization of the urban transport services, happened in an extremely difficult environment: there is little experience worldwide of successes in urban transport concessions in conditions similar to those obtaining in Burkina—low-income population, thin market, and harsh weather conditions.
- Borrower performance, for the reasons given in the rating section, above.

5. Lessons

5.1 Four key lessons emerge from the project's experience with multiple privatizations in the transport sector. These lessons may apply in general to small, low-income countries in Sub-Saharan Africa. *Prospects for privatization of transport services and infrastructure may be better than generally believed*, even in a difficult economic environment. Services with the higher potential to

operate commercially such as rail, road maintenance works, and air transport have the best chance to succeed. Urban transport, especially when there is a tradition of highly subsidized services, is especially difficult to privatize. This could have been anticipated during review of the bids, and Burkina would have been better off forgoing the urban transport privatization.

5.2 *Low-income countries may not have the human and technical resources necessary to mount regulatory agencies to oversee small enterprises in the transport sector.* Burkina's policy of retaining government minority ownership in these enterprises, which is not intended to interfere with management but to provide government an information window, may be a suitable substitute, at least as a temporary measure.

5.3 *Government agencies need to be restructured and strengthened following privatization.* Governments need to adapt their structures to fulfill their new functions after they privatize state-owned companies and force account operations. At the same time, their human resources need to be adapted and strengthened. The Burkina government, like most countries that have extensively privatized a sector, faces a huge human resources problem. The booming private sector is taking away the most scarce, most qualified government technical personnel and the best of the newly graduating professionals. The Bank should seek to allocate its financing in a way that gives it flexibility to reallocate funding toward technical assistance should the need arise, especially in projects with multiple financiers. Government officials highlighted the need for the Bank to review solutions to this problem elsewhere and to provide creative ideas for Burkina.

5.4 *Measuring outcomes in the road sector.* Traditionally, project results involving road works are measured in terms of physical work done, such as kilometers of roads paved or maintained. These measures, however, reflect output, not outcome. A more appropriate measurement of outcome is the condition of the road network. In small, low-income countries like Burkina, using standard equipment to inspect and rate the condition of the network, which normally consists of a large amount of non-paved roadway, is expensive both in capital and recurrent costs. Countries should seek cheaper, if less accurate, techniques to periodically assess the condition of their road networks. Such cheaper techniques do exist, and Burkina is preparing to test one of them.

Annex A. Basic Data Sheet

TRANSPORT SECAL PROJECT (CREDIT 2332-BUR)

Key Project Data (Amounts in US\$ million)

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>	<i>Actual as percent of Appraisal estimate</i>
Total project costs	463.4	392.3	85.0
Credit amount	66	66	100

Project Dates

	<i>Original</i>	<i>Actual</i>
Appraisal/negotiations		4/91
Post-negotiations		12/91
Board Approval		02/02
Signing		02/92
Effectiveness		02/93
Closing date	12/31/96	12/31/2000

Staff Inputs (staff weeks)

	<i>Actual Weeks</i>	<i>Actual US\$000</i>
Identification/Preparation	143.9	462.2
Appraisal/Negotiation	34.2	75.2
Supervision	203.9	601.7
Completion	12.3	13.2
Total	394.3	1152.3

Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Specialization represented^(a)</i>	<i>Performance rating^(b)</i>	<i>Types of Problems Implementation Status Development objectives</i>
Identification/ Preparation	11/89	3	E,ME,TE		
	3/90	3	E,ME,TE		
	7/90	4	E,TE,CI,DC		
	11/90	6	E,F,CI,TE,TE. DC		
Appraisal/ Negotiations	4/91	7	E,E,F,F,CI,TE,T		
	12/91	2	E		
Supervision	3/92	2	E,TE		
	6/92	3	E,TE		
	11/92	3	E,TE,TE	S	S
	3/93	1	E	S	S
	4/93	3	E,TE,TE	S	S
	11/93	3	E,TE,TE	S	S
	4/94	4	E,E,TE,TE	S	S
	7/94	2	E,TE	S	S
	2/95	2	E,TE	HS	HS
	5/95	1	TE	S	HS
	12/95	5	E,UT,TE,TE,DC	S	HS
	3/96	2	E,TE	S	HS
	7/96	2	E,TE	S	HS
	11/96	1	TE	S	HS
	3/97	2	E,TE	S	S
	1/98	3	E,TE,TE	S	S
	10/98	3	TE,TE,F	S	S
3/99	2	TE,TE	S	S	
11/99	2	TE,TE	S	S	
5/00	2	TE,TE	S	S	

ICR

- (a) E=Economist, ME= Municipal Engineer, TE= Transport/Road Engineer, F=Financial, UT=Urban Transport, CI=Construction Industry
DC=Division Chief
- (b) S=Satisfactory, HS= High Satisfactory

IMC 2013

Report No.: 25650
Type: PPAR