# **CONFLICTS' LONG SHADOW**

## The Decline of Local State Capacity in Burkina Faso

Ablam Estel Apeti

Seung-hun Lee

Rose Camille Vincent\*

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#### Abstract

Conflicts in fragile states disrupt governance, resource mobilization, and service delivery, yet their micro-level impact on local state capacity is under-explored. This paper examines how violent conflicts affect the capacity of local governments to raise revenue and allocate resources for public services, using Burkina Faso as a case study due to its recent political instability and escalating conflicts. We construct a commune-by-year dataset covering all 351 communes over 15 years, combining data on public finance, conflict, and economic activities. A key innovation is the inclusion of planned revenues and expenditures, allowing us to assess how conflicts alter local fiscal expectations and performance. Using event studies and shift-share instruments based on gold resources and prices, we find that conflict-affected communes miss revenue and expenditure targets by 6 and 5 percentage points, respectively. This is driven by drops in locally generated revenues and reduced spending on operations and staff. Investment targets also fall short as expected central government grants fail to arrive, deepening fiscal deficits. The weakened local fiscal capacity lasts long after conflicts subside, highlighting challenges in post-conflict recovery.

*Keywords:* State capacity; Local Governments; Conflicts; Own-Source Revenues; Public Service Expenditure

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<sup>\*</sup>Ablam Apeti (aapeti@parisnanterre.fr) is affiliated with the Paris Nanterre University; Seung-hun Lee (seunghunlee@ust.hk) with Hong Kong University of Science and Technology; and Rose Camille Vincent with Utrecht University (r.c.vincent@uu.nl). *Acknowledgment:* we are grateful to Mr Ramdé Sokoba (Ministry of Finance, Burkina Faso), to Oulla Andrée Ouattara (Programme d'Appui aux Collectivités Territoriales, Ouagadougou), Sekou Kone (World Bank), Ousmane Kolie (World Bank), Serdar Yilmaz (World Bank) and Samuel Garoni (World Bank) for providing us with valuable information and data about local governance and local public finance in Burkina Faso. Usual disclaimers apply.

# 1 Introduction

Conflicts, particularly in fragile and resource-constrained states, exert a profound influence on state-building and institutional resilience (Besley and Persson, 2009). They transcend immediate human suffering and economic losses, altering the very fabric of governance, resource mobilization, and service delivery. Countries in the Sahel region epitomize these dynamics as many have been grappling with heightened levels of conflict in recent years, with severe ramifications for governance and development (see Figure 1b). Yet, while a substantial body of literature explores the macro-level impacts of conflicts, relatively little is understood about its micro-level ramifications, particularly on local state capacity (see for e.g. Blattman et al., 2022; Pinotti, 2015). In this paper, we ask how conflicts affect the capacity of local governments to generate revenues and spend on public services. We examine the case of Burkina Faso, a country with an increasing incidence of conflicts that severely hamper the fragile state.

State capacity—the ability of governments to (i) enforce rules, (ii) mobilize resources, and (iii) provide public goods—is positioned as both a determinant of and a casualty in conflict scenarios. On the one hand, state capacity is critical for preventing and mitigating civil wars (Besley and Persson, 2009). On the other, conflicts disrupt key functions of the state, as violence stifles the basis of fiscal revenues through economic disruptions, displacing populations, and destroying infrastructure. In some cases, insurgent groups establish parallel governance systems, further undermining state authority (see for e.g. Sánchez de la Sierra, Raúl, 2020; Mampilly, 2012). In this duality, understanding the long-term implications of conflicts for state institutions is central to discussions on state rebuilding. We build on this topic by leveraging overlooked sub-national level fiscal outcomes and conflict measures in a socio-culturally fragmented context. Since violent events disproportionately affect local state functions and populations in such societies, our investigation will provide important insights into the role of local bureaucracies in meeting the needs of the constituents and fostering economic development.

We examine the case of Burkina Faso, a country facing challenges to state-building over the past two decades following decentralization reforms and the surge of internal conflicts (c.f. Figure 1a). Burkina Faso initiated large-scale public sector decentralization reforms in the 1990s. These reforms aimed to empower communes with financial and administrative autonomy to better address the diverse demands of the local population (see for e.g. Ky, 2010). Yet, recent findings show that these reforms disproportionately benefitted wealthier communes, while not fostering fiscal autonomy in others (Bargain et al., 2025).

Since 2015, the escalation of violence has profoundly altered local governance in Burkina Faso. Jihadist groups have targeted local officials, disrupted administrative functions, and further exacerbated regional inequalities, eroding state legitimacy. Communes in the Sahel and East regions, for instance, have experienced sharp declines in tax revenue and administrative effectiveness, raising concerns about the long-term viability of decentralized governance. The scale of the crisis is particularly pronounced in these regions, with over 1000 jihadist-related incidents reported in 2021 alone (see Figure 1b). This context makes Burkina Faso an optimal setting for examining the interplay between internal conflicts and state capacity.

We construct a commune-by-year level dataset that leverages variation in local public finance, incidences of conflicts, and indicators of economic activities, covering all 351 communes of Burkina Faso from 2007 to 2021. The localized measure of violence lets us investigate the implications of conflicts at subnational levels. The information on local public finance includes various types of revenues and expenditures, classifying revenues generated within borders and those received from the central government (grants). A unique feature of this dataset is the inclusion of the planned expenditures and revenues for each fiscal year, allowing us to investigate how local governments adjust their targeted revenues and spending after conflicts and thereby quantify changes to budget efficiency<sup>1</sup>.

The empirical framework leverages the geographical and temporal variation in conflicts to estimate their impact on various measurements of local fiscal capacity. We begin with a basic event study setup that allows us to investigate the dynamic effects of conflicts. Socio-demographic factors and agricultural productivity, which make up the basis for the tax base and demand for public services, are controlled for. To address potential concerns regarding treatment heterogeneity, we complement our basic setup with recently developed difference-in-differences methods such as Cengiz et al. (2019) and Dube et al. (2023). To address endogeneity that may arise from differences between affected and unaffected localities, we utilize a shift-share instrument (Borusyak et al., 2022). This exploits an exogenous variation in the incidence of conflicts based on local gold endowments and gold prices (Adhvaryu et al., 2021; Dube and Vargas, 2013).

Our findings confirm that the conflicts hamper the capacity of local governments to

<sup>&</sup>lt;sup>1</sup>Previous works such as Best et al. (2015) measure revenue efficiency based on increased tax receipt through improved compliance from firms in developing countries. We extend the usage of the efficiency concept to not just taxes, but also other revenue and expenditure categories.

mobilize their financial resources in terms of both revenues and spending. Affected local governments underachieve their revenue and expenditure targets by approximately 6 and 5 percentage points, respectively. This is driven by the decreasing share of own-source revenue, which drops by 2 percentage points compared to the unaffected localities after conflicts. While this is unlikely due to taxes, revenue sources from user charges and fees and locality-owned assets fall. These results quantify the decreasing capacity of local governments to generate revenues following conflicts.

Local governments decrease expenditure on operation costs and are less capable of meeting investment targets. Affected local governments decrease the share of spending on operation costs by 3-4 percentage points compared to unaffected localities. This is largely driven by a fall in allocation to spending on maintaining local government staff, which falls by 2-3 percentage points and has long-lasting effects. Moreover, local governments fail to meet their investment targets as they reconstruct from the damages of conflict. While they plan to allocate more budget to investment-related activities by 5-7 percentage points, the actual allocation remains unchanged. These discrepancies also appear long after the onset of the conflict. These findings indicate that conflicts stifle the capacity of local governments to make necessary investments for reconstruction for long periods of time.

We attempt to unpack the findings by exploring why local governments become less efficient in mobilizing resources by examining potential channels driving these results. We find that these effects are driven by increased expectations to receive capital grants from central governments that end up not being materialized. In the planning stage, affected local governments increased the share of revenues from these grants by 5 percentage points after conflicts. In terms of total volume per capita, this translates to an approximately 20% increase. These expectations are not met, as realized changes remain statistically unchanged. Since local fiscal plans are approved by central governments before they are carried out, this means that local governments are unable to overcome discrepancies between the planned and realized receipt of flows. While there are also signs that private investment activities fall in the short run, they cannot explain the longlasting inefficiencies that appear following conflicts. Therefore, the negative effects of conflicts on local fiscal capacities are further amplified by reliance on central government grants.

Overall, conflicts limit the capacity of local governments to generate revenues on their own and spend them on key components of public service. Affected local governments

are unable to maintain their revenues from the assets they own and the goods and services they provide. They downsize their operations by decreasing expenditure on staff and do not meet their investment target for reconstruction and other projects. These effects appear in both the short and long run. These effects are aggravated by the inability to make up for the deficit between planned and realized central government capital grants intended to support investment activities. Our work presents an important implication on how the negative effects of conflicts on local fiscal capacity can last and calls for the need to enhance local government capacity to mobilize resources independently and efficiently.

Our contribution is three-fold. First, we add to the existing literature on the development of local public institutions. There is an understanding that establishing a capable state that fosters economic development involves mobilizing revenues through taxation, hiring competent personnel, and collecting information that ensures adequate public goods provision (Acemoglu and Robinson, 2023; Besley et al., 2013; Dincecco et al., 2011; Dincecco, 2015; Dincecco and Katz, 2016; Jensen et al., 2024). While there is a growing trend in understanding the public sector in lower-income countries, local public finance and bureaucratic capacity continue to receive comparatively less attention, with researchers often citing limited access to local government data (Bardhan, 2002; Crawford and Hartmann, 2008; Galiani et al., 2008; Grossman et al., 2017; Oates, 2005). We overcome this challenge using sub-national data that provides detailed accounts on both planned and materialized mobilization of local government revenues and expenditures. We provide additional and innovative measures of local fiscal capacity by capturing not just realizations, but also expectations local governments set on allocating revenues and spending following exogenous shocks.

Second, we contribute to the literature studying the developmental costs of violence, particularly on state-building. Earlier works in this literature focus on establishing a conceptual framework that relates capable states and violence using theoretical setups and macro-level evidence (Besley and Persson, 2009, 2011; Dincecco and Prado, 2012; Gennaioli and Voth, 2015; Tilly, 1975). There is an increasing amount of work that empirically investigates how conflicts affect state-building (Barrett, 2022; Blattman, 2022; Cassar et al., 2013; Ch et al., 2018; Jibao et al., 2017; Sánchez de la Sierra, Raúl, 2020). However, evidence at the sub-national level remains sparse, most notably on changes in economic opportunities or the erosion of the local tax base amidst or post-violence contexts. To overcome such limitations, we combine information on localized variations in the incidence of various types of conflicts and indicators of diverse categories of local

government revenues and expenditures. We complement this using a variety of geospatial information that captures economic activities. This research will thus provide causal evidence of the ramifications of conflicts for local state-building and explore some of the mechanisms that shape these dynamics.

Finally, we provide new insights on the existing works studying Sub-Saharan Africa using a sub-national micro-evidence measuring local government activities. Most works in this area focus on macro-level indicators at a cross-country level (see for e.g. Babajide et al., 2021; Chowdhury and Murshed, 2016). Existing studies using micro-level evidence indirect links on how violent events affect local government through economic activities and agricultural productivity (Béné et al., 2024; Blair et al., 2022; Kafando and Sakurai, 2024). These papers do not fully utilize micro-level evidence tracking how local governments mobilize revenues and resources, with Bargain et al. (2025) being the lone exception. We provide evidence on state-building and local state capacity with evidence from Burkina Faso, a context underrepresented in empirical research and highly relevant given the recent development in the Sahel. This paper sheds light on the spatio-temporal dynamics of local tax revenue mobilization and state capacity across Burkina Faso's 351 communes, leveraging more than 15 years of data.

The rest of the paper will be organized as follows. section 2 provides an overview of the institutional context in Burkina Faso, describing the local governance structure and fiscal affairs at the commune level as well as the recent surge in conflicts in Burkina Faso. The data used for analysis is introduced in section 3. In section 4, we present the identification strategy used in this research. The results are reported in section 5, with the underlying mechanism discussed in section 6. We conclude the paper and lay out the implications in section 7.

# 2 Institutional Context

Burkina Faso is a landlocked country in the Sahel region of West Africa experiencing prolonged political and economic instability since gaining independence from France in 1960. Despite some progress in recent years, it remains one of the world's poorest countries (World Bank, 2023). The country heavily relies on gold mining, which contributed nearly 20% of GDP and 80% of export revenues in 2021 (World Bank, 2023). There are also stark economic disparities across regions within Burkina Faso compounded

by socio-economic tensions and climatic differences (Institut National de la Statistique et de la Démographie, 2022). We provide details on local government structure and the history of internal conflicts in this section.

### 2.1 Decentralization Reform

Decentralization efforts in Burkina Faso are enshrined in the 1991 Constitution and began with its implementation in 1995.<sup>2</sup> The first wave of decentralization took place in 1995, followed by subsequent rounds in 2000 and 2005–2006 (see for e.g. Ky, 2010; Bargain et al., 2025). Detailed frameworks on multilevel governance, local elections, managing fiscal and civil affairs, and planning local development were introduced in 2004 under Local Government Act (*"Code Général des Collectivités Territoriales"* or CGCT). Through this reform, Burkina Faso aimed to empower local governments to fulfill their mission of providing local and accessible public services, promoting local economic development, political stability, and income-generating opportunities for their constituents.

The chief motivations behind decentralization reforms were Burkina Faso's plurality in ethnic, linguistic, cultural, and geographic backgrounds. Evidence suggests that upon independence in the 1960s, Burkina Faso lacked structures to effectively address the needs of diverse communities, particularly in the hinterlands (see for e.g. Englebert, 2018; Harsch, 2017, 2021). This has prompted the search for a more inclusive and localized governance structure that provides access to public services. The 1991 Constitution and the 1995 Decentralization reform are a product of these efforts. Due to data constraints, it remains unclear whether the reform has shielded local communities from the damaging effects of conflicts. Hence, this paper investigates whether the decentralized governance and local bureaucracies were able to resist shocks from conflicts.

### 2.2 Local administration and staffing

Burkina Faso's decentralized governance system is structured into two levels: regions and communes, which operate with their own budgets and resources, employ their own staff,

<sup>&</sup>lt;sup>2</sup>Articles 143 to 145 of the said Constitution explicitly state that "the territory of Burkina Faso is organized into local authorities" (known as collectivités territoriales in French) and that "the law organizes the participation of the population in the free administration of local authorities." (République du Burkina Faso, 1991). Article 145 has been slightly modified in 1997 and 2000 to reflect changes in national elections and governance.

and exercise powers delegated by the State and in accordance with existing laws. There are, in total, 13 regions and 351 communes in Burkina Faso. Both tiers of decentralized authorities are run by elected councils and executive bodies.<sup>3</sup> Regions and communes operate independently of each other, with no hierarchical relationships. Communes represent the tier of government closest to the population.

The central government has supervisory powers over all local authorities, enabling it to oversee local executives' decisions, approve budgets, and deliberate matters subject to its authorization. Decentralized state services operating through line ministries coexist with local governments to complement decentralized governance and address sector-specific affairs.<sup>4</sup> Local governments, in turn, can use legal avenues to protect their autonomy and challenge state decisions in administrative courts.<sup>5</sup>

Local governments can appoint public servants to manage local affairs and administration with limited discretion on staff payments. Salaries and benefits are set by municipal or regional financial departments but require approval from central government-appointed financial controllers.<sup>6</sup> The process for staffing begins with evaluations conducted by local executive branches. These assessments are reviewed by elected councils and then submitted to central supervisory authorities. After approval of the staffing budget, local governments are responsible for recruitment. Salaries of local staff are set according to nationally standardized salary scales.<sup>7</sup> Types of benefits and allowances are also subject to nationwide regulations.

<sup>&</sup>lt;sup>3</sup>While the law stipulates that regional and municipal elections occur every five years, political instability often delays these timelines. Councilors elect their leaders: the regional council president for regions and mayors for communes, both through indirect voting.

<sup>&</sup>lt;sup>4</sup>For example, the Ministry of Health organizes its deconcentrated units into districts, with each district assessing its needs and relaying them to higher authorities. These units receive the resources necessary to implement ministry plans. All actions of deconcentrated state services are coordinated and overseen by the Head of the Administrative District as appointed by the central government – namely, a Governor at the regional level, a High Commissioner for provincial services, and a Prefect for departmental services, with the regional coordination (or governorship) being at the top of the hierarchy.

<sup>&</sup>lt;sup>5</sup>The Ministry of Territorial Administration, Decentralization, and Security oversees public sector decentralization and works closely with participatory commissions, such as the *Conférence Nationale de la Décentralisation* and the *Conférence Régionale de la Décentralisation* which include representatives from civil society, the private sector, and NGOs.

<sup>&</sup>lt;sup>6</sup>See Decree n°2006-204/PRES/PM/MFB/MATD of 15 May 2006, establishing the financial and accounting framework for local governments in Burkina Faso.

<sup>&</sup>lt;sup>7</sup>See Decree No. 2017-0762/PRES/PM/MATD/MINEFID/MFPTPS of August 8, 2017, establishing the salary scales for employees in the territorial public service.

### 2.3 Fiscal affairs

Local authorities are responsible for ten key competencies or functions, including primary and pre-primary education, waste disposal, cultural activities, and local development, among others. While the central government consults the local governments at the planning stage, the execution of most of these budgets is meant to be carried out by local governments exclusively. However, certain functions that involve cooperation with other communes or the region, including health and environmental concerns, are subject to cooperation or consultation with other tiers of government.

While most revenues are collected by the centralized tax authority (DGI), communes are legally permitted to establish agencies for revenues such as fees and charges.<sup>8</sup> Communes' rights to shared taxes or other revenues are predetermined and included in the annual (planned) budget. Local governments also rely significantly on fiscal grants and transfers, including earmarked grants for specific decentralized functions such as education, water and sanitation, and recreational activities. General operating grants support local administration and cover expenses for intermediate consumption and staff salaries. Capital grants contribute to financing infrastructure projects mandated by central authorities or outlined in local or regional development plans.<sup>9</sup>

Local governments do have some autonomy in expenditure decisions, but this is also supervised by the central government. Planned annual budgets undergo review and approval by authorities representing central government agencies. Management and usage of public funds are executed by the local governments subject to supervision by oversight committees affiliated with the central government.<sup>10</sup>. This includes investment decisions within the commune since borrowing for capital investments is allowed pending approval by local councils and central authorities.

These structures highlight the fiscal constraints encountered by local governments and the reliance on the central government for operational and development activities. This is reflected in Figure 2, where the share of locally-sourced revenues has fallen since 2007.

<sup>&</sup>lt;sup>8</sup>The condition is that it is managed transparently and that the money is transferred to the accounts maintained under the name of each commune within the national treasury

<sup>&</sup>lt;sup>9</sup>The allocation and use of capital grants are subject to intersectoral regulations (i.e., specific ministries) and require approval from central government authorities. Mechanisms are also in place to ensure the maintenance of transferred assets.

<sup>&</sup>lt;sup>10</sup>Commission Technique Inter-Ministérielle (CIT) and the Commission Technique Régionale (CRT) examine and approve the budgets of the communes.

## 2.4 Security Challenges in Burkina Faso

Since the mid-2010s, Burkina Faso has experienced a sharp break in its political stability. Once defined as one of the most stable countries in the region and sheltered from conflict contagion in neighboring countries, its recent descent into political turmoil and terrorist attacks following the departure of a former autocratic leader Blaise Compaoré in 2014 has surprised many. Before 2015, Burkina Faso was seen as a model of religious tolerance and non-violence.<sup>11</sup> The political uncertainty from the ouster lasted for two years, marked by a coup in September 2015 by Compaoré loyalists, and ended with general elections later that year.<sup>12</sup>

While political tensions around the government calmed in 2016, the country's security situation deteriorated sharply due to instability in neighboring Sahelian countries. Starting with the terrorist attacks in the capital, Ouagadougou, in January 2016, Jihadist insurgency spread across Burkina Faso. By 2022, the central government lost control of the significant share of the territory to these groups. Today, Burkina Faso rivals Mali as an epicenter of the Sahel crisis. These are characterized by inter-communal violence and Jihadist insurgent groups with ties to Islamic State fighting over influence and territorial control. These led to devastating consequences for households and local communities (see for e.g. Tapsoba et al., 2024; Büttner et al., 2022; Druetz et al., 2020; Okafor et al., 2023).

Figure 1 illustrates the rapid and dramatic rise in violence in Burkina Faso and its surrounding countries. As shown, the number of violent conflicts across Burkina Faso's regions remained minimal until 2016. These events then escalated sharply, particularly in the Sahel and Est regions, with concentrated clusters of violent conflicts (c.f. Panel A of Figure 1). In 2021, the Sahel region of Burkina Faso alone recorded over 600 incidents of violent conflict, marking it as one of the most affected regions. This increase reflects the expanding operations of jihadist groups and the weakening of state control over northern and eastern territories. Panel B of Figure 1 further demonstrates the spatial spread of violence across the Sahel and West-Africa. In 2007, incidents of violent conflict were limited to isolated areas, primarily in northern Mali. By 2017 and onwards, these events intensified across Burkina Faso, particularly on the northern and eastern regions.

<sup>&</sup>lt;sup>11</sup>Nyamba (2001) documents that the practice of 'joking kinship' ('*parenté à plaisanterie*'), which consists of making fun of another ethnic group, has partly contributed to creating harmony among the approximately 60 ethnic groups in Burkina Faso.

<sup>&</sup>lt;sup>12</sup>This brought in a new leadership under Roch Marc Christian Kaboré into power.

The escalation of conflict has further deepened existing inequalities, particularly in regions with high levels of poverty.<sup>13</sup> Local governments in these conflict-affected areas, already constrained by limited resources and weak state support, are now facing additional pressures as first responders to an increasingly volatile crisis. This dynamic raises important questions about the impact of conflict on state-building processes at the local level and the long-term challenges of reconstructing governance structures in such fragile contexts.

# 3 Data

For our study, we construct a novel commune-by-year level panel data that links conflicts and local government public finance. In addition, we utilize a rich source of data on the underlying local economic activities, environment, and resource endowment. This setup allows us to leverage geographical and temporal variation on the incidence of conflict at the commune-by-year level while controlling for possible sources of omitted variable bias. We provide a detailed explanation of the sources of these data in this section.

# 3.1 Local Public Finance

We gather the data on the local public finance from the Ministry of Finance (MEF) of Burkina Faso, in collaboration with the World Bank. The data includes yearly information on various categories of local government revenues and expenses along with detailed taxonomies for each commune from 2007 to 2021. With these, we can measure variables capturing the budget structure of the communes, both in terms of revenue mobilization and spending on the public services and local government apparatus. This richness of the data and its time coverage allow us to unveil the effects of conflicts at a granular level. More precisely, we measure the share of communal budget items or categories on spending or revenue side relative to total expenditure or revenue. These shares will be used as our primary outcome variable, as it captures where each commune relies on for the source of revenues and how they allocate public goods and services.

A distinctive feature of this dataset is the inclusion of both planned and realized amounts

<sup>&</sup>lt;sup>13</sup>See Institut National de la Statistique et de la Démographie (2022) for the latest census and the mapping of poverty estimates at the regional and commune level of Burkina Faso.

for all budget categories. The planned revenues and expenditures are recorded before the start of each fiscal year (typically in December of the previous year) and represent the targets set by local governments for the upcoming fiscal year.<sup>14</sup> As outlined in subsection 2.3, planned budgets undergo review and approval by central government authorities through oversight committees, balancing local government autonomy with central government responsibility for overall fiscal management. Consequently, the planned budgets hold particular significance as they not only reflect the expectations of local governments but are also validated by the nominated oversight committees. With these estimates, we can capture how local government expectations on revenue mobilization and spending capabilities shift following violent conflicts.

The realized amounts, on the other hand, are reported at the end of the fiscal year and reflect the revenues and expenditures that were actually carried out. These not only contribute to providing insights into the shift in real spending, but also allow us to quantify the size of the realized spending and revenues relative to the planned counterparts.

Based on these features, we utilize the following set of outcomes to assess the overall efficiency of local governments in meeting their revenue and expenditure targets. The first is the ratio of the real total revenues over the planned total revenues, denoted as efficiency in total revenue. This quantifies if the local governments have not earned as much as they have planned, and by how much. If the local government underachieved (overachieved) relative to the target, this measure is below (above) 1. We generate a similar measure for total expenditure. Using these measures allows us to evaluate how efficient each local government is in meeting its revenue generation and public service provision goals.

The revenue categories analyzed in this study are classified as follows. Own-source revenues, which consist of certain tax revenues (mainly property tax and local business tax), revenues from service provision (user charges and fees), and income from commune-owned physical and financial assets. Those not considered as own-source revenues include, among others, capital and current grants from the central governments, donations, and borrowing.<sup>15</sup> To minimize noise in the outcome variable, both planned and realized amounts are expressed as shares of planned total revenues.<sup>16</sup> Summary

<sup>&</sup>lt;sup>14</sup>The fiscal year in Burkina Faso runs from January to December

<sup>&</sup>lt;sup>15</sup>It is noted that borrowing is very minimal in Burkina Faso due to constraints on local government debt and the need for approval from the State.

<sup>&</sup>lt;sup>16</sup>Since realized total expenditures are defined after each fiscal year, using them as a denominator may introduce additional noise into the outcome measure. Fortunately, results using these measures are largely

statistics and detailed definitions are presented in Table 1 and Panels A and B of Table 2, respectively.

The expenditures are categorized into current expenditures and capital expenditures. The former includes worker compensation, purchases of intermediate goods, subsidies, and current transfers. The latter involves the acquisition of fixed assets for investments. We also utilize expenditures classified by government functions, following the Classification of the Functions of Government (COFOG). We focus on expenditures for General Public Services (GF1) and Economic Affairs (GF4). GF1 includes spending on the administrative apparatus of the government unit, such as executive and legislative services, financial affairs, and operational costs of public provisions. GF4 encompasses general economic affairs spending within the jurisdiction, including commercial activities, labor, agriculture, energy, maintenance and construction of transportation infrastructure, mining activities, among others.<sup>17</sup> For both GF1 and GF4, realized and planned expenditures are also expressed as shares of planned total expenditures to minimize noise in the analysis.<sup>18</sup>. Summary statistics and further definitions are found in Table 1 and Panels A and B of Table 2, respectively.

### 3.2 Violent conflicts

The conflict data for this study are obtained from the Armed Conflict Location and Event Data (ACLED) project.<sup>19</sup> This dataset provides granular information on conflict events at the commune-by-year level, including the nature of the events and the actors involved. For the purpose of this analysis, we define conflicts as violent events resulting in casualties, such as civil wars, armed clashes, religious conflicts, protests with casualties, and targeted attacks against politicians or civilians. Nonviolent events, such as peaceful protests and nonfatal crimes, are excluded from this definition. The incidence of conflicts is compiled until 2021, the most recent year available for the local public finance dataset.

The conflicts are further disaggregated as follows, depending on the types of entities

similar, as shown in Figure B1 and Figure B2.

<sup>&</sup>lt;sup>17</sup>For detailed information on the Classification of the Functions of Government (COFOG), see the UN Statistics Division guidelines Both GF1 and GF4 include components that can be classified as either current or capital expenditures (Table 1).

<sup>&</sup>lt;sup>18</sup>The outcome variables where realized amounts are divided by realized total revenues and expenditures are listed in Figure B1 and Figure B2. The regression results are largely unchanged but noisier.

<sup>&</sup>lt;sup>19</sup>For details on the methodology, see Raleigh et al. (2010).

involved. We categorize a conflict as jihadist if the perpetrator is categorized as part of a Jihadist or Islamic movement. For conflicts involving actors with religious ties but neither Jihadist nor Islamic, we classify these events as religious conflicts. For all other conflicts, we label them as non-religious conflicts. These conflicts include violent protests, political violence, and attacks against civilians by actors without religious affiliation, which often result in casualties.

Figure 1 presents the temporal and geographical distribution of the conflicts from 2007 to 2021. As previously discussed, the incidence of conflict sharply increased since 2016 throughout most regions within Burkina Faso according to Panel A in Figure 1. Sahel, Est, and Centre-Nord regions are particularly see more frequent conflicts compared to others. These regions are in the border or at the proximate location to Mali and Niger, neighboring countries with severe incidences of conflicts (Panel B of Figure 1). In general, there is sufficient variation in the incidence of conflicts across communes and years for our analysis<sup>20</sup>. Summary statistics on conflicts at the commune-by-year level are reported in Panel C of Table 2.

### 3.3 Other variables

To measure various economic activities or economic potential, we compile data on 2G mobile network coverage and net migration patterns. As 2G networks are primarily built by entities not related to local government, these represent the degree of investments undertaken by private entities. Data on global mobile network coverage is sourced from the Global System for Mobile Communications Association (GSMA) in partnership with Collins Bartholomew <sup>21</sup>, a provider of digital mapping services. The dataset provides spatial coverage maps for three main technologies at 1 km x 1km grid level: 2G, 3G, and 4G mobile networks in a large number of countries. Yet, we leverage the 2G information which was the most prominent throughout Burkina Faso in our study period (2007-2021).<sup>22</sup> To infer an estimate of the population covered by the networks at the commune level, we combine the population estimates from WorldPop, following Guriev et al. (2021).

<sup>&</sup>lt;sup>20</sup>The spatial variation is also depicted in Figure 3.

<sup>&</sup>lt;sup>21</sup>GSMA is a global association representing mobile network operators. For further details, see Collins Bartholomew website. It is also noted that more recently, additional coverage maps have been developed using data from opencellid.org; however, the information from this source is too recent and does not cover the time-span in this research.

<sup>&</sup>lt;sup>22</sup>It is noted that the same data source has been used in numerous other publications in Economics, including Manacorda and Tesei (2020); Aker and Mbiti (2010); Guriev et al. (2021).

The net migration quantifies the changes in the population that contribute to the tax base and demand for public service. Given the large displacement occurring in Burkina Faso since 2016, migration patterns allow us to further capture the extent of economic potential within a jurisdiction. The data is gathered from Niva et al. (2023) on world human migration patterns between 2000 and 2019, spanning on 10km grid and covering 216 countries or sovereign states. The dataset enables detailed analysis of the spatio-temporal development of migration patterns, including the magnitude of net migration, and the identification of areas that are net senders and net receivers.<sup>23</sup>

To further control for omitted variable bias, we collect data on population, land characteristics, and surrounding climates that correlate to productivity at the commune level. Population data, including total population and population density, are obtained from WorldPop geospatial datasets. Land characteristics, sourced from ESA Landcover datasets, include measures such as the area of grassland, irrigated cropland, and urban land. Additionally, we account for climatic variables such as precipitation, temperature, and nightlights, with data collected from AidData (Tierney et al., 2011). Summary statistics for these variables are presented in Panel D of Table 2.

Figure 3 displays the incidence of conflicts, local tax per capita, and net migration for each commune in 2019. Most conflicts occur in the northern parts of the country that border neighboring countries experiencing intense conflicts. These areas also tend to have lower tax revenues. Net migration also varies significantly across communes. We plan to identify the causal links involving these variables throughout the rest of the paper.

# 4 Empirical Strategy

Our analysis relies on the geographical and temporal variation in the incidence of conflicts at the commune-by-year level. To exploit these variations, we employ an event-study method that also controls for unobserved commune, year, and province-specific linear yearly trends. To address potential sources of biases from heterogeneous treatment effects and selection bias, we complement our baseline strategies with several alternative specifications. In particular, we utilize the Stacked Differences-in-differences

<sup>&</sup>lt;sup>23</sup>The dataset is constructed using subnational birth and death rate data collected from 2,555 and 2,067 administrative units, which is then down-scaled to a 5 arcmin resolution. Rasterized socio-economic data is integrated and adjusted to match the collected subnational data. More details on the methodology can be found in Niva et al. (2023).

approach, Local Projection Difference-in-differences, and Shift-share IV using local-level gold production and global gold prices (Borusyak et al., 2022; Cengiz et al., 2019; Dube and Vargas, 2013; Dube et al., 2023).

### 4.1 Baseline event study

To leverage the geographical and temporal variation in the incidence of conflicts at the local level, we use the following event-study as our baseline specification.

$$y_{it} = \alpha + \sum_{\substack{j=-4\\j\neq-1}}^{4} \beta_j I[t-c_i = j]_{it} + \beta^- I[t-c_i \le -5]_{it} + \beta^+ I[t-c_i \ge 5]_{it} + \gamma X_{it} + \phi_i + \delta_t + \psi_s t + \varepsilon_{it}$$
(1)

The regression controls for commune fixed effects ( $\phi_i$ ), year fixed effects ( $\delta_t$ ) and provincespecific linear yearly trends ( $\psi_s t$ ).  $X_{it}$  is the set of covariates, where each variable are interacted with year fixed effects to address bad control problems (Callaway and Sant'Anna, 2021). Control variables discussed in the previous sections are included. The standard errors are clustered at the commune level.

 $I[t-c_i = j]_{it}$  indicates the treatment status at year t for municipality i, with  $c_i$  representing the year in which the first conflict within the years 2007-2021 occurred at commune i. We assume an absorbing treatment where once a conflict occurs in a commune, it stays treated. We include 4 lags and leads, as this setup captures a sufficient number of periods for dynamic treatment analysis and provides a suitably balanced analysis sample that captures the rise of conflicts around the mid-to-late 2010s. The periods outside the 4year lags and leads are captured by  $I[t - c_i \le -5]_{it}$  and  $I[t - c_i \ge -5]_{it}$ , respectively, as recommended by Schmidheiny and Siegloch (2023).<sup>24</sup> Thus, the dynamic treatment effect of interest of conflicts on outcomes is captured by  $\beta_i$ .

 $y_{it}$  is the outcome variable of interest. For regressions on revenue and expenditures, we use the share of *planned and realized* amounts of each category relative to the *planned* total revenue or expenditure. This allows us to capture the share of different sources of revenue and allocation of public funds. In addition, using planned total expenditure and revenues

<sup>&</sup>lt;sup>24</sup>Schmidheiny and Siegloch (2023) recommends that effects of the event-study time window should be controlled using binned indicators in case the effects not within the time window differ drastically from the periods of interest. Thus, in our regressions,  $\beta^+$  and  $\beta^-$  capture effects after and before the time window, respectively.

as a denominator allows us to compare planned and realized amounts on each category of revenues and expenditure.<sup>25</sup> We also use the ratio of realized total expenditure (revenues) over planned total expenditure (revenues) to measure if the local governments met their targeted amounts. We also use other outcome variables to capture the degree of local economic activities, such as the investment in 2G mobile coverage, among others, also as a way of unveiling potential underlying mechanisms. Further explanations on the outcome variables will be included in the appendix in future iterations of this paper.

The identification assumptions for our analysis are as follows. The outcome variables of interest should be in parallel relation across treated and control communes. We verify this using the pre-conflict period treatment indicators. In addition, there should be complementary specifications that address potential heterogeneous treatment effects depending on the year of the conflict. Furthermore, the selection bias between treated and control communes should be addressed. We introduce our approaches to these concerns in the next section.

# 4.2 Addressing identification concerns

There are mainly two identification concerns with the baseline specification in Equation 1. First, it may mask heterogeneous treatment effects across cohorts and the timing of the conflicts. Second, there may be biases originating from the differential characteristics of the affected and unaffected communes. There are increasing understanding that the baseline two-way fixed effects can mask treatment heterogeneity by incorrectly including previously treated units as a control group when applied in staggered treatment settings (Baker et al., 2022; Callaway and Sant'Anna, 2021; Schmidheiny and Siegloch, 2023). Furthermore, the occurrence of conflicts may not be exogenous even when controlling for all observables related to conflicts. We discuss our approach to address these concerns.

We take the following approaches to address heterogeneity in treatment across time and cohorts. Our first choice is the stacked difference-in-differences used by Cengiz et al. (2019). It generates a separate dataset for each year and estimates weighted treatment effects across communes treated in a given year with those never treated or not-yet treated

<sup>&</sup>lt;sup>25</sup>Using realized total expenditure and revenues as a denominator may mask the effects of the sudden changes in the amount relative to the planned variables, further introducing the noise to the measure. We will provide further explanations on this in the appendix.

at that point<sup>26</sup>. However, this approach may suffer from volatility from inclusion of timevarying controls and choice of time window (Baker et al., 2022). Thus, we also report the doubly robust, inverse probability weighted version of Callaway and Sant'Anna (2021) estimators without controls. This is a flexible methodology robust to issues that may bias Cengiz et al. (2019) estimators.

The third event-study specification that complements our analysis is the local projection difference-in-difference approach suggested by Dube et al. (2023). This approach combines the clean control condition of Cengiz et al. (2019) with the local projection method proposed by Jordà (2005) used to estimate dynamic treatment effects in applied macroeconomics.<sup>27</sup> The regression uses differences between periods t - 1 and t + h to identify the dynamic effects h periods relative to the event ( $-4 \le h \le 4$ ).

$$y_{i,t+h} - y_{i,t-1} = \beta_h \Delta D_{i,t} + \gamma_h \Delta_h X_{i,t+h} + \delta_t^h + \phi_s(h+1) + \Delta_h \varepsilon_{i,t+h}$$
(2)

 $\Delta D_{i,t}$  is the difference in the treatment status between year t and t - 1. Since we assume absorbing treatments ( $I[t - c_i = j] = 1$  for  $j \ge 0$ ), the differences in the treatment status are 0 for all periods except between t - 1 and t. We also take long differences to other variables.  $\alpha$ , individual fixed effects,  $I[t - c_i \le -5]_{it}$ , and  $I[t - c_i \ge 5]_{it}$  from Equation 1 are also differenced out as they do not vary within our time window of interest. Time effects and region-specific linear trends are included.  $\beta_h$  captures the effect h years after the conflict and is estimated separately for each time window.

In the future iteration of this paper, we further complement our estimation with a shiftshare instrumental variables approach to leverage the exogenous portion of the variation in the incidence of conflicts. In particular, we use the gold endowment and production prior to the start of the local public finance dataset (early 2000s) interacted with yearly worldwide gold prices to leverage exogenous factors of conflict incidence. This comes from the fact that Burkina Faso is the major producer of gold and resource endowment, and market prices are related to conflicts (Adhvaryu et al., 2021; Dube and Vargas, 2013; Maystadt et al., 2014; Sini et al., 2021). Using this, we generate an instrumental variable for the incidence of conflict in commune *i* at year *t* using gold endowment in the neighboring

<sup>&</sup>lt;sup>26</sup>For this setting, we follow Cengiz et al. (2019) and use the fixed effects saturated with communy-bydataset, year-by-dataset, and state-by-dataset indicators.

<sup>&</sup>lt;sup>27</sup>The local projection method is often used in applied macroeconomics to estimate dynamic impulse response functions. This is often used as an alternative to the vector autoregression (VAR) method (see for e.g. Jordà, 2005).

communes and world prices in the following manner

$$Z_{i,t} = \frac{G_{i0}}{G_0} \times P_t \tag{3}$$

 $\frac{G_{i0}}{G_0}$  is the share of gold production or endowment at commune *i* at some initial year 0 relative to the entire Burkina Faso and  $P_t$  is the worldwide gold price at year *t*. While this version may be used, there is also a possibility of using a leave-one-out shift-share instrumental variable (Acemoglu et al., 2019; Borusyak et al., 2022). This is done by generating a share of gold production or endowment at neighboring communes, not including oneself, relative to Burkina Faso.  $Z_{i,t}$  will instrument each conflict incidence variable  $D_{i,t}$  in analyzing the dynamic treatment effects. The estimation result will be reported in future iterations.

## 5 Results

In this section, we present our findings on the effects of conflicts on local state capacity, focusing on the ability of local governments to mobilize revenue and allocate expenditures effectively. Overall, we find that local governments affected by conflicts are unable to reach the targeted revenue and expenditure. They therefore become more reliant on central government funding. We also find that conflict-ridden communes significantly cut back on costs related to essential public services and staff salaries. The reduction in personnel spending, in particular, has lasting repercussions for the functioning and capacity of government bureaucracy. Some of the estimated effects persist even four years after the conflicts, highlighting the prolonged fiscal challenges faced by these communes. In summary, the findings illustrate how violent conflicts erode the fiscal capacity of local governments, creating long-term obstacles to recovery and development.

#### 5.1 Failure to meet total expenditure and revenue targets

We start by testing what happens to the capacity of the local governments to achieve their total revenue and expenditure targets. We presume that the treated local governments are less likely to meet both their revenue and expenditure targets following conflicts. As

conflicts may increase net migration and decrease local economic activities contributing to local government revenue and demands for public services, realized expenditures and revenues may fall. Furthermore, if treated local governments anticipate receiving more investment funding from the central government than is realistically available, their planned revenues increase relative to realized values. Thus, they are less likely to meet their revenue and expenditure targets. We label this in the paper as budget efficiency—the capacity of local governments to plan and execute budgets as intended.<sup>28</sup>

The results in Figure 4 show that treated local governments are less likely to meet their targets compared to the control group following the conflicts. In panel (A) of Figure 4, regression results with ratio of realized revenue over planned values from Equations (1) - (2) are presented along with 95% confidence intervals. There is a significant decline in the ability of treated local governments to meet their revenue targets. Within one to three years following a violent conflict, treated governments underperform their targets by 6 to 8 percentage points compared to the control group. The estimates remain consistent across different specifications, indicating robustness to potential heterogeneous treatment effects. Treated local governments are also less likely to meet their expenditure targets, as shown in Panel (B) of Figure 4. During the 1-3 years after conflicts, they also fall short of their expenditure targets by approximately 5 percentage points compared to the control group. Similar to revenue results, estimates are also similar across specifications.

These results highlight that the conflicts make the affected local governments less efficient in generating revenues and spending on public services. The failure to meet their revenue targets may arise from the decrease in their ability to generate revenues from their own communes. Similarly, the decline in spending efficiency may be attributed to a contraction in the scope of their operations and the failure to implement plans for public services or investments. We explore these channels in greater detail in the following sections.

### 5.2 Decreased capacity to generate own-source revenues

In this section, we explore what explains the decline in the ability of local governments to raise revenues. As there is an increasing need for reconstruction after the conflicts, local

<sup>&</sup>lt;sup>28</sup>As explained in subsection 2.3, the planned budgets at the municipal level are subject to approval by representatives of the central government. This ensures that the budgets align with what the state considers reasonable and appropriate rather than being based solely on the discretion or preferences of local authorities.

governments may expect grants from the central government to foster investment. These expectations may also be developed during the budget process as the planned budget, including rights to shared taxes or other revenues, is validated by central government authorities (c.f. subsection 2.3). As a result, planned revenue for investment (or capital revenue) may rise while the realized amounts may not, contributing to the gap in budget efficiency. On the other hand, the income from the commune is likely to decrease as conflicts depress local activities and may drive out the local population. Consequently, the share of current revenues and own-source revenues is expected to decline.

We test and confirm these hypotheses, reported in Figure 5. Planned capital revenues increase by about 4-6 percentage points following violent conflicts relative to the control group. The rise in these amounts also appears long after the conflicts. Realized capital revenues, however, do not show any statistically significant changes throughout. The share of current revenues falls by about 4 percentage points following the conflicts. Results are similar for planned and realized amounts across different specifications. Lastly, the share of own-source revenues relative to the total revenue decreases. Both planned and realized share of own-source revenues fall by about 2 percentage points.<sup>29</sup>

Then, we try to identify what explains the decreases in the own-source revenues. We examine three major components - taxation, revenues from user fees, and assets. As the results in Figure 6 show, the decline is mainly driven by user fees and asset revenues. While planned tax revenues fall by 1 percentage point one year after the conflict, the effect dissipates over time. The declines in planned user fees and asset revenues are more evident. User fees fall by around 1 percentage point, with the estimates being statistically significant 2-4 years later in some specifications. Asset revenues also fall by approximately 2 percentage points over time. The findings are similar across realized and planned revenues, as well as in different specifications.

The discrepancies between taxes and revenues from user charges, fees, or assets can be attributed to Burkina Faso's tax assignment structure. Taxes—such as the business tax, property use tax, among others—are collected by the *Direction Générale des Impôts* or the Treasury and subsequently credited to the accounts of the communes (see for e.g. OECD and UCLG, 2022). This centralized approach limits the discretionary power of local governments over tax collection and represents central government capacities. In contrast, local authorities have greater discretion and responsibility for collecting revenues from

<sup>&</sup>lt;sup>29</sup>We explore the mechanism underpinning these results in section 6. In this first draft, it appears that these results are driven by decreases in relevant sources of grants from the central government.

user charges, fees, and assets.<sup>30</sup> As these revenue streams rely more heavily on the capacity and operations of the local bureaucracy, their decline tends to align more closely with the drop in local administrative capacity following conflicts.

Overall, these findings suggest that affected local governments struggle to levy ownsource revenues and receive less expected central funding for investments. These point to potential long-run negative implications on the capacity of local governments to finance various costs in providing public services. In the next section, we investigate how the decline in the ability to gain revenues affects their operation and the provision of public goods and services.

# 5.3 Decreased expenditure on government operations

Next, we examine the effects of conflicts on the capacity of local governments to spend on public services. As various revenue streams decline following conflicts, local governments face reduced resources to finance their operations. Hence, the treated local governments are more likely to adjust planned and realized spending on key public services downward. We focus on staff payments since they are crucial for public service delivery and a major part of local government current expenditures.<sup>31</sup>

We find that the treated local governments adjust both the planned and realized expenditures on general public services downward following conflicts. The results for current expenditures, general service expenditures (GF1), and staff payments are reported in Figure 7. The allocation of expenditure to the items making up current expenditures decreases by 2-5 percentage points. The results appear long after the onset of violent conflicts and are more evident for the planned amounts. GF1 expenditures decline by around 3 percentage points following conflicts, with the effect being significant even after 3 years. We delve into staff compensation, as it takes up a significant portion of these expenses. The share of expenditure on staff compensations declines by 1 percentage point following conflicts. The effect appears not only immediately but also in the long run. Results across specifications do not differ significantly.

Based on these results, we can conclude that local governments in conflict-ridden

<sup>&</sup>lt;sup>30</sup>These revenue sources include rents from public infrastructure, proceeds from leased or concessioned services, the slaughter tax, market fees, and similar sources.

<sup>&</sup>lt;sup>31</sup>As shown in Table 2, staff payments account for approximately 21% of current expenditures (= 0.060/0.284), with a similar figure of 29% (= 0.060/0.208) for GF1.

communes significantly downsize their operations in the aftermath of such events. This is primarily done by cutting costs on staff compensations. As we do not have the data on the roster of communal governments, we cannot distinguish how conflicts affect the composition of the staff. However, they likely decrease the number of bureaucrats since wages for public workers are inflexible in general and based on a country-wide adopted salary scale for the public sector (c.f. subsection 2.2). Since these effects also appear in the long-run, the decline in the size of operations may have long-lasting negative effects on the reconstruction efforts and long-run economic development.

## 5.4 Failure to achieve investment targets

We focus separately on the expenditure categories on investments - total capital expenditure, direct investments, and GF4 expenditures. These categories encompass spending on acquiring fixed capital for reconstruction, direct rebuilding costs, and expenditures on large economic sectors such as mining, markets, and commercial activities. Given the increased need for reconstruction and economic recovery after conflicts, we expect planned expenditure allocations in these areas to rise. However, these expenditure plans may not materialize. Since the capacity of local governments to finance and operate key public services decreases, as discussed above, the realized expenditure on these categories may not catch up to the planned target. Thus, there will be gaps in planned and realized investment following conflicts.

The regression results in Figure 8 confirm that there are gaps in planned and realized investment spending. Planned expenditures on capital, direct investments, and economic affairs all increase by around 5-7 percentage points depending on the specification used. It is worth reiterating that these planned spending are approved by the central governments at the time of budget adoption. The rise in the expectations for such spending is maintained long after the onset of the conflicts. Notwithstanding, realized expenditures show a different pattern; they are either not statistically different from zero at the 5% level throughout the time frame or even negative in some cases. It is thus concluded that treated local governments consistently underachieve in investment expenditure relative to their targeted spending, especially in the long run.

The results indicate that the conflicts undermine local governments' capacity to undertake investments necessary for reconstruction. This explains a sizable portion of the decreases

in meeting expenditure targets, as realized investment expenditures are below the planned counterparts. In addition, the damaging effects of conflicts on the local state capacity to make necessary investments for reconstruction are long-lasting, even if they intend to allocate their resources to these efforts immediately.

#### 5.5 Overall takeaways

The findings in this section confirm that treated local governments are less able to meet their revenue and expenditure targets and provide evidence of where these inefficiencies arise from. The capacity to generate revenues from their own communes falls, driven by the decline in spending on general public services and investments. These governments downsize their operations, particularly by cutting staff compensations. Furthermore, the capacity to achieve the targeted investment declines for long periods of time. These findings imply that conflicts have long-lasting effects on the fiscal capacity of local governments to support investment and economic activities necessary for development.

# 6 Mechanisms

The findings in the previous section establish that conflicts lead to a decline in the local state and fiscal capacity in Burkina Faso. In this section, we delve deeper into potential mechanisms driving these results. Specifically, we explore three key mechanisms. First, we examine whether the composition and the reliance on central government grants explain the results. Second, we examine if our findings are related to changes in local economic activities. Last, we investigate whether specific types of conflicts—particularly those involving citizens and the government—are more likely to drive these results compared to other forms of violent conflicts.

### 6.1 Over-reliance on central government grants

To explain how the composition of planned revenues and expenditures change, we investigate whether the composition of grants from the central government explains these outcomes. We note from section 5 that the planned allocation of public funds

from investments - capital revenues and expenditures - increases. On the other hand, allocations to current accounts and realized investments do not. We also find that governments rely less on own-source revenues. This could be driven by an expectation of receiving more central government grants, which would make their budget decisions increasingly dependent on central funding. Furthermore, local governments may anticipate higher revenues for capital accounts compared to current accounts if grants for capital investments rise while those for current expenditures remain unchanged.

To empirically test this channel, the amount of planned grant receipt is used as an outcome variable with the same regressions used in section 5. We use the log of per capita grants, capital grants, current grants, and total revenue to see the changes in the volume of these funds adjusted for population. We also use the share of planned capital and current grants to examine changes in allocations. First, we test whether the overall volume of grants increases. Next, we verify whether this increase is primarily driven by a rise in the volume and share of capital grants rather than current grants.

The results demonstrate that capital grants drive treated local governments to adjust expectations and allocations toward investment. Although per capita planned total revenue remain unchanged, as shown in Figure 9, per capita grants increase by 10% two years after conflict. Our most conservative estimation (LP-DID in eq. 2) show a long-lasting effect. We confirm that this is driven by capital grants. The volume of these grants increases by approximately 20% following conflicts, or a 5 percentage points increase in terms of proportions relative to planned revenues. These changes are not seen in current grants. These results show that the expected allocation of central government grants also affects local government plans, implying increasing reliance on these sources following conflicts. There is other evidence of increasing reliance on outside sources. In Figure 10, we show similar regressions as in Figure 9, but in realized amounts. All outcomes, including realized capital grants per capita and its share relative to planned revenue, are statistically indistinguishable from zero. In addition, the earmarked grants for key public service categories do not change (Figure B3).

In all, these findings show that affected local governments set high expectations for rebuilding through outside sources that do not materialize. Since the planned budget of the local government is approved by the Ministry of Finance, the central government is aware of the needs. However, the results from the realized amount of revenues show that these expectations are not met. Combined with our findings on investment expenditures in section 5, local governments do not have the capacity to overcome the discrepancies in

expectations and realizations in investment and other expenditure decisions. Therefore, treated local governments are unable to make progress in post-conflict recovery in the short and long run.

### 6.2 Changes in the local economic activities

Another channel that may explain our results is the economic activities at the local level. The degree of local economic activities determines the demand for public services as well as the basis for local government revenue. It is feasible that the conflicts affect local fiscal capacity by discouraging local economic activities. We test for this channel using proxies of private investment and demand for public services, such as investment in 2G mobile coverage and net migration. We use the former to proxy private investment as mobile networks are constructed by various entities not affiliated with local governments, i.e. private entities and most likely resulting from agreements with the central government. We use net migration to isolate factors that relate to the demand for public services as well as the tax base. In later iterations, we will use other variables to further test this channel.

The results in Figure 11 show signs that the extent of private investment is falling in the short run. In treated communes, the share of land and population covered by the 2G network both fall by 2 percentage points in the year of the conflict. While the estimates are negative afterward, the results are not statistically significant at the 5% level. There are no significant differences in net migration after conflict between treated and control communes. While these suggest that the economic activity channel does not contribute to our outcome as much as the over-reliance on central government investment grants, we require further testing using more outcome variables in the future iterations of this paper.

### 6.3 Heterogeneity across different types of conflicts

In future drafts, we aim to disaggregate different types of conflicts to identify which ones are more likely to undermine local state capacity. First, we will compare religious and non-religious conflicts. Next, we will test whether conflicts between government and citizens (e.g. violent protests, political violence, and prosecutions) are more likely to drive the observed outcomes than other types of conflicts. Although the incidence of religious conflicts has increased in recent years (Haavik et al., 2022; Durmaz, 2022), we do not expect

them to affect local state capacity differently. However, conflicts between government and citizens may weaken it by eroding trust and tax compliance (Cassar et al., 2013). We test these hypotheses using a similar set of equations utilized throughout the paper.

# 6.4 Takeaway

We try to identify the channels that explain why local governments are less efficient in meeting their revenue and expenditure goals. We find that there is an increased expectation to receive capital grants from the central government that does not materialize. Given the centralized decision-making structure for these grants, the results suggest that local governments struggle to address the discrepancies between expected and actual grant receipts. While we also find a short-run decline in private investments, these are not evident enough to explain the long-lasting decline in fiscal capacity. Thus, we find and quantify how over-reliance on central government funds amplifies the effect of conflicts on local fiscal capacity for a long period of time.

# 7 Conclusion

In this paper, we examine how violent conflicts affect local governments' ability to raise revenues and manage expenditures in Burkina Faso. We contribute to the literature by providing micro-level evidence of how conflicts disrupt local state capacity, an area often overlooked in studies that focus on national or macroeconomic impacts. Burkina Faso provides a highly relevant context due to the recent sharp rise in violent conflicts, notably jihadist and inter-communal conflicts in recent years.

We leverage the spatiotemporal dimensions of conflicts, along with a rich commune-byyear panel dataset on local public finance and socio-economic indicators covering all 351 communes of Burkina Faso from 2007 to 2021. We employ a robust empirical framework that combines event studies and difference-in-differences methods and isolates the causal impacts of conflicts on revenue mobilization, public spending, and budgetary efficiency.

The results show that conflicts significantly weaken local fiscal capacity. Affected communes fail to meet revenue and expenditure targets, with revenues falling short by 6% and expenditures by 5% on average. This is largely due to reduced own-source

revenues such as user charges and fees and income from assets – which declined by 1-2% – and unmet expectations of financial support from the central government. Conflicts also force local governments to cut spending on key operations, particularly staff salaries (1 percentage point decline), which has long-term effects on their ability to provide public services. While local governments plan to invest more in reconstruction, they often fail to achieve these targets due to limited resources and over-reliance on central government grants that do not materialize. The use of planned versus realized revenues and expenditures as indicators of fiscal performance is a unique feature that offers a deeper understanding of budgetary inefficiencies caused by conflicts.

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# Tables

<b>Panel A.</b> Revenue categorization	su		
Own-source revenue	Current revenue	Tax revenue	Property taxes
			Other indirect taxes (including business licenses)
		User charge & fees	Proceeds from fines and public services
		1	Fees from school, document services
	Capital revenue	Assets	Rents and concessions from land and shops
	4		Interest on financial products
			Rents from communal equipment
			Sales of fixed assets (land, building, transport, roads, etc.)
Outside revenue	Current revenue	Current grants	Earmarked grants (health, education, culture, water)
			Nonearmarked grants
	Capital revenue	Capital grants	Value of assets allocated
	1	1	Endowment funds and capital donations
<b>Panel B.</b> Expenditure categoriza	ations		
Current and capital expenditure	e Current expenditure	Staff payments	Permanent staff cost
			Temporary staff cost
		Intermediate consumption	Purchases of goods used as inputs, not including fixed assets
		Current Social Expenditure	Social benefits and in-kind transfers
		Subsidies and current transfers	Subsidies expenses and other current transfers
		Financial charges	Interest payments and property income payable
	Capital expenditure	Direct Investment	Gross fixed capital formation
	-		Acquisition of capital assets
		Capital transfers	Capital Transfers
COFOG categorization	General public service(GF1)	Operational costs of service prov	ision (staff compensations, supplies, general service provision)
)	Economic affairs(GF4)	Construction and maintenance o	f roads, buildings, infrastructure, and other projects
	Environmental protection(GF5)	Expenses related to waste manage	gement and pollution abatement
	Housing(GF6)	Expenses related to housing dev	elopment, water supply, and lighting
	Health(GF7)	Expenses on provision of health	services (medical products, hosiptal services)
	Recreation, culture(GF8)	Expenses on recreational, culture	al, and religious activities)
	Education(GF9)	Provision of schooling services	
<i>Notes</i> The table presents the defin	nitions and categorizations of differ	ent types of revenues and catego	ries. Panel A provides categorizations depending on own-source

TABLE 1: CATEGORIZATION OF REVENUES AND EXPENDITURES

vs. outside source, as well as current vs. capital revenues. In Panel B, permanent staff costs include salaries and social charges paid to such workers (similarly defined for temporary workers). In COFOG categorization, there are also expenses for defense (GF2), and public safety (GF3), both of which are primarily duties of provincial or central government.

	Mean	Standard Deviation	10th Percentile	50th Percentile	90th Percentile			
Panel A. Outcome variables: As	ggregate (	units in West African	Franc)					
Planned total expenditure	440	2825	0	200	618			
Planned total revenues	440	2825	0	200	621			
Realized total expenditures	235	1068	13.4	109	374			
Realized total revenues	352	1676	21.2	168	530			
Total expenditure efficiency	.56	.237	.311	.556	.793			
Total revenue efficiency	.819	.228	.594	.829	1.01			
Panel B. Outcome variables: By Category (units in shares)								
Planned own-source revenues	.126	.116	.0302	.0789	.296			
Planned current revenue	.408	.141	.233	.394	.601			
Planned tax revenue	.0691	.0797	.0107	.0341	.182			
Planned user fees	.0339	.036	.009	.0213	.0776			
Planned asset revenues	.0357	.0503	.00346	.0178	.0905			
Planned current expenditures	.41	.146	.233	.394	.606			
Planned staff payments	.0689	.0541	.0248	.0503	.141			
Planned capital expenditures	.59	.146	.394	.606	.767			
Planned direct investments	.567	.149	.369	.583	.748			
Planned GF1	.292	.152	.142	.248	.526			
Planned GF4	.555	.151	.353	.573	.738			
Realized own-source revenues	.106	.103	.0271	.0707	.232			
Realized current revenue	.376	.17	.196	.359	.569			
Realized tax revenue	.06	.0848	.00828	.0302	.149			
Realized user fees	.0295	.0301	.00818	.0208	.06			
Realized asset revenues	.027	.048	.00167	.0115	.0693			
Realized current expenditures	.284	.133	.133	.266	.453			
Realized staff payments	.0599	.0502	.0197	.0427	.123			
Realized capital expenditures	.276	.193	.0684	.265	.476			
Realized direct investments	.267	.191	.0609	.257	.466			
Realized GF1	.208	.121	.0949	.173	.376			
Realized GF4	.256	.182	.0543	.246	.454			
Panel C. Conflicts (binary variable								
All conflicts	.92	4.77	-	-	-			
Jihadist conflicts	.491	3.47	-	-	-			
Religious conflicts	.00854	.142	-	-	-			
Non-religious conflicts	.424	2.48	-	-	-			
Panel D. Covariates (units in parenthesis)								
Net Migration (persons)	-34.4	610	-204	-48.4	38.8			
Population (persons)	50133	143084	13815	33138	82261			
Population density (per $km^2$ )	87.1	268	26.2	57.9	130			
Grassland $(km^2)$	1322	3659	0	17	4412			
Irrigated Cropland $(km^2)$	52.4	94.4	0	13	142			
Urbanland $(km^2)$	12.6	145	0	0	6			
Precipitation (mm)	72.4	14.7	53	72.7	91.1			
Temperature (celsius)	28.8	.574	28	28.9	29.4			
Nightlight (0-63)	.163	1.31	0	0	.24			

*Notes* The table reports summary statistics for the variables used in the study. Panel A reports the incidence of conflicts at the commune-by-year level from ACLED. Panel B presents the total revenue and expenditure and efficiency measures. Panel C reports the share of expenditures and revenues for each category. Panel D specifies the descriptive statistics for the independent variables. The timeframe of the summary statistics is from 2007 to 2021.

# Figures



FIGURE 1: EVOLUTION OF VIOLENT CONFLICTS IN BURKINA FASO

#### (A) Number of violent conflicts per region in Burkina Faso (2007-2021)



(B) Locations of conflicts in Burkina Faso and Neighboring Countries *Source:* Authors' calculation using data from ACLED, GADM, and relevant shapefiles.





(A) Share of local fiscal revenues across different categories



(B) Share of local fiscal expenditures across different categories *Source:* Authors' calculation using the local public finance data used in the study.

# Figure 3: Conflicts, local tax revenues and net migration for each commune in 2019



*Note:* The figure presents the map of each commune, along with local tax revenue per capita and net migration statistics in 2019. Blue shades indicate the volume of per capita local tax revenues collected. Red markers indicate the incidence of conflicts for each commune. The colors on the star marker indicate the size of the net migration. The star marker is in green for those with positive net migration and in orange for those with negative net migration.





(B) Failure to meet expenditure targets



FIGURE 5: REVENUES FOLLOWING CONFLICTS



FIGURE 6: COMPOSITION OF OWN-SOURCE REVENUES FOLLOWING CONFLICTS

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level.



#### FIGURE 7: EXPENDITURE FOLLOWING CONFLICTS

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level.



FIGURE 8: INVESTMENTS FOLLOWING CONFLICTS



FIGURE 9: COMPOSITION OF PLANNED CAPITAL AND CURRENT GRANTS

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level. Sub-figures E and F refer to the share of grants in total local government revenue.



FIGURE 10: COMPOSITION OF REALIZED CAPITAL AND CURRENT GRANTS



FIGURE 11: MECHANISMS: PRIVATE INVESTMENTS AND NET MIGRATION

(C) Net migration

(D) Net migration relative to population

# A Additional background information

#### A.1 History of decentralization in Burkina Faso

Burkina Faso's 1991 Constitution establishes decentralization by affirming the principles of local self-governance and subsidiarity.<sup>1</sup> However, its practical implementation was gradual and unfolded over multiple phases. The first wave of decentralization in 1995 involved the creation of a limited number of communes with elected officials, the organization of democratic local elections, and the establishment of local public This was followed by a second wave in 2000 and a third, more administration. comprehensive expansion in 2005-2006, which led to the nationwide adoption of decentralized governance structures (Bargain et al., 2025; Ky, 2010). In 2004, the country adopted the Local Government Act ("Code Général des Collectivités Territoriales" or CGCT), defining the legal and regulatory framework for territorial and multi-level governance, including regulations on electing local executives, governing fiscal and civil affairs, and planning local and regional development. The legal parameters are applied nationwide, and Parliament adopts all legal texts.<sup>2</sup> Through this reform, Burkina Faso aimed to empower local governments to fulfill their mission of providing local and accessible public services, promoting local economic development and income-generating opportunities for their constituents.

The reform took place during a period when public sector decentralization was regarded as a pivotal institutional reform in Sub-Saharan Africa and was backed by several international initiatives. The transfer of powers to local authorities was then seen as a means of ensuring political stability, limiting inter-regional conflicts, and ultimately reducing poverty (Vaillancourt and Bird, 1999; Crawford and Hartmann, 2008; Martinez-Vazquez and Vaillancourt, 2011; Bardhan, 2002; Dickovick and Wunsch, 2014; Dafflon and Madiès, 2013).<sup>3</sup> In a country as ethnically and linguistically diverse as Burkina Faso, with

<sup>&</sup>lt;sup>1</sup>Articles 143 to 145 of the said Constitution explicitly state that "the territory of Burkina Faso is organized into local authorities" (known as collectivités territoriales in French) and that "the law organizes the participation of the population in the free administration of local authorities." (République du Burkina Faso, 1991). It must be noted that the Constitution has been amended several times, including most recently in 2023. Article 145 has been slightly modified in 1997 and 2000 to reflect changes in national elections and governance. See République du Burkina Faso (1991) for more details.

<sup>&</sup>lt;sup>2</sup>See Appendix A in Bargain et al. (2025) for an overview of key decentralization milestones in Burkina Faso.

<sup>&</sup>lt;sup>3</sup>It must be noted that the gains of decentralization reforms are still debated today. While some empirical research points to benefits in terms of access to education and healthcare, especially in rural areas (Faguet,

over 60 languages and ethnic groups, multi-level governance has thus been considered essential.

Public sector decentralization reforms, in Burkina Faso or elsewhere, are consistent with the notion of state capacity in the literature. Building strong state capacity involves mobilizing revenue through taxation, hiring competent and impartial security forces and civil servants, and collecting accurate information about populations to ensure adequate public goods provision (Acemoglu and Robinson, 2023; Besley et al., 2013; Dincecco, 2015; Dincecco and Prado, 2012; Dincecco and Katz, 2016).<sup>4</sup> In fact, economic theory frames decentralization as a means to align revenue generation with public service delivery, fostering efficiency gains that can strengthen state capacity. Oates (2005) highlights two key mechanisms supporting this argument. First is the proximity principle, which asserts that local governments, due to their informational advantage, are better positioned to understand and address the specific needs and preferences of their constituents. Second is the inter-jurisdictional self-sorting mechanism, whereby individuals reveal their preferences for public goods either by "voting with their feet" (Tiebout, 1961), leading to the optimal provision of services, or through yardstick competition (Besley and Case, 1995), where citizens compare policies across jurisdictions and hold leaders accountable, even in the absence of mobility.

Given Burkina Faso's plurality in ethnic, linguistic, cultural, and geographic composition, the decentralization reform and the mechanisms it embodies are crucial for a discussion on local state capacity in Burkina Faso. Evidence suggests that between 1960 and 1995, despite being an independent state, Burkina Faso lacked structures capable of effectively addressing the needs of its diverse communities, particularly in the hinterlands and rural areas (Englebert, 2018; Harsch, 2017, 2021). Thus, the reform, as intended, allows for governance structures that are more proximate to the people, ensuring that decision-making reflects local contexts and priorities. In a multi-ethnic and linguistically diverse setting, it was also intended to promote social cohesion and to reduce the

<sup>2004;</sup> Galiani et al., 2008; Habibi et al., 2003; Alatas et al., 2012; Bardhan, 2002), some others point to the risks associated with decentralization such as limited local capacities to implement the reform, coordination failure across layers of governments or between jurisdictions and elite capture, leading to more governance fracture (Grossman et al., 2017; Kessing et al., 2007). See, for instance, Bargain et al. (2025) for a discussion on the existing empirical evidence.

<sup>&</sup>lt;sup>4</sup>Historically, the development of strong states has been tied to high fiscal capacity, often driven by the need to finance wars. A powerful state is defined in the literature as having a monopoly on legitimate violence within a specified geographical area. Maintaining this monopoly requires resources, which compel states to collect revenue from their populations (Schumpeter and Swedberg, 1918; Weber, 1919; Tilly, 1975; Dincecco et al., 2011; Karaman and Pamuk, 2013; Gennaioli and Voth, 2015; Queralt, 2019).

risk of alienation among marginalized groups, especially in remote areas where central governments often struggle to build trust and where traditional and local rulers tend to have a predominance (Ouedraogo, 2006). This also resonates with the broader statebuilding literature, which emphasizes inclusive governance in fragmented societies as essential to enhancing legitimacy and ensuring long-term stability (Hickey et al., 2014).<sup>5</sup> Hence, in light of this context, this paper focuses on decentralized structures and local bureaucracies and examines how they resist exogenous shocks of conflicts.

### A.2 Structure of administration and personnel in local governments

Burkina Faso's decentralized governance system consists of 13 regions and 351 communes, each governed by elected councils.<sup>6</sup> Of the 351 communes, some are classified as urban communes (49) and others as rural communes (302). Ouagadougou, the capital city, and Bobo-Dioulasso, the second largest city, hold special statuses. (Englebert and Sangare, 2010, 2014) While the communes operate independently, they remain subject to central government oversight, particularly regarding financial management and planning. The national framework grants local governments administrative autonomy but limits their fiscal and staffing discretion. Regions and communes operate independently of each other, with no hierarchical relationships. Communes or municipalities represent the tier of government closest to the population. Communes within the same region can collaborate through inter-municipal cooperation agreements to provide services but remain administratively equal in status.

The central government has supervisory powers over all local authorities, enabling it to oversee local executives' decisions, approve budgets, and deliberate in matters that are, by law, subject to its authorization or approval. Notwithstanding, elected local officials can resort to legal mechanisms to assert their autonomy and self-governance in areas assigned to them by law. Decentralized structures co-exist with the deconcentration of state services. Deconcentrated government units, managed by line ministries, work to complement decentralized governance by addressing sector-specific needs. Local

<sup>&</sup>lt;sup>5</sup>Decentralization is equally pivotal in fostering local accountability and participation— other key pillars of state capacity. Granting citizens greater involvement in decision-making processes can enhance transparency and responsiveness of the State as citizens are more likely to hold their local leaders accountable, a dynamic that can reduce corruption and lead to more efficient public spending.

<sup>&</sup>lt;sup>6</sup>While the law stipulates that regional and municipal elections occur every five years, political instability often delays these timelines. Councilors elect their leaders: the regional council president for regions and mayors for communes, both through indirect voting.

governments, in turn, can use legal avenues to protect their autonomy and challenge state decisions in administrative courts.<sup>7</sup>

Local public sector employment is presently governed by Law n°003-2017/AN of January 13, 2017, on territorial public service and employment.<sup>8</sup> Local governments can legally appoint public servants to manage local affairs and administration. Salaries and benefits are set by municipal or regional financial departments but require approval from central government-appointed financial controllers.<sup>9</sup> The process for staffing begins with evaluations conducted by local executive branches. These assessments are reviewed by elected councils and then submitted to central supervisory authorities, such as the *Commission Technique Inter-Ministérielle (CTI)* or the *Commission Technique Régionale (CRT)*. After approval of the staffing budget, local governments are responsible for recruitment. Salaries of local staff are not at the discretion of local authorities. Wages and compensations are set according to national regulations, which standardize salary scales and define benefits and allowances to be received by recruited staff. The central government by assigning central government civil servants to local administrations, as authorized by and stipulated in the Local Government Act.<sup>10</sup>

### A.3 Local fiscal affairs

The allocation of responsibilities to local governments in Burkina Faso is primarily outlined in Articles 80 to 105 of the 2004 Local Government Act (CGCT). In practice, around ten key competencies or functions have been transferred to elected local authorities. They are, by law, in charge of primary and pre-primary education, waste disposal, cultural activities, sports and leisure activities, among others. These competencies are, de jure, to be exercised exclusively by the local governments, both in

<sup>&</sup>lt;sup>7</sup>Vertical coordination governed by legal texts and decrees and outlined in the National Decentralization Policy Document (République du Burkina Faso, 2019). The Ministry of Territorial Administration, Decentralization, and Security oversees public sector decentralization and works closely with participatory commissions, such as the *Conférence Nationale de la Décentralisation* and the *Conférence Régionale de la Décentralisation* which include representatives from civil society, the private sector, and NGOs.

<sup>&</sup>lt;sup>8</sup>Prior to this, there were several other texts enacted to govern public sector employment, including Law n° 013/98/AN of 28 April 1998, Law n° 033-2008/AN of 22 May 2008, Law n° 081-2015/CNT of 24 November 2015.

<sup>&</sup>lt;sup>9</sup>See Decree n°2006-204/PRES/PM/MFB/MATD of 15 may 2006, establishing the financial and accounting framework for local governments in Burkina Faso.

<sup>&</sup>lt;sup>10</sup>See Decree No. 2017-0762/PRES/PM/MATD/MINEFID/MFPTPS of August 8, 2017, establishing the salary scales for employees in the territorial public service.

management and funding, while regional planning is jointly undertaken by the central government and the regions. Certain functions require cooperation or consultation with other tiers of government. For example, communes are solely responsible for cemetery management, while wildlife conservation in protected areas is jointly handled by regions and communes. Additionally, local authorities are consulted on matters involving health hazards, safety risks, or environmental concerns within their jurisdictions, emphasizing the interconnected framework of governance in Burkina Faso.

On the revenue side, Burkina Faso's tax code and Local Government Act define the revenue frameworks and tax instruments assigned to local government budgets. Most revenues are collected by the centralized tax authority, the *Direction Générale des Impôts*, and subsequently transferred to the communes. However, communes and their respective local councils are legally permitted to establish agencies for revenues such as fees and charges so long as it is transparent and transferred to their respective accounts with the national treasury.<sup>11</sup> Communes' rights to shared taxes or other revenues are predetermined and included in the annual (planned) budget. All taxes, whether at the local or national level, follow the guidelines established in the tax code.<sup>12</sup> Local governments also rely significantly on fiscal grants and transfers, including earmarked grants for specific decentralized functions such as education, water and sanitation, and recreational activities. General operating grants support local administration and cover expenses for intermediate consumption and staff salaries, especially temporary staff. Capital grants finance infrastructure projects mandated by central authorities or outlined in local or regional development plans.<sup>13</sup>

Most financial decisions made by local governments, such as the planned annual budget, require review and approval by state authorities. Technical and financial oversight committees – namely the *Commission Technique Inter-Ministérielle* (*CIT*) and the *Commission Technique Régionale* (*CRT*) oversee public financial management at the regional and communal levels. The CIT is responsible for approving the budgets of the regions and communes with special statuses (Ouagadougou and Bobo-Dioulasso). In contrast, the CTR, which is region-specific, examines and approves the budgets of the communes

<sup>&</sup>lt;sup>11</sup>Each commune maintains a treasury account that records its financial transactions, including debits and credits.

<sup>&</sup>lt;sup>12</sup>A key source of own-source revenue for communes is the local business license, known as *patentes*, the proceeds of which are shared between communes and regions. This is also collected by the centralized tax authority.

<sup>&</sup>lt;sup>13</sup>The allocation and use of capital grants are subject to intersectoral regulations (i.e., specific ministries) and require approval from central government authorities. Mechanisms are also in place to ensure the maintenance of transferred assets.

within each region.<sup>14</sup> This governance framework highlights the balance between local autonomy and central oversight in Burkina Faso's fiscal management system.

Public procurement at the local level is also governed by national regulations to ensure uniformity and accountability. Local governments are responsible for managing contracts related to infrastructure, goods, and services. However, these agreements require approval by both local councils and central authorities. This layered process reflects the fiscal constraints faced by local governments, which often depend on central government transfers for operational and developmental activities. To date, three decades since the onset of the decentralization reform in 1995, most transferred competencies remain financed through grants from the central governments, and local revenues have drastically declined since 2007, rendering a high vertical fiscal imbalance at the local level (c.f.Figure 2).

# A.4 Security challenges in Burkina Faso around 2016

Since the mid-2010s, Burkina Faso has experienced a sharp break in its political stability. Once defined as one of the most stable countries in the region and sheltered from conflict contagion in neighboring countries, its recent descent into political turmoil and terrorist attacks following Blaise Compaoré's departure in 2014 has surprised many. Before 2015, Burkina Faso was seen as a model of religious tolerance and non-violence.<sup>15</sup> In fact, the risk of conflict spillovers from Mali or the Sahel was considered minimal by many analysts (Haavik et al., 2022).<sup>16</sup>

Blaise Compaoré, who had ruled Burkina Faso autocratically since 1987, was ousted by mass protests opposing his planned constitutional reform that would have extended his term. After his overthrow in 2014, a Transition President and Government were appointed, along with a National Transition Council to oversee general elections.

<sup>&</sup>lt;sup>14</sup>The regional oversight committees (CTR) also supervise inter-municipal cooperation projects and twinning arrangements between the communes and foreign municipalities. Vertical coordination of sectoral policies is managed by the *Conseil d'Administration du Secteur Ministériel (CASEM)*, while other specialized bodies address specific coordination needs or are formed as necessary.

<sup>&</sup>lt;sup>15</sup>Nyamba (2001) documents that the practice of 'joking kinship' ('*parenté à plaisanterie*'), which consists of making fun of another ethnic group, has partly contributed to create harmony among the approximately 60 ethnic groups in Burkina Faso.

<sup>&</sup>lt;sup>16</sup>The UNDP program even launched in 2016 to prevent violent extremism in Africa, and similarly identified Mali as an epicenter of violent extremism and Niger as the potential spillover country in this region, while Burkina Faso was not even identified as a country at risk. See more from UNDP source.

However, political instability persisted, marked by a coup in September 2015 by elements of the Presidential Guard loyal to Compaoré. This was followed by the general elections later that year, which brought Roch Marc Christian Kaboré to power.

While political tensions around the government calmed in 2016, the country's security situation deteriorated sharply due to instability in neighboring Sahelian countries. Surprisingly, the first terrorist attack hit the capital, Ouagadougou, in January 2016, and in November of the same year, the first Jihadist insurgency began. Terrorist attacks, initially targeting expat-frequented locations in Ouagadougou between 2016 and 2018, signaled that Burkina Faso was not immune to the spillover of regional instability (Newswire, 2023). By 2022, the government had lost control of a significant share of national territory to radical Islamist groups, threatening the state's territorial integrity. The International Center for Counter-Terrorism estimates that the country experienced the most significant terrorism-related deaths around 2019, with an increase of more than 590%.<sup>17</sup>

Today, Burkina Faso rivals Mali as the epicenter of the Sahel crisis, characterized by intercommunal violence and jihadist insurgent groups aligned with Al-Qaeda and the Islamic State<sup>18</sup>, fighting for influence and territorial control, with devastating consequences for households and local communities (Tapsoba et al., 2024; Büttner et al., 2022; Druetz et al., 2020; Okafor et al., 2023). A major argument presented in the literature to explain this unexpectedly unstable situation is that the pre-2016 tranquility is based on realities ranging from internal tensions or conflicts to organizational methods of law enforcement based on delegation or government's collaboration with non-formal entities generating deep-rooted tensions between communities and these non-state entities endowed with informal authorities generating under-governed spaces and security problems (Durmaz, 2022).

The incidence of conflicts in Burkina Faso followed the trends in neighboring countries. The number of violent conflicts across Burkina Faso's regions remained minimal until 2016 but then escalated sharply, particularly in the Sahel and Est regions, with concentrated clusters of violent conflicts. In 2021, the Sahel region of Burkina Faso alone recorded over 600 incidents of violent conflict, marking it as one of the most affected regions. This increase reflects the expanding operations of jihadist groups and the weakening of state control over northern and eastern territories. In 2007, incidents of violent conflict

<sup>&</sup>lt;sup>17</sup>See report by Demuynck and Julie Coleman (2022) as well as regular policy notes published by ACLED (2024) on violent conflicts in the Sahel.

<sup>&</sup>lt;sup>18</sup>Two major groups have been identified, namely the Jamaat Nusrat al-Islamwa-l-Muslimin (JNIM), affiliated to AQIM, and the Islamic State in the Greater Sahara (IS-GS), linked to the Islamic State.

were limited to isolated areas, primarily in northern Mali. By 2017, these events had intensified and spilled over into Burkina Faso, especially in its northern territories. By 2021, Burkina Faso had become a major epicenter of violence, across much of its northern and eastern regions. The maps also highlight the religious and jihadist nature of many of these conflicts, showing the growing dominance of extremist groups in the Sahel and their significant impact on Burkina Faso and neighboring countries.

The deterioration of security coincided with significant political upheaval and governance challenges. In 2022, two successive military coups ousted the elected government of Kaboré, resulting in the establishment of the Patriotic Movement for the Safeguard and Restoration, a military junta.<sup>19</sup> In 2023, the junta demanded the withdrawal of French forces amidst a resurgence of jihadist attacks. Burkina Faso's political landscape remains highly fragile and unstable, marked by frequent coups and the suspension of the constitution since October 2022, with no clear timeline for its reinstatement or revision.

The escalation of conflict has further deepened existing inequalities, particularly in regions with high levels of poverty.<sup>20</sup> Local governments in these conflict-affected areas, already constrained by limited resources and weak state support, are now facing additional pressures as first responders to an increasingly volatile crisis. This dynamic raises important questions about the impact of conflict on state-building processes at the local level and the long-term challenges of reconstructing governance structures in such fragile contexts.

<sup>&</sup>lt;sup>19</sup>For a discussion of the political tensions surrounding Kaboré's presidency, including challenges at its outset, see Roger (2016).

<sup>&</sup>lt;sup>20</sup>See Institut National de la Statistique et de la Démographie (2022) for the latest census and the mapping of poverty estimates at the regional and commune level of Burkina Faso.



# FIGURE B1: EFFECTS ON SHARE OF REVENUES CALCULATED RELATIVE TO REAL TOTAL REVENUES

Additional regression results

B

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Outcome variables are realized revenues divided by realized total revenues. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level.



FIGURE B2: EFFECTS ON SHARE OF REVENUES CALCULATED RELATIVE TO REAL TOTAL REVENUES

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Outcome variables are realized revenues divided by realized total expenditures. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level.



#### FIGURE B3: EARMARKED GRANTS

*Note:* The figure presents the coefficient on the timing relative to conflict indicators from from TWFE (eq. 1), LP-DID (eq. 2), Stacked-DID, and Callaway-Sant'Anna estimators along with the 95% confidence intervals. Regressions include commune fixed effects, province-specific linear year trends, and year fixed effects. Total population, population density, nightlights, temperature, precipitation, irrigated cropland area, grassland area, and urban land areas are included as covariates. All covariates are interacted with year fixed effects. Standard errors are clustered at the commune level.

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