INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/393

BURKINA FASO

December 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; AND STAFF REPORT

In the context of the Third Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on Lapse-of-Time, following discussions that ended on November 6, 2019, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 5, 2019.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.

The documents listed below will be separately released.

Letter of Intent sent to the IMF by the authorities of Burkina Faso*
Memorandum of Economic and Financial Policies by the authorities of Burkina Faso*
Technical Memorandum of Understanding*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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December 20, 2019

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IMF Executive Board Concludes Third Review under the Extended Credit Facility Arrangement for Burkina Faso and Approves US$24.9 Million Disbursement

- Performance under the Extended Credit Facility (ECF)-supported program remains satisfactory.
- Growth is expected to stabilize at 6.0 percent in 2019 and over the medium term, but downside risks are high, given the security challenges the country is facing.
- The budget deficit is expected to remain anchored by the West African Economic and Monetary Union (WAEMU) limit of 3 percent of GDP in both 2019 and 2020.

The Executive Board of the International Monetary Fund (IMF) completed today the third review of Burkina Faso's performance under the program supported by the Extended Credit Facility (ECF) on a lapse-of-time basis[1]. The completion enables the release of SDR18.06 million (about US$24.9 million), bringing total disbursements under the arrangement to SDR72.24 million (about US$99.5 million).

Burkina Faso's three-year ECF arrangement for SDR108.36 million (about US$149.3 million or 90 percent of the country's quota) was approved on March 14, 2018 (see Press Release No. 18/86). The program aims at creating fiscal space for priority spending by strengthening revenue mobilization, containing current spending and improving the efficiency of public investment.

Policies and reform implementation under the ECF-supported program have been satisfactory. All end-June 2019 quantitative performance criteria and indicative targets were met as well as all, but one, structural benchmarks throughout end-November 2019.

Notwithstanding security challenges, economic growth remains resilient and is expected to stabilize at 6 percent in 2019 and over the medium term. Inflation is expected to be negative in 2019, owing to food price deflation following recent good harvests, and to rebound in 2020. However, the security crisis poses risks to the growth outlook and to the authorities' reform agenda.

[1] The Executive Board takes decisions under its lapse-of-time procedure when a proposal can be considered without convening formal discussions.

The fiscal stance is expected to remain anchored in 2019 and 2020 by the WAEMU convergence criterion for the fiscal deficit of 3 percent of GDP. Budget implementation in 2019 has been broadly in line with program targets, partially helped by windfall nontax revenue. Sustained revenue and expenditure efforts in 2020 should partly offset the expected decline in windfall nontax revenues, thereby creating fiscal space for critical public investment, social sector priorities, and security spending. The authorities are committed to step up efforts to broaden the tax base through further simplification and computerization of the tax system, to establish a treasury single account to improve cash management, and to strengthen institutional capacity and coordination for public financial management reforms.

Reforms to curb wage bill growth are advancing in some areas, including the implementation of transitional measures to help bring down the wage bill relative to tax revenues. However, progress toward the adoption of the overall reform package is limited. Pending approval of this overall reform package, the authorities are committed to refrain from any new agreements on wages or allowances outside of the security sector. In the meantime, dialogue with stakeholders should continue with a view to building consensus around the authorities' medium-term reform package.

The gradual implementation of the fuel price adjustment mechanism is expected to reduce the burden of fuel subsidies on the state budget. With a view to improving the government's ability to provide timely and targeted support for the most vulnerable, the authorities intend to step up efforts to rationalize existing social safety net programs and improve the targeting of beneficiaries.

Broader structural reforms are required to boost productivity, competitiveness, and inclusive growth. In this context, the authorities are committed to expand financial inclusion, a key policy priority for poverty reduction and private sector-led growth.

INTERNATIONAL MONETARY FUND

BURKINA FASO

December 5, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. The security situation continues to be highly challenging. The authorities are allocating more resources for security spending and are seeking further external support to help contain the crisis.

Outlook and risks. Economic growth remained resilient during the first half of 2019 and is expected to stabilize at 6 percent in 2019 and the medium term. Food price deflation after recent good harvests is expected to keep inflation negative at end-2019, before rebounding in 2020. Fiscal performance in the first half of 2019 was broadly satisfactory, albeit helped by windfall nontax revenue. The wage bill reform agenda has advanced in some areas, including transitional measures discussed at the second review, but the national dialogue on public sector pay has not advanced enough for the overarching reform package to be adopted in the near term. In the meantime, the authorities committed not to conclude any new wage agreement or to grant any new benefits outside of the security sector. The main risks to the program remain the heightened security challenges and further labor disputes ahead of the 2020 elections.

Program performance and policies. Performance under the ECF-supported program remains satisfactory. All end-June 2019 performance criteria were met. All-but-one structural benchmarks through end-November were met.

Staff's views. Staff supports the authorities' request for the release of the fourth disbursement under the ECF arrangement in the amount of SDR 18.06 million.

Approved By
Dominique Desruelle (AFR) and Kevin Fletcher (SPR)

Discussions were held in Ouagadougou during October 24–November 6, 2019. The staff team comprised Mr. Ahokpossi (head), Mr. Mpatswe and Mr. Simione (all AFR), Mr. Gbohoui (FAD), and Mr. Kass-Hanna (SPR). Mr. Jenkinson (Resident Representative) and Mr. Ouattara (local economist) assisted the mission. Mr. Bah (OED) also participated. Administrative support was provided by Ms. Vibar and Ms. Ouedraogo (all AFR). The team met with Mr. Christophe Dabiré, Prime Minister; Mr. Lassané Kaboré, Minister of Economy, Finance and Development; Ms. Edith Clémence Yaka, Minister Delegate responsible for the budget; Mr Seni Mahamadou Ouedrago, Minister of Civil Service, Labor and Social Protection; and other senior government officials. The mission also met with Mr. Charles Luanga Ki-Zerbo, National Director of the Central Bank of West African States; and development partners.

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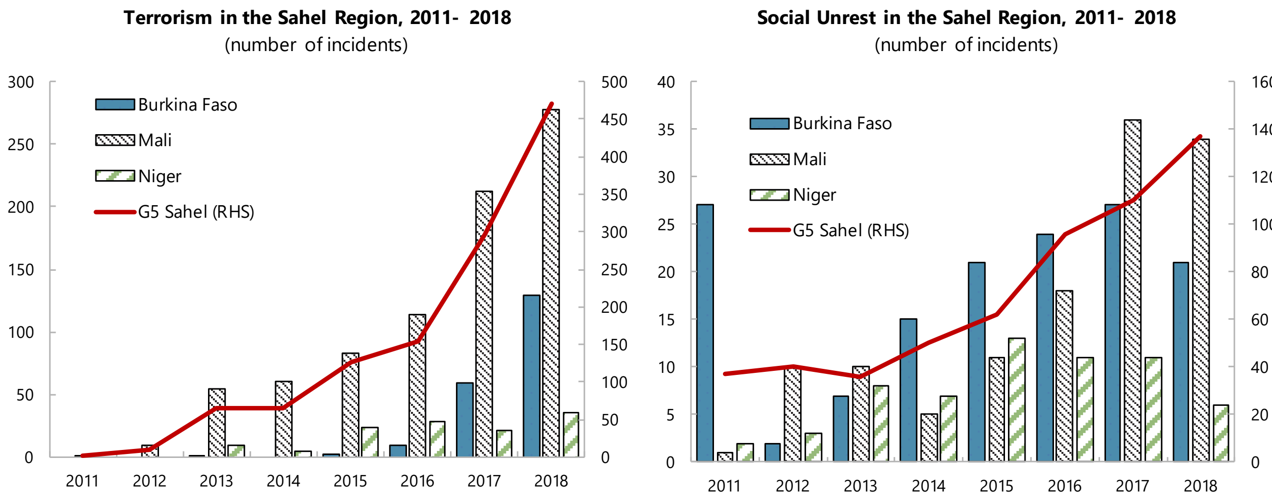
BACKGROUND AND RECENT DEVELOPMENTS

A. Background

1. **Burkina Faso's security, social, and political environment remains challenging.** Amid persistent security threats, the authorities in July extended the state of emergency in several administrative regions for an additional six months[1]. As security incidents have increased sharply, internally displaced people (IDPs) are estimated to have increased by 267,000 in the three months to October to reach 486,000. On the social front, the long-standing talks with labor unions over public pay resumed in July, led by Prime Minister Christophe Dabiré, but the planned national forum on public sector pay reform has yet to take place. On the political front, presidential and parliamentary elections are scheduled for November 2020.

Text Figure 1. Burkina Faso: Security Challenges, 2011–18



Sources: Control Risks; and IMF staff estimates.

2. **The authorities are seeking further external support to help address the security situation (MEFP ¶ 38).** As the security shock is persistent, the response entails a permanent increase in security capability and additional social spending to meet the needs of rising IDPs. In this context, as chair of the G5 Sahel, President Roch Kaboré presented plans for a new Partnership for Security and Stability for the Sahel at the G7 summit in August 2019. This new partnership aims to identify resource needs and to improve security coordination across the group of G5 Sahel countries.

[1] The regions comprise Hauts-Bassins, Boucle du Mouhoun, Cascades, North, Sahel, Est, and Centre-Est.

B. Recent Developments

3. **The economy has remained resilient, despite security threats, while good harvests have resulted in deflationary pressures (Figure 1).** Growth was strong at 6.4 percent y/y in the first half of 2019, owing mostly to the recovery of government services in the second quarter, following strikes in the public administration earlier in the year. The exceptionally good harvests in late 2018 and early 2019 have boosted the domestic supply of agricultural food items, pressing food prices down and keeping overall annual inflation negative since the beginning of 2019. Falling telecommunications prices, owing to increased competition, also added to the downward pressure on inflation.

4. **Fiscal performance in the first half of 2019 was satisfactory.** The overall fiscal deficit reached 0.9 percent of GDP, lower than the program projection for the first half of the year (1.2 percent of GDP). This outturn is mainly explained by total revenue exceeding the program floor by 1.6 percent of GDP, helped by windfall nontax revenue (1.4 percent of GDP) from the sale of 4G telecommunication licenses. Total expenditure was broadly in line with projections. While the execution of current transfers exceeded 50 percent of the budget annual target, this was more than offset by lower-than-projected spending on goods and services.

5. **Private sector credit growth recovered from the sharp slowdown in late 2018 and early 2019, while the banking system remained sound in 2018 (Figure 1, Table 4).** After reaching an 8-year low in February 2019 (2.4 percent y/y), the growth of credit to the private sector (excluding public companies) accelerated to 8.4 percent in August but, amid banks' adaptation to more stringent supervision thresholds under Basel III, it remains subdued compared to recent years. As of end-December 2018, the banking system as a whole remained well-capitalized with a capital adequacy ratio (12.0) exceeding the regulatory minimum (8.6), and the NPL ratio falling to 7.4 percent from 8.8 percent a year earlier.

6. **The current account deficit narrowed to 4.7 percent of GDP in 2018, down from 5.7 percent of GDP in 2017, and has likely widened in the first half of 2019 (Figure 2, Table 2).** The current account balance for 2017 and 2018 improved relative to previous estimates by 1.6 and 1.1 percent of GDP respectively, essentially reflecting an upward revision of exports to account for artisanal gold exports. The first half of 2019 witnessed a marked decline in exports reflecting the previous years' poor cotton season, and disappointing gold production, combined with the sharp drop of the prices of exported agricultural raw materials and livestock.

PERFORMANCE UNDER THE ECF ARRANGEMENT

7. **Performance under the ECF-supported program remains satisfactory (MEFP Table 1)**. All end-June quantitative performance criteria (QPCs) and indicative targets (ITs) were met.

8. **The implementation of structural measures has been satisfactory (MEFP Table 2).** All-but-one structural benchmarks through end-November were met. The missed structural benchmark

relates to the operationalization of the Treasury Single Account (TSA). There is nonetheless some progress on the TSA reform, including the adoption in October 2019 of a decree defining the broad principles that should govern the TSA. The structural benchmark related to the inclusion of PPPs in the public investment program (end-December benchmark) was also met.

ECONOMIC OUTLOOK AND RISKS

9. **Over the medium term, growth is projected to moderate to 6 percent, and inflation to rebound.** Growth is expected to stabilize at 6 percent in 2019 and over the medium term, as the impact from the exceptionally good food harvest of 2018 unwinds, and the impulse from government services (representing nearly a quarter of GDP) moderates in line with planned expenditure restraint. Inflation is projected to remain negative at end-2019 (-3.5 percent y/y) as the deflationary effects of recent good harvests have persisted longer than expected. It is projected to rise to around 2 percent in the medium term, well below the WAEMU convergence criterion of 3 percent.

10. **The fiscal outlook is expected to remain anchored by the WAEMU convergence criterion of 3 percent of GDP deficit.** The budget for 2020 envisages additional efforts to improve tax revenue mobilization to around 18.0 percent of GDP, higher than the projected realization of 17.5 percent of GDP in 2019. Expenditure is to be contained through the reduction of current spending, in particular subsidies and the wage bill, which is projected to start a gradual decline in 2020 from a peak of 10 percent of GDP in 2019.

11. **The current account deficit is expected to widen moderately to 5.2 percent of GDP in 2019 but would narrow in 2020 to 4.0 percent of GDP.** The marked decline in exports in the first half of 2019 is expected to be attenuated by the hike in gold prices in the second half of the year. Nonetheless, staff project export growth to slow to 1.9 percent y/y which, coupled with the projected decrease in cotton exports (reflecting the sharp drop in cotton production in 2018) and a slowing production of gold, will widen the current account deficit moderately in 2019. Those deficit-creating factors will be partially offset by slower growth in imports (driven by lower fuel prices) and the projected increase of official transfers. The projected current account improvement in 2020 is based on a continued favorable gold and oil price outlook along with increased production of both gold and cotton.

12. **The balance of risks is tilted to the downside (Annex 1).** The main domestic risks relate to further security disruptions and labor disputes. Security threats could weigh on mining, cotton production, tourism, and government revenue and expenditure. The latter would add to pressures for increased current spending, particularly in the context of the upcoming elections in 2020. On the external side, Burkina Faso would be adversely affected by the spillovers from intensified protectionism and downside risks to global growth.

13. **The Debt Sustainability Analysis (DSA) finds that Burkina Faso's risk of external debt distress remains moderate, with substantial space to absorb shocks (see DSA Annex).** Burkina

Faso has a medium debt-carrying capacity based on the composite indicator. Under the baseline scenario, all external debt and debt service indicators remain below relevant thresholds. However, under a standard stress test designed to simulate a shock to export growth, two thresholds of external debt sustainability indicators are breached. No breach is triggered to the indicator of overall public debt under the baseline and all alternative scenarios. The DSA indicates that the risk of external debt distress as well as the overall risk of public debt distress are moderate, with a substantial space to absorb shocks.

POLICY DISCUSSIONS

A. Budget Implementation and Outlook

14. The 2019 budget was revised in September to account for the windfall revenue (1.4 percent of GDP) collected in the first half of 2019 and reflect recent developments, while continuing to target the 3 percent deficit. As the projections at the time of the second review already accounted for the windfall, the revised budget is broadly in line with program understandings. However, the 2019 tax revenue target now appears too ambitious in the light of performance to September and higher than expected VAT reimbursement. The 2019 tax revenue-to-GDP is likely to increase by 0.2 percent of GDP relative to 2018, instead of 0.5 percent of GDP as envisaged previously. The authorities have stepped up their revenue collection effort in the second half of the year. However, this will likely be insufficient to make up for the shortfall in the first half of the year due to industrial action by the staff of the ministry of finance. In particular, the new revenue measures included in the 2019 budget were initiated late in the year, and some tax arrears have been accumulated. In addition, the creation and the endowment of a special treasury account for VAT reimbursement in June 2019, while improving the timeliness of reimbursement, will also lower the net tax intake.

15. The 2019 wage bill was revised upward to reflect new incentive schemes for security forces, as they are increasingly called upon. In light of increasing deployment and risks faced by the security forces (MEFP ¶38), the government has introduced new incentive schemes in June 2019, with retroactive effect to 2018, and strengthened existing ones. Except for the retroactive pay for 2018, the impacts of these incentives were for the most part anticipated and reflected in the 2019 and 2020 wage bill envelopes included in the first and second program reviews. Thus, the upward revision of the wage bill in 2019 is essentially related to the retroactive pay for 2018.

16. The authorities plan to restrain investment spending in the event that their tax projections prove unfeasible. Given the relatively slow implementation of the investment budget through end-September, a shortfall of tax revenue will be absorbed by lower investment, which is likely to occur in any event.

17. The 2020 budget maintains the fiscal deficit at 3 percent of GDP, by offsetting the lower windfall nontax revenue with an increase in tax revenue and a better control of current expenditure (Text table 1). Tax revenue is projected to be higher by 0.5 percent of GDP relative to

2019. The increase is explained by the full-year impact of the tax measures included in the 2019 budget and the introduction of new tax measures in 2020. Non-tax revenue is projected to be lower by 1.0 percent of GDP, reflecting lower windfall revenue. Grants are higher by 0.4 percent of GDP, reflecting new project grants. On the expenditure side, investment spending is higher by 0.9 percent of GDP, while current expenditure is lower by 0.8 percent of GDP. The latter essentially reflects lower subsidies and the containment of the wage bill within the envelopes included in the program. Overall security spending (current and investment) is expected to increase to 4.0 percent of GDP in 2020.

Text Table 1. Burkina Faso: Consolidated Operations of Central Government, 2018-20
(Percent of GDP)

	2018	2019			2020		
	Prel.	1st Rev.	2nd Rev.	Proj.	2nd Rev.	Budget	Proj
Total revenue and grants	22.2	22.8	24.4	24.2	23.1	24.2	24.2
Total revenue	19.5	19.9	21.3	21.1	20.4	20.6	20.6
Tax	17.3	17.8	17.8	17.5	18.3	18.0	18.0
Nontax	2.2	2.2	3.5	3.6	2.1	2.6	2.6
Grants	2.7	2.8	3.0	3.2	2.7	3.6	3.6
Total expenditure	27.1	25.8	27.4	27.3	26.1	27.2	27.3
Current spending	17.6	18.8	18.9	19.2	18.0	17.6	18.3
Wages and salaries	9.0	9.8	9.9	10.0	9.6	9.6	9.8
Goods and services	2.5	1.8	2.3	2.2	2.1	2.2	2.2
Interest payments	1.2	1.3	1.3	1.4	1.4	1.3	1.4
Current transfers (incl. subsidies)	4.9	5.8	5.5	5.7	4.9	4.5	4.9
Investment expenditure	9.6	7.0	8.5	8.1	8.1	9.6	9.0
Overall balance	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Memo: security expenditure	3.2	-	3.7	3.9	-	-	4.0

Sources: Burkinabe authorities; and IMF staff estimates.

18. The program envisages some minor changes in the composition of expenditure to account for some recent developments. Given the new incentive schemes for security forces introduced in 2019, and the likely higher usage of security forces going forward, staff and the authorities agreed that the wage bill of the security sector could be 0.2 percent of GDP higher than previously projected for 2020. Also, in light of the partial implementation of the automatic fuel price mechanism, subsidies could be 0.2 percent of GDP higher than projected in the budget. To make space for these additional expenditures, while ensuring that program targets are met, the authorities are committed to controlling other expenditures. In particular, the increase of investment spending between 2019 and 2020 could be moderated somewhat. In addition, should the tax revenue improvement projected for 2020 not fully materialize, any shortfall will likely require some reduction of expenditure. In this case the authorities will also seek to adjust low-priority investment and good and services spending (MEFP ¶67).

B. Enhancing Revenue Mobilization

19. The authorities continue to make progress in gradually improving tax collection. Nevertheless, a steadfast implementation of the tax measures included in the 2019 and 2020 budgets is needed. The impact of the revenue measures identified in the 2019 budget has been limited thus far due to work stoppages in the Ministry of Finance in the first half of 2019.[2] The authorities have taken steps to make these measures fully effective in 2020. In addition, they are committed to an early implementation of the new measures envisaged in the 2020 budget. These new measures include (MEFP ¶64):

- *Revision of tax rates*. Increasing the tax rate on tobacco products in line with the WAEMU directive, which mandates a minimum 50 percent rate (from 45 percent).
- *Tax enforcement*. Improving the enforcement of the withholding tax on foreign institutions.
- *Computerization of the tax declaration and payment procedures*. Speeding up reforms on online tax payments and filing, including commencement of mandatory online filing for relevant large taxpayers.
- *Reinforced segmentation*. The introduction of an additional unit focusing on medium-sized enterprises in Ouagadougou.
- *Follow up to tax payer census*. Based on the recently completed review of the existing taxpayer database, appropriate revisions to individual files should generate additional revenue.

With a view to strengthen customs revenue, the authorities are planning for additional measures in 2020 (MEFP ¶64):

- Increase the operational efficiency of the Bobo Customs Station Office (Bobo Inter) by splitting it into three offices in charge of road traffic, railway traffic and fuels.
- Implement an exemption management module to reduce the processing time of files and obtain rapid statistics.
- Open SYDONIA WORD on the internet to allow authorized customs agents to enter and file their declarations anywhere and at any time.
- Roll out the telepayment of customs duties and taxes.

[2] These measures include additional taxes on non-alcoholic beverages, airline tickets and guns, as well as the implementation of electronic filling and payment of taxes (IMF Report No 19/15, EBS/18/125).

20. While pursuing the strengthening of domestic revenue mobilization, the authorities will refrain from granting unnecessary tax exemptions and consolidate existing ones. Staff encouraged the authorities to continue their reform agenda towards broadening the tax base through further simplification and computerization of the tax system. Momentum from the recent introduction of remote filing and payment for large enterprises should be maintained with the aim to roll out the dematerialization process to all government taxes and all categories of taxpayers. At the same time, tax exemptions, which erode the tax base, must be avoided. In this respect, the 2020 budget includes a measure to exempt transporters from the VAT, which goes against the efforts to rationalize exemptions and broaden the tax base. While the associated revenue loss estimated by the authorities is small (less than 0.01 percent of GDP), staff cautioned against the potential proliferation of similar exemptions in the future. The authorities reiterated their commitment to rationalize tax exemptions going forward.

C. Energy Subsidies Reform

21. The authorities resumed partial implementation of the automatic fuel price adjustment mechanism, proceeding cautiously in light of the current social, security, and political environment (MEFP ¶83-85). Prices were adjusted upwards in October 2019 for gasoline (+13 CFAF) and diesel (+9 CFAF) for the first time since January 2019. These adjustments fall short of the amounts required under the automatic mechanism and follow missed price adjustments that should have taken place in July and April. Moreover, the implementation of the mechanism has not been entirely delegated to a technical committee as envisaged at the time of the second review. The authorities now intend to complete by June 2020 studies to reassess the burden of fuel price changes on consumers and the transportation sector. In the meantime, the authorities plan to continue to implement the fuel price mechanism gradually, but they highlighted the need to balance the social burden of fuel price increases in the absence of a comprehensive social safety net system.

22. The authorities are planning the following actions to reduce energy subsidies and to strengthen the performance of the energy sector (MEFP ¶83-86):

- Step up the communication campaign to sensitize the public about the fiscal costs of fuel subsidies, their regressive nature, and the forgone priority spending and investments.
- Make adequate provision in the budget to cover the fiscal costs of energy subsidies and avoid further accumulation of payment arrears to the national oil company (SONABHY).
- Designate the technical structure in charge of implementing the fuel price mechanism and ensure its independence, while leaving some discretion of the Prime Minister when price changes are above a certain threshold.
- Implement reforms to strengthen the effectiveness of social safety nets to mitigate any negative impact of fuel prices adjustment on the most vulnerable.

- Complete the financial audit of SONABHY by end-March 2020 **(structural benchmark)**.

- Assess the performance of SONABHY and SONABEL (national electricity company) against their current performance contracts (Contrats-Plans), which expire at end-2019 **(structural benchmark)**; and initiate discussions for new performance contracts.

D. Bringing the Wage Bill to a Sustainable Path

23. Reforms to contain the wage bill are advancing in some areas (MEFP ¶22). The administrative census completed earlier in 2019 resulted in the redeployment of 18,000 teachers from overstaffed locations to understaffed ones across the country. This helped to reduce the number of new planned hires in the education sector in 2019 to about 1,000, compared to about 5,000 in previous years. The preparation of the civil service census intended to support the audit of the payroll database is ongoing with the support of the World Bank. The functional review project is also progressing, although its completion is still pending further technical review and financial support from the World Bank. Also, special bonuses to the Ministry of Finance staff have been replaced with a "motivation premium" with a lower fiscal cost. These bonuses are recorded in the 2020 budget.

24. However, the long planned national forum on public sector pay is yet to be held. The ongoing dialogue with social partners has not yielded sufficient progress to organize to date the second stakeholders conference, aimed at securing further union and civil society support for the wage bill reform package. The adoption of an organic law remains necessary to set the broad principles of pay and allowances that should govern the public service going forward, including with regards to harmonization of job descriptions, revision of salary and indemnity scales, and updates to the salary indexation methodology (MEFP ¶23).

25. Given difficulties in adopting the overarching reform package, the authorities reiterated their commitment to necessary transitional measures (MEFP ¶81). The authorities will continue to explore politically feasible ways to enact the organic law, while taking the following short-term measures:

- **Stakeholders conference.** The authorities will endeavor to organize a second conference as soon as possible, to seek further support from stakeholders to advance the public sector pay reform package.

- **Security-related and overall wage bill.** The authorities committed to staying within the wage bill envelope in the program and to granting no new benefits to the non-security sector that would increase the wage bill until the overall reform package is adopted **(structural benchmark)**.

- **Other measures.** The authorities are taking steps to reinvigorate their efforts to: (i) finalize simulations of the new salary and indemnity scales that will provide a basis for the preparation of the medium-term wage bill strategy document; (ii) improve recruitment planning; and (iii) complete the functional review with support from the World Bank.

E. Enhancing Fiscal Discipline and Cash Management

26. The authorities have embarked on an ambitious raft of reforms to underpin fiscal discipline and public financial management. The envisaged reforms focus on improving accounting and establishing a Treasury Single Account (TSA) in line with the orientations contained in the corresponding WAEMU Directives. While the directives themselves have been largely transposed into domestic legislation through primary legislation and associated decrees and decisions, progress in implementation is lagging.

27. A decree has been adopted in October 2019 establishing the scope of the TSA (MEFP ¶75). This is expected to be followed by a ministerial decision setting out the detailed regulations of its operation. At the same time, the authorities intend to adopt a revised road map for the operationalization of the TSA based on recent AFRITAC technical assistance**.** Key milestones that are required before the TSA comes into service are the completion and verification of the mapping exercise for government accounts, launching the process of the closure of obsolete accounts, and assuring the technical connectivity between the Treasury and the BCEAO.

28. Tighter prioritization and greater coordination are critical in view of the multiplicity of major reforms in the pipeline (MEFP ¶77-79). The accumulation of reforms in the accounting area risks overloading staff capacity in the coming months, unless managed carefully. The work program in this area includes the creation of separate networks of accountants in the Customs, Tax and Treasury administrations with simultaneously switching to accruals accounting from January 2020. Also, the authorities are upgrading the accounting financial information system (Comptabilité Intégrée de l'Etat - CIE). At the same time, the authorities intend to begin production of a quarterly general ledger balance to reconcile with BCEAO accounts. Staff urged the authorities to make timely use of training opportunities that have been made available by development partners.

F. Social Protection and Poverty Reduction

29. Encouraging steps have been taken to strengthen the social safety nets, but it remains necessary to improve targeting and expand coverage of beneficiaries (MEFP ¶93-94). An institutional mechanism for coordination and monitoring is in place which benefits from broad participation by key stakeholders. Efforts are underway to harmonize across all stakeholders (including donors) the tool for collecting information on the poor and vulnerable population. The harmonized tool is expected to help advance the work to establish a reliable Single National Registry of Beneficiaries, a key milestone to enable a more efficient targeting across various social safety nets and poverty reduction programs. Staff urged the authorities to make additional efforts to consolidate the fragmented social safety net programs, as there currently are over one hundred of them.

G. Financial Inclusion

30. Expanding financial inclusion remains a key policy priority for poverty reduction and private sector-led growth. Burkina Faso's financial sector has expanded rapidly in recent years and the proportion of the adult population with a bank and other financial transaction accounts has increased rapidly (43 percent in 2017 from just 13.4 percent in 2014), thanks to the expansion of microfinance services and recent growth of mobile money services. The authorities adopted in April 2019 an action plan to increase financial inclusion to 75 percent of the adult population by 2023. To this end, they have mobilized support from the West-African Development Bank (BOAD, FCFA 20 billion), the World Bank (EU87.6 million) and other partners. The financial inclusion strategy will be implemented around four main pillars: (1) increase access to credit; (2) promote agriculture finance; (3) increase usage of transaction accounts by accelerating financial digitization; and (4) strengthen the regulatory and supervisory capacity in the microfinance sector. In concertation with development partners and local stakeholders, the authorities held in November 2019 a Round Table event with stakeholders, following which a committee and secretariat charged with coordinating and monitoring the implementation of the strategy will be established (MEFP ¶90-92).

PROGRAM MONITORING AND OTHER ISSUES

31. Staff supports the completion of the third review under the ECF. Program targets, as well as newly proposed structural benchmarks for December 2019, are presented in MEFP Tables 1 and 4. In terms of measures to contain the public sector wage bill, the authorities committed to containing the wage bill within the envelopes set in the program. To achieve this, the authorities committed to signing no new agreements or granting no new benefits outside of the security sector, that would increase the public sector wage bill.

32. Completion of the review will release a fourth disbursement under the ECF arrangement in the amount of SDR 18.06 million, in line with the disbursement schedule approved at the outset of the arrangement (Table 7). QPCs and ITs through December 2020 are set out in Tables 1 and 3 of the MEFP. The structural benchmarks to support the program's objectives are listed in Tables 2 and 4 of the MEFP.

33. The program is fully financed (Table 6). Financial assurances are in place for the next 12 months of the program and there are good prospects of financing for the remainder of the program. The external financing requirement will be met through budget support and project loans from other IFIs and bilateral donors, as well as limited non-concessional borrowing. While project support (grants and loans) are projected to remain robust over the program period, direct budget support (loans and grants) are projected to continue a downward trend.

34. Burkina Faso's capacity to repay the Fund remains adequate (Table 8). Obligations to the Fund would peak in 2019 at 1.1 percent of government revenue or 0.2 percent of GDP.

35. Data issues. The authorities published on September 30, 2019 the rebased national accounts series which updates the base year from 1999 to 2015 and the compilation methodology from the 1993 System of National Accounts (SNA) to the 2008 SNA. Under the revised series, nominal GDP is 13.5 percent higher in the new base year than in the old base year. Staff's quantitative analysis and policy advice for the purpose of the third review mission will be anchored on the 1999 base year nominal GDP. The revised series will be incorporated in the macroframework from the fourth review onwards (MEFP ¶102).

36. Capacity Development. Staff and the authorities agreed on technical assistance priorities under the capacity building framework. The authorities have been receiving extensive technical assistance in the agreed areas, including mobilization of domestic revenues (customs and taxation), management of fiscal risks, control of re-current spending, particularly on wages and salaries, and reforms to strengthen spending efficiency, especially regarding public investment spending, public financial management, and debt management. Further technical assistance is expected to continue to reinforce capacity in these areas and facilitate implementation of recommendations.

37. Safeguards assessments. The updated safeguards assessment of the BCEAO completed in April 2018 found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The BCEAO has recently enhanced the oversight role of its audit committee in line with the recommendations of the assessment.

STAFF APPRAISAL

38. The economy remains resilient, but risks to the growth outlook from security crisis have increased. GDP growth remained robust and is expected to stabilize at around 6 percent in the medium term. The security crisis now poses higher risks to economic activity than previously understood.

39. Performance under the ECF-supported program remains satisfactory. All end-June quantitative and indicative targets were met. All-but-one structural benchmarks through end-November were met.

40. Staff welcome the authorities' commitment to the fiscal deficit of 3 percent of GDP in the 2019 and 2020 budgets. Commendable revenue and expenditure efforts are envisaged in the 2020 budget to offset the partial loss of the 2019 windfall nontax revenue. Staff encouraged the authorities to continue their reform agenda towards broadening the tax base through further simplification and computerization of the tax system.

41. Reforms to contain the wage bill are advancing in some areas, but decisive progress is held back by the lack of implementation of key legislative reforms. The adoption of the overarching "organic" law, either by parliament or referendum, remains politically unfeasible in the near term. Meanwhile, the authorities aim to finalize the technical work of the new salary and indemnity scales that will provide a basis for the preparation of the medium-term wage bill strategy document. They are also committed to granting no new wage or indemnity agreements outside of the security sector until the overall reform package is adopted.

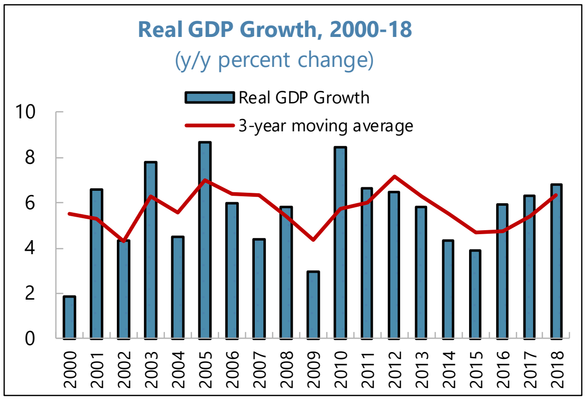
42. The authorities will continue to pursue a gradual implementation of the automatic fuel price adjustment mechanism, albeit the absence of efficient social safety nets constrains the process. The authorities adjusted fuel prices upwards in October 2019. They now envisage a gradual, frequent and sustained implementation of the fuel price mechanism, while balancing its social burden in the absence of a comprehensive social safety net system. In this context, efforts are underway to strengthen the social safety net system, by harmonizing across all stakeholders (including donors) the tool for collecting information on the poor and vulnerable population. This is expected to help advance the work to establish a reliable Single National Registry of Beneficiaries, a key milestone to enable a more efficient targeting across various social safety nets and poverty reduction programs.

43. Reforms in public financial management (PFM) are advancing but require stronger coordination. Most WAEMU's PFM directives have been transposed into domestic legislation through associated decrees. Given the multiplicity of major reforms in the pipeline, the authorities intend to adopt a revised road map for their implementation. The roadmap will help foster coordination among the teams leading the reforms, while avoiding overburdening them.

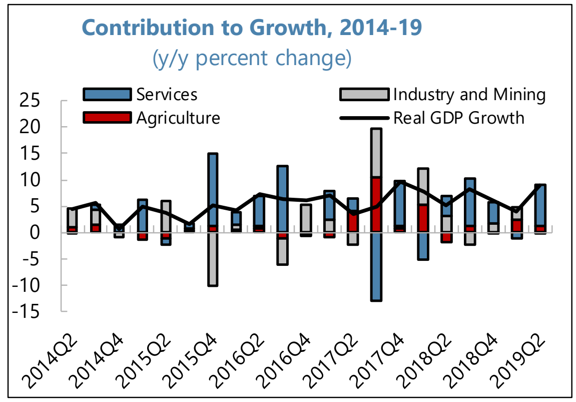
44. Staff recommend the completion of the third review and the disbursement of SDR18.06 million under the ECF. The authorities' letter of intention and MEFP spell out measures necessary to ensure that the objectives of the program would be met. The capacity to repay the Fund remain adequate and risks to the program are manageable.

Figure 1. Burkina Faso: Recent Economic Developments

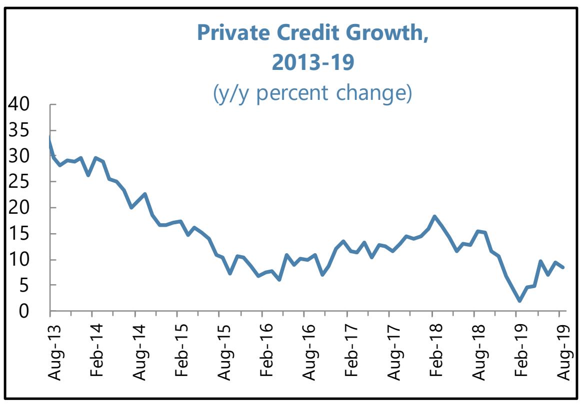
Growth accelerated to 6.8 percent in 2018, despite security concerns and social unrest.



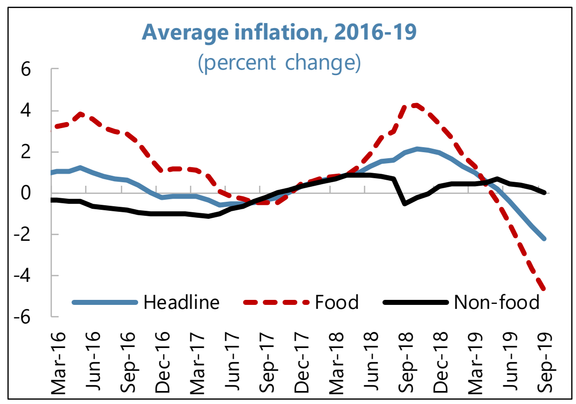
...and remained resilient in the first half of 2019 as government services recovered from strikes.



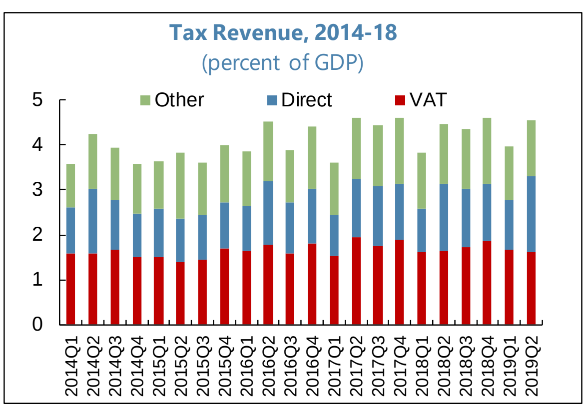
Credit growth fell sharply in late 2018, but a timid recovery started in early 2019.



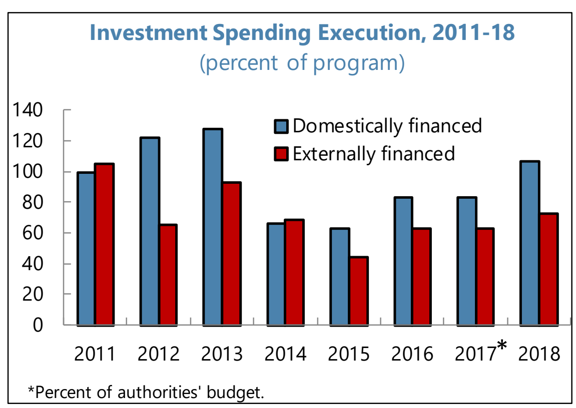
Good food harvests in late 2018 and early 2019 kept inflation negative by mid-2019.



Tax revenues perfomance in the first half of 2019 was broadly in line with projections



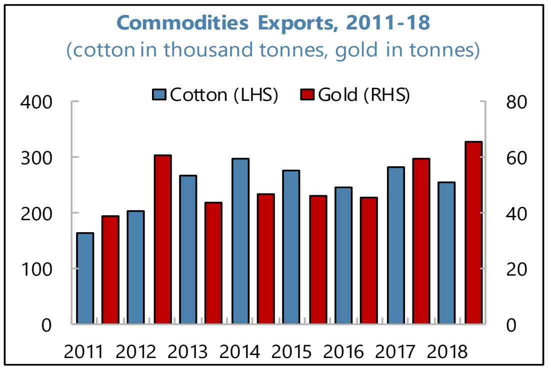
...while public investment execution fell short of projections in the first half of 2019.



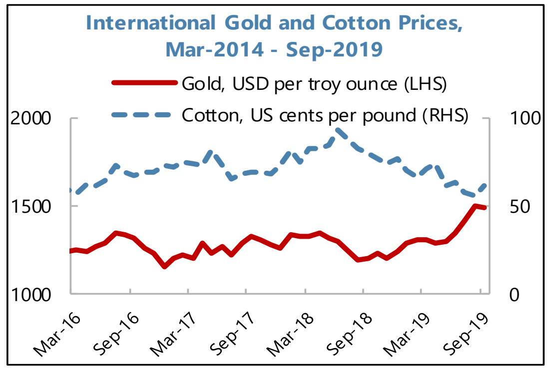
Source: Burkinabè authorities; and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments

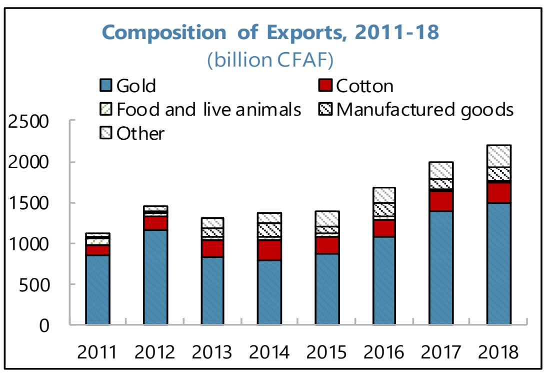
Gold export volumes peaked in 2018 as the cotton sector faced a production crisis spilling into 2019



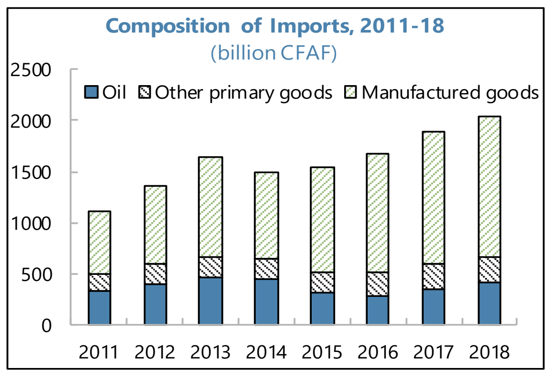
Gold prices soared during 2019 while cotton prices and exports plummeted



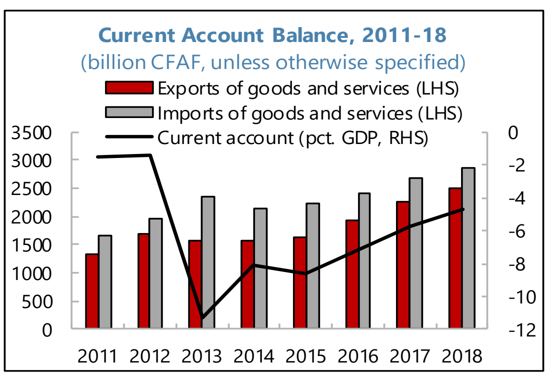
The gold mining sector is increasingly the main driver of total exports



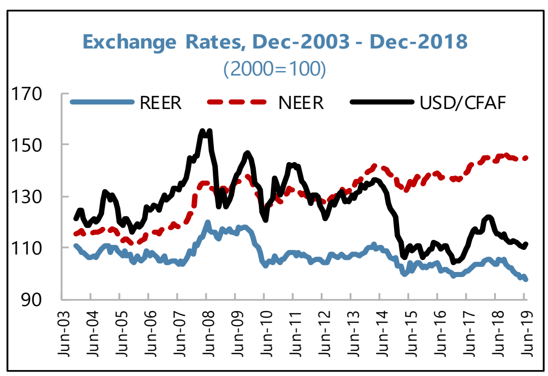
...while imports are mostly driven by oil and manufactured goods.



The current account balance showed a strong improvement in 2018 at -4.7% of total GDP



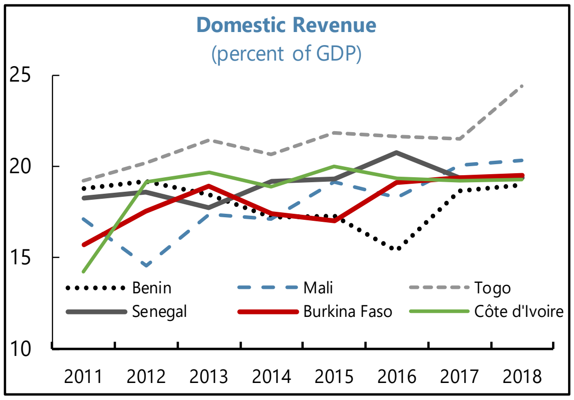
The real exchange rate depreciated in the second half of 2018, and continues this trend into 2019



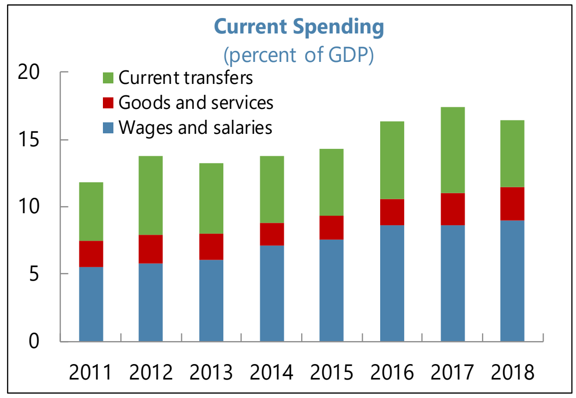
Sources: Burkinabè authorities; and IMF staff calculations.
Note: Figures for 2018 are preliminary.

Figure 3. Burkina Faso: Fiscal Developments

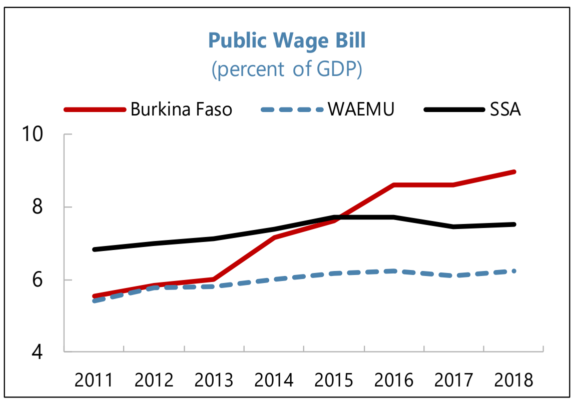
Domestic revenue remained stable in 2018.



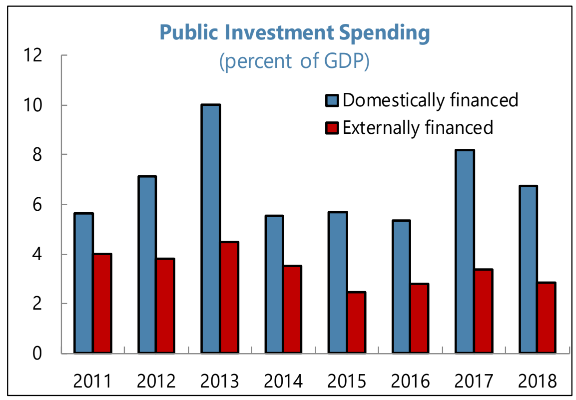
Current spending declined.



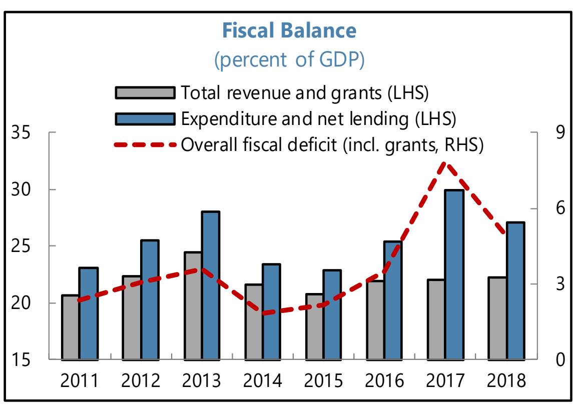
The wage bill is higher than in peers.



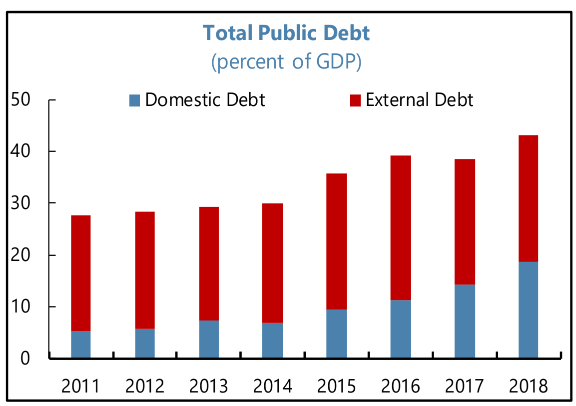
Investment spending is estimated to have declined in 2018.



The fiscal deficit shrinked markedly...



...although public debt increased as the share of domestic debt continued to rise.



Sources: Burkinabè authorities; and IMF staff calculations.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Act.	Est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
GDP and prices									
GDP at constant prices	5.9	6.3	6.8	6.0	6.0	6.0	6.0	6.0	6.0
GDP deflator	-1.3	4.8	2.4	1.8	2.0	2.0	2.0	2.0	2.0
Consumer prices (annual average)	-0.2	0.4	2.0	-3.4	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	-1.6	2.1	0.3	-3.5	2.0	2.0	2.0	2.0	2.0
Money and credit									
Net domestic assets (banking system) 1/	-1.3	11.4	8.6	11.2	13.6	…	…	…	…
Credit to the government (banking system) 1/	-4.5	5.9	-0.2	4.8	5.1	…	…	…	…
Credit to private sector	12.1	14.4	6.7	11.9	12.5	…	…	…	…
Broad money (M3)	11.8	21.6	10.4	12.7	15.4	…	…	…	…
Private sector credit/GDP	30.5	31.3	30.5	31.7	32.9	…	…	…	…
External sector									
Exports (f.o.b.; valued in CFA francs)	19.9	19.0	10.1	1.9	11.6	3.6	3.1	3.7	3.7
Imports (f.o.b.; valued in CFA francs)	8.8	12.7	7.7	6.6	5.5	5.1	5.9	6.2	6.6
Current account (percent of GDP)	-7.2	-5.7	-4.7	-5.2	-4.0	-4.3	-4.6	-4.9	-5.3
Real effective exchange rate	-0.5	-0.3	2.5	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)								
Central government finances									
Current revenue	19.1	19.4	19.5	21.1	20.6	20.6	20.9	21.1	21.3
Of which: tax revenue	16.7	17.3	17.3	17.5	18.0	18.4	18.7	19.0	19.3
Total expenditure and net lending	25.4	29.9	27.1	27.3	27.3	26.1	26.4	26.5	26.7
Of which: current expenditure	17.4	18.4	17.6	19.2	18.3	17.8	17.5	17.1	17.1
Overall fiscal balance, incl. grants (commitments)	-3.5	-7.8	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Total public debt	39.2	38.4	43.2	43.5	43.1	42.7	42.4	42.1	41.8
Of which: external debt	27.9	24.1	24.6	24.6	23.6	22.3	21.6	21.1	20.6
Memorandum items:									
Nominal GDP (CFAF billion)	6,444	7,177	7,849	8,471	9,156	9,901	10,707	11,576	12,516
Nominal GDP per capita (US$)	583	644	716	714	748	793	840	887	939

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Percent of beginning-of-period broad money.

Table 2. Burkina Faso: Balance of Payments, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Act.	Est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)								
Current account	-462	-412	-369	-443	-371	-421	-491	-570	-662
Trade balance	0	105	161	68	207	179	117	59	-17
Exports of goods	1,676	1,996	2,196	2,238	2,497	2,586	2,667	2,767	2,869
Of which: cotton	198	253	250	184	235	257	271	283	295
Of which: gold	1,092	1,387	1,492	1,645	1,840	1,891	1,942	2,013	2,083
Imports of goods	-1,677	-1,890	-2,035	-2,170	-2,290	-2,407	-2,550	-2,708	-2,886
Of which: oil	-283	-356	-420	-420	-418	-419	-436	-460	-489
Services, net	-471	-518	-525	-542	-586	-615	-644	-675	-707
Primary income, net	-232	-230	-267	-246	-252	-258	-251	-257	-257
Secondary income, net	241	232	262	276	260	273	287	303	318
Of which: Official transfers, net	111	100	123	131	108	114	121	128	136
Capital account	150	173	176	225	306	221	229	238	246
Project grants	99	120	122	171	253	167	176	184	193
Financial account	245	369	511	253	123	297	371	441	544
Direct investment	202	-4	111	112	108	106	87	105	104
Portfolio investment	-236	70	279	86	95	118	110	113	113
Other investment	279	304	121	54	-80	73	174	224	327
Commercial banks	-66	-79	69	-15	-14	-6	-6	-6	-6
General government	145	77	76	90	78	88	130	149	170
Project loans	82	124	103	131	124	125	141	159	180
Program loans	63	0	28	20	15	27	52	56	60
Amortization of public loans (excl. IMF)	-39	-50	-55	-60	-62	-64	-63	-67	-71
Other private	200	305	-24	-22	-144	-9	49	81	163
Errors and omissions	-3	-4	-4	0	0	0	0	0	0
Overall balance	-71	125	314	34	59	96	109	109	128
Net change in foreign assets of the central bank	71	-125	-314	-34	-59	-96	-109	-109	-128
of which: IMF net financing	-7	11	5	-24	-13	16	13	10	11
Disbursements (past and prospective)	19	4	14	44	29	0	0	0	0
Repayments (excluding charges)	-12	-14	-19	-19	-17	-16	-13	-10	-11
Financing Gap	0	0	0	0	0	0	0	0	0
	(Percent of GDP, unless otherwise indicated)								
Memorandum items:									
Exports of goods	26.0	27.8	28.0	26.4	27.3	26.1	24.9	23.9	22.9
Imports of goods	-26.0	-26.3	-25.9	-25.6	-25.0	-24.3	-23.8	-23.4	-23.1
Trade balance (goods)	0.0	1.5	2.1	0.8	2.3	1.8	1.1	0.5	-0.1
Trade balance (services)	-7.3	-7.2	-6.7	-6.4	-6.4	-6.2	-6.0	-5.8	-5.6
Trade balance (goods and services)	-7.3	-5.8	-4.6	-5.6	-4.1	-4.4	-4.9	-5.3	-5.8
Current account (– = deficit)	-7.2	-5.7	-4.7	-5.2	-4.0	-4.3	-4.6	-4.9	-5.3
GDP at current prices (CFAF billions)	6,444	7,177	7,849	8,471	9,156	9,901	10,707	11,576	12,516
BCEAO Reserves									
In billion USD	10	13	15	17	17	19	20	24	28
In months of next year's WAEMU imports	3.9	4.1	4.5	4.8	4.5	4.6	4.5	5.0	5.2
In percent of broad money	37.7	38.7	39.7	39.6	35.9	35.3	33.3	35.7	37.3

Sources: Burkinabè authorities and BCEAO; and IMF staff estimates and projections.

Table 3. Burkina Faso: Monetary Survey, 2016–20

	2016	2017	2018	2019	2020
	Act.	Act.	Act.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)				
Net foreign assets	1,051	1,334	1,442	1,518	1,617
BCEAO 1/	-139	3	309	343	402
Assets	620	902	928	1,062	1,223
Liabilities	758	899	619	719	821
Commercial banks	1,189	1,331	1,133	1,175	1,215
Net domestic assets	1,650	1,947	2,220	2,612	3,148
Domestic credit	2,064	2,444	2,731	3,184	3,720
Net Bank credit to government	-80	74	67	234	434
BCEAO	-142	-48	-57	-33	-20
Commercial banks	61	122	124	267	455
Credit to other sectors	2,144	2,370	2,665	2,950	3,286
of which: Credit to private sector	1,963	2,246	2,396	2,681	3,016
Other items (net)	18	33	40	101	101
Shares and other equities	396	464	471	471	471
Total broad money liabilities	2,700	3,282	3,662	4,130	4,765
Liquid liabilities	2,610	3,174	3,503	3,947	4,555
Non-liquid liabilites (excl. from broad money)	91	108	159	182	210
	(Annual percentage change, unless otherwise indicated)				
Memorandum items:					
Net foreign assets	42.5	27.0	8.1	5.2	6.5
Net domestic assets 2/	-1.3	11.4	8.6	11.2	13.6
Net credit to government 2/	-4.5	5.9	-0.2	4.8	5.1
Credit to Private Sector	12.1	14.4	6.7	11.9	12.5
Private sector credit (percentage of GDP)	30.5	31.3	30.5	31.7	32.9
Money supply	11.8	21.6	10.4	12.7	15.4
Velocity of money (GDP/M2) 3/	2.5	2.3	2.2	2.1	2.0

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Only includes current reserves in BCEAO Ouagadougou. It does not include all regional reserves.

2/ Annual change as a percentage of broad money from 12 months earlier.

3/ End-of-period average.

Table 4. Burkina Faso: Selected Financial Soundness Indicators, 2012–2018

(In percent)

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18 1/
Capital Adequacy							
Reg. capital to risk-weighted assets	12.4	10.2	11.4	11.1	13.0	12.2	11.8
Asset Quality							
Gross NPLs / Total loans	10.3	9.9	8.6	8.9	8.9	8.8	7.4
Provisions / NPLs	67.7	62.6	64.9	67.6	70.4	66.4	70.4
Loan Concentration							
5 largest clients / equity	157.9	108.4	158.4	179.6	114.5	79.8	74.2
By Sector: (share of total)							
Agriculture	1.8	3.3	2.8	1.9	3.7	4.4	4.7
Extractive Industries	1.0	1.1	2.0	2.3	1.5	2.0	2.9
Manufacturing	9.8	13.9	16.1	15.2	13.2	13.6	12.5
Electricity, gas, water	1.9	1.3	1.3	1.0	0.8	1.2	1.0
Buildings/Public Works	13.2	14.6	13.6	16.6	16.2	16.9	17.8
Commercial (restaurants, hotels)	38.3	33.2	26.0	28.3	25.6	23.9	23.6
Transportation/communication	9.6	11.7	9.5	8.4	10.3	8.8	9.1
Insurance, real estate, business services	3.9	3.4	3.7	3.0	5.0	5.6	7.2
Other	20.6	17.5	25.1	23.1	23.7	23.7	21.3
Liquidity							
Loans to deposits	82.1	87.7	99.8	91.2	86.1	83.9	85.7
Liquid assets / total assets	34.8	34.7	34.8	29.2	23.2	24.7	25.7

Sources: Central bank (BCEAO) authorities and IMF staff estimates.

1/ First year of data reporting in accordance with Basel II/III prudential standards and the new banking chart of account (interim data).

Table 5a. Burkina Faso: Consolidated Operations of the Central Government, 2017–24
(CFAF billions)

	2017	2018	2019		2020	2021	2022	2023	2024
	Act.	Prel.	2nd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	1,584	1,746	2,069	2,054	2,217	2,286	2,503	2,720	2,961
Total revenue	1,389	1,531	1,811	1,783	1,888	2,036	2,238	2,439	2,664
Tax revenue	1,238	1,354	1,511	1,481	1,651	1,825	2,006	2,203	2,420
Of which: Gold Mining CIT	39	49	51	51	64	76	87	101	115
Nontax revenue	151	177	300	302	237	211	232	236	244
Of which: Royalties from gold	51	62	46	46	74	76	78	81	83
Grants	194	215	258	270	329	250	265	280	297
Project	120	122	164	171	253	167	176	184	193
Program	74	93	93	99	77	82	89	96	104
Expenditure and net lending 1/	2,146	2,128	2,326	2,311	2,496	2,587	2,828	3,072	3,341
Current expenditure	1,319	1,383	1,607	1,630	1,672	1,764	1,872	1,975	2,138
Wages and salaries	618	705	836	846	898	935	965	990	1,070
Goods and services	174	196	194	187	197	213	231	249	269
Interest payments	70	97	113	117	127	141	157	174	190
Domestic	49	74	94	73	98	108	122	137	150
External	20	23	19	44	29	33	34	37	40
Current transfers	457	385	465	480	450	475	520	562	608
Investment expenditure	831	754	719	690	823	822	956	1,097	1,204
Domestically financed	587	529	424	388	446	530	639	753	831
Externally financed	244	225	295	302	377	292	317	343	373
Net lending	-4	-10	0	-9	0	0	0	0	0
Overall balance 1/	-563	-382	-258	-258	-278	-301	-325	-352	-380
Cash basis adjustment	75	-97	0	0	0	0	0	0	0
Overall balance (cash basis)	-488	-478	-258	-258	-278	-301	-325	-352	-380
Financing	483	470	258	258	278	301	325	352	380
Foreign financing	74	76	78	90	78	88	130	149	170
Drawings	124	131	150	150	140	152	193	215	240
Project loans	124	103	131	131	124	125	141	159	180
Program loans	0	28	20	20	15	27	52	56	60
Amortization (excl. IMF)	-50	-55	-72	-60	-62	-64	-63	-67	-71
Domestic financing	408	395	180	167	201	213	196	203	211
Bank financing	108	142	180	167	201	213	196	203	211
Central bank	88	29	25	24	13	-16	-13	-10	-11
of which: IMF net financing	-11	3	25	24	13	-16	-13	-10	-11
Disbursements	4	22	43	44	29	0	0	0	0
Repayments	-14	-19	-18	-19	-17	-16	-13	-10	-11
Commercial banks	21	113	155	143	188	229	209	213	222
Nonbank financing	300	252	0	0	0	0	0	0	0
Errors and Omissions	6	8							
Financing gap	0	0	0	0	0	0	0	0	0

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Commitment ("engagement") basis.

Table 5b. Burkina Faso: Consolidated Operations of the Central Government, 2017–24

(In percent of GDP)

	2017	2018	2019		2020	2021	2022	2023	2024
	Act.	Prel.	2nd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	22.1	22.2	24.4	24.2	24.2	23.1	23.4	23.5	23.7
Total revenue	19.4	19.5	21.3	21.1	20.6	20.6	20.9	21.1	21.3
Tax revenue	17.3	17.3	17.8	17.5	18.0	18.4	18.7	19.0	19.3
Of which: Gold Mining CIT	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.9	0.9
Nontax revenue	2.1	2.2	3.5	3.6	2.6	2.1	2.2	2.0	2.0
Of which: Royalties from gold	0.7	0.8	0.5	0.5	0.8	0.8	0.7	0.7	0.7
Grants	2.7	2.7	3.0	3.2	3.6	2.5	2.5	2.4	2.4
Project	1.7	1.6	1.9	2.0	2.8	1.7	1.6	1.6	1.5
Program	1.0	1.2	1.1	1.2	0.8	0.8	0.8	0.8	0.8
Expenditure and net lending 1/	29.9	27.1	27.4	27.3	27.3	26.1	26.4	26.5	26.7
Current expenditure	18.4	17.6	18.9	19.2	18.3	17.8	17.5	17.1	17.1
Wages and salaries	8.6	9.0	9.9	10.0	9.8	9.4	9.0	8.6	8.6
Goods and services	2.4	2.5	2.3	2.2	2.2	2.2	2.2	2.2	2.2
Interest payments	1.0	1.2	1.3	1.4	1.4	1.4	1.5	1.5	1.5
Domestic	0.7	0.9	1.1	0.9	1.1	1.1	1.1	1.2	1.2
External	0.3	0.3	0.2	0.5	0.3	0.3	0.3	0.3	0.3
Current transfers	6.4	4.9	5.5	5.7	4.9	4.8	4.9	4.9	4.9
Investment expenditure	11.6	9.6	8.5	8.1	9.0	8.3	8.9	9.5	9.6
Domestically financed	8.2	6.7	5.0	4.6	4.9	5.4	6.0	6.5	6.6
Externally financed	3.4	2.9	3.5	3.6	4.1	2.9	3.0	3.0	3.0
Net lending	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance 1/	-7.8	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Cash basis adjustment	1.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-6.8	-6.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Financing	6.7	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Foreign financing	1.0	1.0	0.9	1.1	0.8	0.9	1.2	1.3	1.4
Drawings	1.7	1.7	1.8	1.8	1.5	1.5	1.8	1.9	1.9
Project loans	1.7	1.3	1.5	1.5	1.4	1.3	1.3	1.4	1.4
Program loans	0.0	0.4	0.2	0.2	0.2	0.3	0.5	0.5	0.5
Amortization (excl. IMF)	-0.7	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.6
Domestic financing	5.7	5.0	2.1	2.0	2.2	2.1	1.8	1.8	1.7
Bank financing	1.5	1.8	2.1	2.0	2.2	2.1	1.8	1.8	1.7
Central bank	1.2	0.4	0.3	0.3	0.1	-0.2	-0.1	-0.1	-0.1
of which: IMF net financing	-0.1	0.0	0.3	0.3	0.1	-0.2	-0.1	-0.1	-0.1
Disbursements	0.1	0.3	0.5	0.5	0.3	0.0	0.0	0.0	0.0
Repayments	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	0.3	1.4	1.8	1.7	2.1	2.3	2.0	1.8	1.8
Nonbank financing	4.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	0.1	0.1							
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP (CFAF billion)	7,177	7,849	8,484	8,471	9,156	9,901	10,707	11,576	12,516
Wage bill to tax revenue ratio (percent)	49.9	52.1	55.3	57.1	54.4	51.2	48.1	44.9	44.2

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Commitment ("engagement") basis.

Table 5c. Burkina Faso: Consolidated Operations of the Central Government, 2019
(CFAF billions)

	March			June			September			December		
	Out.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Out.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)
Total revenue and grants	432	21	16	982	48	22	1,430	70	19	2,054	100	18
Total revenue	408	23	22	930	52	27	1,361	76	23	1,783	100	16
Tax revenue	336	23	12	720	49	11	1081	73	9	1,481	100	9
Nontax revenue	72	24	120	210	69	154	280	93	148	302	100	71
Grants	23	9	-36	53	19	-25	69	26	-26	270	100	26
Project	17	10	-26	46	27	-7	56	33	-12	171	100	40
Program	6	6	-54	6	6	-69	13	13	-56	99	100	7
Expenditure and net lending 1/	451	20	-4	1,106	48	24	1646	71	17	2,311	100	9
Current expenditure	334	20	-8	813	50	23	1263	77	25	1,630	100	18
Wages and salaries	187	22	16	411	49	25	632	75	24	846	100	20
Goods and services	26	14	-46	83	44	-3	118	63	0	187	100	-5
Interest payments	12	10	-45	43	37	-16	71	60	8	117	100	20
Domestic	8	11	-57	31	43	-17	56	76	13	73	100	-1
External	4	10	19	11	26	-13	15	34	-7	44	100	88
Current transfers	109	23	-18	277	58	41	443	92	40	480	100	25
Investment expenditure	118	17	6	298	43	24	394	57	-3	690	100	-9
Domestically financed	64	16	13	178	46	29	230	59	-14	388	100	-27
Externally financed	54	18	0	120	40	16	164	54	17	302	100	34
Net lending	-1			-4						-9		
Overall balance 1/	-19			-124			-216			-258		
Cash basis adjustment	-86			-26			-72			0		
Overall balance (cash basis)	-106			-150			-288			-258		
Financing	111			153			289			267		
Foreign financing	40			71			158			90		
Drawings	45			82			173			150		
Project loans	37			74			107			131		
Program loans	8			8			65			20		
Amortization (excl. IMF)	-4			-11			-15			-60		
Domestic financing	71			82			131			177		
Bank financing	47			-50			-2			167		
Central bank	23			-81			4			24		
Commercial banks	24			31			-6			143		
Nonbank financing	24			132			133			10		
Errors and Omissions	5			4			10			-10		

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Commitment ("engagement") basis.

Table 5d. Burkina Faso: Consolidated Operations of the Central Government, 2020
(CFAF billions)

	March			June			September			December		
	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)	Prog.	Exec. Rate (pct.)	Y-o-Y (pct. ch.)
Total revenue and grants	472	21	9	1,063	48	8	1,611	73	13	2,217	100	8
Total revenue	415	22	2	928	49	0	1,396	74	3	1,888	100	6
Tax revenue	376	23	12	814	49	13	1223	74	13	1,651	100	11
Nontax revenue	40	17	-45	114	48	-46	173	73	-38	237	100	-22
Grants	57	17	141	135	41	157	215	65	211	329	100	22
Project	48	19	180	119	47	157	171	68	204	253	100	48
Program	8	11	34	16	21	157	44	57	240	77	100	-23
Expenditure and net lending 1/	474	19	5	1,164	47	5	1787	72	9	2,496	100	8
Current expenditure	351	21	5	806	48	-1	1222	73	-3	1,672	100	3
Wages and salaries	210	23	12	427	48	4	661	74	5	898	100	6
Goods and services	36	18	42	96	49	17	140	71	19	197	100	5
Interest payments	13	10	7	54	42	25	72	57	2	127	100	9
Domestic	9	9	11	39	40	26	54	56	-2	98	100	33
External	4	15	-1	14	48	25	18	60	19	29	100	-33
Current transfers	92	21	-15	229	51	-17	348	77	-21	450	100	-6
Investment expenditure	122	15	4	358	43	20	565	69	43	823	100	19
Domestically financed	45	10	-30	176	40	-1	306	69	33	446	100	15
Externally financed	78	21	45	181	48	51	259	69	58	377	100	25
Net lending	0			0						0		
Overall balance 1/	-2			-101			-176			-278		
Cash basis adjustment	0			0			0			0		
Overall balance (cash basis)	-2			-101			-176			-278		
Financing	2			101			176			278		
Foreign financing	19			34			52			78		
Drawings	28			61			87			140		
Project loans	28			61			87			124		
Program loans	0			0			0			15		
Amortization (excl. IMF)	-9			-27			-35			-62		
Domestic financing	-17			67			125			201		
Bank financing	50			100			150			201		
Central bank	3			6			9			13		
Commercial banks	47			94			141			188		
Nonbank financing	-67			-33			-26			0		
Errors and Omissions	0			0			0			0		

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Commitment ("engagement") basis.

Table 6. Burkina Faso: External Financing Requirements, 2017–21
(CFAF billions)

	2017	2018	2019	2020	2021
	Out.	Prel.	Proj.	Proj.	Proj.
Financing need	**-121**	**-78**	**-438**	**-458**	**-352**
Current account balance (excl. official transfers)	-512	-493	-574	-479	-536
IMF repayments	-14	-19	-19	-17	-16
Private capital flows	456	489	216	99	262
Amortization of public loans (excl. IMF)	-50	-55	-60	-62	-64
Financing	**230**	**67**	**394**	**429**	**352**
Project loans:	124	103	131	124	125
of which: World Bank	40	20	30		
AfDB	14	20	12		
Islamic Development Bank	19	24	33		
BOAD	13	14	19		
Program loans (excl. IMF):	0	28	20	15	27
of which: World Bank	0	28	16		
AfDB	0	0	4		
Official transfers, net	100	123	131	108	114
of which: budget support EU	52	58	68		
World Bank	0	14	13		
Denmark	11	9	3		
Switzerland	4	4	4		
France	7	7	4		
NFA central bank (excl. prospective IMF disbursements and repayments)	-115	-309	-58	-72	-81
Project grants	120	122	171	253	167
Eurobond	0	0	0	0	0
Errors and Omissions	**-4**	**-4**	**0**	**0**	**0**
Residual Gap	**105**	**-14**	**-44**	**-29**	**0**
IMF ECF-Financing (past and prospective)	4	14	44	29	0

Sources: Burkinabè authorities and IMF staff estimates and projections.

Table 7. Burkina Faso: Schedule of Disbursements Under Three-year ECF Arrangement, 2018–20

Amount	Availability date	Conditions for disbursement 1/
SDR 18.06 million	March 14, 2018	Executive Board Approval of a new arrangement under the Extended Credit Facility
SDR 18.06 million	December 15, 2018	Observance of continuous and end-June 2018 performance criteria, and completion of the first review under the arrangement
SDR 18.06 million	June 15, 2019	Observance of continuous and end-December 2018 performance criteria, and completion of the second review under the arrangement
SDR 18.06 million	December 15, 2019	Observance of continuous and end-June 2019 performance criteria, and completion of the third review under the arrangement
SDR 18.06 million	June 15, 2020	Observance of continuous and end-December 2019 performance criteria, and completion of the fourth review under the arrangement
SDR 18.06 million	December 15, 2020	Observance of continuous and end-June 2020 performance criteria and completion of the fifth review under the arrangement

Sources: Burkinabè authorities; and IMF staff estimates.

1/ In addition to the generally applicable conditions under the Extended Credit Facility.

Table 8. Burkina Faso: Indicators of Capacity to Repay the IMF, 2017–33 1/

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.							Projections								
Fund obligations based on existing and prospective credit (in millions of SDRs)																	
Principal	17.8	24.1	10.7	19.0	21.2	18.3	14.2	16.3	24.1	25.3	24.4	18.1	16.3	5.4	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit																	
In millions of SDRs	17.8	24.1	10.7	19.3	21.4	18.5	14.5	16.5	24.3	25.6	24.6	18.3	16.5	5.7	0.3	0.3	0.3
In billions of CFAF	14.3	19.0	8.7	15.5	17.2	14.8	11.6	13.2	19.4	20.4	19.6	14.6	13.2	4.5	0.2	0.2	0.2
In percent of government revenues	1.0	1.2	0.5	0.8	0.8	0.7	0.5	0.5	0.7	0.6	0.6	0.4	0.3	0.1	0.0	0.0	0.0
In percent of exports of goods and services	0.6	0.8	0.3	0.6	0.6	0.5	0.4	0.4	0.6	0.6	0.5	0.4	0.3	0.1	0.0	0.0	0.0
In percent of debt service 2/	18.1	19.3	7.1	14.4	15.4	13.4	10.2	10.8	13.8	13.0	11.7	8.1	6.8	2.2	0.1	0.1	0.1
In percent of GDP	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
In percent of quota	14.8	20.1	8.9	16.0	17.8	15.4	12.0	13.7	20.2	21.2	20.4	15.2	13.7	4.7	0.2	0.2	0.2
Outstanding IMF credit																	
In millions of SDRs	141.9	135.8	166.3	183.4	162.3	144.0	129.8	113.5	89.4	64.1	39.7	21.7	5.4	0.0	0.0	0.0	0.0
In billions of CFAF	114.2	106.7	134.3	147.9	130.3	115.3	103.8	90.5	71.3	51.1	31.7	17.3	4.3	0.0	0.0	0.0	0.0
In percent of government revenues	8.2	7.0	7.5	7.8	6.4	5.2	4.3	3.4	2.5	1.6	0.9	0.5	0.1	0.0	0.0	0.0	0.0
In percent of exports of goods and services	5.0	4.3	5.3	5.2	4.4	3.8	3.3	2.7	2.1	1.4	0.9	0.4	0.1	0.0	0.0	0.0	0.0
In percent of debt service 2/	144.1	108.4	109.5	137.4	116.4	104.3	91.1	74.2	50.9	32.7	18.8	9.5	2.2	0.0	0.0	0.0	0.0
In percent of GDP	1.6	1.4	1.6	1.6	1.3	1.1	0.9	0.7	0.5	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	117.8	112.8	138.2	152.4	134.8	119.6	107.8	94.3	74.3	53.2	33.0	18.0	4.5	0.0	0.0	0.0	0.0
Net use of IMF credit (in millions of SDRs)	-13.3	-6.1	43.4	16.8	-21.4	-18.5	-14.5	-16.5	-24.3	-25.6	-24.6	-18.3	-16.5	-5.7	-0.3	-0.3	-0.3
Disbursements	4.5	18.1	54.2	36.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	17.8	24.1	10.7	19.3	21.4	18.5	14.5	16.5	24.3	25.6	24.6	18.3	16.5	5.7	0.3	0.3	0.3
Memorandum items:																	
Nominal GDP (in billions of CFAF)	7,177	7,849	8,471	9,156	9,901	10,707	11,576	12,516	13,532	14,631	15,819	17,104	18,493	19,994	21,618	23,373	25,271
Exports of goods and services (in billions of CFAF)	2,275	2,506	2,555	2,820	2,935	3,045	3,175	3,310	3,438	3,575	3,717	3,867	4,023	4,187	4,359	4,540	4,730
Government revenue (in billions of CFAF)	1,389	1,531	1,783	1,888	2,036	2,238	2,439	2,664	2,908	3,192	3,485	3,770	4,080	4,416	4,758	5,128	5,528
Debt service (in billions of CFAF) 2/ 3/	79	98	123	108	112	111	114	122	140	156	168	181	194	203	221	249	278
CFAF/SDR (period average)	805	786	807	806	803	801	800	798	798	798	798	798	798	798	798	798	798

Sources: IMF staff estimates and projections.

1/ Includes proposed disbursements under the new ECF of 90 percent of quota.

2/ Total external debt service includes IMF repurchases and repayments.

3/ Includes state-owned enterprises debt.

Annex I. Risk Assessment Matrix[1]

Source of Risk	Relative Likelihood	Impact if Realized	Possible Policy Response
External			
Sharp rise in risk premia in global markets	*High*	*Medium* Tighter financing conditions in regional market	Limit domestic financing needs through adherence to fiscal deficit targets
Rising protectionism	*High*	*Medium* Challenges for exports and diversification	Implement measures to improve competitiveness and the business environment
Weaker-than-expected global growth	*Medium/High*	*High* Weaker demand for exports, lower external aid	Adhere to fiscal deficit targets to preserve international reserve adequacy. Implement measures to improve competitiveness and the business environment.
Large swings in energy prices	*Medium*	*High* Lower exports, higher fuel import prices, increased subsidy needs	Adhere to fiscal deficit targets to build buffers for shocks. Allow more flexibility in pump fuel prices.
Domestic			
Pressures for higher recurrent spending, particularly on wages	*High*	*Medium/High* Crowding out of investment spending; pressure on fiscal deficit target	Contain recurrent spending, especially the wage bill. Intensify efforts to mobilize domestic revenues.
Further terrrorist attacks	*Medium/High*	*Medium/High* Adverse impact on economic activity, notably tourism, and government revenue; longer term impact on foreign investment; crowding out of productive capital spending	Maintain efforts to strengthen security services; participate in regional security arrangements; adhere to fiscal deficit targets to create space for security spending.
Revenue mobilization lags	*Medium*	*High* Reduced fiscal space and risk of higher fiscal deficit and financing needs	Pursue tax policy and revenue administration reforms; optimize current spending and re-prioritize public investment.
Poor weather conditions; agricultural pests	*Medium*	*High* Lower agricultural output and exports, higher food prices; increased poverty	Adhere to fiscal deficit targets to address food emergencies. In the medium-term, provide support to farmers through better seeds, feritilizer, and irrigation.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff. The likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline. The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may materialize jointly and interact.

Appendix I. Letter of Intent

Ouagadougou, December 4, 2019

The Minister of Economy,
Finance, and Development

To

Ms. Kristalina Georgieva,
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431 (USA)

SUBJECT: Letter of Intent on Economic and Financial Policies

Dear Madam Managing Director:

As during 2018, the implementation of Burkina Faso's 2018-20 economic and financial program, under the Fund-supported Extended Credit Facility (ECF), was marked by a difficult security situation and continuing social unrest in 2019. Notwithstanding this challenging context, the Burkinabè economy remained resilient, with a real growth rate projected at 6.0 percent and inflation below the WAEMU regional norm of 3 percent. For 2020, growth is projected to keep the same pace of 6 percent, while inflation will remain below the WAEMU regional norm.

The overall deficit is expected to stand at 3.0 percent of GDP in 2019, 1.9 percentage points down from its level in 2018. The deficit will remain at this level in 2020, consistent with our commitments under our ECF-supported program and with WAEMU convergence criteria. The deficit in 2019 and 2020 will be financed through the use of budgetary support, drawings on IMF resources, and the issuance of securities on the regional financial market.

Performance under the program was satisfactory at end-June 2019. Accordingly, all the quantitative performance criteria and all indicative targets were met at end-June.

The majority of the program's structural benchmarks have been met, with substantial progress made on the ones that have not been met and the ones whose test dates have not yet passed.

In working to achieve the program objectives, the government will press ahead with sound economic and financial policies as well as the requisite reforms, including those aimed at increasing revenue and ensuring strengthened monitoring of expenditure.

Concerning the control of the wage bill, the government remains committed to curbing down its ratio to tax revenues in the years ahead. To this end, the government has prepared a roadmap to rationalize the civil service compensation system, coupled with a timetable for implementation. In addition, the government commits to contain the 2019 and 2020 payroll within the envelops as projected at the time of this review and not to conclude any new agreement outside of the security sector, that could further increase the wage bill.

However, in view of the security situation, the overall allocation for the wage bill agreed for 2019 during the second review will be exceeded by CFAF 10 billion under the supplementary budget law (LFR). This increase was made necessary for support to personnel of the security forces (upgrading of paramilitary charges, strengthened management of professional risk, and introduction of special allowances for intervention and operational cover units).

Concerning the fuel price adjustment mechanism, the government adjusted retail oil and gas prices on October 21, 2019. The authorities will cautiously pursue efforts to improve the operational implementation of the retail pricing mechanism adopted in November 2018, and to limit the impact of oil and gas subsidies on the government budget. To this end, a communications campaign on the costs of subsidies granted to consumers and their inequitable distribution will also be stepped up. Furthermore, there are plans to carry out an evaluation of the performance of the oil and gas supply chain and to audit the organizational and expenditure performance of the national oil company SONABHY, in an effort to assess the quality of its management and identify possible reforms to minimize the burden of subsidies paid by the government.

With respect to social safety nets, the government intends to step up its efforts to consolidate the fragmented social protection programs by putting in place a coordinated mechanism that will help address potential shocks in the areas of security, climate, oil, and the prices of essential goods. Furthermore, the government will continue its efforts to establish the unified registry of vulnerable persons, targeting 63 municipalities at end-2019 with the aim to cover the national territory in 2022.

In view of its commitment to preserving macroeconomic stability, and confident in the policies set out in the accompanying Memorandum of Economic and Financial Policies (MEFP), the government requests that the IMF conclude the third review under the ECF arrangement. To that end, the government requests the disbursement of SDR 18.06 million.

The government believes that the measures set forth in the MEFP will serve to achieve the social and economic objectives of its program. Nevertheless, the government stands ready to take any further measures that may prove necessary to that end.

The government will consult the IMF on the adoption of such measures, and prior to any revision of the policies set out in the MEFP, in accordance with Fund policies on such consultations. The government will provide the IMF with any information relating to the implementation of agreed measures and program implementation, as provided in the accompanying revised Technical Memorandum of Understanding, or at the IMF’s request.

As in the past, the government authorizes the IMF to publish this Letter and attachments, and the IMF Staff Report once they are approved by the IMF Executive Board.

Very truly yours,

/s/

Lassané KABORE

Chevalier de l'Ordre National

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

INTRODUCTION

1. This Memorandum on Economic and Financial Policies (MEFP) updates progress with the implementation of Burkina Faso's economic and financial program concluded with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) for 2018-2020.

2. The program objectives are geared essentially toward maintaining macroeconomic stability while creating fiscal space through increased domestic revenue mobilization and improved public spending. This program is directly aligned with Burkina Faso's commitments to the WAEMU Community, particularly that of reducing the fiscal deficit to a sustainable level while preserving critical spending on social services and priority public investments.

3. This memorandum describes recent economic developments and the status of implementation of the quantitative criteria and structural benchmarks for end-June and September 2019. It also sets out the main policy agenda for the rest of 2019 and for 2020.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

4. National economic activity in 2019 is taking place in an environment marked by a challenging security situation and persistent social demands. By end-June 2019, all the quantitative performance criteria and indicative targets for program implementation were met. Most of the structural benchmarks were met by end-September 2019.

A. Recent Economic Developments at end-June and end-September 2019

5. Based on our latest estimates (August 2019), economic activity in 2019 will be sustained, despite a relatively difficult socio-political environment marked by the persistence of terrorist attacks leading to internal population displacements and continued social demands in the public sector. In short, real GDP in the second quarter of 2019 grew 2.8 percent, compared to a contraction of 0.6 percent in the preceding quarter. This increase in second quarter economic activity is attributable to the buoyancy of activity in the tertiary (+5.7 percent) and primary (+2.3 percent) sectors, despite a slowdown in secondary sector activities (-0.3 percent). Compared with the second quarter of 2018, the rate of economic growth was quite high, reaching +9.0 percent following a rate of +7.3 percent in the same period of 2018.

6. At end-June 2019, the rate of inflation stood at a year-on-year average of -3.9 percent and an annual average of -0.4 percent, in contrast to 3.6 percent and 1.9 percent, respectively, at end-June 2018. The decrease in annual average inflation is chiefly attributable to the "communications" (-7.3 percent), "leisure activities and cultural events" (-2.7 percent), and "foods and nonalcoholic beverages" (-1.5 percent) items. At end-September 2019, inflation fell by a year-on-year average of 5.4 percent and an annual average of 2.2 percent, following an easing of the prices of "communications" (-8.8 percent), "foods and nonalcoholic beverages" (-3.7 percent), and "leisure activities, shows, and cultural events" (-2.8 percent).

7. Regarding foreign trade in the first six months of 2019, movement in international transactions resulted in a trade deficit of CFAF 44.3 billion, compared to a surplus of CFAF 87.6 billion in the first half of 2018. This deterioration of the trade balance is explained by an increase in imports (+7.0 percent) together with a decrease in exports (-6.2 percent). The reduction in exports reflects the change in gold and cotton exports. The deficit of the services account was down by CFAF 1.8 billion. The primary revenue account recorded a worsening deficit of CFAF 19.3 billion, mainly as a result of the growth of interest payments on external public debt. Budgetary assistance to the government contracted by CFAF 14.0 billion and Community levies increased by CFAF 7.8 billion, leading to a widening of the secondary revenue deficit of CFAF 57.0 billion. As a result, the current account registered a deficit of CFAF 249.1 billion in the first half of 2019, compared to a deficit of CFAF 42.6 billion in the first half of 2018.

8. Between end-August 2018 and end-August 2019, the monetary survey reflected money growth of CFAF 229.5 billion (+6.4 percent). This expansion is largely the result of the increase of CFAF 272.3 billion (+10.5 percent) in domestic claims and CFAF 60.8 billion (+4.4 percent) in net foreign assets (NFA). The NFA of monetary institutions amounted to CFAF 1,431.3 billion at end-August 2019, up from CFAF 1,370.5 billion at end-August 2018. This change is due solely to the strengthening of the NFA of other depository corporations (*autres institutions de dépôts*), amounting to CFAF 35.0 billion (+3.3 percent), rather than those of the BCEAO, which amounted to CFAF 25.8 billion (+8.6 percent). The increase in the NFA of other depository corporations (+3,3 percent) is explained by a decrease in their gross liabilities to nonresidents (-CFAF 57.0 billion, or -12.8 percent), which was greater than that of their foreign claims (-CFAF 21.9 billion, or -1.4 percent). The decrease in the gross liabilities of other depository corporations to nonresidents is primarily attributable to the reduction in the stock of deposits (-CFAF 104.7 billion, or -58,6 percent). The increase in the central bank's NFA is linked to a reduction in its gross liabilities to nonresidents (-CFAF 42.1 billion), which was greater than that of its gross claims on nonresidents (-CFAF 16,4 billion). Domestic claims stood at CFAF 2,869.7 billion at end-August 2019, compared to CFAF 2,597.4 billion at end-August 2018, a rise of 10.5 percent. This growth is explained by an increase in claims on the economy of CFAF 364.5 billion, net claims on the central government (CN-AC) having decreased by CFAF 92.3 billion during the same period. Claims on the economy totaled CFAF 2,907.6 billion at end-August 2019, up from CFAF 2,543.0 billion at end-August 2018, representing an increase of 14.3 percent.

9. Relative to end-December 2018, the NFA of monetary institutions contracted by CFAF 12.2 billion (-0.8 percent), owing to the NFA of other depository corporations (-CFAF 28.2 billion, or -2.5 percent), whilst those of the BCEAO having improved (+CFAF 16.0 billion, or 5.1 percent).

10. In the area of public finances, total revenue and grants mobilized at end-June 2019 amounted to CFAF 982.3 billion, compared to CFAF 803.0 billion during the same period in2018, an increase of CFAF 179.3 billion (+22.3 percent). This growth is due to the increase of CFAF 196.6 billion (+26.8 percent) in domestic revenue, as grants decreased by CFAF 17.3 billion (-24.8 percent). Total revenue and grants account for 50.7 percent of the initial budget forecasts for FY2019. At end-September 2019, the total revenue and grants mobilized amounted to CFAF 1,429.8 billion, compared to CFAF 1,198.5 billion a year earlier, or an increase of 19.3 percent.

11. Domestic revenue totaled CFAF 929.8 billion at end-June 2019, up by 26.8 percent from end-June 2018. Tax revenue, amounting to CFAF 720.3 billion, grew by 10.7 percent, or CFAF 69.4 billion, compared to end-June 2018. Relative to the first half of 2018, nontax revenue increased by CFAF 127.1 billion (+154.4 percent) at end-June 2019, including CFAF 120 billion from 4G mobile telephony licenses. At end-September 2019, mobilized domestic revenue totaled CFAF 1,360.6 billion, compared to CFAF 1,105.1 billion in the same period of 2018, an increase of 23.1 percent.

12. At end-June 2019, mining revenue totaled CFAF 134.9 billion (including CFAF 101.5 billion in tax revenue), compared to CFAF 122.5 billion (including CFAF 86.7 billion in tax revenue) at June 30, 2018, an increase of CFAF 12.4 billion (+10.2 percent). The growth of mining revenue is explained by the favorable trend of global gold prices. Mining revenue represented 14.5 percent of domestic revenue at end-June 2019, compared to 16.7 percent at end-June 2018.

13. Despite a difficult social and security environment, the results of domestic resources mobilization are mainly attributable to the following measures and actions:

- intensification of collection efforts featuring a personalized, targeted approach to taxpayers with outstanding balances, with a view to negotiating payment plans, particularly through increased educational visits (promotion of tax compliance);
- control/enforcement of the use of the standardized invoice in Ouagadougou and Bobo-Dioulasso;
- strengthening of online tax fillings and payments;
- increasing the number of taxpayer census trips;
- reinforced control of service execution in offices by Regional Directors and Technical Inspectorate audits at the Directorate General of Customs (DGD);
- reinforced verification in offices through activation of the ASYCUDA valuation module: 22 products were valued, and the number is expected to increase to 32 products by end-December 2019;
- strengthened interconnection between Burkina Faso’s customs IT systems and those of Côte d’Ivoire, whose goods transit are transported under a single electronic road transit document;

- anti-fraud initiatives in offices, particularly targeting imports without declarations, by scanning arriving cargo;
- reinforced control of service execution in offices by Regional Directors and Technical Inspectorate audits at the Directorate General of Customs (DGD);
- reinforced verification in offices through activation of the ASYCUDA valuation module: 22 products were subjected to valuation and the number is expected to increase to 50 products by end-December 2019;
- improvement of value recovery operations through continued SYLVIE [Virtual Connection System for Import and Export Transactions] and ASYCUDA interfacing;
- expansion of the scope of the tax on capital gains from sales of mining stocks;
- increase in the rate of the tax on nonalcoholic beverages from 10 percent to 15 percent;
- increase in the rate of the tax on biodegradable and authorized nonbiodegradable plastic bags and packaging;
- continuation of campaigns to recover outstanding tax payment balances (RAR).

14. Mobilized grants amounted to CFAF 52.5 billion at end-June 2019, compared to CFAF 69.8 billion at end-June 2018, representing a contraction of CFAF 17.3 billion (-24.8 percent). This development is attributable to the decrease in program grants amounting to CFAF 14.0 billion during the period. At end-September 2019, grants were down by CFAF 24.3 billion from their level of CFAF 93.4 billion in the same period of 2018.

15. Total expenditure and net lending were executed in the amount of CFAF 1,106.4 billion at end-June 2019, up from CFAF 895.6 billion during the same period of 2018, representing an increase of CFAF 210.8 billion (+23.5 percent). This growth is due to increases in current expenditure (+23.0 percent) and capital expenditure (+23.5 percent). The levels of execution of total expenditure and net loans represent, 46.9 percent and 42.1 percent of the supplementary budgets for fiscal years 2019 and 2018, respectively.

16. The growth of current expenditure (+23.0 percent since end-June 2018) is essentially attributable to the 25.2 percent (+CFAF 82.5 billion) increase in the cost of personnel expenditure and the 40.8 percent (+CFAF 80.2 billion) increase in current transfer expenditure, with operating expenditure and the financial costs of debt having contracted, by 2.8 percent and 16.1 percent since end-June 2018, respectively,. The growth of the wage bill is due to implementation of government's commitments to social partners and by the adjustment of the wage bill due to statutory advancements and new staff. The growth of current transfer expenditure is linked to the increase in transfers to households as well as to subsidies to public enterprises, including energy sector subsidies.

17. The increase in capital expenditure, which totaled CFAF 298.0 billion at end-June 2019, is explained partly by the increase in investment expenditure financed with own resources (+CFAF 40.5 billion) and externally financed investment expenditure (+CFAF 16.7 billion).

18. At end-September 2019, total expenditure and net lending amounted to CFAF 1,645.5 billion, compared to CFAF 1,410.4 billion during the same period of 2018. This growth is essentially attributable to the CFAF 252.2 billion (+20.0 percent) increase in current expenditure. Capital expenditure contracted by CFAF 11.73 billion (-2.9 percent).

19. Current expenditure grew up by 24.9 percent from end-September 2018 to stand at CFAF 1,263.5 billion at end-September 2019. This increase is attributable to current transfer expenditure (+CFAF 126.1 billion), wage bill (+CFAF 120.6 billion), interest payments on debt (+CFAF 5.3 billion) and operating expenditure (+CFAF 0.2 billion).

20. Capital expenditure totaled CFAF 393.9 billion at end-September 2019, down 2.9 percent from end-September 2018. This reduction is explained by the decrease in domestically-financed investment which amounted to CFAF 35.9 billion. Externally financed investment expenditure increased by CFAF 24.2 billion.

21. The government, aware of the sustainability of the wage bill and the continuing increase in current expenditure ratios relative to total expenditure and domestic resources, took steps to control the wage bill, including through a rational and efficient management of public service staff and the launch of a comprehensive reform of the public civil service's compensation system.

22. To that end, the government took measures that resulted in a 44.5 percent reduction in the number of new staff to be recruited in 2019, by hiring only 5,892 out of a projected 10,615 new hires. The government also began a job description project, which is making significant progress. Moreover, with a view to having a stable and consistent job classification system, developing rational career plans, and recruiting effectively, the Council of Ministers in its meeting of Wednesday, September 11, 2019, adopted a decree containing an inter-ministerial directory of civil service professions (RIME). The preparation of employment organization texts is under way. In addition, an administrative census of civil servants was carried out and the results were published on the Government Information Website (SIG). The results of that initiative enabled the ministry responsible for national education and literacy to launch a plan for the redeployment of approximately 18,000 teachers throughout the territory, of whom 10,498 have already been transferred.

23. Discussions concerning the reform of the civil service compensation system are ongoing. The work has led to the production of the following draft:

- a preliminary draft of the organic law setting out the basic principles and values of the civil service, applicable to all civil servants. Its adoption will facilitate harmonization of the management of civil servants;

- draft wage and compensation scales to ensure fiscal sustainability and equity;
- Pending organization of the Conference of stakeholders to take stock of achievements, the government is continuing its dialogue with social partners and the traditional and religious authorities with a view to achieving maximum buy-in of its approach.

24. The overall commitment-basis deficit stood at CFAF 124.1 billion at end-June 2019, compared to CFAF 92.6 billion a year earlier. At end-September 2019, it totaled CFAF 215.8 billion, a widening of CFAF 3.9 billion since the same period of 2018 (CFAF 211.8 billion).

25. As part of improving the quality of investment expenditure, the government is implementing the new general regulation for development projects and programs, which is governed by Decree 2018-0092/PRES/PM/MINEFID of February 15, 2018. Accordingly, the DGESS (Directorate General of Research and Sectoral Statistics) is holding capacity building meetings on the new regulation, and project managers are receiving training in the Integrated External Funding Circuit (CIFE). In addition, a national project documents validation and feasibility studies committee was established by Order 2019-000366/MINEFID/SG/DGEP of August 16, 2019.

26. With a view to strengthening the legislative, regulatory, and institutional framework of public-private partnerships (PPPs), the government remains committed to reviewing Law 020-13/AN of May 23, 2013 on the legal regime of PPPs in Burkina Faso and its implementing instruments, in order to clarify, inter alia, the difference between a PPP and a conventional supplier's credit. The review process has begun, with the review of the PPP strategy to be adopted by end-2019. Adoption of the new PPP law is envisaged for 2020.

27. Regarding continued implementation of the program budgeting, good progress is being made in implementing the major innovations required for budget preparation and execution. After the budget preparation phase in program mode, including the annual performance exercises and the implementation of the principle of multiple authorizing officers in 2017, actions in the year 2018 involved strengthening the framework, development of tools and format for budget review law as well as assessment of progress with the implementation of the 2017-2019 program budgeting through annual performance reports. In most ministries and institutions, budgetary program managers have been appointed. The focus in 2019 was devoted on accounting reforms and the introduction of authorizing officer's accounting. Future perspectives include the effectiveness of authorizing officer accounting and the launch of the first state balance sheet in 2020, pending finalization of the establishment of the network of government accounting officers.

B. Program Implementation at end-June and end-September 2019

28. At end-June 2019, the program's five quantitative criteria were met. Net domestic financing of the government stood at CFAF 83.50 billion, against a ceiling of CFAF 100 billion. The present value of external debt contracted or guaranteed by the government amounted to CFAF 121.42 billion, against a ceiling of CFAF 370 billion. In addition, the government did not guarantee any domestic loans to suppliers and contractors, nor did it guarantee bank prefinancing for public investment during the period.

29. All the indicative targets were met. To date: (i) no domestic arrears have been accumulated; (ii) the overall fiscal deficit including grants totaled CFAF 124.1 billion, against a ceiling of CFAF 130 billion; (iii) an excess of CFAF 929.83 billion was registered in domestic revenue collection, against a floor of CFAF 798 billion; (iv) current poverty-reducing social expenditure totaled CFAF 183.34 billion, against a floor of CFAF 95 billion; (v) the stock of certified VAT reimbursement claims unpaid for more than 30 days stood at CFAF 33.4 billion, against a ceiling of CFAF 40 billion; and (vi) the nominal value of six PPP renewable energy contracts totaling approximately CFAF 140.6 billion were signed in April 2019, against a ceiling of CFAF 200 billion for the year.

30. At end-September 2019, the program's five quantitative performance criteria were met. Net domestic financing of the government amounted to CFAF 139.4 billion, against a ceiling of CFAF 146 billion. The present value of external debt contracted or guaranteed by the government totaled CFAF 205.5 billion, against a ceiling of CFAF 370 billion. As in June, the government did not accumulate any external arrears, nor did it guarantee domestic loans to suppliers and contractors or guarantee bank prefinancing for public investment during the period.

31. At end-September 2019, with the exception of the overall fiscal deficit including grants, the four other targets were met. Against a ceiling of CFAF 196.00 billion for end-September 2019, the deficit totaled CFAF 215.8 billion, hence an overrun of CFAF 19.8 billion. Current poverty-reducing social spending increased to CFAF 292.83 billion, against a floor of CFAF 143 billion. The stock of certified VAT reimbursement claims unpaid for more than 30 days totaled CFAF 38.2 billion, against a ceiling of CFAF 40 billion. The nominal value of PPPs signed is the same as in June 2019 (approximately CFAF 140.6 billion), against a ceiling of CFAF 200 billion for the year. No domestic debt arrears were accumulated.

32. Eleven (11) structural benchmarks were selected for the program. All eight (8) structural benchmarks for end-September 2019 were met, with the exception of one related to the Treasury Single Account (TSA). The three (3) structural benchmarks for end November 2019 and March 2020 are on track.

33. The 7 benchmarks met are the following: (i) establish a special account funded by a portion of VAT revenue to be used specifically for the reimbursement of VAT credits and produce a quarterly report on the operational management of that account; (ii) recruit an independent external auditor to audit the financial operations and accounting practices of SONABHY (Burkinabé National Hydrocarbons Corporation); (iii) reduce the number of new civil servants in 2019 to below the initial projection of 10,615; (iv) conduct a study of the system of taxation of small and micro enterprises; (v) complete the revision of national accounts statistics with a new base year and publish the revised series; (vi) budget and account in appropriate budgetary accounts all revenue and disbursements for the incentive bonus in the 2020 budget; and (vii) submit to the National Assembly a 2020 budget proposal with a wage bill fully aligned with the ECF-supported program. The structural benchmark for operationalizing the Treasury Single Account (TSA) was not met.

34. The three remaining benchmarks, related to harmonizing the taxation of tobacco in line with the new WAEMU directive by setting the rate at a minimum of 50 percent and including PPPs in the public investment program, are respectively recorded in the draft 2020 Budget Law and the 2020 PIP (Public Investment Program).

35. All the programmed activities related to the benchmark on dematerializing the asset declarations of persons covered by the law and creating a searchable database (online declaration; online search) are under way. In addition to setting up the ASCE-LC website (Higher Authority for Administrative Supervision and Fighting against Corruption), the development of the platform for the declaration of wealth and interest income is nearing completion. The delivery of the servers as well as the set-up of the relevant platform, the local network overhaul, and the standardization and securing of the computer room are in progress. A consultant is being hired for the preparation of a communications strategy and the launch of an information and communications campaign.

IMPLEMENTATION OF THE PNDES

The assessment of the implementation of the PNDES (National Economic and Social Development Plan) as at June 30, 2019 highlights progress by strategic pillar.

36. In the area of institutional reforms and modernization of the administration (Pillar 1), major progress was made:

- in the promotion of human rights, the strengthening the capacities of development actors on the human rights-based approach;
- in the field of justice, the legal aid were provided through the Legal Aid Fund to 138 people out of 300 identified as requiring legal aid from the government, and the adoption on June 21, 2019 of Law 044-2019/AN setting out the new criminal code to take into account new offenses, particularly with a view to strengthening the fight against insecurity.

37. With regard to economic governance, progress include: (i) the adoption of three decrees for implementation of the Law aimed at steering the economy and development; and (ii) the swearing-in of the Director General (DG) and the General Financial Officer of the Caisse de Dépôt et de Consignation (CDC). Of particular note in respect of the promotion of local good governance is the regular holding of consultation and management forums (first 2019 session of COS/PUS-BF [Strategic Orientation Board of the Sahel Emergency Program of Burkina Faso] and the Northern and Sahel regional consultation forums (CCR)), and the adoption of the PUS-BF outreach strategy as well as its action plan in the Council of Ministers meeting of June 19, 2019.

38. Confronted with security challenges, the government is continuing its reorganization of the defense and security forces and is strengthening their operational capacities through staffing increases, the procurement of efficient equipment, the intensification of intelligence, and the strengthening of the territorial network (construction of district police stations and territorial gendarmerie posts). In view of the security situation, work on the response plan and support for vulnerable individuals continues. In addition, since February 2019, Burkina Faso has held the revolving presidency of the G5 Sahel. In that context, a number of actions have been taken, particularly the March 23, 2019 meeting of the members of the Security Council and the G5 Sahel Joint Force in Bamako, in which significant progress was noted toward full resumption of the activities of the Joint Force, reestablishment of the chain of command and the effective operationalization of battalions, initial implementation of the police component through the establishment and inclusion of military police components in battalions, as well as the availability of security council members to examine extension of the technical arrangement between MINUSMA (UN Peacekeeping Mission in Mali) and the Joint Force. An extraordinary summit, attended by the German Chancellor, was held on May 1, 2019 in Ouagadougou aimed at improving security coordination among the G5 Sahel members. In addition, the Commission for the Consolidation of Peace met on May 16, 2016 in New York to discuss the situation in Burkina Faso, and reiterated the necessity of improving the consistency, coordination, synergies, and complementarities of the support provided by international partners with national consolidation of peace priorities. It encouraged the Secretary General to expedite the ongoing review with a view to adapting UN on-the-ground support to changing population needs, particularly in the fields of development, humanitarian aid, social cohesion, the rule of law, human rights, combating terrorism, and strengthening the capacities of Burkina Faso's security forces in line with government priorities. The G5 Sahel ministerial meeting on energy was held in Ouagadougou on September 13, 2019.

39. With regard to human capital development (Pillar 2), progress are being made in a number of areas. The ongoing public action to improve populations' access to health care made it possible to broaden the availability of health services through the construction and/or equipping of health facilities (CSPS – Health and Social Promotion Centers, CHR – Regional Hospital Center, CHU – University Hospital Center, and hemodialysis center), the hiring of additional staff, and expansion of the range of free services.

40. To benefit from the demographic dividend, free access to birth planning toolkit entered into force on June 24, 2019 in two health regions (the Cascades and the Center-West) and will be gradually expanded to the other health regions.

41. In the field of education, government efforts led to an increase in the availability of education facilities, particularly as a result of the construction of four (4) new vocational training schools (Manga, Kaya, Tenkodogo, and Zorgho) and the rational management of teaching personnel (10,079 classroom teachers and 419 working in offices were redeployed). To curb the effects of terrorism on the sector, assembly centers were opened for the provision of intensive courses and the administration of exams to students affected by insecurity.

42. Progress in providing access to drinking water and sanitation consisted of sustainably satisfying drinking water needs. In rural areas, 317 new boreholes were drilled and 158 were rehabilitated. In urban areas, the number of new households supplied with drinking water and sanitation included 5,275,642 persons at June 30, compared to 5,137,058 in all of 2018.

43. To promote decent employment, especially for youth and women, the actions taken at end-June 2019 concerned the financing of SME/SMIs and microprojects by national financing funds and the Program for the Economic Empowerment of Young People and Women (PAE/JF). The reform to facilitate credit access for key projects led to the financing of seven projects through the guarantee fund placed with SOFIGIB (Burkinabé Interbank Guarantee Finance Corporation). In addition, 2,898 projects totaling approximately CFAF 2.6 billion were financed by national funds (FAPE – Fund to Support the Promotion of Employment; FASI – Informal Sector Support Fund; FAIJ – Youth Initiatives Support Fund; and FBDES – Burkinabé Fund for Economic and Social Development). The PAE/JF disbursed CFAF 4.5 billion to finance 9,956 projects, including a portion financed through national funds. Other achievements include the improvement of labor employability with the recruitment of 13,000 *brigadiers* for labor-intensive work (THIMO) in urban areas and 7,500 *brigadiers* for THIMO in the rural environment, as well as the training and employment of 2,000 young people in various enterprises.

44. Substantial results were also obtained in the revitalization of economic growth and jobs drivers (Pillar 3).

In agriculture:

- continuing supply of inputs to farmers at subsidized prices (6,949.35 tons of inorganic fertilizers; 2,296.20 tons of seeds of improved varieties; 6,695 pieces of processing equipment; 35,516 liters of pesticides, and 122 prospecting and surveillance kits in the fight against pests;
- the provision of 3,918 pieces of animal-drawn equipment (carts, plows, seeders, hillers) to farmers;
- the arrangement and rehabilitation of plots and bottom lands for 94,057 farmers, of whom 30,463 are women.

In the field of energy:

- completion of the Fada N'Gourma thermal power plant to boost capacity by 7.5 MW;
- ongoing improvement of the Pâ-Diébougou and Ziniaré-Kaya 225 KV lines and the Wona-Dédougou 90 KV line;
- construction and outfitting of three posts on the Pâ-Diébougou, Ziniaré-Kaya, and Wona-Dédougou lines;
- installation of 14 mini solar power stations, with storage, in medical centers with surgical units (CMA);
- ongoing construction of mini power stations in Bontioli and Gongourou.

45. Progress in the promotion of sustainable community development in mining areas is related to: (i) installation of the members of the national committee for monitoring the collection, distribution, and use of the Local Mining Development Fund (FDML) and (ii) the issuance of an order formalizing the transfer of taxes to communities.

46. In the field of transport infrastructures and telecommunications:

- completion of 107 km of roads out of a length of 620 km under construction, bringing the proportion of paved roads to 26.2 percent;
- fiber optic interconnection of the provinces, through the national BackBone project (laying of 736 km of optical fiber);
- improvement of internet access by increasing domestic traffic capacity from 2,150 Mbps at end-2018 to 4,684 Mbps at June 30, 2019.

ECONOMIC AND FINANCIAL POLICIES FOR THE REST OF 2019 AND FOR 2020

47. The Government intends to maintain its efforts to support growth while taking the necessary steps to stabilize the macroeconomic framework.

A. Macroeconomic Framework

48. For 2019, economic growth is projected to be sustained at 6.0 percent, as against 6.8 percent in 2018, primarily under the impetus of the tertiary and secondary sectors, in which value added is projected to increase respectively by 6.9 percent (as against 6.7 percent in 2018) and 5.6 percent (3.6 percent in 2018). Growth in the primary sector, which has been decelerating, is projected at 3.8 percent in 2019, compared to 9.9 percent in 2018. Growth in the primary sector would be linked primarily to the dynamic performance of the agriculture subsector (up 4.4 percent), particularly cash crops (up 8.4 percent) as a result of the 14.0 percent rebound in cotton production, equivalent to 554,651 tons. In the secondary sector, growth in 2019 (5.6 percent) should be driven primarily by the dynamics of construction and public works in connection with the intensification of major infrastructure and transportation works. Acceleration in the tertiary sector should be sustained by good performance in market services (up 6.4 percent as against 5.2 percent in 2018). Nonmarket services reportedly registered an increase in value added of 7.4 percent, as against 9.4 percent in 2018.

49. In terms of annual average inflation in 2019, aggressive tariff promotion in the communication sector and a good harvest season in 2018–2019, combined with the continuation of the government’s measures to contain the high cost of living would contribute to maintain the inflation rate within the WAEMU convergence criteria of 3.0 percent. In fact, the inflation rate at end-December 2019 is expected to be negative.

50. Economic activity in 2020 are projected to remain resilient, with growth levels of 6.0 percent related primarily to the normalization of cotton production in a context in which the security situation has been brought under control. Inflation rates should remain negative and in compliance with the union's norm of 3.0 percent in 2020, under the assumption of good rainfall and continued actions to contain the prices of highly consumed goods.

51. Foreign trade in 2019 should be characterized by a decline in exports in real terms in connection with the decline in cotton fiber shipments as a result of the reduction in cotton fiber production during the 2018-2019 growing season. Imports, on the other hand, can be expected to grow, widening the trade deficit from a surplus in 2018 to a deficit in 2019. At the same time, net capital inflows and net financial flows with the rest of the world are expected to improve. In general, transactions with the rest of the world should accentuate the current account deficit and generate an overall balance of payments surplus in 2019.

52. For 2019, we expect current transactions with the rest of the world to widen the deficit by CFAF 168.2 billion. As a percentage of GDP, the country should have a current account deficit of 6.3 percent in 2019, as against 4.7 percent in 2018, a deterioration of 1.6 percentage point in one year. The current account deficit not including grants can be expected to increase from 8.8 percent in 2018 to 10.3 percent in 2019 (7.4 percent in 2019 as against 5.9 percent in 2018, not including public grants).

B. Fiscal Policy

Supplementary Budget (LFR) FY2019

53. The midterm review of State Budget implementation for the 2019 fiscal year carried out concurrently with the preparation of the preliminary draft budget law on execution of the State Budget for the 2020 fiscal year, during June-July 2019, made it possible to anticipate challenges and development of+ corrective measures.

54. In light of the performance registered in collecting own revenue during the first half of 2019, the targets assigned to the revenue collection agencies were revised upward (Directorate General of Taxes—DGI: up by CFAF 10 billion; Directorate General of Customs—DGD: up by CFAF 5 billion; and Directorate General of Treasury and Public Accounting—DGTCP: up by CFAF 125.5 billion). More specifically, the increase for the DGTCP derives from windfall revenue from mobile telephone licenses (CFAF 120 billion) and revenue from expenditure reduction (CFAF 5.5 billion). As a result, the revised collection targets are CFAF 869.05 billion for the DGI, CFAF 664.95 billion for the DGD, and CFAF 303.5 billion for the DGTCP, respectively.

55. To achieve these goals at end-December 2019, the authorities are considering implementation of the following measures and taking the following actions.

For the DGI:

- VAT spot checks targeting less complaint taxpayers, through information sharing (between customs, statistics, government procurement, VAT reimbursement records, and surveys).
- Off-site control targeting activities of medium-scale and large enterprises.
- Tighten control of all air transport companies to ensure effective implementation of recently raised levies on airline tickets.
- Control and reclassification of taxpayers based on the data from the survey of taxpayers in Ouagadougou and Bobo.
- Make the Fourth Medium-Scale Enterprise Directorate operational in Ouagadougou.
- Diligent processing of appeals that have been filed.
- Continued collection of tax arrears through intensive recovery campaigns in all 19 revenue recovery units (UR).

For the DGD:

- Extend the number of products subjected to value control from 22 to 32 by end-December 2019 and strengthen monitoring of these products targeted by the valuation control team.
- Strengthening of the skills of the inspectors and agents for better valuation of imports according to the World Trade Organization (WTO) valuation in connection with the plan to exit the import verification program (PVI).
- Securing transit of goods through enhanced geolocation trucking systems.
- Intensification of post-clearing control, manifest clearing checks, and on-site routing control in in accordance with signed memorandums of understanding.

56. Implementation of all these measures will lead to estimated revenue and grants in 2019 of CFAF 2.0988 trillion, as against outturn of CFAF 1.7459 trillion in 2018, or about 20.2 percent increase. The revenue-GDP ratio is projected at 18 percent.

57. In the context of ongoing improvement in public financial management, efforts have been made to accelerate the timely settlement of VAT credit reimbursements. In this framework, an earmarked account (CAS) was established in June 2019 and credited with CFAF 45 billion in 2019. This approach can be expected to reduce net revenue for the year by the same amount.

58. In terms of grants, CFAF 270.4 billion is expected at end-December 2019, as against initial projection of CFAF 257.6 billion. This revision derives from program grants (an increase of CFAF 6.6 billion) and project grants (CFAF 6.2 billion).

59. Total expenditure and net lending were revised upward, to stand at CFAF 2.3577 trillion at end-December 2019, against their level of CFAF 2.1276 trillion in 2018, this represents a 10.8 percent increase attributable primarily to wage bill, which is projected to 9.9 percent of GDP against 9.0 percent in 2018. In light of the security situation, budget allocations to the security and defense sector in 2019 increased by about 33.93 percent compared to 2018. This substantial increase is due to activities planned under the 2018-2022 military program. Government-financed capital expenditure will stand at 5.2 percent of GDP. Total expenditure and net lending, as a share of GDP, is projected at 27.7 percent, up 0.6 percentage points from 2018.

60. The overall deficit in 2019 should be 3.0 percent of GDP, equivalent to a deterioration of 1.9 points as compared with its 2018 level. This deficit will be financed with recourse to budget support, drawings on IMF resources, and issues of securities on the financial and money markets.

Initial Budget (LFI) for FY2020

61. The 2020 Draft Budget Law submitted to the National Assembly is broadly consistent with the ECF-supported program, and more specifically the level of the overall deficit to nominal GDP (a maximum of 3 percent).

62. The guidelines that prevailed in its preparation are part of the logic of consolidating the 2019 budget objectives by finalizing implementation of the major works under the Presidential Program and the National Economic and Social Development Plan (PNDS). The priorities for the 2020 budget are therefore designed to consolidate the gains achieved since 2016, and to allow the completion of works in progress in the social sectors and in other sectors to support national economic recovery so that the objectives can be more effectively achieved, in a timely manner. In this connection, the priorities for the 2020 budget are part of the dynamics of the increase in the growth rate and accordingly of the government's financial potential, with appropriate public investments and activities to support private investment in a sustainable macroeconomic and financial framework. Accordingly, these guidelines and strategic choices are based on the challenges in connection with the current economic, security, and social context. In terms of major aggregates, the Draft State Budget for the 2020 fiscal year amounts to CFAF 2.21728 trillion in revenue and CFAF 2.50242 trillion in expenditure, with an overall balance of negative CFAF 285.14 billion, corresponding to -3 percent of nominal GDP.

63. The macroeconomic framework exercise for the program, however, envisages adjustments to a number of items in the initial budget law in connection with recent and anticipated developments in the domestic and international environment. These adjustments involve additional subsidies of CFAF 34 billion for energy consumption and a margin of CFAF 20 billion for the wage bill in the security sector, in light of the uncertainties in connection with the projected commitments for the sector in 2020. These adjustments, and any that may prove necessary in light of developments during 2020, will be reflected in the Amending Budget Law no later than end-September 2020.

64. Implementation of the new measures under the 2020 Budget Law and any other recovery measures should make it possible to achieve the projected level for 2020. These are:

Under the Budget Law:

- An increase in the tax rate on tobacco, cigars, cigarettes, and cigarillos from 45 percent to 50 percent, in compliance with West African Economic and Monetary Union (WAEMU) Directive 01/2017/CM/UEMOA of December 22, 2017, that provides for a minimum rate of 50 percent under Article 6.
- Expansion of the group of persons liable for withholding to include diplomatic and consular missions, international organizations, and similar entities that pay remuneration to service providers.
- Promotion of online procedures (tele-procedures), including by making online declaration compulsory for all taxpayers under normal tax regime.
- Make electronic payment compulsory for taxpayers under the DGE (Direction des Grandes Entreprises).
- Introduction of the lump-sum tax in connection with fees for recording changes of ownership of real properties used as homes valued at CFAF 20 million or less.

Additional measures:

- Further strengthening the operational capacities of the Medium-Scale Enterprise Directorates for optimal case management.
- Strengthening the fight against fraud, false documentation, and corruption through implementation of risk-based analysis in the programming of tax audits.
- Generalized use of online filling to all taxpayers.
- Expansion of the use of standard invoices to all taxpayer sectors.
- Broaden the creation of tax units in municipalities with high tax potential.
- Further expansion of the tax base through ongoing taxpayer censuses, surveys, and through the cross checking of information.
- Further rationalization of tax exemptions.
- Broaden the implementation of the property tax registry project.
- Pursue the implementation of the tax payment arrears recovery strategy to.

- Making the DGI information center operational to enable collection, analysis, sharing, and archiving of tax information.

- Step up the efforts to optimize the DGI'srevenue management software (SINTAX, unique tax identifier—IFU, etc.) as well as interfacing with the databases of partner administrations.

- Measures to prevent counterfeiting of foreign trade documents to improve adjustment operations through the interface between the Virtual Connection System for Import and Export Transactions (SYLVIE) and Automated Customs System (ASYCUDA).

- Creation of specialized offices at Bobo Station, Bobo Hydrocarbons, and Bobo Road to increase the revenue collections deriving from specialized activities.

- Enhance the interconnection of the Burkina Faso's customs information systems with those of Togo and the Côte d'Ivoire to provide more secure information on freight from countries of dispatch.

- Intensification of post-customs clearing controls, particularly close monitoring of economic arrangements and beneficiaries of incentive measures.

- Implementation of an Exemption Management Module s to reduce file processing times, to fight fraud, and obtain real-time statistics on shortfalls.

- Introduction of ASYCUDA World on the Internet to allow licensed customs agents to enter and transmit their statements from anywhere, at any time.

- Online/electronic payment of customs duties.

65. On expenditure side, efforts to rationalize current expenditure and to reduce the government's operating costs will be pursued to create fiscal space for priority spending and projects. In terms of reducing government expenditure, the measures to be implemented include the following:

- Continuing the streamlining of travel missions (internal and external) to reduce their weight in public expenditure.

- Continuing the rationalization of electricity, water, and telephone consumption through termination of inactive meters and telephone lines, and adjusting electricity subscription powers to the real need of the public administration.

- Adoption and implementation of a state fleet optimization policy.

- Strengthening the implementation of materials accounting for more effective management of the government's real and movable properties.

- Establishment of a monitoring and control mechanism, at the regional level, for physical outcomes based on the state budget and an effective application of free and subsidization policies to benefit the public.

- Efficient management of maintenance and repairs of all motorized assets.

66. Certain activities will be conducted and/or continued to make budget management more effective. These include the following, in particular:

- Further digitalization of the public procurement procedures.

- Providing support for program managers by developing their capacities for more effective steering of public activity.

- Strengthening of the system of multiple authorizing officers through progressive staffing of ministries within the same inspection unit with their own inspection units.

- Expenditure rationalization of diplomatic missions and consular posts to make them more efficient.

67. While remaining committed to achieving its fiscal targets for 2020, the Government will take contingency measures in case revenues are not up to expectations. In particular, the government will further contain non-priority spending on investment and goods and services to make up for any shortfall.

C. Debt Management Policy

68. The main objective of Burkina Faso's debt management strategy is to cover the government's financing requirements and to meet its payment obligations at the lowest possible cost, while maintaining satisfactory levels of risk and achieving other objectives such as the development of the subregional financial market. It was found in the implementation of the debt strategy for 2019 (recourse to domestic debt to offset the shortage of external concessional resources, focusing on long-term domestic debt instruments) that there is still a moderate risk of overindebtedness.

69. Drawings at June 30, 2019 in connection with domestic debt amounted to CFAF 389.32 billion, including CFAF 223.02 billion in fungible treasury paper [*Bons Assimilables du Trésor*] (BAT) and CFAF 166.30 billion in fungible treasury bonds (OAT). In terms of external debt, CFAF 69.29 billion was mobilized at the same date.

70. At June 30, 2019, the public debt stock amounted to CFAF 3.55908 trillion. This figure includes CFAF 1.60799 trillion in domestic debt and CFAF 1.95108 trillion in external debt, equivalent respectively to 45 percent and 55 percent.

71. Outstanding public debt at end-2019 is projected at CFAF 3.73869 trillion. It is comprised of CFAF 1.86376 trillion in domestic debt and CFAF 1.87493 trillion in external debt, equivalent respectively to 49.85 percent and 50.15 percent. Outstanding debt to nominal GDP at December 31, 2019 is expected to be 43.7 percent, as against 42.9 percent at the same date in 2018.

72. The present value of the ceiling on external debt arranged or guaranteed by the government in 2019 was CFAF 370 billion. For 2019, the government will use issues of public securities on the regional financial market and a combination of concessional and nonconcessional borrowing. The government also remains determined to achieve the objectives established in the program with a fiscal deficit of 3 percent of GDP in 2019.

73. In terms of capacity building in the area of debt management, assessments have been carried out and actions taken to align the institutional framework for debt management with good practices and international standards, drawing more specifically from the recommendations made by technical assistance missions from specialized institutions. In this connection, a mission from the Ministry of Economy, Finance, and Development visited Dakar, Senegal during August 19-23, 2019 to be immersed in the processes, the institutional framework, and information system used by Senegal to manage public debt, in order to improve and consolidate the financial rating of its sovereign debt issued by the rating agencies. Activities are also in progress to improve the design and publication of the statistical bulletin on debt.

74. Going forward, the government will continue to implement a prudent debt policy to maintain moderate levels of risk of external overindebtedness. For that purpose, its strategy for 2020-2022 aims to (i) maintain the use of concessional resources to finance the economy's requirements. External financing denominated in euro will be given priority in light of the fixed exchange rate between the euro and the CFA franc; (ii) use a smaller proportion of nonconcessional external resources in accordance with the IMF ECF Program. This option is justified by the importance of the requirements to be covered in connection with the implementation of the National Economic and Social Development Plan, and the need to shift the profile of domestic debt towards reducing the outstanding amounts in favor of the external debt; and (iii) slow down the country's participation in the regional financial market. Issue volumes should be reduced, and the maturities lengthened. Before undertaking such a debt management operation, Burkina Faso undertakes to consult with IMF staff and to provide detailed information on the financing conditions.

STRUCTURAL REFORMS FOR THE REST OF 2019 AND 2020

A. Government Finance

75. Burkina Faso conducted the assessments using the methodologies of the Debt Management Performance Assessment (DeMPA), the Public Investment Management Assessment (PIMA), the Public Expenditure and Financial Accountability (PEFA) Program assessment, and the diagnostic tool for assessment of the tax administration (TADAT) between 2008 and 2018 with a view to improving public financial management. Based on the shortcomings identified and the recommendations made in connection with these assessments, reform action plans were prepared in the relevant areas. However, as the proliferation of such action plans makes it impossible to have an overview of all reforms, an integrated action plan of public financial reforms was prepared as a federative document for all reforms in connection with these assessments. A mechanism for monitoring implementation of this integrated action plan was established by decree of the minister responsible for economy.

76. With regard to the implementation of a treasury single account (CUT), a decree establishing the treasury single account was adopted and should be followed by a ministerial order describing the mechanisms for the organization and operation of the CUT to be adopted by end-2019. We intend to adopt a roadmap and an updated detailed timetable so that implementation of the CUT (benchmark) can be monitored more effectively. Monitoring of the roadmap will be incorporated into the activities of the Budget Execution and Cash Flow Monitoring Committee. Under the accounting reform, two important activities are in progress with the DGTCP: (i) establishment of the network of accounting officers within the customs, tax, and treasury administrations; and (ii) implementation of the law on accrual-basis accounting;

77. In terms of the establishment of accountant networks, while the decree establishing the networks has been adopted, some prerequisites are now being addressed on the review of the organizational structures (degree organizing the Ministry of Economy, Finance and Development—MINEFID and order organizing the authorities (Directorate General of Customs—DGD, Directorate General of Taxes—DGI, and Directorate General of Treasury and Public Accounting—DGTCP), the allocation and training of human resources, updating of procedures, and the adaptation of the information system.

78. For the implementation of accrual-basis accounting, the draft opening balance sheet for 2019 has been validated by the reform steering committee, and the comments are being processed by the units involved. A fine-tuning strategy is also being developed with a five-year horizon.

79. To ensure the orderly implementation of these reforms, a steering committee has been established and is operating regularly. We intend to continue to lead the accounting reform within that committee.

80. In the framework of the continued implementation of the program budget that began in 2017, the following actions must be taken:

- Appointment of the Operational Program Office Managers (RBOP) and Operational Program Unit Managers (RUOP).
- Review of the template for the Annual Performance Project and the Annual Performance Report.
- Implementation of the Annual Performance Report; and

- Implementation of the initial expenditure programming and performance steering tools.

B. Bringing the Wage Bill Under Control

81. The government will implement measures designed to put the wage bill on a sustainable path in proportion to revenue collections. These measures include:

- Developing tools capable of estimating in real time the exact level of the wage bill.

- Controls conducted to ensure that the work force corresponds to the payments made.

- Reinforce the capacities of those involved in the payroll processing chain to reduce margins for error in connection with overpayments that inflate the wage bill.

- Taking into account the Government guidelines aimed at gradually reducing the rate of increase in additional staffing level by 40 percent.

- Continuing the revitalization of the system of staff redeployment from areas where workers are highly concentrated to those where there is a staff shortage, to reduce requirements for additional staff substantially until rationalized job descriptions within the government are finalized, along with a national strategy to project jobs and staffing by professionals within the civil service.

- Enforce the employment ceilings as provided under the Organic Law on Finance Laws (LOLF) to streamline the impact of statutory hiring by establishing an overall envelope to be used going forward as a base for determining the limits for new staff recruitments by ministry depending on the capacity of the professional training units and in connection with vacant positions (expressed requirements).

- Decentralization of processing for postal checking accounts and individual revenue orders (ORI) by involving the Regional Budget Directorates in the processing circuit so that any overpayments during the fiscal year, constituting losses for the government, can be recovered.

- Continuation of the effort for all wages to be paid through the banking system.

- Commitment to non-conclusion of any agreements (except for the security sector), leading to an increase in the wage bill before the adoption of a comprehensive reform package aimed at containing the latter, including the organic law on the civil service and the relevant implementing texts and instruments (Structural benchmark).

82. In addition, the government has developed a roadmap to guide the process of overhauling the civil service payroll system. It strives to implement the following actions by the end of December 2019: (i) holding a meeting of the steering committee in charge of overseeing implementation of the 2018 public salary conference's recommendations; (ii) pursue the implementation of measures to reduce the operating costs of the government; and (iii) resume the work of the technical team in charge of developing wage bill scenarios and drafting the organic law that would define the general guiding principles of the civil service.

C. Oil and Power Subsidies

83. The government believes a partial application of the retail fuel prices adjustment mechanism is a useful precaution to protect vulnerable population sectors from inflationary pressure on consumer prices. In fact, increases in retail fuel prices reflect the upward flexibility of consumer prices, as against some degree of stickiness in the downward direction in the event of price decreases for hydrocarbons.

84. Mindful of this situation, the government will continue with caution in its efforts to improve implementation of the price adjustment mechanism for retail fuel prices adopted in November 2018 and to significantly reduce the drain of hydrocarbon subsidies on the state budget. For that purpose, retail pump fuel prices were adjusted upward on October 21, 2019as the following adjustments: an increase of CFAF 13 for Super fuel, and of CFAF 9 for diesel fuel. To ensure that arrears do not accumulate on subsidies and to enhance budget transparency, annual allocations will be regularly provided in the State Budget to cover any shortfalls in connection with subsidies of oil consumption. In light of the current context undermined with social demands, efforts will continue to be made to step up communication campaign on the costs of subsidies to consumers and their inequitable distribution.

85. Specialized studies are in progress, specifically on (i) the effects of retail fuel price changes on prices of consumer goods; (ii) expenditure items in the price structures, and (iii) the subsidy for butane gas in Burkina Faso will be finalized by end-June 2020 and would help to facilitate the consultations with the key players on the need for the reforms. Moreover, an assessment of the unit responsible for monitoring consumer fuel prices and proposing adjustments is in progress to give it some degree of decisionmaking autonomy in connection with price changes within a predefined range.

D. Improve Performance in the Energy Sector

86. The Memorandum of Understanding between the Government and the National Hydrocarbons Company of Burkina Faso (SONABHY) and the National Electricity Company of Burkina Faso (SONABEL) signed in 2016 has been fully implemented by SONABEL. Its implementation has had positive effects on SONABEL's financial situation through: (1) the increase in capital by clearing the debit carryover at end-2015 of CFAF 40 billion; (2) payment of a balancing subsidy CFAF 26.9 billion to offset the arrears in the repayment of loans owed to the State by SONABEL; (3) achievement of profits in 2016, 2017, and 2018; and (4) a substantial reduction in operating debt through the rescheduling of some of the debt to SONABHY (CFAF 26.6 billion). The government is aware of the fiscal costs in connection with the activities of SONABEL and SONABHY. Efforts will be pursued to consolidate the progress through additional reforms to strengthen the operational and financial performance of SONABHY and SONABEL. In this connection, the audit of financial operations and accounting practices of SONABHY will be completed by end-March 2020.

The government also intends to conduct an assessment of the performance of the hydrocarbon supply chain and audit of performance, organization, and operating costs of SONABHY that will help take stock of the situation and policy recommendations.

E. Cotton Sector and Other Agricultural Sectors

87. In the cotton sector, implementation of the recommendations from the national workshop to restore cotton production, particularly in terms of the rehabilitation of producer groups, upgrading of Research and Development activities and involvement, close monitoring of cotton producers, giving them access to quality inputs, and the clearing of producers' domestic and external arrears can be expected to increase production, productivity, and the quality of cotton. In addition, the establishment of a high-level committee, co-chaired by the Ministers responsible for Trade, Agriculture, and Finance, to follow up on sustainable recovery measures for cotton production will increase production, and particularly yields, of this crop.

88. In its policy to support private and public initiatives for the local processing of cotton fiber, the government will also make it possible to create more wealth and jobs for young people and women.

89. Moreover, to ensure the development of a productive and resilient, more market-oriented agricultural, forestry, livestock, wildlife, and fisheries sector, the government has taken major actions in the following areas, inter alia: (i) the scaling of innovative mechanisms to improve the delivery of the agricultural consulting services; (ii) establishment of a new input subsidization mechanism; (iii) creation of an innovative incubator for agricultural entrepreneurs in certain Rural Promotion Centers (CPR) and the Multipurpose Agricultural Center (CAP of Matroukou); (iv) acceleration of agricultural mechanization by making agricultural equipment available at subsidized prices and through the establishment of an assembly facility for tractors and cultivators; (v) promotion and development of innovative mechanisms for access to agricultural credit, such as agricultural insurance, agricultural storage, and the issue of warehouse warrants; (vi) continuation of efforts to make agricultural cooperatives compliant with the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA); (vii) decentralization of Banque Agricole du Faso to bring its services closer to the producers; (viii) actions taken to improve the business climate in the agricultural sector and the signing of a technical assistance agreement with China for the construction of major hydroagricultural improvements and agricultural consulting support services; (ix) in the Sourou Agrofood Technology Park [Agropole du Sourou], continued implementation of hydroagricultural improvements; (x) continuation of works on the Sanghin Dam under the Northern Water Development Project (PVEN) with the Water Works and Rural Equipment Agency (AGETER); (xi) establishment of agricultural product processing units in high-output areas; (xii) establishment of post-harvest agricultural infrastructures (canning factories, trading centers, and shops); (xiii) establishment of an agricultural development fund, for which only the adoption by the Council of Ministers of the decree to establish the fund is pending; (xiv) implementation of a natural phosphate-based mineral fertilizer production plant; (xv) establishment of an agricultural training center in each of the Center's regions—Central Plateau, Northern, Central-Eastern, and Cascades;

(xvi) implementation of the National Rural Land Agency (ANTR) for which the preliminary documents have been prepared, and the process is in progress. In addition, the promotion of contract farming is in progress through projects such as the project for the development of value added in agricultural sectors (VAFA) with funding from the European Union and the Contract Farming and Ecological Transition Program funded by the French development authorities (AFD) and the Danish International Development Agency (DANIDA) (Action Plan for Business Growth and Transformation—PACTE). Ultimately, there are plans to establish a contract farming observatory and a contract farming development fund. In the area of securing land tenure in rural areas, 209 out of 351 municipalities, equivalent to approximately 60 percent, will have rural property services to issue rural property titles at the horizon 2020. All of these mechanisms are designed to make investments more secure and promote sustainable agriculture.

F. Financial Inclusion

90. The National Strategy for Financial Inclusion (SNFI) is designed to increase the proportion of the adult population of Burkina Faso that has access to and uses financial services from 43 percent in 2017 to 75 percent by 2023 through actions in five strategic areas: (1) improvement in the availability and supply of credit; (2) promotion of the implementation of digital finance; (3) improvement in the availability of agricultural financing; (4) improvement of the options for the coverage of risks; and (5) strengthening of policies, regulation, and supervision. Financing commitments in favor of the SNFI are now divided between funding with own resources of the government (CFAF 20.1 billion), contribution from the Professional Association of Decentralized Financial Systems (CFAF 0.97 billion), and supports from development partners, including Luxembourg (CFAF 1.8 billion), West African Development Bank (CFAF 20.0 billion), and the World Bank (€87.6 million). A round table took place on November 12, 2019 to confirm the commitments of the various partners and stakeholders in connection with financial inclusion, and to kickstart the implementation of the strategy.

91. To improve access to credit, Article 53 of Law 013-2016/AN of May 3, 2016 on Regulation of Credit Information Bureaus (BIC) was amended on May 14, 2019. This amendment under Law 024-2019/AN dispenses with the requirement for a register of prior consent on credits established before May 25, 2016.

92. In this context, and in consultation with the key players in the sector and the technical and financial partners, the government will take the following actions during 2020: new impetus will be provided for the National Consultation Framework for Financial Inclusion Stakeholders (CNC-AIF), the follow-up and assessment mechanism will be made operational; the strategy communication plan will be developed and implemented; the national financial education program will be developed and implemented; and the 2020 annual action plan will be implemented. Its main activities are to increase awareness and strengthen capacities of decentralized financial systems in connection with new instruments and loans, implementation of the National Inclusive Finance Fund (FONAFI), and the Inclusive Finance Promotion Project.

G. The Government's Strategy on Social Protection and Key Activities Carried Out (SP-PNPS)

93. The National Social Protection Policy (PNPS) is designed to provide a coherent, efficient, and sustainable social protection policy for the poor and vulnerable sectors of the population. Its implementation has enabled major achievements to be made in the framework of the establishment of a social protection system for poor and vulnerable persons of Burkina Faso, the main features of which are described below:

- Establishment of the institutional follow-up and assessment mechanism for the PNPS, which enables broad participation and a dynamic partnership between all stakeholders through a steering and decision-making body chaired by the Prime Minister, and coordination bodies, all of which are operational (Decree 2013-492/PRES/PM/MASSN/MFPTSS/MEF of June 20, 2013). The various bodies hold regular meetings.

- Establishment of a single register of vulnerable persons in Burkina Faso. This comprehensive information system on vulnerable persons identified in the framework of national social protection programs is designed to provide better coordination and more effective operations. Through a consensus-based methodology for targeting vulnerable persons in Burkina Faso and a harmonized tool to collect information on such vulnerable persons, a database of 10,270 households (61,627 persons), including 5,727 vulnerable households (48,067 persons) is available and covered 21 municipalities at end-June 2019. Completion of the implementation of the Single Register at the scale of all municipalities in the country requires first that social services must be established in the municipalities. Efforts are being made in this connection through advocacy activities with the governors of the regions to encourage the municipalities to establish social services and to ask for social workers to be provided to manage them. The establishment of the single register might be completed by 2021 for the 245 municipalities and districts remaining to be covered, with 100 municipalities in 2020 and 145 municipalities in 2021.

- At June 30, 2019, implementation of the national program to meet the requirements of vulnerable persons has helped support the 5,727 vulnerable households (48,067 persons) through transfers in kind (provisions: 1,074.7 tons**;** improved seed: 51.045 tons) and coverage of school expenses for 3,055 children from these vulnerable households.

94. The outlook on implementation of the government's social protection strategy will focus on (i) strengthening advocacy for the establishment of social services in various municipalities; (ii) continuation of the efforts to establish the single register of vulnerable persons targeting 60 municipalities at end-2019 with the aim of covering the entire country by 2022; (iii) advocacy for the creation of a budget item in the municipalities to support social protection activities; (iv) strengthening of synergies in connection with activities and partnership; (v) continuation of capacity development for participants in this area; (vi) establishment of the national social protection fund; and (vii) continued implementation of the national program to meet the requirements of vulnerable persons.

H. Poverty Reduction

95. Strengthening the resilience of households in the agricultural, forestry, livestock, wildlife, and fisheries (ASPHF) sectors in addressing risks through operations by the various partners has helped to achieve the following results: (i) 62,902 vulnerable persons have received cash benefits; (ii)1,073.73 tons of provisions were distributed in the framework of the food aid; and 2,500 tons of food commodities were distributed to malnourished vulnerable persons. In addition, producers were given access to 543 tons of livestock feed, 30 tons of forage seed, and 1,812 tons of producer seed; 2,452 vulnerable households were given small ruminants and poultry; 30 tons of forage seed, and 1,812 tons of seed in the framework of support for production in structurally deprived areas.

96. The food and nutritional security stock were also reinforced. In this connection, 25 warehouses were built to increase storage capacities and to increase the national security stock (SNS) during the first half of the year to 50,038.15 tons, leading to cumulative outflows of 25,623.28 tons. In addition, 135 pilot shops were opened.

97. The vulnerable population also received support for agricultural production in deprived areas. In fact, during the first half of the year, 93 sites received support in vegetable production; 1,765 producers were trained to make manure pits; 1,320 vulnerable producers were trained in vegetable production techniques; 346.33 tons of fertilizer were distributed at subsidized prices to vulnerable persons in support of agricultural production; 27.65 tons of fertilizer were distributed free of charge to benefit vulnerable persons in support of agricultural production; and 106.31 tons of improved variety seed were made available to vulnerable households.

98. In terms of support for the implementation of highly labor-intensive activities (HIMO) to benefit vulnerable populations, at June 30, 2019, 925.93 tons of provisions were distributed free of charge and 62,902 vulnerable persons received cash for work benefits.

99. In the framework of cash transfer activities to benefit vulnerable households under the *Burkin-Naong-Sa Ya* (end of poverty in Burkina Faso) social safety net project, at June 30, 2019, 81,857 beneficiaries of these projects in the Eastern, Central-Eastern, Central-Western, and Northern regions received support in the form of cash transfers in the amount of CFAF 13,628,580,000. These resources enabled them to meet their basic social requirements (food, health care, education, etc.). When these primary requirements have been met in the households, some of the beneficiaries have undertaken income-generating activities with some of the cash they were able to save.

100. In addition, 193,399 persons (50,180 men and 143,219 women) who had been victims of disasters and humanitarian crises of the projected 40,000 had received assistance at June 30, 2019. Intercommunity conflicts and terrorist attacks are the factors underlying this high rate of physical implementation.

101. We should also note the support for the *Brigades vertes,* that promote integration through economic activity, consisting of supplementary recruitment of women over 40 years of age from vulnerable or disadvantaged sectors. Accordingly, 3,000 women have benefited from an increase in their allowances from CFAF 12,000 to CFAF 37,000 per month corresponding to payments for highly labor intensive activities (HIMO). Literacy for HIMO beneficiaries and the *Brigades vertes* was supported with the opening of literacy centers throughout the country, the main beneficiaries of which are women. A further measure involves collection and treatment of plastic waste materials, focusing on the launch of a national project for the treatment and recycling of plastic waste materials. The project will consist of building and equipping 13 plastic waste collection and recycling centers, in cooperation with the municipalities. In addition to the distribution of income through waste collection, the project will create approximately 10,000 jobs.

I. Improvement of Macroeconomic Data

102. The revision of the national accounts with the new 2015 base year has been fully completed. The results were published in December 2018 at the National Institute of Statistics and Demography (INSD) website. The national accounts series were retropolated for the period 1999-2014. On completion of this work, the revised series were validated by the key users and a new national accounts series for the period 1999-2017 in accordance with SNA 2009 was made available. This series was also made available to users at the INSD website (www.insd.bf) on September 28, 2019. The revised GDP series will be incorporated into the macroeconomic framework of the program beginning with the fourth program review.

103. In the process of improving the macroeconomic forecasts, ongoing working sessions were held for the technical modeling and forecasting team to update the automated forecasting instrument (IAP) at the end-2019 horizon in accordance with the action plan prepared for that purpose. In addition, a restricted technical workshop to update the IPA was organized in September, and was attended by representatives from the members organizations of the restricted technical committee, including BCEAO, the National Institute of Statistics and Demographics, the Public Debt Directorate (DDP), and the Directorate for Monitoring of Government Financial Operations (DSOFE). At the end of this workshop, the IAP nomenclatures and tables relating to the balance of payments, monetary statistics, tables of government financial operations (TOFE) and debt were adopted, and are compliant with the current standards (GFSM 2014, Sixth Edition of the Balance of Payments Manual, GFSM 2000, and Debt). With respect to the Resources and Expenditure Table (TRE) of the IAP, the update is effective largely from the 2015 TRE (new base year). For the rest of the year, the aim will be the overall completion and consistency of the exploratory module. The calculation mechanisms will also be tested and subsequently, the 2016, 2017, and 2018 TREs, depending on the format of the IAP, will need to be prepared and integrated. In addition, a technical workshop on monitoring and assessment of the efforts for the IAPs to be updated by the experts, particularly AFRITAC and the German cooperation authorities (GIZ), is programed to be held in October 2019.

J. Governance

104. The Higher Authority for Government Anti-Corruption and Control Activity (ASCE LC) is still involved in the anticorruption activities. In fact, in this framework, it has carried out activities such as (i) the financial and accounting audit for the 2018 fiscal year of the Presidency of Burkina Faso, the

Prime Ministry and Ministries; (ii) the outreach campaign for Law 0004-2015/CNT of March 3, 2015 on Prevention and Repression of corruption in Burkina Faso through information and awareness missions on corruption for populations of rural municipalities in 12/13 regions; (iii) educational presentations for secondary school students in the municipalities visited; (iv) pursuit of declarations of interest and assets. It has also undertaken two money laundering investigations as a result of information received from the National Financial Intelligence Processing Unit (CENTIF); two investigations undertaken in connection with cases of alleged offenses involving politically exposed persons; and the continuation of investigations on assets improperly acquired by politically exposed persons.

105. Pursuant to Law 016-2016/AN of May 3, 2016 on Anti-Money Laundering and Terrorism Financing in Burkina Faso, the government adopted a number of texts to implement the National Coordination Committee for Anti-Money Laundering and Financing of Terrorism Activities and established an effective system for the supervision and monitoring of parties subject to regulation in the nonfinancial sector. It also adopted a supplementary list of persons subject to requirements in connection with anti-money laundering and financing of terrorism and proliferation of weapons of mass destruction activities.

K. Program Monitoring

106. The government will take all necessary steps to achieve the objectives and criteria as presented in Tables 1 and 3 of this Memorandum. Program monitoring will be carried out with semiannual reviews based on quantitative performance criteria established through June 2020 and indicative benchmarks through December 2020 in accordance with Table 3, and the structural benchmarks described in Table 4. The program will be reviewed in accordance with the technical memorandum of understanding that defines the quantitative performance criteria and the requirements for reporting the data to IMF staff. The fourth and fifth program reviews should be completed after June 15, 2020 and of December 25, 2020, respectively.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2019
(CFAF billions)

	2019								
	Mar. 1/		June				Sept. 1/		Dec.
	Prog.	Out.	Prog.	Adj.	Prel.	Status	Prog.	Prel.	Prog.
Quantitative Performance Criteria									
Ceiling on net domestic financing of the government 2/ 3/ 4/ 5/	0	71	100	159	82	Met	146	139	200
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 6/ 7/	370	6	370	370	121	Met	370	206	370
Ceiling on the accumulation of external payment arrears by the government 8/	0	0.2	0	0	0.3	Met 9/	0	0	0
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	0	0	0	0	0	Met	0	0	0
Ceiling on government guarantees of new bank pre-financing for public investments 8/	0	0	0	0	0	Met	0	0	0
Indicative Targets									
Ceiling on the accumulation of domestic arrears by the government 8/	0	0	0	0	0	Met	0	0	0
Ceiling on the overall fiscal deficit including grants 2/ 3/	0	19	130	179	124	Met	196	216	258
Floor on government revenue 2/	376	408	798	798	930	Met	1262	1361	1697
Floor on poverty-reducing current social expenditures 2/	48	73	95	95	183	Met	143	293	190
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	45	44	40	40	33	Met	40	38	40
Ceiling on the value of PPPs contracted 2/	200	0	200	200	141	Met	200	141	200

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Indicative target, except for continuous performance criteria.

2/ Cumulative from beginning of the year.

3/ The ceiling on net domestic financing will be adjusted to reflect the shortfall in program grants and loans, while the overall deficit will be adjusted to reflect the shortfall in program grants.

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of SONABHY losses owing to below cost-recovery sales of petroleum products by end-June 2018, up to a maximum of CFAF 97 billion, as specified in the TMU.

5/ The ceiling on net domestic financing will be lowered by the full proceeds of any concessional budget support loan used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

7/ The ceiling on the amount of external debt will be increased up by the present value of the full amount of any concessional budget support loan used for debt management purposes as specified in the TMU.

8/ To be observed continuously.

9/ The Board granted a waiver for the small breach at the time of the second review, and these arrears have been cleared.

Table 2. Burkina Faso: Structural Benchmarks—2019			
Benchmarks	**Objective**	**Completion Date**	**Status**
Establish a special account for VAT credit refunds that is funded with a portion of VAT revenues and produce quarterly reports on the operational management of this account	Strengthen the integrity of the VAT system	June 2019	Met
Appoint an independent external auditor to conduct an audit of SONABHY's operations, financial position, and accounting practices.	Reduce fiscal risks and eliminate fiscal costs associated with subsidies	July 2019 *(reset from April 2018)*	Met
Complete the revision of national accounts statistics to the new base year and disseminate the revised series.	Improve the accuracy of national statistics.	September 2019 *(reset from December 2018)*	Met
Operationalize the Treasury Single Account	Improve treasury management	September 2019 *(reset from December 2018)*	Not Met
Conduct a study on the taxation system of small- and medium-sized enterprises	Strengthen tax administration	September 2019	Met
Reduce the number of new civil service staff members in 2019 compared to the initial projection of 10,615 hires.	Tighten control of the wage bill	September 2019	Met
In the appropriate budget accounts, budget and account for revenue from/expenditure on *prime de motivation* in the 2020 budget law.	Improve fiscal transparency	September 2019	Met
Submit to the National Assembly a 2020 budget proposal that is fully aligned with the projected wage bill of the ECF-supported program**.**	Contain public-sector wage bill	September 2019	Met
Harmonize the taxation of tobacco in line with the new WAEMU directive by setting the rate at a minimum of 50 percent	Increase revenue	November 2019	Met
Include PPPs in the public investment program	Mitigate fiscal risks	December 2019	Met

Table 3. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2020
(CFAF billions)

	2020			
	Mar. 1/	June	Sept. 1/	Dec. 1/
	Prog.			
Quantitative Performance Criteria				
Ceiling on net domestic financing of the government 2/ 3/ 4/ 5/	60	67	125	201
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 6/ 7/	410	410	410	410
Ceiling on the accumulation of external payment arrears by the government 8/	0	0	0	0
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	0	0	0	0
Ceiling on government guarantees of new bank pre-financing for public investments 8/	0	0	0	0
Indicative Targets				
Ceiling on the accumulation of domestic arrears by the government 8/	0	0	0	0
Ceiling on the overall fiscal deficit including grants 2/ 3/	0	141	176	278
Floor on government revenue 2/	418	888	1332	1775
Floor on poverty-reducing current social expenditures 2/	52	103	154	205
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40	40	40	40
Ceiling on the value of PPPs contracted 2/	200	200	200	200

Sources: Burkinabè authorities; and IMF staff estimates and projections.

1/ Indicative target, except for continuous performance criteria.

2/ Cumulative from beginning of the year.

3/ The ceiling on net domestic financing will be adjusted to reflect the shortfall in program grants and loans, while the overall deficit will be adjusted to reflect the shortfall in program grants.

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of SONABHY losses owing to below cost-recovery sales of petroleum products by end-June 2018, up to a maximum of CFAF 97 billion, as specified in the TMU.

5/ The ceiling on net domestic financing will be lowered by the full proceeds of any concessional budget support loan used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

7/ The ceiling on the amount of external debt will be increased up by the present value of the full amount of any concessional budget support loan used for debt management purposes as specified in the TMU.

8/ To be observed continuously.

Table 4. Burkina Faso: Structural Benchmarks—2020			
Benchmarks	**Objective**	**Completion Date**	**Status**
Proceed with the dematerialization of asset declarations of government officials and those covered by the law, by instituting online submissions, and create a searchable database	Improve governance and improve the fight against corruption	March 2020 *(reset from December 2018)*	
Conclude no new agreements (except for the security sector) leading to an increase in the wage bill, before the adoption of a comprehensive reform package aimed at containing the latter **(new)**.	Contain public-sector wage bill	From the approval of the 2020 budget	
Adoption by the Treasury Directorate of a roadmap with a detailed chronogram on the implementation of the Treasury Single Account **(new)**.	Improve cash management	December 2019	
Finalize the external audit on SONABHY's financial operations and accounting practices **(new).**	Reduce fiscal risks	March 2020	
Complete a performance audit of SONABHY, and an evaluation of the performance contracts with SONABHY and SONABEL upon their expiration **(new)**.	Reduce fiscal risks	June 2020	

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, indicative targets, and structural benchmarks that will serve to assess performance under the program supported by the Extended Credit Facility (ECF). It also sets the framework and deadlines for the submission of data to IMF staff for assessment of program implementation.

CONDITIONALITY

2. The quantitative performance criteria and indicative targets are provided in Tables 1 and 3 of the MEFP. The structural benchmarks set forth in the program are presented in Tables 2 and 4 of the MEFP.

DEFINITIONS

3. **Government.** Unless otherwise indicated, the term "government" means the central government of Burkina Faso and does not include local governments, the central bank, or any other public or government-owned entity with autonomous legal status not included in the table detailing the financial operations of the state (TOFE).

4. **Definition of debt.** The definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website. The term "debt" will be understood to mean all current, i.e. not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take various forms; the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

5. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on a contractual obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

6. **Debt guarantees.** A government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind).

7. **Debt concessionality.** A debt is considered concessional if it includes a grant element of at least 35 percent.

8. [1] The present value (PV) of debt at the time it is contracted is calculated by discounting the borrower's future debt service payments on the debt.[2] The discount rates used is 5 percent.

9. **External debt.** External debt is defined as debt contracted or serviced in a currency other than the CFA franc. The relevant performance criteria apply to the external debt of the government, public enterprises that receive government transfers, and other public entities in which the government holds more than 50 percent of the capital, and any private debt for which the government has extended guarantees that constitute a contingent liability for the government.

QUANTITATIVE PERFORMANCE CRITERIA

10. The quantitative performance criteria for 2019 and 2020 are as follows:

(i) a ceiling on net domestic financing of the government;

(ii) a ceiling on the contracting or guaranteeing of external debt by the government in PV terms;

(iii) a ceiling on the accumulation of payment arrears on external debt service;

(iv) a ceiling on the guaranteeing of domestic loans to suppliers and contractors;

(v) a ceiling on the guaranteeing of bank pre-financing of public investments.

[1] This IMF webpage provides a tool to compute the grant element in a large range of financial arrangements: http://www.imf.org/external/np/pdr/conc/calculator

[2] The calculation of the concessionality takes into account all aspects of the debt contract, including the date of payment, the grace period, the schedule, the commissions and management fees.

A. Net Domestic Financing of the Government

11. Net domestic financing is defined as the sum of (i) net bank credit to the government, including net bank credit to the government as defined below vis-à-vis the national banking institutions (claims associated with IMF disbursements are included); (ii) the stock of unredeemed government bills and bonds held outside national commercial banks; (iii) privatization receipts and other government claims and debts vis-à-vis national nonbank institutions. Net bank credit to the government is the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include the cash holdings of the Burkinabè government, deposits with the central bank, deposits with commercial banks, and secured obligations, and government deposits in postal checking accounts (CCP). Government debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, and funding from commercial banks (including government securities held by commercial banks). Net bank credit to the government is calculated based on information provided in the TOFE. The foregoing items are calculated based on the government budget execution report presented each month in the government flow-of-funds table prepared by the Ministry of the Economy and Finance.

Adjustment

12. The cumulative ceiling on net domestic financing from the beginning of any calendar year will be adjusted upward in the amount by which external program support to central government falls short of the amount projected, in the event the external program assistance is lower than programmed, up to a maximum of CFAF 80 billion. The shortfall will be calculated in relation to the projections in Table 1 below. The ceiling will not be adjusted downward in the event the external program assistance is higher than programmed.

Table 1. Projected External Program Assistance
(Cumulative, CFAF Billions)

	End-December 2019	End-June 2020
Program grants and loans	119	55(46)
(Of which program grants)	(99)	

13. The cumulative ceiling on net domestic financing will be adjusted downward by the full amount of any disbursement of concessional budget support loans related to debt management operations aiming at replacing the relatively more expensive domestic debt.

14. The ceiling on net domestic financing will be adjusted upward by the amount of securitization of accumulated SONABHY losses owing to below cost recovery sales of petroleum products by end-June 2018, up to a maximum of CFAF 97 billion. This adjustor will only apply to the securitization proceeds from 2018 which have not yet been cashed by SONABHY.

15. The Ministry of the Economy and Finance will forward data on net domestic financing to the IMF within six weeks after the end of each quarter.

B. New Non-Concessional External Debt Contracted or Guaranteed by the Government and Present Value of External Debt Contracted or Guaranteed by the Government

16. This performance criterion applies to external debt as defined in paragraph 8 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 7 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent government debt as defined in paragraphs 4 to 7 of this memorandum. For the purpose of this performance criterion, "government" shall include the central government of Burkina Faso, public enterprises that receive government transfers, local governments, and other public-sector entities (including public administrative, professional, scientific and technical agencies). However, this performance criterion will not apply to government bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers' normal short-term credits, or to IMF loans. It is measured on a cumulative basis from the date of the IMF Executive Board's approval of the ECF arrangement, and no adjustment factor will apply.

17. For 2019, the government undertakes not to contract or guarantee external debt (concessional or non-concessional) with a total PV in excess of the ceiling indicated in MEFP table 3, measured on a cumulative basis from the start of the year (i.e. January 1, 2019). In case of a concessional budget support loan referred to in the paragraph 12, the ceiling will be raised by the PV of the full amount of the loan. All other provisions and definitions in paragraph 12 will continue to apply.

18. The proceeds of any concessional budget support loan referred to in paragraphs 12 and 19 will be used only to contribute to the financing of the gross financing requirements of the government that are consistent with the overall fiscal deficit ceilings of 3 percent of GDP. Any surplus of resources will be saved.

Reporting Deadlines

19. Details on any loan (terms and creditors) contracted by the government must be reported within four weeks of the end of each month. The same requirement applies to guarantees extended by the government.

C. Non-accumulation of New External Payment Arrears by the Government

20. External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate external payment arrears on its debt, except arrears arising from external payment obligations being renegotiated with creditors, including bilateral non-Paris Club creditors. Non-accumulation of new external arrears by the government is a performance criterion to be observed continuously.

D. Guaranteeing of New Domestic Loans to Suppliers and Contractors by the Government

21. The government undertakes to not provide new financial guarantees for domestic loans to its suppliers or contractors. This performance criterion shall be observed continuously. For this performance criterion, "government" includes the central government, institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutes, public vocational establishments, public health agencies, local authorities, public enterprises, national corporations, semi-public corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

E. Guaranteeing of New Bank Pre-Financing for Public Investments by the Government

22. The government undertakes not to guarantee new bank pre-financing for public investments. In a pre-financing arrangement, a private company granted a public works contract by the government obtains a loan from a domestic commercial bank or a group of commercial banks. The Ministry of Finance guarantees this loan and, at the same time, signs an unconditional and irrevocable substitution of debtor agreement to service all principle and interest. For this criterion, government includes the central government, institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutes, public vocational establishments, public health agencies, local authorities, public enterprises, national corporations, semi-public corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies. This performance criterion shall be observed continuously.

QUANTITATIVE INDICATIVE TARGETS

23. The program also includes quantitative indicative targets for:

(i) the accumulation of domestic arrears;

(ii) the overall fiscal deficit (commitment basis, grants included);

(iii) total government revenue;

(iv) poverty-reducing current social expenditures;

(v) value added tax refunds; and

(vi) public-private partnerships.

F. Accumulation of Domestic Arrears by the Government

24. The government will not accumulate payment arrears on domestic obligations during the program period. For this indicative target, a "domestic obligation" is one serviced in CFA francs, but it excludes government liabilities to local governments or any other public or government-owned entity with autonomous legal status not included in the table detailing the financial operations of the state (TOFE), except the central bank. Except in cases where the terms and conditions of the transaction stipulate a longer period, payments are deemed to be in arrears in keeping with the following definition:

(i) Debt unpaid for more than 30 days after the due date stipulated in the agreement between the parties (creditor/debtor).

(ii) Wages or pensions unpaid 90 days after their due date.

(iii) Payments for goods and services rendered received more than 90 days after processing of the supporting documents submitted by suppliers.

G. Overall Fiscal Deficit Including Grants

Definition

25. For the program, the overall deficit including grants is valued on a commitment basis. It is defined as the sum of the government's net foreign and domestic financing, measured from the financing side, plus a cash basis adjustment. Net foreign financing is the sum of new foreign borrowing less amortization. Government net domestic financing is defined in paragraphs 10 and 11 above. The cash basis adjustment is defined as the sum of: (i) the total change in unauthorized expenditure commitments, (ii) the change in pending bills, and (iii) the change in Treasury correspondent accounts' deposits.

Adjustment

26. The ceiling on the overall fiscal deficit will be adjusted upward in the amount by which actual external program grants to central government falls short of the amount projected, up to a maximum of CFAF 80 billion. The shortfall will be calculated in relation to the projections in Table 1 above. The ceiling will not be adjusted downward should actual external program grant assistance be higher than projected.

H. Government Revenue

Definition

27. Government revenue is valued on a cash basis. It includes all tax and non-tax revenue collected by the Directorate General of Taxation, the Directorate General of Customs, the Burkinabè Treasury, and other government revenue collection units. It also includes revenue from treasury checks.

I. Poverty-Reducing Current Social Expenditures

Definition

28. Social spending is the sum of current expenditure included in the social spending program as defined in the budget. This social spending program is defined as the sum of budget programs or parts of programs that target poor households and: (i) ensure access to basic social services; (ii) promote access to health services and nutrition programs; (iii) fight against HIV/AIDS; (iv) promote access to drinkable water; (v) improve living conditions, including environment and sanitation; or (vi) ensure social protection. Within these programs or parts of programs, only budget lines classified as social spending are retained.

J. Certified and Unpaid VAT Refunds Older than 30 Days

Definition

29. For the program, the stock of value added tax (VAT) refund claims that have been certified but remain unpaid for more than 30 days is comprised of signed tax refund amounts. The 30-day period starts from the date of signature of the tax refund certificate by the Director General of Taxes.

K. Public Private Partnerships

Definition

30. A public-private partnership is defined as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. It excludes pre-financing and supplier credit arrangements.

Additional Information for Program Monitoring

31. To enable IMF staff to assess program performance, the government agrees to submit the following data to them, in paper format and/or MS Excel electronic files, with the frequencies and deadlines specified below.

Table 2. Summary of Data Reporting Requirements			
Information	**Institution Responsible**	**Data Frequency**	**Reporting Frequency**
Public Finance			
The government's fiscal reporting table (TOFE) and the customary appendix tables; (if data on actual investment financed by external grants and loans are not available in time, a linear estimate of execution based on the annual projections will be used)	Ministry of Economy, Finance and Development (MINEFID)	Monthly	6 weeks
Domestic budgetary financing (net bank credit to the government and stock of unredeemed government bonds and bills)	MINEFID/ BCEAO	Monthly	6 weeks
Monthly data on the execution rates by the customs office relative to monthly forecasts.	MINEFID/ DGD	Monthly	6 weeks
A quarterly report on the outcomes and actions undertaken to put in place a better control and supervision of taxpayers using the single taxpayer identification number to cross-check information between DGI and DGD, starting with large taxpayers.	DGD/DGI	Quarterly	6 weeks
Data on implementation of the public investment program, including details on financing sources	DGB/DGTCP	Quarterly	6 weeks
The stock of external debt, external debt service, external debt contracted, and external debt repayment	DGTCP	Quarterly	6 weeks
Social poverty-reducing expenditures in table format	DGTCP	Monthly	6 weeks
Petroleum product prices, consumption and taxes, including: (i) the price structure for the month concerned;; (ii) detailed calculation of the price structure, from the fob-MED price to the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY); with a distinction made between retail and industry sales; and (iv) a breakdown of tax revenue from petroleum products — customs duties, tax on petroleum products (TPP) and value-added tax (VAT) — and subsidies unpaid	SONABHY/ DGTCP	Monthly	4 weeks
A quarterly summary report of monthly data of SONABHY's accounts including gains and/or losses from the buying and selling of hydrocarbon products by type of product, cash flows position and income statement, taking into account all received	SONABHY/ MINEFID	Quarterly	6 weeks

Table 2. Summary of Data Reporting Requirements (continued)			
subsidies and government securities issued or sold in the banking system or else.			
A quarterly summary report of monthly data of SONABEL's accounts including its cash flows position and income statement and taking into account all received subsidies and project grants and loans from the technical and financial partners.	SONABEL/ MINEFID	Quarterly	6 weeks
A monthly statement of the accounts with the treasury, broken out by major category (administrative services, state enterprises, joint public-private enterprises, public administrative enterprises, international organizations, private depositors, and others)	DGTCP	Monthly	6 weeks
A quarterly activity report from the Investigation and Intelligence Directorate including taxpayer controls across DGI and DGD using the unique taxpayer identification number, beginning with large taxpayers.	DGI/DGD	Quarterly	6 weeks
Provide monthly customs revenue projections (on an annualized basis) by customs post, and report on monthly outcomes compared to projections.	DGD	Monthly	6 weeks
Keep 'Champ 44' enabled for input of references from inspection notices for all customs declarations.	DGD		Continuous
Provide monthly DGI revenue projections (on an annualized basis) by type, and report on monthly outcomes compared to projections.	DGI	Monthly	6 months
Provide monthly DGTCP revenue projections (on an annualized basis) by type, and report on monthly outcomes compared to projections.	DGTCP	Monthly	6 months
A quarterly summary report of VAT refunds, including transfers received from the ACCT, cumulative amount paid since the beginning of the year, the stock of certified refund claims (Régisseur d'avance), and total VAT refund claims being processed (DGE, DLC)	DGI	Quarterly	3 months
A monthly update of the PPP and sovereign guarantee databases	DGCOOP/ MINEFID		4 weeks
Monthly estimate of the implicit pump fuel price subsidy	CIDPH		4 weeks
The consolidated balance sheet of monetary institutions			
The consolidated balance sheet of monetary institutions	NDs of the BCEAO	Monthly	6 weeks
The monetary survey: provisional data	BCEAO	Monthly	6 weeks
The monetary survey: final data	BCEAO	Monthly	10 weeks
The lending and borrowing interest rates	BCEAO	Monthly	6 weeks

Table 2. Summary of Data Reporting Requirements (concluded)			
The standard bank supervision indicators for banks and nonbank financial institutions	BCEAO	Monthly	6 weeks
Balance of Payments Preliminary annual balance of payments data	BCEAO	Annual	9 months
Foreign trade statistics	INSD/ MINEFID	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions)	BCEAO	As they occur	2 weeks
Real Sector Provisional national accounts; and any revision of the national accounts	MINEFID	Annual	2 weeks
Disaggregated monthly consumer price indices	MINEFID	Monthly	2 weeks
Structural Reforms and Other Data Any study or official report on Burkina Faso's economy, on the date published, or the date of entry into force.	MINEFID		2 weeks
Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or the date of entry into force.	MINEFID		2 weeks

INTERNATIONAL MONETARY FUND

BURKINA FASO

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THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved by
Dominique Desruelle (IMF) and by Marcello Estevão (IDA)

Prepared jointly by the staffs of the International Monetary Fund (IMF) [and the International Development Association (IDA)]

Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Substantial space to absorb shocks on external debt
Application of judgement	No

This joint World Bank/IMF Debt Sustainability Analysis (DSA) has been prepared in the context of the 2019 third review of the three-year program supported by the IMF's Extended Credit Facility (ECF). It is based on end-2018 debt data and the latest methodology underpinning the LIC DSF. The current debt-carrying capacity is consistent with a classification of 'medium'.[1] *External risk of debt distress in Burkina Faso remains moderate. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario. In line with the Staff Report, the baseline scenario is anchored on an overall fiscal deficit of 3 percent of GDP starting from 2019. Under a standard stress test of a shock on exports, two of the thresholds of PPG external debt are breached. The overall public debt does not breach the relevant benchmark under all scenarios, yet Burkina Faso is assessed as having a moderate risk of public debt distress, as the external debt risk rating is moderate. Burkina Faso would need to: (i) maintain a sound macro-fiscal framework; (ii) implement structural reforms to diversify its export base of goods and services; (iii) exercise control over government guarantees and contingent liabilities; and (iv) limit non-concessional borrowing and strengthen the implementation of its medium-term debt strategy to contain its debt service and gross financing needs in order to prevent a deterioration of its debt sustainability outlook.*

[1] Based on the current vintage drawing from October 2019 WEO and the 2018 CPIA, as well as the last two vintages.

BACKGROUND ON DEBT

1. **Burkina Faso's public debt levels have increased in the last few years following consecutive years of widening fiscal deficits** (Text Table 1). The nominal stock of public debt as of end-2018 stood at 43.2 percent of GDP. This sizable increase in 2018 has been driven to a large extent by an elevated budget deficit, the domestic securitization of the off-budget government subsidies to the national oil company SONABHY accumulated in 2017 and the first half of 2018, and the large cash adjustment in 2018, driven by the payment of the committed expenditures without payments (DENO) accumulated in 2017. As in previous DSAs, the composition of debt has continued to shift towards domestic debt, as the regional market has traditionally been willing to finance the fiscal deficit at competitive rates. External debt comprised 57.0 percent of the total debt stock at end-2018, down from 77.1 percent at end-2014.

Text Table 1. Burkina Faso: Public Debt Stock, 2014-18
(percent of GDP)

	2014	2015	2016	2017	2018
Public Debt	29.9	35.6	39.2	38.4	43.2
External Debt	23.0	26.3	27.9	24.1	24.6
share (in percent to total debt)	*77.1*	*73.9*	*71.1*	*62.8*	*57.0*
Domestic Debt	6.8	9.3	11.3	14.3	18.6
share (in percent to total debt)	*22.9*	*26.1*	*28.9*	*37.2*	*43.0*
Memorandum items:					
Overall fiscal balance	-1.9	-2.2	-3.5	-7.8	-4.9
GDP growth (in percent)	4.3	3.9	5.9	6.3	6.8

Sources: Burkinabe authorities; and IMF staff estimates.

Text Table 2. Burkina Faso: Coverage of Public Sector Debt

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

2. **The country's coverage of public debt currently includes external and domestic obligations of the central government yet excludes guarantees and non-guaranteed SOE debt** (Text Table 2). The authorities expressed willingness to exert efforts to extend the coverage of debt to include guarantees to the public and private sectors for the next vintage. According to information provided by the authorities, the two main state-owned enterprises that are majority owned by the public sector do not borrow externally.[2] Domestic debt is defined as debt denominated in the regional currency, the FCAF. The choice of coverage is based on currency, rather than residency, and

[2] The two public enterprises are SONABHY, the state-owned oil-importing company, and SONABEL, the national electricity company.

that is due to the difficulty of monitoring the residency of creditors for debt traded in the WAEMU regional market.

BACKGROUND ON MACRO FORECASTS

3. **Text Table 3 summarize the main differences in macroeconomic assumptions between the previous DSA (January 2019) and the current DSA.**[3] Burkina Faso's current and future budget deficits are expected to abide by the WAEMU convergence criterion and are consistent with the authorities' commitment under their ECF-supported program. The current account has been revised sizably upwards to account for artisanal gold exports and a more favorable external sector conditions going forward. On one hand, gold price forecasts are sizably larger than projections during the previous DSA; they maintain an upward path amid continued robust expansion in the domestic gold sector. On the other hand, Burkina Faso's other main commodity export, cotton, is hit by lower future price projections relative to the previous DSA, yet there remain favorable prospects for improved production and quality.

Text Table 3. Burkina Faso: Changes in Assumptions for Current DSA Compared with January–2019 DSA

		2018 est.	2019	2020	2021	2025	2028
Gold (USD/ounce)	Current DSA	1,269	1,400	1,531	1,558	1,619	1,619
	Oct-2018 DSA	1,261	1,218	1,255	1,304	1,382	1,382
Cotton Prices (cts/lb)	Current DSA	91	77	76	80	81	81
	Oct-2018 DSA	93	91	87	83	83	83
Exports of goods (% of GDP)	Current DSA	28.0	26.4	27.3	26.1	21.9	19.1
	Oct-2018 DSA	23.5	23.1	22.1	21.4	16.2	14.4
Real GDP Growth (y/y)	Current DSA	6.8	6.0	6.0	6.0	6.0	6.0
	Oct-2018 DSA	6.0	6.0	6.0	6.0	6.0	6.0
Current Account (% of GDP)	Current DSA	-4.7	-5.2	-4.0	-4.3	-5.7	-6.7
	Oct-2018 DSA	-8.1	-8.3	-7.0	-7.3	-9.5	-10.6
Overall Fiscal Balance (% of GDP)	Current DSA	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
	Oct-2018 DSA	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections.

[3] IMF Country Report No. 19/15 of January 2019.

Box 1. Macroeconomic Revisions and Assumptions Underlying this DSA Vintage

Gold prices have been revised upwards throughout the projection period, while the outlook for cotton prices have slightly deteriorated. WEO gold price projections have been significantly raised since the last DSA, driven by increased world demand due to a worsening outlook for world growth. On the other hand, WEO cotton price projections have marginally worsened since the previous DSA.

Gold production is expected to rise moderately over the medium term, as new mines complete the development stage and begin to export, while the challenging security situation is weighing down on the ability to reach the sector's full potential in the medium to long-run. The coming on stream of new industrial gold mines along with the revised accounting of artisanal gold anchor the outlook for the sector, but the security situation could hamper exploration and limit prospective mining.

GDP growth in 2018 was higher than the baseline forecast of the last DSA. For the projection period, growth is projected to remain at 6 percent in 2019 onwards, reflecting resilience in the face of external shocks. Yet, significant risks to the downside remain due to the intensification of security challenges and increased vulnerabilities to commodity price shocks.

The overall fiscal deficit is expected to moderate in 2019 driven mostly by an increase of windfall nontax revenues and a decrease in domestically-financed public investment as witnessed in the first three quarters of 2019. Authorities have reiterated their commitment to the WAEMU convergence criteria and place importance on meeting the fiscal deficit and debt criteria. This DSA, like the previous one, assumes the authorities are successful in reaching the 3 percent fiscal deficit target by 2019 and maintaining it at that level thereafter.

Domestic debt is assumed to continue to increase consistently throughout the forecast horizon, reflecting the authorities' financing needs over the medium-term, as well as efforts to deepen the domestic financial market, especially the regional debt market. In 2019, domestic debt is expected to increase by 0.3 percentage points of GDP be around 18.9 percent of GDP. This increase risks to be larger if the government is in need of increased cash flow requirements and if a public investment project for which the government has provided prefinancing guarantees in September 2018 is financed off-budget.[4] In the medium term, the composition of domestic debt is assumed to be similar to that in 2019 with a 45 percent of T- bills with an average interest rate of 5 percent, 30 percent of 3 to 5-year bonds with an average interest rate of around 6¼ percent, and 25 percent of 8-year bonds with an average interest rate of 6.5 percent. The remainder of the deficit (around 20 percent) is assumed to be financed via external debt, but on gradually less generous terms to reflect additional non-concessional financing and conservative assumptions about the availability of concessional financing in future years.

The current account deficit is estimated to reach 5.2 percent of GDP in 2019 but is then projected to drop at around 4.0 percent of GDP in 2020 as new gold mines begin to export and the external price conditions become more favorable. Upside and downside risks to the current account include: volatility in key exports (e.g. gold, cotton) and imports (e.g. oil, fuel, machinery), increased imbalances in the trade of services, and a further escalation of the security environment in the Sahel region.

[4] Refer to Staff Report of the first review under the ECF Arrangement published in January 2019 for information on the pre-financing of a public investment project (https://www.imf.org/en/Publications/CR/Issues/2019/01/22/Burkina-Faso-2018-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-46533).

4. This DSA update is consistent with the macroeconomic framework underlying the Staff Report prepared for the third review of the three-year ECF program (Box 1). The macro framework projects growth to stabilize at 6 percent in 2019 and over the medium term, with the government meeting its fiscal targets consistent with Burkina Faso's WAEMU membership commitment to a 3 percent budget deficit in 2019 onwards. Moreover, authorities are now providing provisions for the subsidies to the national oil company and are limiting cash adjustments, hence containing the off-budget debt creating flows.

5. The realism tools suggest that the baseline scenario is credible when compared to cross-country experiences and to Burkina Faso's own historical experience (Figures 1 and 2).

a. Figure 1 shows that the contributions of past external debt creating flows remain relatively the same for the projection period, however the magnitudes are projected to shrink in the future, consistently with a current account adjustment. Unexpected changes in external debt are near the median of the distribution across low-income countries. Total public debt projections are in contrast with Burkina Faso's historical experience, mostly due to a projected fiscal adjustment to 3 percent of GDP beginning from 2019 as opposed to the unusually large fiscal deficits in the previous 5 years, especially in 2016 and 2017.

b. Figure 2 shows the country's planned fiscal adjustment for the next 3-years at around 2 percent of GDP. Again, this reflects the historically unusually high fiscal deficit of 7.8 percent of GDP in 2017, and 4.9 percent of GDP in 2018. Although the anticipated fiscal adjustment is not negligible: (i) it lies in the middle of the distribution of the past adjustments of primary deficits; (ii) fiscal adjustment has already started since 2018 and was satisfactory in the first half of 2019 and (iii) it reflects the authorities' commitment to meet the WAEMU fiscal deficit convergence criterion of 3 percent of GDP from 2019 onward."

c. Figure 2 also shows the potential impact of the projected fiscal adjustment on the possible growth path assuming a range of fiscal multipliers. While the fiscal deficit is expected to adjust to 3 percent of GDP by 2019, growth performance is expected to stabilize at 6 percent, which looks strongly realistic given a range of plausible fiscal multipliers. Moreover, the contribution of government capital to real GDP growth is projected in line with the historical magnitude.

6. This DSA assumes an increase of non-concessional financing over the forecast horizon. Text Table 4 and Text Table 5 list the projects for which the authorities have been seeking external loans in 2018 and 2019. The actual amount of new loans contracted, particularly non-concessional loans, will fall well short of the targeted amounts. Previous experience has shown that the borrowing plan has an aspirational element in it. The DSA includes both already-contracted and anticipated borrowing on a disbursement basis. The authorities debt strategy favors exhausting all options for concessional financing before exploring more expensive non-concessional options, including commercial ones. Nevertheless, since financing needs exceed the amount of expected available concessional financing, this DSA assumes that non-concessional borrowing will expand to an average of around 20 percent of total external borrowing but at a growing share over time starting from 2020 and through the DSA horizon. Consistent with this and the assumption of a shrinking concessional financing to total external financing ratio going forward, the grant element of new borrowing is assumed to decrease gradually over the forecast horizon.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

A. Country Classification

7. **Burkina Faso's current debt-carrying capacity is consistent with a classification of 'medium'** (Text Table 4). The country's Composite Indicator (CI) index, calculated based on the October 2019 WEO and the 2018 CPIA score, is 3.02, that is below the threshold of 3.05, hence the 'medium' classification. Moreover, the classification based on the previous vintage of April 2019 WEO had been also 'medium', triggering a change in the final debt carrying capacity to 'medium'.[5] This deterioration of the classification is for the most part driven by a less positive outlook for world economic growth, lower remittances in percent of GDP, and less positive outlook over the import coverage of WAEMU reserves. The relevant indicative thresholds for this 'medium' category are: 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. These thresholds are applicable to public and publicly guaranteed external debt. The benchmark for the PV of total public debt for medium debt carrying capacity is 55 percent of GDP.

Text Table 4. Burkina Faso: Debt Carrying Capacity and Relevant Indicative Thresholds

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 3.02	Medium 3.04	Strong 3.05

Note: The current vintage is based on the WEO October 2019, the previous vintage is based on WEO April 2019 and the classification based on two previous vintages is based on the WEO October 2018. All classifications also use the available CPIA at the time of the vintage.

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

[5] Based on the revised "Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-income Countries" (http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf).

B. Determination of Scenario Stress Tests

8. Given the limited coverage of the country's public debt, a stress test for a combined contingent liability shock of 8.5 percent of GDP was conducted (Text Table 5). A 1.5 percent of GDP shock is included as a contingent liability to account for the guarantees to the private sector. In the absence of SOE's external debt, a standard SOE's debt of 2 percent of GDP is included as additional contingent liability to reflect potential guaranteed and unguaranteed domestic debt of public companies (e.g. SONABHY, SONABEL, SOFITEX). Authorities have also initiated the procedures for auditing the national oil company SONABHY. No shock is used to account for PPPs, as the stock is still less than 1 percent of GDP. The default value of 5 percent of GDP is retained, representing the average cost to the government of a financial crisis.

Text Table 5. Burkina Faso: Combined Contingent Liability Shock

1	**The country's coverage of public debt**	The central government, central bank			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	1.5	Guarantees to private sector
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			8.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

9. A tailored stress test for commodity price shocks was also conducted given that commodities constitute around 80 percent of total exports in Burkina Faso. This shock is applied to all countries where commodities constitute more than 50 percent of total exports of goods and services over the previous three-year period. The scenario captures the impact of a sudden one standard deviation decline in the export prices of gold, grains, and cotton in 2020, corresponding to a decline in prices by 12 percent, 15 percent, and 11 percent, respectively.

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

10. Under the baseline scenario, all external public and publicly-guaranteed (PPG) debt indicators remain below the policy-relevant thresholds for the next ten years (Table 1 and Figure 1). Having a 40 percent threshold, the PV of external debt-to-GDP ratio is expected to remain at or below 17 percent over the projection horizon, decreasing from 16.7 percent in 2019 to 14.9 in 2029 reflecting the effects of the consolidation of the current account deficit in percentage of GDP relative to historical levels, along with effects of persistent real GDP growth.[6] The PV of debt-to-exports ratio is expected to grow gradually from 55.2 percent in 2019 to 68.7 percent in 2029 yet

[6] External debt dynamics are highly driven by non-identified debt-creating flows (as illustrated by residuals in table 1). These residuals are persistent and consistent with historical dynamics, and they are largely due to the definition of external debt on the currency-basis, in misalignment to the current account which is conducted on the residency-basis.

remains well below the 180 percent threshold reflecting a moderate projected growth of exports in the long-run. Neither of the debt service indicators causes any breach of their respective thresholds under the baseline scenario. The debt service-to-exports ratio remains at around 4 percent for most of the next 10 years, reaching 4.8 percent in 2029; while the debt service-to-revenue ratio declines gradually from 6.9 percent in 2019 to 4.8 percent in 2029.

11. The standardized stress tests show that an export shock has the largest negative impact on the debt trajectory, triggering minor breaches to two of the external PPG debt indicators (Table 2). The PV of debt-to-exports ratio and the debt service-to-exports ratio are significantly increased by the export shock driven mostly by a high historical volatility in receipts in US dollar terms. The former reaches 181.7 percent in 2021, and it remains above the threshold of 180 percent for the remainder of the projection period. The latter reaches the threshold only in 2027 through the DSA horizon in 2029. The test highlights the need for a sustained effort to improve the economy's potential in exporting goods and services. Other shocks, including to real GDP growth, the primary balance, a one-time 30 percent depreciation and the tailored tests (for contingent liabilities and commodity prices) do not lead to any breach of the debt thresholds (Table 3).

B. Public Sector Debt Sustainability Analysis

12. The baseline scenario projects a downward trend of PPG public debt following a peak of 43.5 percent of GDP projected for end 2019 (Figure 2). A small increase of public debt is projected in 2019 – driven by domestic debt, to finance a consolidated budget. External debt to GDP is projected to get contained gradually, and at a faster rate.

13. Under the baseline scenario, the PV of public debt-to-GDP ratio does not breach the 55 percent benchmark (Table 3 and Figure 2). The ratio remains around 36 percent over the projection horizon reflecting the long-term effects of fiscal consolidation in line with WAEMU commitments and the limiting of off-budget debt creating operations. The PV of debt-to-revenue ratio is expected to peak in 2021 at 155 percent and then gradually decrease to 150 percent by 2029. Debt service-to-revenue and grant ratio escalates rapidly from 30 percent in 2019 to 42½ percent by 2021, given the short maturity of domestic financing. The latter raises concerns over the medium to long term liquidity risks to the service of total public debt.

14. The standardized sensitivity analysis shows that the two most extreme shocks leading to the highest debt figures in the projection period are a shock to exports, a shock to commodity prices and the contingent liability shock, yet the public debt benchmark is not breached (Figure 2, Table 4). The PV of debt-to-GDP ratio would peak at 51 percent of GDP in 2029 under the stress test of a commodity price shock—the most extreme shock, just below the threshold of 55 percent. This commodity price shock highlights Burkina Faso's susceptibility to terms of trade shocks given the price volatility of its major export commodities—gold, cotton, and agricultural products. A negative shock to gold prices also affects the fiscal position as lower gold revenues would put pressure on the deficit. It is closely followed by the exports shock, which is also the most extreme shock affecting the PV of debt to revenue ratio. The tailored test for the combined contingent liability shock also causes a deterioration in debt sustainability, featuring as the most extreme shock affecting debt service to revenue ratio.

RISKS AND VULNERABILITIES

15. Fiscal risks are substantial. The baseline scenario assumes Burkina Faso achieves the planned fiscal consolidation to WAEMU fiscal deficit convergence criteria of 3 percent of GDP in 2019 and then maintains the deficit at this level over the medium-term (see Staff Report). Although this target might seem achievable in 2019 – largely due to significant windfall revenues of around 1.4 percent of GDP in the first half of the year, it looks more challenging on the medium run. The projected fiscal adjustment is realistically ambitious in historical comparison, standing at around the 75th percentile (figure 4). However, the absence of comparable windfall revenues in 2020, along with the increased public expenditures associated with a potentially deteriorating security situation, in the context of a year of elections, are likely to present increased pressures on fiscal discipline in 2020, and to a lesser extent onwards. Also, exports and overall GDP may develop less favorably than projected under the baseline in view of the vulnerability of primary exports (namely cotton and gold) to commodity price shocks, and a potential deterioration in the security conditions, as highlighted in Box 1 which could undermine growth.

16. Burkina Faso would benefit from a more diversified export base of goods and services. Under all the external debt indicators, the most extreme shock was an export shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and agricultural products. Moreover, this underlies the importance of strengthening the services export sector to address the imbalances in the trade of services. Staff stressed that diversification is a long-term policy objective that could only be reached through sustainable and efficient public investment in infrastructure and education. Burkina Faso has a high risk of debt shocks arising from (present and future) contingent liabilities associated with various off-budget activities, including debt of state-owned enterprises, fuel subsidies, pre-financing of public investment projects and other potential PPPs. The materialization of these fiscal costs could lead to a deviation from the baseline path. Authorities' plans to audit the national oil company – SONABHY, to proceed with the operationalization of the fuel price adjustment mechanism, to include future fuel subsidies in the budget, and to develop a database of sovereign guarantees and PPPs. All are crucial steps for building capacity to analyze and mitigate these risks.

17. The regional market seems more willing to absorb a higher amount of debt issued by Burkina Faso, as large WAEMU economies are increasingly seeking external financing through Eurobond issuance. This is also leaving more room for Burkina Faso to issue more bonds on the regional market, with longer average maturity, which would allow Burkina Faso to gradually decrease the average interest rate on its sovereign bonds, and ease rollover risks. Authorities are in parallel studying alternative external financing sources that could be semi-concessional and help meet Burkina Faso's increasing gross financing needs.

CONCLUSION

18. According to staff's assessment, Burkina Faso's risk of external debt distress remains moderate. The baseline scenario shows no breach of debt distress thresholds for any of the debt and debt service indicators. However, under a standard stress test of a shock to exports aimed at illustrating the potential impact of external risks, two thresholds of external PPG debt sustainability are breached. Consequently, Burkina Faso's risk of external debt distress is assessed to be 'moderate'. The granularity in the risk rating (Figure 5) suggests that there is substantial space to absorb shocks without risk of downgrading to a 'high' risk of debt distress.

19. The DSA suggests that overall risk of public debt distress remains moderate. While there are no breaches for overall public debt, the risk of overall debt distress remains moderate as the risk of external debt distress is moderate. To avoid a deterioration of the risk of debt distress rating, several risks and vulnerabilities need to be addressed, particularly: (i) pressures to deviate from the agreed fiscal consolidation, (ii) a non-diversified export base and a weak services exporting sector, (iii), fiscal costs arising from contingent liabilities associated with various off-budget activities, including potential future PPP arrangements, and (iv) rollover risk related to domestic financing.

AUTHORITIES' VIEW

20. The authorities concurred with the results of the current DSA. They agreed that export diversification is important to limit the risk of debt distress but expressed difficulty in addressing this policy objective; they also noted the lack of capacity building and support in this respect. In view of the increasing debt service of domestic debt, the authorities are considering expanding their external financing while giving priority to concessional financing, with a readiness to consider semi-concessional financing sources with conditions that would be evidently more favorable than the conditions on the domestic market.[7] In this context, authorities reiterated their commitment to maintain prudent overall debt levels with a view to enhancing its composition while maintaining their assessed risk of debt distress at a 'moderate' rating.

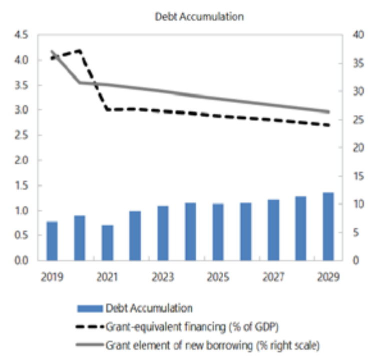
[7] Concessional loans are defined as loans with a grant element above 35 percent. By semi-concessional loans, we refer to loans that have a material positive grant element but that is lower than 35 percent.

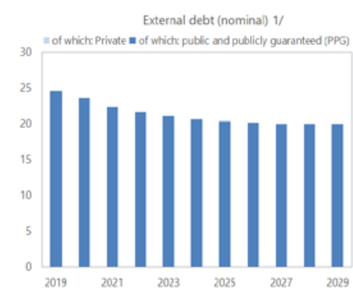
Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2016–2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	27.9	24.1	24.6	24.6	23.6	22.3	21.6	21.1	20.6	20.0	21.4	24.3	21.3
of which: public and publicly guaranteed (PPG)	27.9	24.1	24.6	24.6	23.6	22.3	21.6	21.1	20.6	20.0	21.4	24.3	21.3
Change in external debt	1.6	-3.8	0.5	0.0	-1.1	-1.2	-0.7	-0.6	-0.5	0.0	-0.8		
Identified net debt-creating flows	9.2	2.3	3.1	5.1	3.9	4.0	4.2	4.6	5.0	6.5	6.3	5.9	5.1
Non-interest current account deficit	6.9	5.5	4.3	4.7	3.7	3.9	4.3	4.6	5.0	6.7	6.6	5.3	5.1
Deficit in balance of goods and services	7.3	5.8	4.6	5.6	4.1	4.4	4.9	5.3	5.8	7.8	7.8	8.0	5.9
Exports	30.1	31.7	31.9	30.2	30.8	29.6	28.4	27.4	26.4	21.8	17.1		
Imports	37.4	37.5	36.6	35.7	34.9	34.0	33.4	32.7	32.2	29.6	24.9		
Net current transfers (negative = inflow)	-3.7	-3.2	-3.3	-3.3	-2.8	-2.8	-2.7	-2.6	-2.5	-2.1	-1.4	-4.3	-2.6
of which: official	-1.3	-1.0	-1.2	-1.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8		
Other current account flows (negative = net inflow)	3.4	3.0	3.0	2.4	2.4	2.3	2.0	1.9	1.7	1.0	0.1	1.6	1.7
Net FDI (negative = inflow)	3.1	-0.1	1.4	1.3	1.2	1.1	0.8	0.9	0.8	0.5	0.2	1.6	0.8
Endogenous debt dynamics 2/	-0.8	-3.1	-2.7	-0.9	-1.0	-1.0	-0.9	-0.9	-0.8	-0.7	-0.5		
Contribution from nominal interest rate	0.2	0.2	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.4	0.5		
Contribution from real GDP growth	-1.5	-1.6	-1.4	-1.4	-1.4	-1.3	-1.2	-1.2	-1.2	-1.1	-1.0		
Contribution from price and exchange rate changes	0.4	-1.8	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	-7.6	-6.1	-2.6	-5.1	-4.9	-5.3	-4.9	-5.2	-5.4	-6.5	-7.0	-5.9	-5.5
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	16.3	16.7	16.3	15.6	15.2	15.0	14.8	14.9	17.3		
PV of PPG external debt-to-exports ratio	...	...	51.1	55.2	52.9	52.5	53.4	54.6	56.0	68.7	101.0		
PPG debt service-to-exports ratio	3.6	3.5	3.9	4.8	3.8	3.8	3.6	3.6	3.7	4.8	7.5		
PPG debt service-to-revenue ratio	5.6	5.7	6.4	6.9	5.7	5.5	4.9	4.7	4.6	4.8	6.2		
Gross external financing need (Billion of U.S. dollars)	1.2	0.8	1.0	1.1	1.0	1.0	1.1	1.3	1.5	2.7	6.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.9	6.3	6.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.3	5.8	6.0
GDP deflator in US dollar terms (change in percent)	-1.6	6.9	7.1	-3.2	1.8	3.0	2.8	2.6	2.8	2.0	8.1	-0.1	1.8
Effective interest rate (percent) 4/	0.9	0.9	1.7	2.1	1.4	1.5	1.6	1.6	1.7	2.0	2.6	1.0	1.7
Growth of exports of G&S (US dollar terms, in percent)	18.7	19.7	15.2	-3.1	10.1	5.1	4.5	4.9	5.0	4.0	24.3	18.9	4.2
Growth of imports of G&S (US dollar terms, in percent)	7.8	13.8	11.7	0.3	5.4	6.4	6.8	6.7	7.2	6.3	11.0	9.6	5.8
Grant element of new public sector borrowing (in percent)	...	...	...	37.1	31.6	31.2	30.6	30.0	29.3	26.3	20.2	...	29.8
Government revenues (excluding grants, in percent of GDP)	19.1	19.4	19.5	21.1	20.6	20.6	20.9	21.1	21.3	22.1	20.6	17.3	21.4
Aid flows (in Billion of US dollars) 5/	145.1	124.8	131.4	0.6	0.6	0.5	0.6	0.6	0.6	0.8	1.4		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.0	4.2	3.0	3.0	3.0	2.9	2.7	2.1	...	3.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	73.7	76.8	74.0	70.7	69.6	68.4	62.3	49.4	...	68.8
Nominal GDP (Billion of US dollars)	11	12	14	15	16	17	19	20	22	33	75		
Nominal dollar GDP growth	4.3	13.7	14.4	2.6	7.8	9.2	9.0	8.7	8.9	8.1	13.8	5.8	7.9
Memorandum items:													
PV of external debt 7/	...	...	16.3	16.7	16.3	15.6	15.2	15.0	14.8	14.9	17.3		
In percent of exports	...	...	51.1	55.2	52.9	52.5	53.4	54.6	56.0	68.7	101.0		
Total external debt service-to-exports ratio	3.6	3.5	3.9	4.8	3.8	3.8	3.6	3.6	3.7	4.8	7.5		
PV of PPG external debt (in Billion of US dollars)			2.3	2.4	2.5	2.7	2.8	3.0	3.3	4.9	12.9		
(PVt-PVt-1)/GDPt-1 (in percent)				0.8	0.9	0.7	1.0	1.1	1.1	1.4	1.9		
Non-interest current account deficit that stabilizes debt ratio	5.3	9.3	3.9	4.7	4.8	5.2	5.0	5.2	5.4	6.7	7.3		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

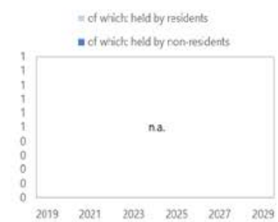
Table 2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	39.2	38.4	43.2	43.5	43.1	42.7	42.4	42.1	41.8	41.4	38.8	33.0	42.1
of which: external debt	27.9	24.1	24.6	24.6	23.6	22.3	21.6	21.1	20.6	20.0	21.4	24.3	21.3
Change in public sector debt	3.6	-0.8	4.8	0.3	-0.4	-0.4	-0.3	-0.3	-0.3	-0.1	-2.1		
Identified debt-creating flows	2.4	0.8	1.8	-0.2	-0.3	-0.2	-0.2	-0.1	-0.1	0.3	-0.5	1.7	0.0
Primary deficit	2.6	6.9	3.8	1.8	1.6	1.6	1.6	1.5	1.5	1.4	1.4	3.2	1.5
Revenue and grants	21.9	22.1	22.2	24.2	24.2	23.1	23.4	23.5	23.7	24.2	22.1	21.5	23.9
of which: grants	2.8	2.7	2.7	3.2	3.6	2.5	2.5	2.4	2.4	2.1	1.6		
Primary (noninterest) expenditure	24.5	29.0	26.0	26.0	25.9	24.7	24.9	25.0	25.2	25.6	23.5	24.7	25.4
Automatic debt dynamics	-0.1	-6.1	-1.5	-1.8	-1.9	-1.8	-1.8	-1.7	-1.6	-1.1	-1.8		
Contribution from interest rate/growth differential	-1.5	-2.6	-2.4	-1.8	-1.9	-1.8	-1.8	-1.7	-1.6	-1.1	-1.8		
of which: contribution from average real interest rate	0.5	-0.3	0.1	0.6	0.5	0.6	0.7	0.7	0.7	1.2	0.2		
of which: contribution from real GDP growth	-2.0	-2.3	-2.5	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.3	-2.1		
Contribution from real exchange rate depreciation	1.4	-3.5	0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.1	0.0	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
Privatization receipts (negative)	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.3	-1.6	2.9	0.5	-0.2	-0.2	-0.1	-0.1	-0.1	-0.4	-1.6	-0.2	-0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	35.5	35.6	35.7	35.9	35.9	36.0	36.0	36.3	34.6		
PV of public debt-to-revenue and grants ratio	...	...	159.6	147.0	147.5	155.4	153.8	153.2	152.2	150.2	156.6		
Debt service-to-revenue and grants ratio 3/	25.2	22.6	28.5	29.8	36.1	42.5	41.2	41.0	40.9	39.0	31.7		
Gross financing need 4/	8.0	11.9	9.6	8.9	10.4	11.4	11.2	11.2	11.2	10.9	8.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.9	6.3	6.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.3	5.8	6.0
Average nominal interest rate on external debt (in percent)	1.0	0.9	1.7	2.2	1.4	1.5	1.6	1.6	1.7	2.0	2.5	1.0	1.8
Average real interest rate on domestic debt (in percent)	5.7	-0.6	1.9	3.1	4.0	4.0	4.0	4.1	4.1	4.1	-1.7	3.3	4.0
Real exchange rate depreciation (in percent, + indicates depreciation)	5.6	-13.4	4.0	...	...	...	...	...	...	...	...	1.9	...
Inflation rate (GDP deflator, in percent)	-1.3	4.8	2.4	1.8	2.0	2.0	2.0	2.0	2.0	2.0	8.1	1.9	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	16.0	25.7	-4.2	6.0	5.4	1.2	7.1	6.4	6.6	5.8	0.3	8.9	5.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.0	7.8	-1.0	1.4	2.1	2.0	1.9	1.8	1.8	1.5	3.4	1.9	1.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

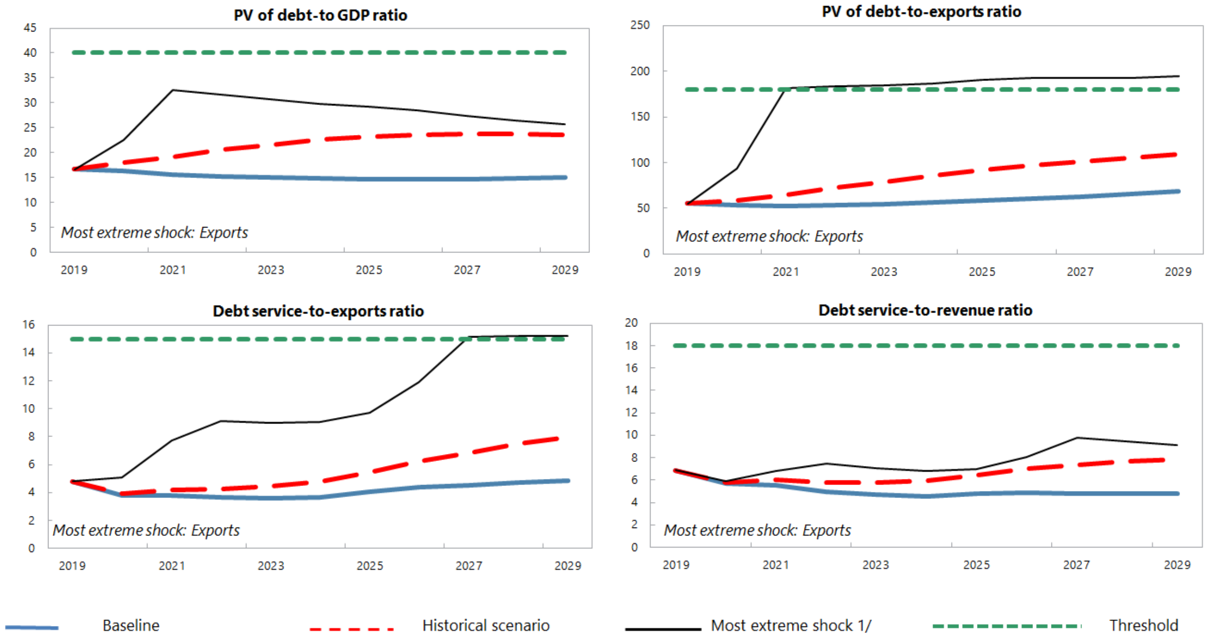
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019–2029



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	5	5

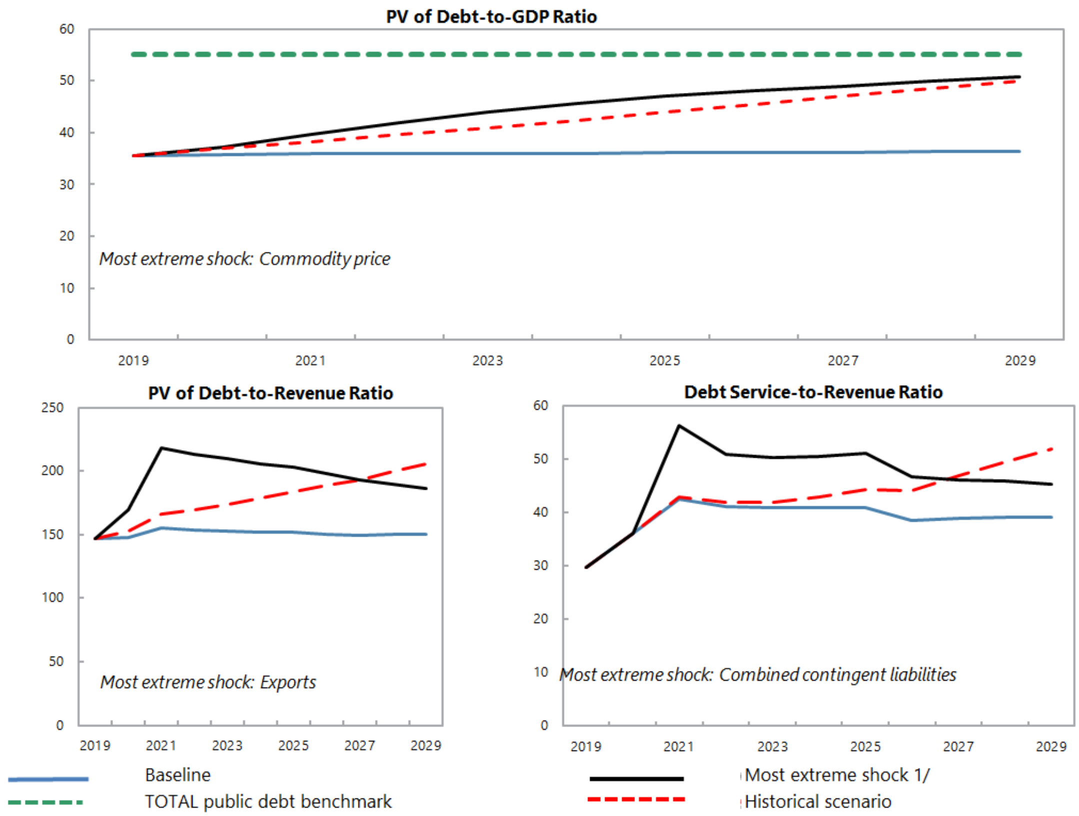
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Burkina Faso: Indicators of Public External Debt under Alternative Scenarios, 2019–2029



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	46%	46%
Domestic short-term	35%	35%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.4%	4.4%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	3.0%	3.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–2029

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	17	16	16	15	15	15	15	15	15	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	17	18	19	21	22	23	23	24	24	24	24
B. Bound Tests											
B1. Real GDP growth	17	17	16	16	16	16	16	16	16	16	16
B2. Primary balance	17	17	17	16	16	16	16	16	17	17	17
B3. Exports	17	23	33	32	31	30	29	28	27	26	26
B4. Other flows 3/	17	18	19	19	18	18	18	18	17	17	17
B5. Depreciation	17	21	17	16	16	16	16	16	16	17	17
B6. Combination of B1-B5	17	21	21	20	20	19	19	19	19	18	18
C. Tailored Tests											
C1. Combined contingent liabilities	17	17	17	17	17	17	17	17	17	17	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	17	17	17	17	16	16	16	16	16	15
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	55	53	53	53	55	56	58	60	63	65	69
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	55	59	65	72	79	85	91	97	101	105	109
B. Bound Tests											
B1. Real GDP growth	55	53	53	53	55	56	58	60	63	65	69
B2. Primary balance	55	54	56	58	60	62	65	67	70	74	77
B3. Exports	55	94	**182**	**183**	**185**	**186**	**190**	**192**	**192**	**193**	**194**
B4. Other flows 3/	55	59	65	66	67	69	71	73	74	76	79
B5. Depreciation	55	53	45	46	47	48	50	52	55	58	62
B6. Combination of B1-B5	55	75	64	86	87	89	91	93	96	99	102
C. Tailored Tests											
C1. Combined contingent liabilities	55	57	57	59	61	64	67	70	73	77	81
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	55	58	60	61	62	63	64	65	67	69	71
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	5	4	4	4	4	4	4	4	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	5	4	4	4	4	5	5	6	7	7	8
B. Bound Tests											
B1. Real GDP growth	5	4	4	4	4	4	4	4	5	5	5
B2. Primary balance	5	4	4	4	4	4	4	5	5	5	5
B3. Exports	5	5	8	9	9	9	10	12	**15**	**15**	**15**
B4. Other flows 3/	5	4	4	4	4	4	4	5	6	6	6
B5. Depreciation	5	4	4	3	3	3	4	4	4	4	4
B6. Combination of B1-B5	5	4	5	5	5	5	6	7	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	5	4	4	4	4	4	4	5	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	4	4	4	4	4	4	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	7	6	5	5	5	5	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	7	6	6	6	6	6	6	7	7	8	8
B. Bound Tests											
B1. Real GDP growth	7	6	6	5	5	5	5	5	5	5	5
B2. Primary balance	7	6	6	5	5	5	5	5	5	5	5
B3. Exports	7	6	7	8	7	7	7	8	10	9	9
B4. Other flows 3/	7	6	6	5	5	5	5	6	6	6	6
B5. Depreciation	7	7	7	6	6	5	6	6	5	5	5
B6. Combination of B1-B5	7	6	7	6	6	5	6	6	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	7	6	6	5	5	5	5	5	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	7	6	6	6	5	5	5	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

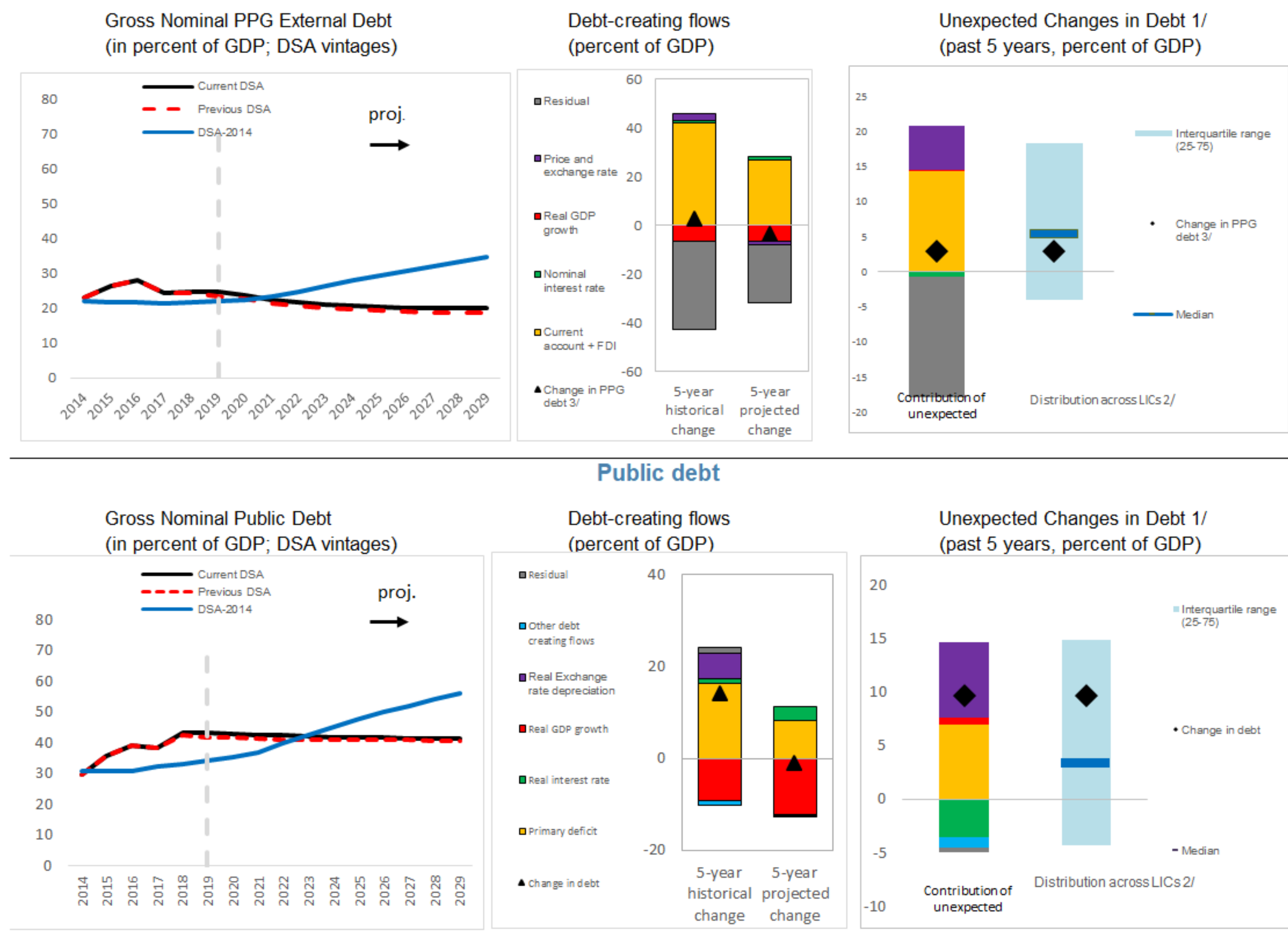
Table 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2018–2028

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	36	36	36	36	36	36	36	36	36	36	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	36	37	38	40	41	42	44	45	47	49	50
B. Bound Tests											
B1. Real GDP growth	36	37	40	41	42	43	44	45	46	47	48
B2. Primary balance	36	39	42	42	42	41	41	41	41	41	41
B3. Exports	36	41	50	50	49	49	48	48	47	46	45
B4. Other flows 3/	36	38	40	40	39	39	39	39	39	39	39
B5. Depreciation	36	38	36	35	34	32	31	30	29	28	27
B6. Combination of B1-B5	36	37	38	37	36	36	35	35	35	35	35
C. Tailored Tests											
C1. Combined contingent liabilities	36	44	44	43	43	43	43	43	42	42	42
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	36	37	40	42	44	46	47	48	49	50	51
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	147	148	155	154	153	152	152	150	149	150	150
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	147	153	166	169	174	179	184	188	193	200	206
B. Bound Tests											
B1. Real GDP growth	147	153	171	174	177	181	184	186	189	194	198
B2. Primary balance	147	160	182	179	177	175	174	171	169	169	169
B3. Exports	147	170	218	213	210	206	203	198	193	189	186
B4. Other flows 3/	147	155	172	169	168	166	165	163	161	160	160
B5. Depreciation	147	159	159	151	145	138	132	126	120	115	111
B6. Combination of B1-B5	147	154	163	157	154	151	149	147	146	145	145
C. Tailored Tests											
C1. Combined contingent liabilities	147	181	189	185	184	181	179	177	175	174	174
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	147	160	179	187	193	196	199	199	202	206	210
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	30	36	43	41	41	41	41	39	39	39	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	30	36	43	42	42	43	44	44	47	50	52
B. Bound Tests											
B1. Real GDP growth	30	37	46	46	47	48	50	49	50	51	53
B2. Primary balance	30	36	48	50	48	48	49	46	45	45	45
B3. Exports	30	36	43	43	43	42	42	41	43	43	42
B4. Other flows 3/	30	36	43	42	41	41	41	39	40	40	40
B5. Depreciation	30	35	41	38	39	38	38	36	36	36	36
B6. Combination of B1-B5	30	35	42	44	42	41	41	40	40	39	39
C. Tailored Tests											
C1. Combined contingent liabilities	30	36	56	51	50	51	51	47	46	46	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	38	46	47	50	51	53	52	53	55	56
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 3. Burkina Faso: Drivers of Debt Dynamics - Baseline Scenario

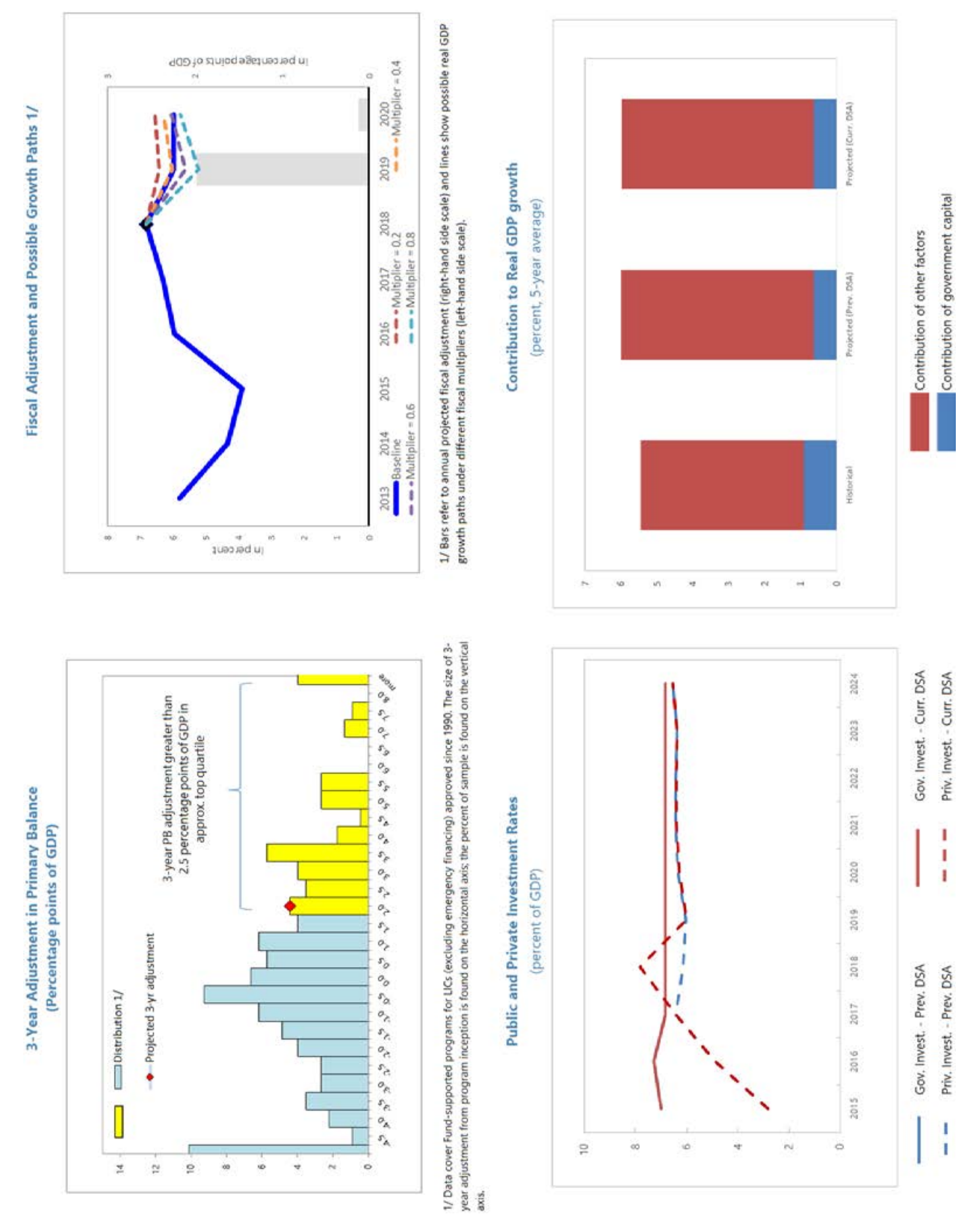


1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Burkina Faso: Realism Tools



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Figure 5. Burkina Faso: Qualification of the Moderate Category, 2019–2029 1/

Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.