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BURKINA FASO

November 2020

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION AND REPHASING OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURKINA FASO

In the context of the Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance of Performance Criterion and Rephasing of Access, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 13, 2020, following discussions that ended on September 30, 2020, 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 October 29, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Burkina Faso.

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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IMF Executive Board Completes the Fourth and Fifth Reviews Under the Extended Credit Facility (ECF) Arrangement and Approves the Disbursement of US$51.28 Million for Burkina Faso

FOR IMMEDIATE RELEASE

- *The Executive Board decision allows an immediate disbursement of US$51.28 million.*
- *ECF program performance was satisfactory despite being hampered by the COVID-19 pandemic and the security crisis.*
- *Burkina Faso has also benefited from a second tranche of debt service relief of around US$14.52 million, provided by the IMF Catastrophe Containment and Relief Trust (CCRT).*

Washington, DC – November 13, 2020. The Executive Board of the International Monetary Fund (IMF) today completed the fourth and fifth reviews of Burkina Faso's economic program under the Extended Credit Facility (ECF). Completion of these reviews, which constitute the last two under the ECF-supported program, unlocks access to SDR 36.12 million (about US$51.28 million), bringing total disbursements under the arrangement to SDR 108.36 million (about US$152.58 million). Burkina Faso's three-year ECF arrangement was approved by the IMF Executive Board on March 14, 2018. It aims at maintaining macroeconomic stability, reducing poverty and creating fiscal space for priority spending.

The Executive Board also approved the authorities' requests for a waiver for the nonobservance of the program performance criterion on the ceiling on net domestic financing of the government and rephasing of access for the fifth review to make the sixth disbursement available on November 13, 2020.

In addition, Burkina Faso has benefited from a second tranche of debt relief on its debt service falling due to the IMF from October 14, 2020 to April 13, 2021 (SDR 10.3 million or about US$ 14.52 million), in the form of grant assistance under the Catastrophe Containment and Relief Trust. This relief follows that granted for debt service due between April 14 and October 13, 2020 (about US$12 million).

The economic impacts of the global and domestic measures to contain the COVID19 pandemic have been stronger than expected. Real GDP is expected to contract by 2.8 percent in 2020, compared to a forecast of 6.0 percent expansion prior to the pandemic. The fiscal deficit in 2020 is expected to widen to about 5.3 percent of GDP, to accommodate an effective response to the fallout from COVID19 and security shocks. The main risks to the outlook are the uncertainty surrounding the duration of the pandemic and the ongoing security crisis.

Following the Executive Board's discussion on Burkina Faso, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The COVID19 pandemic and the security crisis continue to negatively impact Burkina Faso's economy. The authorities took swift actions to contain the spread of the pandemic, and implement accommodative fiscal measures, including additional healthcare spending and support for vulnerable households and affected businesses. Performance under the ECF-supported program has been satisfactory despite the challenging policy environment.

“A widening of the fiscal deficit in 2020 and 2021 is warranted to accommodate the COVID19 spending, additional security needs, and post-COVID19 recovery. Such spending should be cost-effective and appropriately targeted, while safeguarding macroeconomic stability and debt sustainability. In addition, efforts should focus on boosting domestic revenue mobilization, which was affected by the large contraction in economic activity.

“Good governance remains of paramount importance, including in the context of emergency spending related to COVID19. In this regard, the authorities published asset declarations by members of the government and completed an audited report on COVID19-related expenditures at end-June 2020. They have also committed to publish further reports along with all pandemic-related procurement contracts and their beneficial owners. Shortfalls noted in the report on spending at end-June 2020 should be expeditiously addressed.

“Addressing the security crisis and promoting higher and inclusive growth will remain crucial for Burkina Faso over the medium term. Consequently, a gradual return of the fiscal deficit to the regional target of 3 percent of GDP (2024 – one year later than the regional goal) is important and will preserve policy space to balance the growth impact and the fiscal adjustments related to shocks associated with security and pandemic spending needs.

“The authorities should make efforts to promptly adopt and implement the necessary reforms to put the wage bill on a sustainable path.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

BURKINA FASO

October 29, 2020

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION AND REPHASING OF ACCESS

EXECUTIVE SUMMARY

Context. The security crisis is worsening and is leading to disruption of basic public services and an unprecedented humanitarian crisis. The Covid19 outbreak and the authority's response to contain its spread further compounded the situation. Presidential and legislative elections are scheduled for November 2020.

Outlook and risks. The economic impacts of the global and domestic measures to contain the spread of the COVID19 pandemic have been stronger than expected. Real GDP contracted by 1.4 percent and 8.6 percent (y-o-y) in the first and second quarters of 2020, respectively. The economic outlook remains uncertain, with growth expected to stand around -2.8 percent in 2020 (down from 6 percent forecast prior to the pandemic). Inflation is expected to pick up and reach 4.1 percent by end-2020. The fiscal deficit in 2020 is expected to widen to about 5.3 percent of GDP, to accommodate an effective response to the Covid19 and security shocks. The main risks to the outlook are the uncertainty surrounding the duration of the pandemic and the security crisis.

Program performance and policies. Performance under the ECF-supported program remains satisfactory. For the 4th review, all quantitative performance criteria (QPCs) at end-December 2019 and four out of six indicative targets (ITs) were met. For the 5th and last review, four out of five QPCs were met, despite COVID19-related challenges. All but one structural benchmark for the 4th and 5th reviews were met. All prior actions set for these reviews, to continue meeting the objectives of the program, were met. The authorities requested that the fourth and fifth reviews be combined since most of the conditions for the related disbursements have been completed, provided that the Executive Board approves rephasing of the availability date for the sixth disbursement by moving it forward to November 13, 2020.

Successor program. The authorities expressed interest in continuing their medium-term policy and reform efforts through a new financial arrangement after the current program expires.

Staff's views. Staff support the authorities' request for a waiver for the missed QPC at end-June 2020, as this reflects adjustments made to the initial budget to account for urgent COVID19-related spending. In addition, the authorities have produced an audited report on such spending. In view of the corrective actions taken by the authorities to ensure successful implementation of the program, staff support completion of the reviews, the release of the fifth and sixth disbursements under the ECF arrangement in the amount of SDR36.12 million and the rephasing of the fifth review to make its associated sixth disbursement available on November 13, 2020, as conditions for the completion of the review are met ahead of time.

Approved By
Catriona Purfield (AFR) and Kevin Fletcher (SPR)

Discussions were held remotely during September 8 - 30, 2020. The staff team comprised Mr. Ahokpossi (head), Ms. Bteish, Mr. Mpatswe and Mr. Simione (all AFR), Mr. Gbohoui (FAD), and Mr. Varghese (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 had discussions with Mr. Lassané Kaboré, Minister of Economy, Finance and Development; Ms. Edith Clémence Yaka, Minister Delegate responsible for the budget; 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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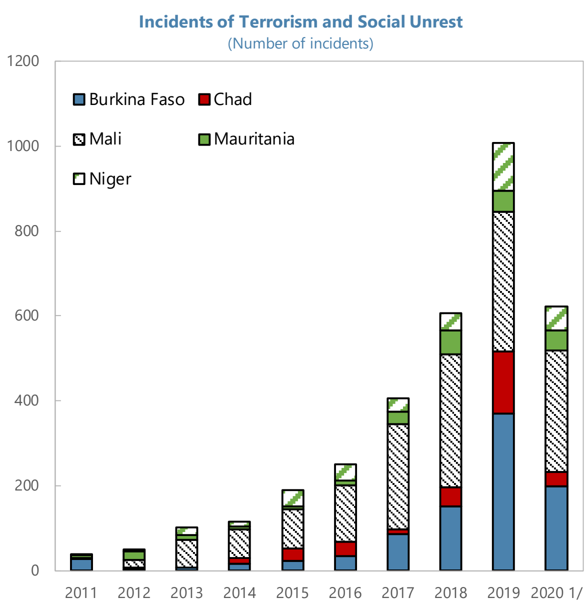
BACKGROUND AND RECENT DEVELOPMENTS

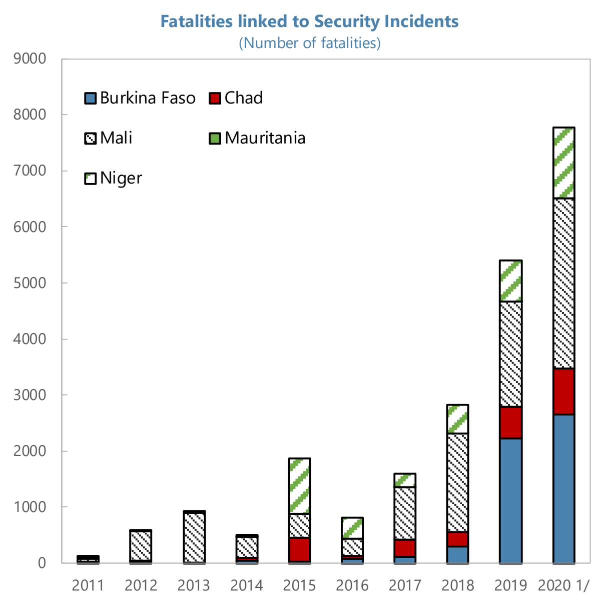
A. Context: A Very Challenging Policy Environment

1. **The fifth review marks the end of the current program, which was implemented under deteriorating security conditions and persistent social tensions.** The security crisis has intensified since late 2018 (Text Figure 1). As of September 2020, it has affected about 5.2 million people, with 2.2 million needing humanitarian assistance and over one million internally displaced. In addition, about 300 health centers are closed or functioning only partially, while more than 2,500 schools have closed, affecting about 350,000 students. On the social front, civil service unions have periodically paralyzed public administration, as pay disputes continued across a range of sectors. As a result, security spending and the wage bill have increased significantly and crowded out some development spending, notwithstanding policy efforts to create fiscal space.

Text Figure 1. Burkina Faso: Security Challenges, 2011-2020



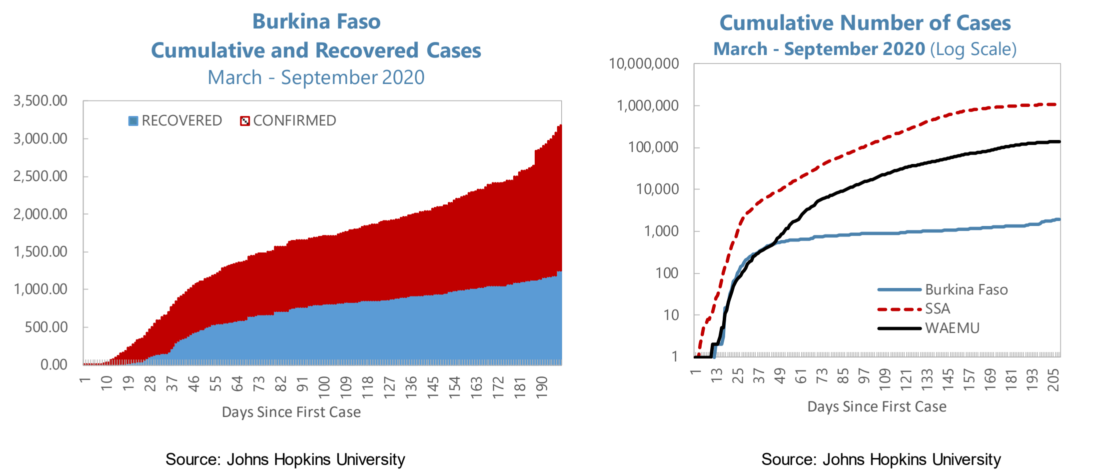
1/ Annualized based on data through September.
Sources: Control Risks; and IMF and WBG staff calculations.



1/ Annualized based on data through September.
Sources: ACLED; and IMF and WBG staff calculations.

2. **In 2020, these challenges have been compounded by the COVID-19 pandemic.** Following the first case of coronavirus recorded on 9th March and an initial period of rapid transmission, the authorities imposed confinement measures and travel restrictions. These have been progressively eased as community transmission and fatalities have remained modest (Text Figure 2). Testing has increased, particularly since mid-June with the availability of on-demand rapid tests. The reopening of passenger flights took place August 1, accompanied by strict protocols for testing and quarantine for new arrivals.

Text Figure 2. Burkina Faso: COVID-19 Cases



3. **On political front, legislative and presidential elections are scheduled for November 2020.** President Kaboré is seeking a second term as head of the People's Movement for Progress (*Mouvement du Peuple pour le Progrès*, MPP) party and will face 13 other candidates. In the event there is no outright winner of the first round, a second round will take place and would likely extend the electoral process into the New Year. At the same time, the MPP party is seeking to defend its parliamentary majority.

4. **Overall program performance during 2018-2020 has been satisfactory despite being hampered by the growing security crisis, frequent public sector pay-related disputes, and the COVID-19 pandemic (Annex II)**. The program helped restore fiscal discipline which resulted in the overall deficit declining from almost 8 percent of GDP in 2017 to just over the WAEMU convergence criterion limit of 3 percent of GDP in 2019. The path of fiscal consolidation has been disrupted in 2020, however, as the COVID-19 pandemic and, to a lesser extent, the security crisis have negatively impacted revenues and expenditure. The authorities have made progress in important reform areas (domestic resources mobilization and cash management), while additional efforts are needed in areas where the pace has been slower than envisaged (wage bill and energy subsidy reforms).

B. Recent Economic Developments

5. Data for end-2019 and the first half of 2020 indicate that:

- Real GDP growth decelerated to 5.7 percent in 2019 (from 6.8 percent in 2018) as the agriculture sector growth moderated after exceptional harvests in 2018, and security threats in late 2019 forced the temporary closure of a key gold mine. The economic impacts of the global and domestic measures to contain the spread of the COVID-19 pandemic have been stronger than expected in the first half of 2020, as real GDP contracted by 1.4 percent and 8.6 percent (y-o-y) in the first and second quarters, respectively. The contraction was broad-based, with substantial output loss in hotels, restaurants and commerce.

- Inflation stood at -2.6 percent y-o-y in 2019, essentially helped by bumper food harvests. However, it has rebounded to 4.1 percent at end-August 2020 as food prices recovered, reflecting cereals harvests reverting to normal levels, and domestic supply chain shocks amid COVID-19.

- The overall fiscal deficit stood at 3.2 percent of GDP in 2019. This outturn is mainly explained by lower mobilization of revenue (net of VAT reimbursement) and grants, which was relatively lower than expected at the time of the third ECF review. The mobilization of external financing, both in terms of grants and loans, was also low compared to the forecasts. For the first half of 2020, the pandemic negatively affected revenue collection while spending accelerated.

- The banking system remained sound through end-2019, despite two small banks' noncompliance with some prudential requirements. The overall ratio of nonperforming loans remained contained at 7.6 percent, while liquidity remained resilient. At end-July 2020 private credit growth stood at 8.7 percent y-o-y. However, it has decelerated from an average 12.4 percent in January to April as COVID-19 further disrupted the economy in the second quarter and banks increased their holdings of foreign government securities issued in the regional WAEMU market.

- The current account deficit widened to 4.8 percent of GDP in 2019, up from 4.1 percent of GDP in 2018, due to the sharp drop in production of cotton combined with lower cotton prices. The deficit has likely narrowed in the first half of 2020, due to favorable prices of gold and oil.

PERFORMANCE UNDER THE ECF ARRANGEMENT

6. **Performance for the 4th and 5th reviews was satisfactory (MEFP Tables 1, 2 and 3).**

- For the 4th review, all end-December 2019 quantitative performance criteria (QPCs) and four out of six ITs were met (MEFP Table 1). Higher than planned VAT reimbursement and weaker than expected external program grants have resulted in the indicative target (IT) on the overall fiscal deficit exceeding its target by 0.3 percent of GDP. At the same time, the stock of unpaid VAT refunds (IT) exceeded its program target, as requests for reimbursement were even higher. The authorities have taken steps to improve the VAT reimbursement mechanism (¶18 and MEFP ¶48)

- For the 5th review, four out of five QPCs and three out of six ITs for end-June 2020 were met (MEFP Table 2). The QPC on net domestic financing as well as the ITs on the overall fiscal deficit, on government revenue and on the stock of unpaid VAT stock were missed due to COVID19-related adjustments to the 2020 budget and a slowdown of the VAT reimbursement process. The IT on the floor of pro-poor spending was met, as the government stepped up social spending in response to COVID19. The authorities have requested a waiver for the missed QPC (¶25 and LOI).

- All but one of the structural benchmarks established for the 4th and 5th reviews have been met (MEFP Table 3), including the continuous commitment not to conclude any new wage agreements outside of the security sector. The dematerialization of asset declarations of government officials and parliamentarians was also met and declarations are publicly accessible online. The performance audit of SONABHY (national oil distribution company) was not completed as the recruitment of the auditor was delayed by the COVID19 outbreak. The authorities and the World

Bank have agreed on a new timetable, and the audit is now expected to be completed by March 2021.

OUTLOOK AND RISKS

7. **Economic activity is projected to decline in 2020, and inflation to rebound.** Real GDP is expected to contract by 2.8 percent (from 6 percent projected pre-pandemic and 2 percent at the time of RCF request in April 2020), notwithstanding the resilient agriculture and mining sectors. Growth will recover to around 4.1 percent in 2021, below the pre-pandemic level, and stabilize around 5.6 percent over the medium term, as both the effects of the pandemic and the security crisis persist. Annual inflation is projected to catch up to around 4.1 percent in 2020 as food prices recover from 2019 deflation. The authorities have a more optimistic outlook for both growth and inflation (MEFP ¶31-32). They expect a stronger recovery in the second half of 2020 and real GDP growth of 1.5 percent for the year. They also expect inflation to recede to 1.4 percent at year end.

8. **The current account deficit is projected to narrow to 3.5 percent of GDP in 2020 down from 4.8 percent of GDP in 2019 (Table 2).** The improvement primarily reflects the post-pandemic rally in gold prices and the reduction in international oil prices. These mitigating factors are further supported by the projected increase of official transfers. Improvement in the outlook could be partially offset by lower remittances and tourism receipts, and potential disruptions to gold production from security or COVID-19 concerns.

Text Table 1. Burkina Faso: Key Economic Indicators, 2018–2021

	2018	2019			2020			2021
	Est.	3rd Rev.	3rd Rev. / rebased GDP	Prel.	3rd Rev.	3rd Rev. / rebased GDP	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
GDP and prices								
GDP at constant prices	6.8	6.0	6.0	5.7	6.0	6.0	-2.8	4.1
GDP deflator	2.4	1.8	1.8	-3.0	2.0	2.0	2.2	2.3
Consumer prices (annual average)	2.0	-3.4	-3.4	-3.2	2.0	2.0	2.2	2.5
Consumer prices (end of period)	0.3	-3.5	-3.5	-2.6	2.0	2.0	4.1	2.5
External sector								
Exports (f.o.b.; valued in CFA francs)	10.1	1.9	1.9	2.1	11.6	11.6	5.7	2.0
Imports (f.o.b.; valued in CFA francs)	7.7	6.6	6.6	5.9	5.5	5.5	-0.1	1.7
Current account (percent of GDP)	-4.1	-5.2	-4.8	-4.8	-4.0	-4.0	-3.5	-3.5
	(Percent of GDP, unless otherwise indicated)							
Total public debt	37.7	43.5	39.9	42.7	43.1	43.0	46.1	48.2
Of which: external debt	21.5	24.6	22.6	23.7	23.6	23.5	25.0	24.3
Of which: central government domestic debt	16.2	18.9	17.3	19.0	19.5	19.5	21.1	23.9
Memorandum items:								
Nominal GDP (CFAF billion)	8,998	8,471	9,226	9,226	9,156	9,168	9,168	9,764
Nominal GDP per capita (US$)	821	714	775	775	748	764	764	850

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

9. **The balance of risks is tilted to the downside (Annex I. RAM)**. The main domestic risks relate to a resurgence of COVID-19, further security disruptions, and labor disputes that would further depress economic activity and weigh on mining, cotton production, tourism, and government revenue and expenditure. Labor disputes would add pressures to increase current spending, particularly in the context of the upcoming elections. On the external side, Burkina Faso would be adversely affected by the spillovers from intensified protectionism, global supply chain disruptions due to COVID-19 and downside risks to global growth.

10. **The Debt Sustainability Analysis (DSA) finds that Burkina Faso's risk of external debt distress remains moderate.** Burkina Faso has a medium debt-carrying capacity based on the composite indicator of 2019. 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 (debt service-to-exports and debt service-to-revenue ratios) are breached. 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. The COVID19 shock has significantly affected all macroeconomic aggregates, but debt remains sustainable (see DSA supplement).

POLICY DISCUSSIONS

Policy discussions for the 4th and 5th ECF reviews focused on the effective implementation of the authorities' crisis response and its impact on the 2020 budget, as well as priorities underpinning the 2021 budget to support a strong and inclusive economic recovery.

A. Fiscal Framework and Policies for 2020 and 2021

11. **The 2020 fiscal deficit is projected to widen to 5.3 percent of GDP, reflecting the impact of Covid19 on growth, revenue collection and spending needs (Text Table 2 and Table 5b).** This represents a 2.3 percent of GDP deviation from the initial 2020 budget (3rd ECF review), reflecting a net budget adjustment to cover COVID19 spending and additional security needs (Text Table 2). Domestic revenue collection is now projected to be lower by 2.6 percent of GDP relative to the initial budget. On the expenditure side, current expenditure is projected to be unchanged and investment to expand by 0.6 percent of GDP relative to the original budget.

Text Table 2. Burkina Faso: Budgetary Trends and Impact of COVID-19, 2018–2021
(In percent of GDP)

	2018	2019		2020				2021
	Act.	3rd Rev.	Act.	3rd. Rev.	RCF	Proj.	Covid19 Impact / 3rd. Rev.	Proj.
Total revenue and grants	19.4	22.3	20.4	24.2	19.5	22.5	-1.7	21.5
Total revenue	17.0	19.3	18.9	20.6	17.4	18.0	-2.6	18.5
Tax revenue	15.1	16.1	15.4	18.0	15.2	15.4	-2.6	16.2
Nontax revenue	2.0	3.3	3.5	2.6	2.2	2.6	0.0	2.3
Grants	2.4	2.9	1.5	3.6	2.1	4.5	0.9	3.0
Total expenditure	23.6	25.1	23.6	27.2	24.5	27.7	0.6	27.0
Current expenditure	15.4	17.7	17.8	18.2	19.0	18.2	0.0	18.0
Wages and salaries	7.8	9.2	9.2	9.8	9.3	9.8	0.0	9.7
Goods and services	2.2	2.0	2.2	2.2	2.5	2.0	-0.1	2.0
Interest payments	1.1	1.3	1.3	1.4	1.3	1.2	-0.1	1.8
Current transfers	4.3	5.2	5.3	4.9	5.9	5.1	0.2	4.4
Investment expenditure	8.4	7.5	6.0	9.0	5.6	9.6	0.6	9.2
Domestically financed	5.9	4.2	4.6	4.9	3.0	5.8	0.9	5.7
Externally financed	2.5	3.3	1.5	4.1	2.6	3.8	-0.3	3.5
Overall balance	-4.2	-2.8	-3.2	-3.0	-5.0	-5.3	-2.3	-5.5
Financing	5.2	2.8	3.2	3.0	4.2	5.3	2.2	5.5
External financing (net)	0.8	1.0	1.1	0.8	0.8	2.0	1.2	1.2
Domestic financing (net)	4.4	1.8	2.1	2.2	3.4	3.2	1.0	4.3
Financing gap	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Memorandum item								
Primary balance excluding grants	-4.2	-2.6	-2.9	-2.5	-4.5	-6.3	-3.8	-4.5

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

12. **This budget framework reflects substantial policy adjustments and rebalancing toward COVID19 and security-related spending (Text Table 3).** The authorities' revised budget as well as developments since its adoption indicate that within the current expenditure envelope, the authorities made room for COVID19-related health and transfers expenditures (0.9 percent of GDP) by keeping the wage bill unchanged, cancelling non-priority spending on goods and services (-0.1 percent of GPD) and reducing transfers (-0.7 percent of GDP). The lower transfers represent, for the most part, savings on fuel subsidies, reflecting lower international oil prices and a partial pass-through to fuel prices at the pump. The authorities also postponed important but non-urgent investments (about 1.1 percent of GDP) and added COVID19-related health investments (1.7 percent of GDP) and security investments. The COVID19-related investments include health investments and a partial guarantee fund for companies in hard-hit sectors such as transport, hospitality and restaurants. The government expects to leverage this guarantee fund of CFA100 billion (CFA70 billion in 2020 and CFA30 billion next year) to help the financial sector inject at least CFA200 billion in fresh credit into the economy during 2020-2021 (MEFP ¶42-¶44).

Text Table 3. Burkina Faso: Policy Adjustments and Impact of COVID19 and Security in the Revised 2020 Fiscal Framework

(In percent of GDP)

	Policy Adjustment (Canceled allocation from initial budget)	Gross Impact (Revenue loss, new grants and expenditures)	Net Impact of COVID and Security
Total revenue and grants	**0.1**	**-1.7**	**-1.7**
Total revenue	0.1	-2.7	-2.6
Tax revenue	0.0	-2.6	-2.6
Non tax revenue	0.1	0.0	0.0
Grants	0.0	0.9	0.9
Total Expenditure	**-2.0**	**2.6**	**0.6**
Current Expenditure	-0.9	0.9	0.0
Wages and salaries	0.0	0.0	0.0
Goods and services	-0.1	0.0	-0.1
Interest	-0.1	0.0	-0.1
Transfers	-0.7	0.9	0.2
Investment	-1.1	1.7	0.6
Overall balance excl. grants	**2.0**	**-5.2**	**-3.2**
Overall balance incl. grants	**2.0**	**-4.3**	**-2.3**

Source: Burkinabe Authorities and Staff Calculations

13. **Staff supports the widening of the 2020 fiscal deficit, which is fully financed by additional external budget support.** In addition to Fund's RCF disbursements of about US$115.3 million (or 70 percent of quota), the planned disbursement for the 4th and 5th ECF reviews and debt relief under the CCRT, other sources of external financing include the World Bank (US$307.95 million[1]), the African Development Bank (US$61.5 million), the European Union (Euro 116.36 million) and France (Euro 36 million). Burkina Faso is expected to receive debt service suspension amounting to CFAF 13.9 billion (0.2 percent of GDP) in 2020 from creditors participating in the DSSI. This, along with other external supports, will help the authorities meet the additional spending and financing needs arising from the pandemic.

14. **The 2021 budget remains influenced by the outlook for COVID19 and the security crisis and is underpinned by strong planned policy efforts.** The government submitted to the parliament a draft budget that is in line with program objectives (prior action).

- *Revenue and grants amount to 21.5 percent of GDP*. That is 1.0 percent of GDP lower than in 2020, as the increase in domestic revenue (0.5 percent of GDP) will only partially offset the loss

[1] The support includes an emergency budget support of US$100 million (equally divided between grants and concessional loan), expected to be disbursed before the end-year.

of grants (-1.5 percent of GDP). The loss of grants reflects a return to normal levels, following the exceptional support from external partners in 2020 to help tackle the pandemic.

- *Expenditures amount to 27.0 percent of GDP*. Compared to 2020, this reflects a reduction of current expenditures (-0.2 percent of GDP) and investment (-0.5 percent of GDP), notwithstanding higher interest payments (0.5 percent of GDP) on current expenditures side, and continued support for businesses hard hit by COVID19 (0.3 percent of GDP) and effort to kickstart the recovery on the investment side. Domestically-financed investment remains elevated level to sustain priority sectors such as security, education, healthcare, water and sanitation, agriculture and infrastructure (MEFP ¶53). In light of the higher-than-expected growth impact of the pandemic, these investments will help the economy recover faster.

- *The overall deficit of 5.5 percent of GDP is financed mostly through the domestic market*. While the higher recourse to domestic financing is feasible, the authorities should remain mindful of not crowding out the private sector.

15. **Staff considers the fiscal stance of the 2021 budget appropriate and urged the authorities to continue seeking additional grants and concessional financing.** The overall fiscal deficit, while relatively elevated, remains consistent with adequate external reserves and sustainability for the WAEMU. Also, the primary deficit excluding program grants improves significantly (Text Table 2 and Table 4b), reflecting the authorities' fiscal effort in 2021, particularly given the fall in program grants and rise in interest expenditure. Given Burkina Faso's moderate risk of debt distress and increased reliance on regional short term and costly funding in recent years, staff urged the authorities to continue seeking grants and concessional financing to help maintain debt sustainability. Staff also urged the authorities to diligently implement the policy measures underpinning the budget.

16. **Addressing the security crisis and promoting higher and inclusive growth will continue to define Burkina Faso's policy priorities over the medium term.** A more gradual return of the fiscal deficit to the WAEMU target of 3 percent of GDP—now expected in 2024—will help create space to balance the growth impacts and the fiscal adjustments with security and pandemic spending needs.

17. **The authorities reiterated their commitment to good governance, including the accountability and transparency of Covid19-related spending *(*MEFP ¶45-¶47*)***. All external Covid19-related supports are fully channeled through the revised 2020 budget and a high-level oversight mechanism[2], with the participation of civil society, has been established to coordinate the government's response to COVID-19 and ensure transparency and accountability of Covid19-related expenditures. In this respect, the first audited report on Covid19-related spending up to end-June 2020 has been shared with staff (**prior action**). Going forward, all pandemic-related procurement contracts and their beneficial owners will be published, and an audited report on Covid19-related spending at end-December 2020 will be published by end-June 2021. With technical assistance from the World Bank, the authorities have adopted a new emergency spending framework for dealing with future crises. The framework covers the (i) overall institutional arrangements; (ii) financing of emergency mechanisms; (iii) appropriate budgetary, accounting and financial management

[2] The High-level Oversight Committee is chaired by the Prime Minister.

procedures; (iv) ex-post accountability mechanisms; and (v) tools to ensure the transparency of the framework.

B. Staying the Course with Key Fiscal Reforms

18. **Staff welcome the authorities' efforts to limit Covid19 negative effects on revenue mobilization.** Some tax measures taken in response to the Covid19 pandemic have been phased out[3] and the authorities are committed to further strengthen the capacity of the tax and customs administrations to ensure they will achieve assigned targets under the revised 2020 budget. Reform efforts include ***(*MEFP ¶36-¶37)**:

- Enforcing implementation of fiscal measures introduced in the 2020 original budget, including the increased tax rate on the tobacco tax rate from 45 to 50 percent;
- Strengthening the fight against fraud and corruption, through continued computerization of tax declaration and payment procedures;
- Enhancing the interconnection between SINTAX and SYDONIA software for data sharing between the tax and customs administration;
- Adding ten other fraud-sensitive products to SYDONIA's value control and increasing the number of products monitored by the Value Control Team to 30;
- Extending the interconnection of Burkina's customs IT systems with that of Côte d'Ivoire to the rail transport system.

19. **The authorities' measure to streamline the VAT reimbursement process constitutes a good first step.** Building on FAD TA recommendations, the authorities have issued a ministerial order suspending VAT collection on imports of mining companies, which collect little or no VAT from their domestic activities. This measure is conducted on a pilot basis until the end of 2020 and should give rise to a more comprehensive reform in 2021, to correct any shortcomings and close any loopholes. The authorities have developed a roadmap laying out the next steps and timeline for reaching best practice in VAT management (**prior action**).

20. **Reforms to strengthen public financial management (PFM) are advancing.**

- **Treasury Single Account (TSA) and network of public accountants (MEFP ¶61-¶69).** The authorities have established a detailed road map for the operationalization of the Treasury Single Account with assistance from IMF and World Bank TA. A mapping of accounts has also been completed with a view to their consolidation in the TSA and closing of those redundant. In addition, connectivity to the Central Bank has been established to allow access to SWIFT payments and since end-July 2020, payments are processed through these systems. In the same context, staff urged the authorities to accelerate the digitization of government's key services and payment

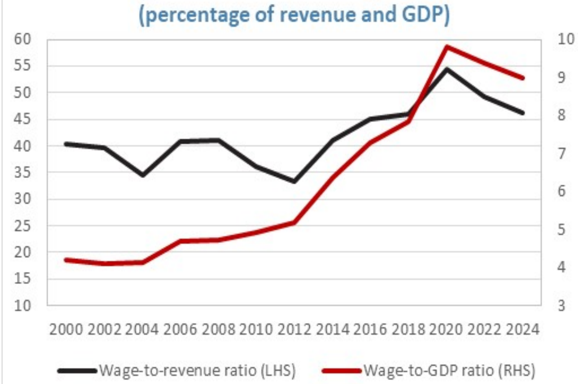
[3] Tax relief measures, introduced as Covid19 responses such as delayed tax payments, waiving late payment penalties and fines, were not renewed at their sunset date of end-June 2020.

systems, which among other things will limit disruption in the provision of public services during crisis. Considering the authorities' focus on addressing the fallout of Covid19 pandemic and the risks of overloading staff capacity, the planned deployment of public accountants within the Tax, Customs, and Treasury administrations will be delayed to January 2022.

- **Improving the quality and management of public investments (MEFP ¶70).** Based on FAD PIMA assessment carried out in June 2017, the authorities will endeavor to reinforce their public investment's appraisal, selection and budgeting tools. To limit fiscal risks associated with public-private partnership programs, staff encouraged the authorities to step up institutional and analytical capacity building efforts, working in close collaboration with World Bank and FAD TA.

- **Bringing the wage bill to a sustainable path (LOI and MEFP ¶71).** The political dialogue to secure trade unions' and civil society's support on key elements of a comprehensive wage bill reform package was derailed by the pandemic and by continued labor disputes, including in relation to the implementation of the 2020 budget tax on civil servants' bonuses and allowances. To overcome these challenges, the authorities plan to appoint a high-level committee of independent and highly experienced Burkinabe persons. The committee will be a buffer and a credible intermediary that will facilitate negotiations of the technical elements of the reform package, using the already completed technical work as background information. These include (i) scenarios of salary and indemnity scales in public sector, (ii) draft organic law to set the broad principles of pay and allowances that should govern the public service going forward, and (iii) a draft of the medium-term wage bill strategy. In the meantime, the authorities will stay course with their commitment not to grant any new benefits to the non-security sectors that would increase the wage bill (**continuous structural benchmark**), until the overall reform package is adopted.

Text Figure 3. Burkina Faso: Wage and Salaries (percentage of revenue and GDP)



- **Energy subsidies reform (MEFP ¶72-¶78).** Favorable market conditions and the partial implementation of the fuel price mechanism have resulted in a substantial surplus in the operation of the mechanism and a significant reduction subsidies (transfers). The authorities agreed to use this to offset remaining subsidies payments due to SONABHY (national fuel distribution company). In this regard, the authorities and SONABHY signed a memorandum of understanding setting the outstanding amount of cross-debt at end-August 2020 (**prior action**).

C. Financial Stability and Inclusion

21. Risks to financial stability stemming from the Covid19 pandemic and the security crisis should be closely monitored (MEFP ¶79-¶81). The financial sector appears resilient to current risks.

Yet, pockets of vulnerability could emerge if the disruption caused by the Pandemic persists. In this context, staff welcomes the measures taken by regional central bank (BCEAO) to preserve financial stability. Staff urged the authorities to closely monitor developments in the banking and microfinance sectors, particularly to ensure effective and transparent implementation of the government's recovery support schemes.

22. Efforts to expand access to financial services, notably to mobile banking and microfinance, should be accelerated. The BCEAO has implemented temporary measures to facilitate mobile payments, as well as providing additional liquidity to micro-finance institutions. Building on recent achievements, thanks to rapid expansion of microfinance and mobile money services, the authorities' strategic plan aims at increasing financial inclusion by increasing the percentage of the adult population with a bank and financial transaction account from 43 percent in 2017 to 75 percent by 2023.

23. **Some progress has been made to address deficiencies identified in the 2018 AML/CFT assessment *(*MEFP ¶98-¶99*)*.** Pending validation and assessment by the GIABA Technical Commission, the main efforts included amending the law to criminalize the terrorism financing and appointing the competent Authority in matters of targeted financial sanctions and freezing assets linked to terrorism. Given the deterioration of the security situation in Burkina, staff urged the authorities to step up these efforts to address the remaining macro-critical shortcomings to prevent a potential gray listing by FATF, which could have significant repercussions, including on correspondent banking relationships.

D. Social Protection and Poverty Reduction

24. **The fallout from Covid19 and the security crisis has underscored the need to scale up and improve the effectiveness of the national healthcare system and social safety nets (MEFP ¶83-¶89).** Existing cash transfer programs were expanded to nontraditional beneficiaries, including market vendors (most of whom are women), who were hard-hit by Covid19 containment measures. In addition, the authorities provided in-kind support and subsidized the utilities' bills of the poorest population. Going forward, staff urged the authorities to (i) strengthen adherence to the harmonized tool for collecting information on the poor and vulnerable population, (ii) accelerate the process toward a Single National Registry of Beneficiaries, and (iii) consolidate existing, but fragmented national social safety net programs and improve their targeting. On the healthcare side, the authorities' efforts are devoted to the implementation of the COVID19 health response and to accelerating the introduction of their universal healthcare insurance scheme. Staff encouraged the authorities to take these steps in closer collaboration with Burkina Faso's development partners involved in the sector, especially the World Bank, to leverage synergies and improve the effectiveness of the systems.

E. Governance and Anti-Corruption Efforts

25. **Commendable progress has been made toward good governance *(*MEFP ¶98-¶99*)*.** The dematerialization and online publication of asset declarations of government officials and members of parliament has been completed. Building on this momentum, the state control and anti-corruption

authority (ASCE-LC) and the Court of Auditors (*Cour Supérieure des Comptes et Contentieux Administratifs*) are prioritizing the audits of Covid19-related spending as well as keeping a regular check on sectors presenting higher and systemic risks of corruption (e.g., Customs administration, national police, public procurements, and health sector). Staff urged the authorities to continue strengthening their anti-corruption deterrence efforts by making public the statistics on cases of corruption and embezzlement that have been investigated and sanctioned.

PROGRAM MONITORING AND OTHER ISSUES

26. **Staff support the completion of the 4th and 5th ECF reviews.** The authorities' performance is summarized in MEFP Tables 1–3. All QPCs for the 4th review and four out of five QPCs for the 5th review have been met. Most ITs and structural benchmarks have also been met. The authorities have requested a waiver for the missed QPC at end-June 2020, which resulted from adjustments to the budget to accommodate urgent COVID19-related expenditures. Staff views the waiver request as justified, given that the authorities have taken appropriate corrective actions in response to this exogenous shock, including by canceling some non-priority spending in 2020 to make space for COVID19-related spending (Text Table 3) and the submission of a 2021 budget that is in line with program objectives. In addition, the audit report on COVID19-related expenditures at end-June 2020 has been published, and the authorities have commitment to publish another audited report on such spending at end-December 2020.

27. **Completion of the reviews will release a fifth and sixth disbursements under the ECF arrangement in the amount of SDR 36.12 million, in line with the disbursement schedule approved at the outset of the arrangement (Table 7)**. In this respect, the authorities are requesting a rephasing of the 5th review to make its related disbursement available on November 13, 2020.

28. **The program is fully financed.** Financial assurances are in place until the end of the program at end of March 2021. The financing gap identified at the time of the RCF request has been closed through strong mobilization of external concessional loans and grants, which complemented the Fund's CCRT, ECF arrangement and emergency disbursement (RCF) of April 2020 to support of the authorities' Covid19 response.

29. **Burkina Faso's capacity to repay the Fund remains adequate (Table 8).** Obligations to the Fund would peak in 2026 at 1.1 percent of government revenue or 0.2 percent of GDP.

30. **Safeguards assessments.** The BCEAO has only one recommendation outstanding from the 2018 safeguards assessment. The outstanding recommendation relates to the strengthening of the risk management function, which is in process. The assessment found that overall the central bank has maintained a strong control culture.

31. **Successor arrangement.** The authorities expressed interest in continuing their medium-term policy and reform efforts through a new financial arrangement after the current program expires. The discussions will likely continue after the elections, to identify the form and modalities of future engagement with the Fund.

STAFF APPRAISAL

32. **The Covid-19 pandemic and the security crisis are taking a heavy toll on Burkina Faso's growth outlook.** Real growth stood at 5.7 percent in 2019, and in 2020, is projected to contract by 2.8 percent (down from 6 percent projected before the pandemic), before rebounding in 2021 and stabilizing around 5.6 percent over the medium term. The macroeconomic projections are however subject to substantial uncertainty regarding the impact and persistence of the pandemic and security crises.

33. **Staff welcomes the authorities' response to the shocks, which is reflected in the revised 2020 budget and draft 2021 budget.** The 2020 revised budget raises healthcare spending, current transfers to support vulnerable households, and provides support to affected businesses, especially SMEs. The fiscal deficit is projected to widen to 5.3 percent in 2020 and 5.5 percent in 2021 to accommodate the revenue shortfall and additional spending related to the pandemic and post-Covid19 recovery.

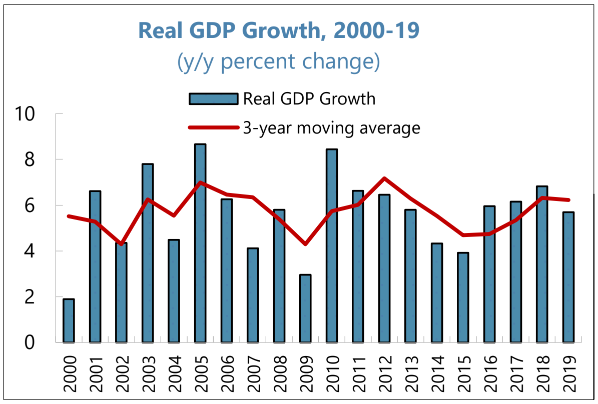
34. **The widening of the fiscal deficit is warranted to support the recovery and address the security crisis.** The deficit is financed by a combination of spending reprioritization, substantial mobilization of external financing (grants and concessional loans and CCRT), the temporary suspension of debt service under the DSSI initiative, and domestic financing from commercial banks.

35. **Staff commends the authorities' satisfactory performance under the ECF-supported program, notwithstanding the challenging policy environment.** All end-December 2019 quantitative performance criteria (QPCs) and four out of six ITs were met. Four out of five QPCs for end-June 2020 have been met. The QPCs on net domestic financing as well as the Indicative Targets (ITs) on the overall fiscal deficit, on government revenue and on VAT reimbursement were missed, due to adjustments made to the budget in response to the pandemic. Most structural benchmarks were met.

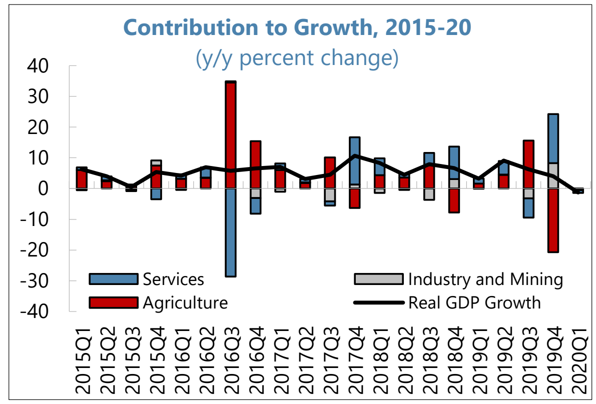
36. **Staff recommends the completion of the fourth and fifth reviews, the rephasing of the fifth review to November 13, 2020, and the disbursement of SDR36.12 million under the ECF arrangement.** Staff also support the authorities' request for a waiver of nonobservance due to the missed QPC on domestic financing at end-June 2020. The recommendation is based on the corrective measures taken by the authorities as well as the strength of their performance for the 4th and 5th reviews. The authorities' Letter of Intent and MEFP spell out measures necessary to ensure that the objectives of the program remain achievable. The capacity to repay the Fund remain adequate and risks to the program are manageable.

Figure 1. Burkina Faso: Recent Economic Developments

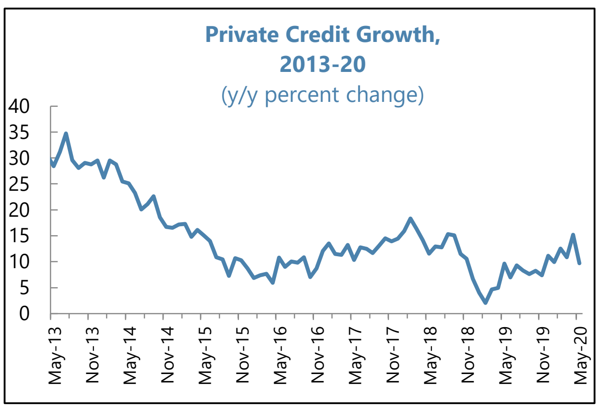
Growth moderated to just under 6 percent in 2019 due in part to growing security threats...



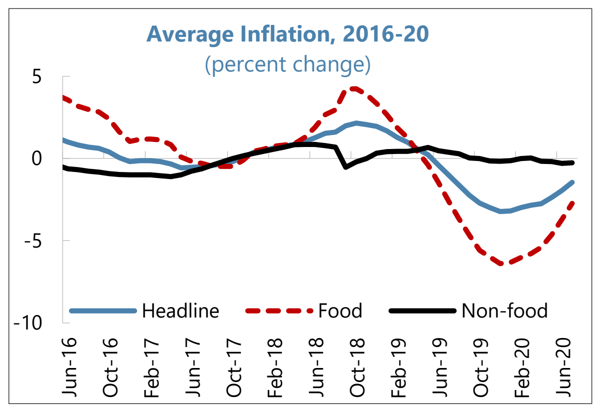
...and real GDP contracted in the first quarter of 2020 amid the global Covid-19 shock.



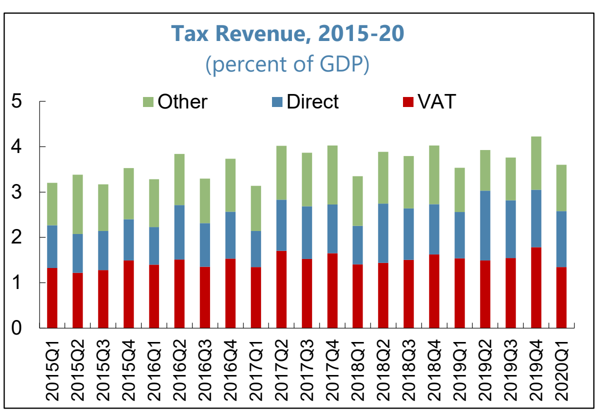
Credit growth recovered in late 2019, although remaining subdued.



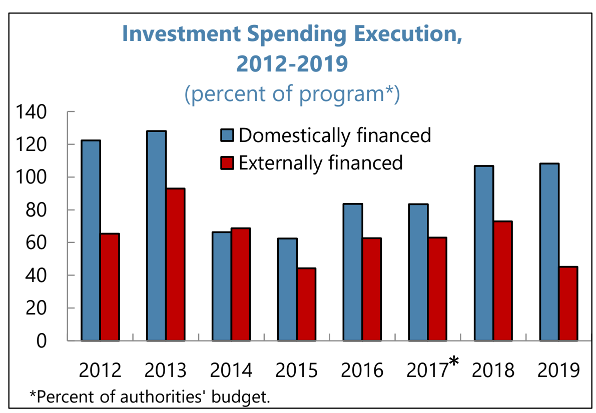
Good food harvests kept inflation negative in 2019, but prices are catching up since early 2020.



Tax revenue in 2019 was broadly in line with projections



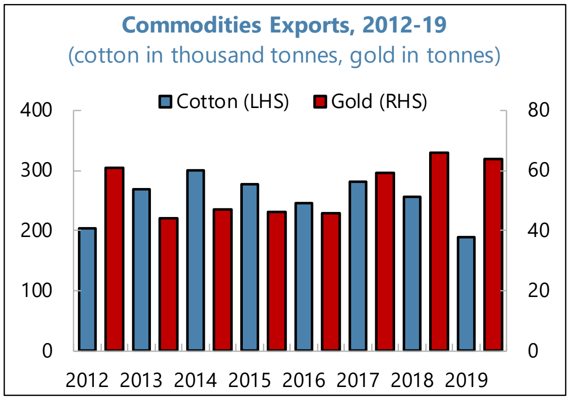
...while public investment execution fell short of projections.



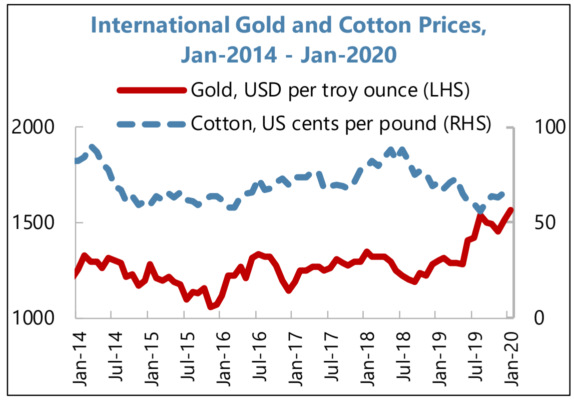
Source: Burkinabè authorities; and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments

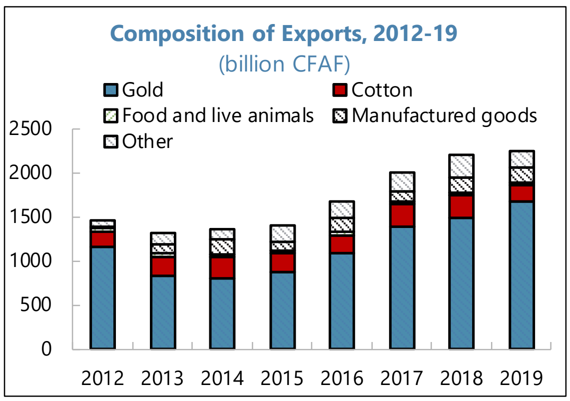
Cotton exports saw a sharp drop due to a production crisis, and gold export volumes dropped moderately



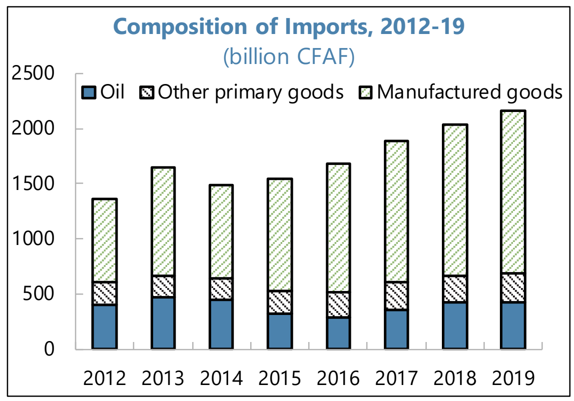
...outweighed by a major hike of gold prices in the second half of 2019



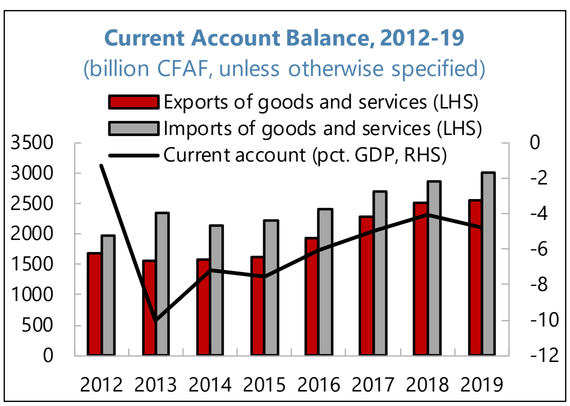
The gold mining sector is increasingly the main driver of total exports



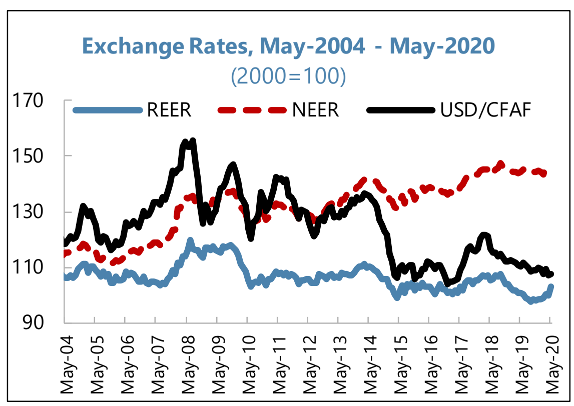
...while imports are mostly driven by oil and manufactured goods.



The current account deficit widened by 0.7 percentage points in 2019 to 4.8% of GDP



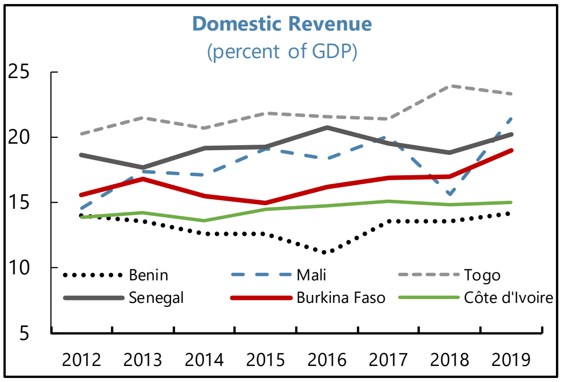
The real exchange rate saw a depreciating trend in 2019, that accelerated by the end of the year



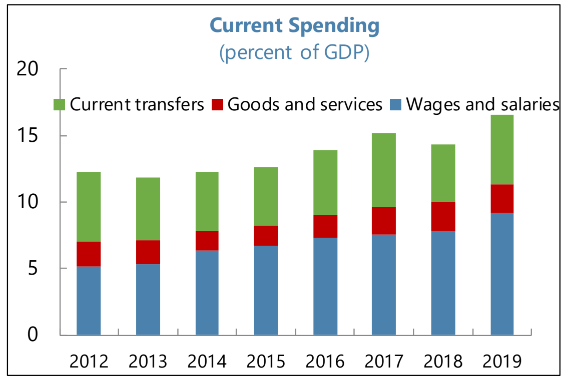
Sources: Burkinabè authorities; and IMF staff calculations.
Note: Figures for 2019 are preliminary.

Figure 3. Burkina Faso: Fiscal Developments

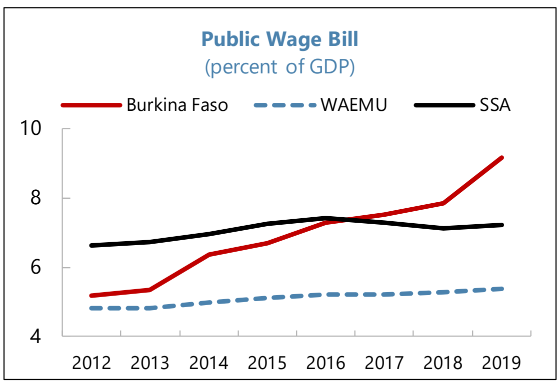
Domestic revenue increased in 2019.



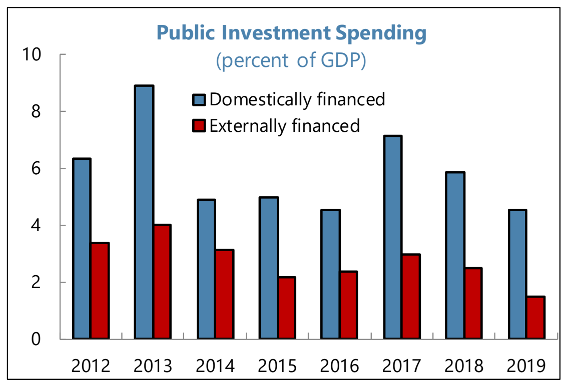
Current spending also increased, driven by wages and transfers.



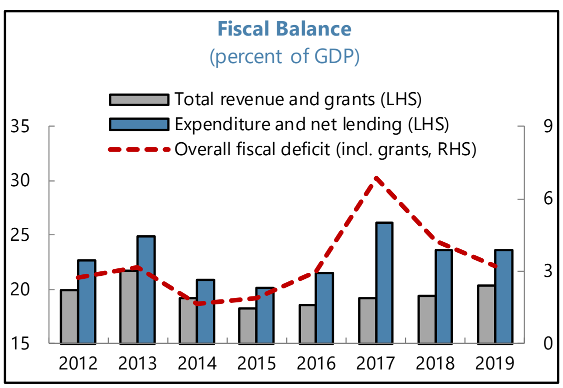
The wage bill is higher than in peers.



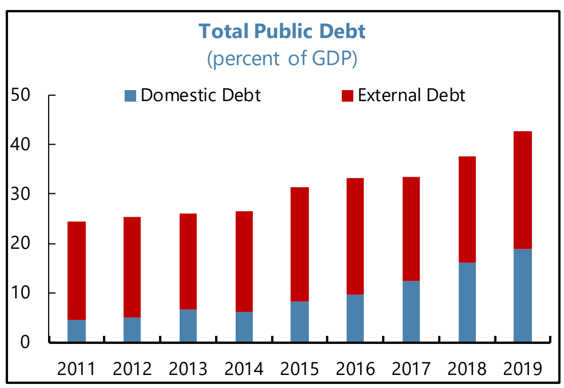
Investment spending continued to decline in 2019.



The fiscal deficit continued to shrink through 2019...



...although public debt is growing as the share of domestic debt continues to rise.



Sources: Burkinabè authorities; and IMF staff calculations.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2017–25

	2017	2018	2019			2020			2021	2022	2023	2024	2025
	Act.	Act.	3rd Rev.	3rd Rev. / rebased GDP 2/	Act.	3rd Rev.	3rd Rev. / rebased GDP 2/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)													
GDP and prices													
GDP at constant prices	6.2	6.8	6.0	6.0	5.7	6.0	6.0	-2.8	4.1	5.6	5.6	5.6	5.6
GDP deflator	2.0	2.4	1.8	1.8	-3.0	2.0	2.0	2.2	2.3	2.3	2.3	2.3	2.3
Consumer prices (annual average)	0.4	2.0	-3.4	-3.4	-3.2	2.0	2.0	2.2	2.5	2.5	2.5	2.5	2.5
Consumer prices (end of period)	2.1	0.3	-3.5	-3.5	-2.6	2.0	2.0	4.1	2.5	2.5	2.5	2.5	2.5
Money and credit													
Net domestic assets (banking system) 1/	11.5	8.6	11.2	11.2	7.6	13.6	13.6	10.1	15.8	...	...	...	...
Credit to the government (banking system) 1/	5.9	-0.2	4.8	4.8	2.6	5.1	5.1	7.8	9.8	...	...	...	...
Credit to private sector	14.4	6.7	11.9	11.9	11.1	12.5	12.5	5.7	9.1	...	...	...	...
Broad money (M3)	21.6	10.4	12.7	12.7	8.8	15.4	15.4	13.1	19.3	...	...	...	...
Private sector credit/GDP	27.3	26.6	31.7	29.1	28.9	32.9	32.9	30.7	31.4	...	...	...	...
External sector													
Exports (f.o.b.; valued in CFA francs)	19.0	10.1	1.9	1.9	2.1	11.6	11.6	5.7	2.0	1.5	1.9	4.0	4.1
Imports (f.o.b.; valued in CFA francs)	12.7	7.7	6.6	6.6	5.9	5.5	5.5	-0.1	1.7	6.2	6.5	7.1	7.1
Current account (percent of GDP)	-5.0	-4.1	-5.2	-4.8	-4.8	-4.0	-4.0	-3.5	-3.5	-4.0	-4.7	-5.0	-5.2
Real effective exchange rate	0.8	2.8	...	...	...	...	...	...	...	...	...	...	...
(Percent of GDP, unless otherwise indicated)													
Central government finances													
Current revenue	16.9	17.0	21.1	19.3	18.9	20.6	20.6	18.0	18.5	19.0	19.2	19.5	19.8
Of which: tax revenue	15.0	15.1	17.5	16.1	15.4	18.0	18.0	15.4	16.2	16.7	17.1	17.5	17.9
Total expenditure and net lending	26.1	23.6	27.3	25.1	23.6	27.3	27.2	27.7	27.0	26.8	26.2	25.4	25.7
Of which: current expenditure	16.0	15.4	19.2	17.7	17.8	18.3	18.2	18.2	18.0	17.3	17.0	16.8	16.8
Overall fiscal balance, incl. grants (commitments)	-6.8	-4.2	-3.0	-2.8	-3.2	-3.0	-3.0	-5.3	-5.5	-4.8	-4.0	-3.0	-3.0
Total public debt	33.5	37.7	43.5	39.9	42.7	43.1	43.0	46.1	48.2	49.3	49.6	49.0	48.3
Of which: external debt	21.1	21.5	24.6	22.6	23.7	23.6	23.5	25.0	24.3	24.1	24.1	24.2	24.4
Memorandum items:													
Nominal GDP (CFAF billion) 2/	8,228	8,998	8,471	9,226	9,226	9,156	9,168	9,168	9,764	10,544	11,388	12,296	13,281
Nominal GDP per capita (US$) 2/	738	821	714	775	775	748	764	764	850	901	951	999	1,050

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

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

2/ For ease of comparison of fiscal ratios, the nominal GDP is kept unchanged between the 3rd review (rebased GDP) and actual/projection vintages in 2019 and 2020.

Table 2. Burkina Faso: Balance of Payments, 2017–25

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Act.	Est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)								
Current account	-412	-369	-440	-324	-346	-418	-539	-621	-693
Trade balance	105	161	87	217	228	127	22	-52	-135
Exports of goods	1,996	2,196	2,242	2,369	2,418	2,453	2,499	2,599	2,705
Of which: cotton	253	250	185	114	109	109	111	116	122
Of which: gold	1,387	1,492	1,668	1,920	1,982	2,006	2,037	2,114	2,197
Imports of goods	-1,890	-2,035	-2,154	-2,152	-2,189	-2,326	-2,477	-2,651	-2,840
Of which: oil	-356	-420	-421	-272	-295	-318	-342	-367	-395
Services, net	-518	-525	-557	-618	-582	-573	-597	-621	-646
Primary income, net	-230	-267	-239	-256	-259	-254	-264	-263	-265
Secondary income, net	232	262	269	333	267	282	299	315	353
Of which: Official transfers, net	100	123	120	236	105	111	118	125	132
Capital account	173	176	100	252	264	277	291	305	321
Project grants	120	122	46	209	221	234	248	262	278
Financial account	369	511	111	171	244	242	431	534	567
Direct investment	-4	111	112	27	90	67	81	75	68
Portfolio investment	70	327	-91	57	102	89	88	92	89
Other investment	304	73	90	87	53	86	262	367	410
Commercial banks	-79	21	-105	-14	-6	-6	-6	-6	-6
General government	77	76	97	187	117	199	223	249	279
Project loans	124	103	91	143	124	141	159	179	201
Program loans	0	28	65	120	94	127	137	148	159
Amortization of public loans (excl. IMF)	-50	-55	-59	-76	-101	-68	-72	-78	-81
Other private	305	-24	97	-86	-59	-108	45	124	137
Errors and omissions	-4	-4	-2	0	0	0	0	0	0
Overall balance	125	314	-232	99	162	101	183	219	196
Net change in foreign assets of the central bank	-125	-314	232	-99	-162	-101	-183	-219	-196
of which: IMF net financing	11	5	-25	-94	16	13	10	12	17
Disbursements (past and prospective)	4	14	44	110	0	0	0	0	0
Repayments (excluding charges)	-14	-19	-19	-16	-16	-13	-10	-12	-17
Financing Gap	0	0	0	0	0	0	0	0	0
	(Percent of GDP, unless otherwise indicated)								
Memorandum items:									
Exports of goods	24.3	24.4	24.3	25.8	24.8	23.3	21.9	21.1	20.4
Imports of goods	-23.0	-22.6	-23.4	-23.5	-22.4	-22.1	-21.7	-21.6	-21.4
Trade balance (goods)	1.3	1.8	0.9	2.4	2.3	1.2	0.2	-0.4	-1.0
Trade balance (services)	-6.3	-5.8	-6.0	-6.7	-6.0	-5.4	-5.2	-5.0	-4.9
Trade balance (goods and services)	-5.0	-4.0	-5.1	-4.4	-3.6	-4.2	-5.0	-5.5	-5.9
Current account (– = deficit)	-5.0	-4.1	-4.8	-3.5	-3.5	-4.0	-4.7	-5.0	-5.2
GDP at current prices (CFAF billions)	8,228	8,998	9,226	9,168	9,764	10,544	11,388	12,296	13,281
BCEAO Reserves									
In billion USD	13	15	18	…	…	…	…	…	…
In months of next year's WAEMU imports	4.0	4.6	6.0	…	…	…	…	…	…
In percent of broad money	29.4	31.1	34.1	…	…	…	…	…	…

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

Table 3. Burkina Faso: Monetary Survey, 2017–21

	2017	2018	2019	2020	2021
	Act.	Act.	Act.	Proj.	Proj.
	(CFAF billions, unless otherwise indicated)				
Net foreign assets	1,333	1,441	1,508	1,647	1826
BCEAO 1/	2	308	76	175	338
Assets	902	928	1,048	1,199	1356
Liabilities	901	620	972	1,023	1019
Commercial banks	1,331	1,133	1,432	1,472	1488
Net domestic assets	1,949	2,221	2,488	2,874	3556
Domestic credit	2,444	2,731	3,074	3,525	4207
Net Bank credit to government	74	67	158	454	877
BCEAO	-48	-57	-35	59	64
Commercial banks	122	124	194	395	813
Credit to other sectors	2,370	2,665	2,916	3,071	3330
of which: Credit to private sector	2,246	2,396	2,663	2,815	3,070
Other items (net)	31	39	50	115	115
Shares and other equities	464	471	536	536	536
Total broad money liabilities	3,282	3,662	3,996	4,521	5382
Liquid liabilities	3,174	3,503	3,812	4,311	5144
Non-liquid liabilites (excl. from broad money)	108	159	184	210	238
	(Annual percentage change, unless otherwise indicated)				
Memorandum items:					
Net foreign assets	26.8	8.1	4.6	9.2	10.8
Net domestic assets 2/	11.5	8.6	7.6	10.1	15.8
Net credit to government 2/	5.9	-0.2	2.6	7.8	9.8
Credit to Private Sector	14.4	6.7	11.1	5.7	9.1
Private sector credit (percentage of GDP)	27.3	26.6	28.9	30.7	31.4
Money supply	21.6	10.4	8.8	13.1	19.3
Velocity of money (GDP/M2) 3/	2.6	2.6	2.4	2.1	1.9

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, 2012–19
(In percent)

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18 1/	Dec-19
Capital Adequacy								
Reg. capital to risk-weighted assets	12.4	10.2	11.4	11.1	13.0	12.2	12.0	13.3
Asset Quality								
Gross NPLs / Total loans	10.3	9.9	8.6	8.9	8.9	8.8	7.4	7.6
Provisions / NPLs	67.7	62.6	64.9	67.6	70.4	66.4	70.4	69.1
Loan Concentration								
5 largest clients / equity	157.9	108.4	158.4	179.6	114.5	79.8	70.6	71.6
By Sector: (share of total)								
Agriculture	1.8	3.3	2.8	1.9	3.7	4.4	4.7	3.7
Extractive Industries	1.0	1.1	2.0	2.3	1.5	2.0	2.9	4.1
Manufacturing	9.8	13.9	16.1	15.2	13.2	13.6	12.5	12.1
Electricity, gas, water	1.9	1.3	1.3	1.0	0.8	1.2	1.0	1.0
Buildings/Public Works	13.2	14.6	13.6	16.6	16.2	16.9	17.8	16.5
Commercial (restaurants, hotels)	38.3	33.2	26.0	28.3	25.6	23.9	23.6	18.5
Transportation/communication	9.6	11.7	9.5	8.4	10.3	8.8	9.1	10.9
Insurance, real estate, business services	3.9	3.4	3.7	3.0	5.0	5.6	7.2	7.3
Other	20.6	17.5	25.1	23.1	23.7	23.7	21.3	25.9
Liquidity								
Loans to deposits	82.1	87.7	99.8	91.2	86.1	83.9	85.7	87.4
Liquid assets / total assets	34.8	34.7	34.8	29.2	23.2	24.7	25.7	22.5

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, 2018–25

(CFAF billions)

(CFAF billions)

	2018	2019		2020			2021	2022	2023	2024	2025
	Act.	3rd Rev.	Act.	3rd Rev.	CCRT/RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	1,746	2,054	1,882	2,217	1,886	2,061	2,100.2	2,320	2,524	2,756	3,015
Total revenue	1,531	1,783	1,748	1,888	1,683	1,648	1,805.4	2,006	2,190	2,401	2,636
Tax revenue	1,354	1,481	1,425	1,651	1,471	1,411	1,584.6	1,764	1,948	2,153	2,378
Of which: Gold Mining CIT	49	51	53	64	59	67	79.3	90	102	116	121
Nontax revenue	177	302	323	237	212	237	220.8	242	242	248	258
Of which: Royalties from gold	62	46	37	74	67	77	79.3	80	81	85	88
Grants	215	270	134	329	203	413	294.9	314	334	355	378
Project	122	171	46	253	127	209	221.1	234	248	262	278
Program	93	99	88	77	77	204	73.8	80	86	93	100
Expenditure and net lending 1/	2,128	2,311	2,177	2,496	2,370	2,544	2,641.0	2,826	2,979	3,125	3,413
Current expenditure	1,383	1,630	1,644	1,672	1,832	1,669	1,754.0	1,822	1,936	2,071	2,228
Wages and salaries	705	846	844	898	898	898	950.0	990	1,025	1,107	1,195
Goods and services	196	187	198	197	237	186	199.0	195	208	218	230
Interest payments	97	117	117	127	127	114	173.6	179	211	234	253
Domestic	74	73	96	98	98	93	141.1	150	177	195	205
External	23	44	22	29	29	21	32.5	29	34	39	47
Current transfers	385	480	485	450	570	471	431.4	457	492	512	551
Investment expenditure	754	690	557	823	537	884	897.7	1,004	1,044	1,054	1,185
Domestically financed	529	388	420	446	286	532	552.1	629	637	613	705
Externally financed	225	302	136	377	251	352	345.6	375	407	441	479
Net lending	-10	-9	-24	0	0	-10	-10.8	0	0	0	0
Overall balance 1/	-382	-258	-295	-278	-483	-483	-540.8	-506	-456	-369	-398
Cash basis adjustment	-97	0	-3	0	0	0	0.0	0	0	0	0
Overall balance (cash basis)	-478	-258	-298	-278	-483	-483	-540.8	-506	-456	-369	-398
Financing	470	258	294	278	410	483	540.8	506	456	369	398
Foreign financing	76	90	97	78	77	187	117.2	199	223	249	279
Drawings	131	150	156	140	139	263	218.5	267	296	326	361
Project loans	103	131	91	124	124	143	124.5	141	159	179	201
Program loans	28	20	65	15	15	120	94.0	127	137	148	159
Amortization (excl. IMF)	-55	-60	-59	-62	-62	-76	-101.3	-68	-72	-78	-81
Domestic financing	395	167	197	201	333	296	423.6	307	232	120	119
Bank financing	142	167	19	201	314	296	423.6	307	232	120	119
Central bank	29	24	11	13	81	94	5.4	-13	-10	-12	-17
of which: IMF net financing	3	24	29	13	81	94	-15.5	-13	-10	-12	-17
Disbursements	22	44	48	29	98	110	0.0	0	0	0	0
Repayments	-19	-19	-19	-17	-17	-16	-15.5	-13	-10	-12	-17
Commercial banks	113	143	8	188	233	202	418.1	320	243	132	136
Nonbank financing	252	0	177	0	19	0	0.0	0	0	0	0
Errors and Omissions	8		4								
Financing gap	0	0	0	0	73	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, 2018–25
(In percent of GDP)

	2018	2019			2020				2021	2022	2023	2024	2025
	Act.	3rd Rev.	3rd Rev. / rebased GDP 2/	Act.	3rd Rev.	3rd Rev. / rebased GDP 2/	CCRT/RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	19.4	24.2	22.3	20.4	24.2	24.2	19.5	22.5	21.5	22.0	22.2	22.4	22.7
Total revenue	17.0	21.1	19.3	18.9	20.6	20.6	17.4	18.0	18.5	19.0	19.2	19.5	19.8
Tax revenue	15.1	17.5	16.1	15.4	18.0	18.0	15.2	15.4	16.2	16.7	17.1	17.5	17.9
Of which: Gold Mining CIT	0.5	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.9	0.9	0.9	0.9
Nontax revenue	2.0	3.6	3.3	3.5	2.6	2.6	2.2	2.6	2.3	2.3	2.1	2.0	1.9
Of which: Royalties from gold	0.7	0.5	0.5	0.4	0.8	0.8	0.7	0.8	0.8	0.8	0.7	0.7	0.7
Grants	2.4	3.2	2.9	1.5	3.6	3.6	2.1	4.5	3.0	3.0	2.9	2.9	2.8
Project	1.4	2.0	1.9	0.5	2.8	2.8	1.3	2.3	2.3	2.2	2.2	2.1	2.1
Program	1.0	1.2	1.1	1.0	0.8	0.8	0.8	2.2	0.8	0.8	0.8	0.8	0.8
Expenditure and net lending 1/	23.6	27.3	25.1	23.6	27.3	27.2	24.5	27.7	27.0	26.8	26.2	25.4	25.7
Current expenditure	15.4	19.2	17.7	17.8	18.3	18.2	19.0	18.2	18.0	17.3	17.0	16.8	16.8
Wages and salaries	7.8	10.0	9.2	9.2	9.8	9.8	9.3	9.8	9.7	9.4	9.0	9.0	9.0
Goods and services	2.2	2.2	2.0	2.2	2.2	2.2	2.5	2.0	2.0	1.9	1.8	1.8	1.7
Interest payments	1.1	1.4	1.3	1.3	1.4	1.4	1.3	1.2	1.8	1.7	1.9	1.9	1.9
Domestic	0.8	0.9	0.8	1.0	1.1	1.1	1.0	1.0	1.4	1.4	1.6	1.6	1.5
External	0.3	0.5	0.5	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.4
Current transfers	4.3	5.7	5.2	5.3	4.9	4.9	5.9	5.1	4.4	4.3	4.3	4.2	4.1
Investment expenditure	8.4	8.1	7.5	6.0	9.0	9.0	5.6	9.6	9.2	9.5	9.2	8.6	8.9
Domestically financed	5.9	4.6	4.2	4.6	4.9	4.9	3.0	5.8	5.7	6.0	5.6	5.0	5.3
Externally financed	2.5	3.6	3.3	1.5	4.1	4.1	2.6	3.8	3.5	3.6	3.6	3.6	3.6
Net lending	-0.1	-0.1	-0.1	-0.3	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Overall balance 1/	-4.2	-3.0	-2.8	-3.2	-3.0	-3.0	-5.0	-5.3	-5.5	-4.8	-4.0	-3.0	-3.0
Cash basis adjustment	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-5.3	-3.0	-2.8	-3.2	-3.0	-3.0	-5.0	-5.3	-5.5	-4.8	-4.0	-3.0	-3.0
Financing	5.2	3.0	2.8	3.2	3.0	3.0	4.2	5.3	5.5	4.8	4.0	3.0	3.0
Foreign financing	0.8	1.1	1.0	1.1	0.8	0.8	0.8	2.0	1.2	1.9	2.0	2.0	2.1
Drawings	1.5	1.8	1.6	1.7	1.5	1.5	1.4	2.9	2.2	2.5	2.6	2.7	2.7
Project loans	1.1	1.5	1.4	1.0	1.4	1.4	1.3	1.6	1.3	1.3	1.4	1.5	1.5
Program loans	0.3	0.2	0.2	0.7	0.2	0.2	0.2	1.3	1.0	1.2	1.2	1.2	1.2
Amortization (excl. IMF)	-0.6	-0.7	-0.6	-0.6	-0.7	-0.7	-0.6	-0.8	-1.0	-0.6	-0.6	-0.6	-0.6
Domestic financing	4.4	2.0	1.8	2.1	2.2	2.2	3.4	3.2	4.3	2.9	2.0	1.0	0.9
Bank financing	1.6	2.0	1.8	0.2	2.2	2.2	3.2	3.2	4.3	2.9	2.0	1.0	0.9
Central bank	0.3	0.3	0.3	0.1	0.1	0.1	0.8	1.0	0.1	-0.1	-0.1	-0.1	-0.1
of which: IMF net financing	0.0	0.3	0.3	0.3	0.1	0.1	0.8	1.0	-0.2	-0.1	-0.1	-0.1	-0.1
Disbursements	0.2	0.5	0.5	0.5	0.3	0.3	1.0	1.2	0.0	0.0	0.0	0.0	0.0
Repayments	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Commercial banks	1.3	1.7	1.5	0.1	2.1	2.1	2.4	2.2	4.3	3.0	2.1	1.1	1.0
Nonbank financing	2.8	0.0	0.0	1.9	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	0.1			0.0									
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Nominal GDP (CFAF billion)	8,998	8,471	9,226	9,226	9,156	9,168	9,666	9,168	9,764	10,544	11,388	12,296	13,281
Wage bill to tax revenue ratio (percent)	52.1	57.1	57.1	59.3	54.4	54.4	61.0	63.7	60.0	56.1	52.6	51.4	50.3
Primary balance excluding program grants	-4.2	-2.8	-2.6	-2.9	-2.5	-2.5	-4.5	-6.3	-4.5	-3.9	-2.9	-1.9	-1.9

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

1/ Commitment ("engagement") basis.

2/ For ease of comparison of fiscal ratios, the nominal GDP is kept unchanged between the 3rd review (rebased GDP) and actual/projection vintages in 2019 and 2020.

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	421	22	14	931	49	16	1,361	72	14	1,882	100	8
Total revenue	398	23	19	898	51	22	1,315	75	19	1,748	100	14
Tax revenue	326	23	8	688	48	6	1035	73	4	1,425	100	5
Nontax revenue	72	22	120	210	65	154	280	87	148	323	100	83
Grants	23	17	-38	33	25	-53	46	34	-51	134	100	-38
Project	17	36	-29	27	58	-46	33	71	-49	46	100	-63
Program	6	7	-54	6	7	-69	13	15	-56	88	100	-5
Expenditure and net lending 1/	417	19	-11	1,021	47	14	1534	70	9	2,177	100	2
Current expenditure	324	20	-11	781	47	18	1218	74	20	1,644	100	19
Wages and salaries	187	22	16	411	49	25	632	75	24	844	100	20
Goods and services	26	13	-46	83	42	-3	118	59	0	198	100	1
Interest payments	12	10	-45	43	37	-16	71	60	8	117	100	20
Domestic	8	8	-57	31	33	-17	56	58	13	96	100	29
External	4	20	19	11	53	-13	15	69	-7	22	100	-7
Current transfers	99	20	-26	245	51	25	397	82	25	485	100	26
Investment expenditure	93	17	-16	245	44	2	328	59	-19	557	100	-26
Domestically financed	64	15	13	178	42	29	234	56	-12	420	100	-21
Externally financed	29	22	-45	67	49	-35	94	69	-33	136	100	-39
Net lending	-1			-4						-24		
Overall balance 1/	4			-91			-173			-295		
Cash basis adjustment	-81			-16			-57			-3		
Overall balance (cash basis)	-77			-107			-231			-298		
Financing	79			103			218			294		
Foreign financing	11			25			92			97		
Drawings	21			49			127			156		
Project loans	13			41			61			91		
Program loans	8			8			65			65		
Amortization (excl. IMF)	-10			-24			-34			-59		
Domestic financing	68			78			125			197		
Bank financing	47			-50			-5			19		
Central bank	23			-81			3			11		
Commercial banks	24			31			-8			8		
Nonbank financing	21			128			130			177		
Errors and Omissions	-2			2			4			4		

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	433	21	3	859	42	-8	1,384	67	2	2,061	100	10
Total revenue	389	24	-2	797	48	-11	1,206	73	-8	1,648	100	-6
Tax revenue	332	24	2	656	47	-5	1006	71	-3	1,411	100	-1
Nontax revenue	57	24	-21	141	59	-33	200	84	-28	237	100	-26
Grants	44	11	92	62	15	90	179	43	292	413	100	208
Project	44	21	165	61	29	128	104	50	216	209	100	355
Program	0	0	-100	2	1	-72	75	37	483	204	100	131
Expenditure and net lending 1/	550	22	32	1,183	47	16	1826	72	19	2,544	100	17
Current expenditure	377	23	16	853	51	9	1270	76	4	1,669	100	2
Wages and salaries	215	24	15	435	48	6	669	75	6	898	100	6
Goods and services	32	17	26	74	40	-11	115	62	-2	186	100	-6
Interest payments	16	14	29	62	55	46	79	69	12	114	100	-3
Domestic	12	13	50	51	55	61	65	70	16	93	100	-3
External	4	19	-9	12	54	2	14	66	-5	21	100	-1
Current transfers	114	24	15	281	60	15	406	86	2	471	100	-3
Investment expenditure	173	20	85	327	37	33	554	63	69	884	100	59
Domestically financed	66	12	3	168	32	-5	323	61	38	532	100	27
Externally financed	107	30	263	158	45	135	231	66	146	352	100	158
Net lending	0			4						-10		
Overall balance 1/	-117			-324			-441			-483		
Cash basis adjustment	29			-17			-17			-17		
Overall balance (cash basis)	-146			-307			-425			-466		
Financing	143			312			430			472		
Foreign financing	52			76			95			187		
Drawings	63			109			139			263		
Project loans	63			104			133			143		
Program loans	0			5			5			120		
Amortization (excl. IMF)	-11			-33			-43			-76		
Domestic financing	92			236			334			285		
Bank financing	9			10			84			296		
Central bank	-147			-66			-42			94		
Commercial banks	155			76			126			202		
Nonbank financing	83			226			250			-11		
Errors and Omissions	3			-3			-3			-6		

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

1/ Commitment ("engagement") basis.

Table 6. Burkina Faso: External Financing Requirements, 2018–22
(CFAF billions)

	2018	2019	2020	2021	2022
	Est.	Prel.	Proj.	Proj.	Proj.
Financing need	**-78**	**-571**	**-625**	**-398**	**-525**
Current account balance (excl. official transfers)	-493	-560	-560	-451	-530
IMF repayments	-19	-19	-16	-16	-13
Private capital flows	489	67	27	170	86
Amortization of public loans (excl. IMF)	-55	-59	-76	-101	-68
Financing	**67**	**529**	**515**	**398**	**525**
Project loans:	103	91	143	124	141
Program loans (excl. IMF):	28	65	120	94	127
Official transfers, net	123	120	236	105	111
Change in NFA central bank (excl. prospective IMF disbursements and repayments)	-310	207	-193	-147	-88
Project grants	122	46	209	221	234
Errors and Omissions	**-4**	**-2**	**0**	**0**	**0**
Residual Gap	**-14**	**-44**	**-110**	**0**	**0**
IMF ECF-Financing (past and prospective)	14	44	110	0	0

Sources: Burkinabè authorities and IMF staff estimates and projections.

Table 7. Burkina Faso: Schedule of Disbursements and Proposed Rephasing of Access Under Three-year ECF Arrangement 2018–21 and under the Rapid Credit Facility

Amount	Percent of quota	Availability date	Conditions for disbursement[1]
SDR 18.06 million	15.0	March 14, 2018	Executive Board Approval of a new arrangement under the Extended Credit Facility
SDR 18.06 million	15.0	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	15.0	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	15.0	December 15, 2019	Observance of continuous and end-June 2019 performance criteria, and completion of the third review under the arrangement
SDR 84.28 million	70.0	April 14, 2020	Request for disbursement under the Rapid Credit Facility
SDR 18.06 million	15.0	July 15, 2020	Observance of continuous and end-December 2019 performance criteria, and completion of the fourth review under the arrangement
SDR18.06 million[2]	15.0	November 13, 2020	Observance of continuous and end-June 2020 performance criteria and completion of the fifth review under the arrangement
Total			
SDR 192.64 million[3]	160		

Sources: Burkinabè authorities; and IMF staff estimates.

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

2/Availability date is proposed to be moved forward to November 13, 2020 from December 15, 2020.

3/Includes RCF disbursements of SDR 84.28 million (70 percent of quota).

Table 8. Burkina Faso: Indicators of Capacity to Repay the IMF, 2017–34 1/

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Act.	Act.	Act.								Projections							
Fund obligations based on existing and prospective credit (in millions of SDRs)																		
Principal	17.8	24.1	23.6	0.0	19.7	18.3	14.2	16.3	30.7	42.2	41.2	34.9	33.1	15.7	0.0	0.0	0.0	0.0
Charges and interest	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	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit																		
In millions of SDRs	17.8	24.1	23.6	0.0	19.7	18.3	14.2	16.3	30.7	42.2	41.2	34.9	33.1	15.7	0.0	0.0	0.0	0.0
In billions of CFAF	14.3	19.0	19.1	0.0	15.0	13.9	10.8	12.4	23.4	32.1	31.4	26.6	25.2	11.9	0.0	0.0	0.0	0.0
In percent of government revenues	1.0	1.2	1.1	0.0	0.8	0.7	0.5	0.5	0.9	1.1	1.0	0.8	0.7	0.3	0.0	0.0	0.0	0.0
In percent of exports of goods and services	0.6	0.8	0.8	0.0	0.6	0.5	0.4	0.4	0.7	1.0	0.9	0.8	0.7	0.3	0.0	0.0	0.0	0.0
In percent of debt service 2/	18.1	21.9	17.5	0.0	13.0	12.6	9.3	9.6	16.0	17.1	15.3	11.8	10.3	4.5	0.0	0.0	0.0	0.0
In percent of GDP	0.2	0.2	0.2	0.0	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
In percent of quota	14.8	20.1	19.6	0.0	16.3	15.2	11.8	13.5	25.5	35.0	34.2	29.0	27.5	13.0	0.0	0.0	0.0	0.0
Outstanding IMF credit																		
In millions of SDRs	141.9	135.8	166.3	266.2	246.6	228.3	214.1	197.8	167.1	124.9	83.7	48.8	15.7	0.0	0.0	0.0	0.0	0.0
In billions of CFAF	114.2	106.7	134.7	212.5	188.0	173.4	162.6	150.5	127.3	95.2	63.8	37.2	11.9	0.0	0.0	0.0	0.0	0.0
In percent of government revenues	8.2	7.0	7.7	12.9	10.4	8.6	7.4	6.3	4.8	3.3	2.0	1.1	0.3	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	5.0	4.3	5.3	8.2	7.0	6.2	5.7	5.0	4.1	2.9	1.9	1.1	0.3	0.0	0.0	0.0	0.0	0.0
In percent of debt service 2/	144.1	123.0	122.9	205.0	162.7	157.5	139.7	116.7	87.3	50.7	31.0	16.4	4.9	0.0	0.0	0.0	0.0	0.0
In percent of GDP	1.4	1.2	1.5	2.3	1.9	1.6	1.4	1.2	1.0	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	117.8	112.8	138.2	221.1	204.8	189.6	177.8	164.3	138.8	103.7	69.5	40.5	13.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (in millions of SDRs)	-13.3	-6.1	30.6	138.5	-19.7	-18.3	-14.2	-16.3	-30.7	-42.2	-41.2	-34.9	-33.1	-15.7	0.0	0.0	0.0	0.0
Disbursements	4.5	18.1	54.2	138.5	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	0.0
Repayments and repurchases	17.8	24.1	23.6	0.0	19.7	18.3	14.2	16.3	30.7	42.2	41.2	34.9	33.1	15.7	0.0	0.0	0.0	0.0
Memorandum items:																		
Nominal GDP (in billions of CFAF)	8,228	8,998	9,226	9,168	9,764	10,544	11,388	12,296	13,281	14,352	15,498	16,742	18,091	19,544	21,122	22,826	24,660	26,650
Exports of goods and services (in billions of CFAF)	2,275	2,506	2,542	2,593	2,704	2,796	2,870	3,000	3,138	3,256	3,380	3,510	3,646	3,788	3,937	4,093	4,257	4,429
Government revenue (in billions of CFAF)	1,389	1,531	1,748	1,648	1,805	2,006	2,190	2,401	2,636	2,896	3,159	3,448	3,766	4,111	4,490	4,904	5,355	5,850
Debt service (in billions of CFAF) 2/ 3/	79	87	110	104	116	110	116	129	146	188	206	226	244	263	272	308	348	391
CFAF/SDR (period average)	805	786	810	798	763	760	760	761	762	762	762	762	762	762	762	762	762	762

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			
Unexpected downside shift in the Covid-19 pandemic	***High***	***High*** Tighter financing conditions in regional market, lower growth, and increased health spending leading to higher fiscal deficit and financing needs	Create fiscal space for higher health spending. Re-prioritize public spending to support the most affected sectors and households. Seek from donors additional grants and concessional financing.
Intensified geopolitical tensions and security risks	***High***	***Medium*** Challenges for export diversification, higher import prices (if global supply is disrupted) and lower FDI	Implement reforms to improve competitiveness, diversify exports, access new markets and pursue efforts to promote regional trade.
Oversupply and volatility in the oil market	***Medium***	***Medium/Low*** Increased volatility in BOP flows; less predictable fuel subsidy needs	Allow flexibility in pump fuel prices by implementing the automatic fuel price mechanism.
Domestic			
Widespread social discontent and political instability	***Medium/High***	***High*** Adverse impact on economic activity; risk of higher fiscal deficit and financing needs.	Re-prioritize spending to address social emergencies; implement sustainable social inclusion reforms; seek support from regional and international security arrangements.
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.
Intensification of terrorist attacks	***High***	***High*** Adverse impact on economic activity, notably tourism, and government revenue; longer term impact on foreign investment; crowding out of productive capital spending; increasing food insecurity.	Create fiscal space and maintain efforts to strengthen security services; seek further support from regional and international security arrangements; Step up efforts to safeguard food security.
Revenue mobilization lags	***High***	***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.
Higher frequency and severity of natural disasters related to climate change	***Medium***	***High*** Lower agricultural output and exports, higher food prices; increased poverty	Re-prioritize spending to address food emergencies through targeted transfers. Develop further food security strategy; 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.

Annex II. Review of the 2018-2021 ECF-Supported Arrangement

In the context of fiscal slippages and looming macroeconomic imbalances that emerged in 2017, the Burkinabe authorities requested an ECF program in early 2018. The arrangement focused on (i) restoring macroeconomic stability through fiscal consolidation aimed at the WAEMU convergence criterion of 3 percent of GDP by 2019. This was also part of a regional effort to sustain external stability and rebuild pooled regional foreign exchange reserves ; (ii) enhancing fiscal space through domestic revenue mobilization reforms and containing current spending, especially the wage bill; (iii) improving public investment efficiency; (iv) containing fiscal risks through improved public debt management and rationalization of energy subsidies; and (v) undertaking structural reforms to promote private sector investment and diversification (see IMF Country Report 2018/81).

Program performance has been satisfactory despite being hampered by the growing security crisis, frequent public sector pay-related disputes, and the COVID-19 pandemic. The authorities were granted a waiver on one annual QPC at the first review, for the pre-financing of an investment project that had been conceived before the program. One additional QPC required a waiver at the second review as the net domestic financing criterion was exceeded due to cash adjustments for payments held over from the previous year. In addition, the continuous QPC on non-accumulation of external arrears was not observed at the second review when it emerged that communication issues had resulted in an omission to the external debt database. This was treated as de minimis misreporting by the Board as the amounts were small and immediate corrective measures were taken by the authorities. Most structural benchmarks were met albeit in a number of cases with some delay. Finally, the authorities are also requesting a waiver for the missed QPC at end-June 2020 on net domestic financing, which was breached due to adjustments in the budget to tackle the pandemic.

Substantial progress was made in restoring macroeconomic stability. The program helped restore fiscal discipline which resulted in the overall deficit declining from almost 8 percent of GDP in 2017 to just over the WAEMU convergence criterion limit of 3 percent of GDP in 2019. At the same time, growth remained robust and largely resilient to the security crisis. The path of fiscal consolidation has been disrupted in 2020, however, as the COVID-19 pandemic and the security crisis to a lesser extent have negatively impacted growth and revenues. For 2020, the fiscal deficit is now projected to widen to 5.3 percent of GDP, against 3 percent of GDP in the authorities' initial budget. Real GDP is also projected to decline by 2.8 percent.

Structural reform efforts are commendable, in spite of unfavorable social and security conditions. However, the pace of reforms was slower than envisaged.

- *Accelerating domestic resource mobilization.* Tax revenue increased from 15.0 percent of GDP in 2017 to 15.4 percent of GDP in 2019. This modest improvement is significantly lower than the projected increase of 1.3 percentage points of GDP at the outset of the program. This mainly reflects the fact that revenue collection was significantly hampered by frequent labor disputes. Despite this set back, significant progress was achieved in key reforms which should allow stronger revenue performance going forward. These reforms included the restoration of full responsibility for customs clearance following the ending of the management contract in August 2018, the closer integration between customs and tax revenue databases, the refinement of customs valuation methodology, progress in segmentation through the adoption of dedicated large and medium sized enterprise units, the implementation of on-line tax filing and payment. At the same time, recent budgets have taken forward a wide range of Fund TA recommendations in tax policy aimed at closing loopholes and optimizing revenue collection. The security crisis is affecting revenue collection, but its impact is not easy to measure. The proliferation of artisanal mines and the challenge for tax officials to reach risky areas of the country (including industrial mines) have eroded tax revenue potential.

- *Containing the wage bill.* The program sought to support the authorities' efforts to establish a comprehensive reform framework for public sector pay determination. The explosion in the public sector wage bill since 2015 reflects long-standing structural deficiencies in pay determination. Combined with unrealistic expectations immediately following the political transition, this created the conditions for a continuous wage bargaining spiral. The preferred solution of the authorities, based on overarching legislation and a unification of pay scales, has not advanced as it requires an amendment to the Constitution to give it full effect. As a second-best solution, the program established nominal ceiling on the overall wage bill which is consistent with the authorities' commitment to refrain from piecemeal pay awards until the comprehensive reform is in place. This ceiling has been broadly respected while some latitude was agreed for increased pay in the specific case of the security sector.

- *Rationalizing energy subsidies*. The program has been successful in supporting the authorities' efforts to reduce the accumulated losses to SONABHY and stemming their re-emergence going forward. The adoption of a fuel price adjustment mechanism in November 2018, though inconsistently applied, narrowed the gap between international prices and domestic prices. This has enhanced the financial position of SONABHY whilst also limiting the burden on the budget from covering any shortfall or contingent liabilities. In view of the declining international prices, as of mid-2020 the fuel price mechanism was in surplus. Yet, more needs to be done to further reduce fuel subsidies by consistently implementing the price mechanism and by improving the operational efficiency of SONABHY.

- *Public investment management*. The fiscal slippages that emerged in 2017 were linked to the management of investment expenditure. The program has therefore sought to engage the authorities on better commitment planning and project selection. Substantial progress was made following two PIMA missions which has resulted, inter alia, in the adoption of a project appraisal manual and the establishment of a dedicated investment committee. At the same time, the program has underpinned the approach the authorities have taken to PPPs by ensuring that these are included in the investment budget and subject to the same appraisal standards for standard public investments and do not entail any pre-financing.

- *Governance:* Efforts to operationalize the anti-corruption legal and regulatory framework that was approved in 2015 have led to a dematerialization of asset declarations of officials required to fill out such declaration. As of September 2020, asset declarations of members of the government and of parliament are available online. The authorities have set up high-level steering and technical committees, with representation of key stakeholders in government and non-government institutions, to coordinate and ensure transparency and accountability of their Covid19 response. The oversight committee will produce audited quarterly reports on Covid19-related spending and publish all pandemic-related procurement contracts and the beneficial owners of the awarded companies. With technical assistance from the World Bank, the authorities have adopted a new emergency spending framework for dealing with future crisis.

- *Structural reforms.* The program underpinned the authorities' structural reform agenda through a judicious combination of structural benchmarks and continuous dialogue, combined with dedicated TA support. Substantial progress was made in macroeconomic statistics with the rebasing of the national accounts. At the same time, progress in the implementation of the Treasury Single Account has been slower but has now reached a critical momentum.

Appendix I. Letter of Intent

Ouagadougou, October 28, 2020

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

Dear Madam Managing Director,

1. The implementation of Burkina Faso's 2018-2020 economic and financial program, supported by the Extended Credit Facility (ECF), was marked in 2019 by a difficult security situation and doubled by the COVID 19 pandemic in 2020. As a result, real GDP declined by 5 percent in the first half of 2020. Against this background, the government is working diligently to support growth in 2020 and 2021, but the recovery remains subject to great uncertainties and downside risks. Inflation is projected to be below the regional convergence of 3 percent.

2. In view of the effects of the pandemic on the economy, and in accordance with our commitments under the ECF-supported program as well as the temporary suspension of the WAEMU regional convergence criteria in 2020, the overall fiscal deficit would be 5.3 percent of GDP. In order to support economic recovery, but also to preserve the external stability of the WAEMU, the Government will maintain a reasonable level of overall fiscal deficit. To this end, the overall fiscal deficit would stand at 5.5 percent in 2021 and will be financed through external budget support and issuance of securities on the regional financial market.

3. Program performance were generally satisfactory at the end of December 2019 and at the end of June 2020. Indeed, most quantitative performance criteria and indicative targets were met. The performance criterion related to domestic financing at the end of June 2020, set before the onset of the Covid19 pandemic, was not met due to the increase in financing needs to meet expenses related to the government's crisis response. The structural benchmarks have all been observed except one and action is being taken for its completion within an acceptable time frame.

4. To ensure the recovery of the economy for the rest of 2020 and in 2021, a COVID-19 Economic Recovery Fund (FRE) has been set up in the amount of FCFA 100 billion to support (individual or corporate) businesses operating in strongly affected sectors. In addition, the investments planned for 2021 will also have a leveraging effect.

5. The Government reiterates its commitment to ensuring the transparency of resources allocated for the COVID19 crisis response. To this end, a first audited report of COVID19-related expenditure up to the end of June 2020 was shared with IMF staff. Going forward, all public procurement contracts related to our response to the pandemic and the names of their ultimate beneficiaries will be published, and an audited report on COVID-19-related spending at the end of December 2020 will be published by the end of June 2021.

6. To improve the VAT reimbursement mechanism and ensure the clearance of the outstanding liabilities, in July 2020 the Government adopted a ministerial order No.2020-0306 / MINEFID / SG / DGI on July 7, 2020, suspending the collection of VAT on all imports of mining companies that are in their operational phase, for the period from July to December 2020. In the same vein, a roadmap has been adopted in order to refine the simplification and modernization of the VAT refund process with aim to converge toward best practice in the medium term.

7. With regards to controlling the wage bill growth, the reform momentum toward a comprehensive public sector's payroll reform package was derailed by difficulties inherent to the social context (labor disputes in relation to the implementation of income tax on bonuses and allowances in the public sector) and health crisis (COVID-19). Discussions are underway to define the best modality for resuming consultations. To this end, a high-level committee composed of independent personalities will be appointed to help refine reform proposals in consultation with all stakeholders and the conclusions will be submitted to all stakeholders by the end of December 2020.

8. As part of the efforts undertaken to reduce the burden of energy subsidies on the budget, the implementation of the fuel price mechanism continues and will be improved with the adoption of legal texts delegating a some autonomy of decision to the technical committee in charge of fixing the fuel prices to automatically adjust pump prices within a certain predefined range. In addition, the Government proceeded to offset arrears due to SONABHY (national fuel distribution company) as of August 31, 2020 with the surplus emerging from the implementation of the fuel pricing mechanism, thanks to the recent decline in international oil prices. In this context, the two parties signed a protocol validating the amount of outstanding financial obligations between the state and SONABHY.

9. In view of its commitment to preserve macroeconomic stability and on the basis of the policies set out in the memorandum of economic and financial policies (MEFP) as attached, the Government requests the completion of the fourth and fifth reviews of the ECF-supported arrangement. To this end, the Government is requesting a waiver for the non-observance of the quantitative performance criterion on the net domestic financing of the government at the end of June 2020, a rephasing of the fifth ECF review to make its associated sixth disbursement available on November 13, 2020, and the disbursement of an amount of SDR 36.12 million, or 30% of our quota.

10. The Government believes that the measures set forth in the MEFP will help achieve the economic and social objectives of its program. Nevertheless, the government remains determined to take any additional measures that are necessary to that end. The Government will consult the IMF on the adoption of these measures, and before any revision of the policies set out in the MEFP, in accordance with the IMF policies on such consultations. The government will also provide the IMF with all information relating to the implementation of the agreed measures and program implementation, as provided for in the accompanying revised Technical Memorandum of Understanding, or at the the IMF's request.

11. As in the past, the Government authorizes the IMF to publish this letter and the accompanying documents, as well as the report prepared by the IMF staff once they are approved by the Executive Board.

Please accept, Madam Managing Director, the assurance of my highest consideration.

/s/

Lassané KABORE

Officier de l'Ordre de l'Etalon

Attachments:

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

Attachment I. Memorandum of Economic and Financial Policies

1. This Memorandum of Economic and Financial Policies (MEFP) updates progress with the implementation of the program concluded with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) for 2018-2020. The program objectives are geared toward macroeconomic stability while creating fiscal space through increased domestic revenue mobilization and improved quality of public spending.

2. This Memorandum describes: (i) the recent economic developments and the status of implementation of the program at end-December 2019 and end-June 2020; (ii) implementation of the National Economic and Social Development Plan (PNDES); (iii) the economic and financial policies for the rest of 2020 and the outlook for 2021; (iv) the structural reforms for the rest of 2020 and the outlook for 2021; and (v) program monitoring.

I. RECENT ECONOMIC SITUATION AND PROGRAM IMPLEMENTATION AT END-DECEMBER 2019 AND END-JUNE 2020

A. Recent Economic Developments

3. Economic activity in 2019 evolved in a national environment marked by the persistence of terrorist attacks leading to significant internal displacements of populations and continued social demands in the public sector. Despite this context, the economy continued to be resilient, but it fell short of the objectives of the National Economic and Social Development Plan (PNDES). Economic growth stood at 5.7 percent in 2019, driven primarily by the tertiary sector, in which value added grew by 10.8 percent in 2019, compared to 6.0 percent in 2018, while the primary and secondary sectors registered decelerating growth. Growth for each of these two sectors dropped from 8.0 percent in 2018 to 1.0 percent and 1.6 percent, respectively.

4. With regard to inflation, the good harvest season in 2018-2019, combined with continuation of the government's measures to fight against the high cost of living (sale of grain at subsidized prices in deprived areas, price controls on mass consumption goods, opening of outlets for the sale of grain to vulnerable persons), contributed to keep inflation at end-December 2019 at a rate of -2.6 percent, well below the West African Economic and Monetary Union (WAEMU) community convergency ceiling rate of 3.0 percent.

5. The external current account balance is estimated to have deteriorated slightly in 2019 in absolute terms (The IMF sees a wider deterioration). The trade surplus weakened with a greater increase in imports (+2.3 percent) than in exports (+0.6 percent). Exports were almost flat as a result, on the one hand, of a decline in the volume of gold exported in spite of a rise in its price, and on the other hand, a drop in the price and volume of cotton exports. As for imports, their increase, despite the fall in the oil import bill, was driven primarily by intermediate goods and capital goods in support of economic activity.

6. The banking sector's claims on the economy grew by 11.1 percent in 2019, following an increase of 14.4 percent in 2017 and 6.7 percent in 2018. The growth in lending to the private sector reflects a slight slowdown in economic activity. Net external assets of the banking system also saw an increase (+4.5 percent), both among commercial banks and at the Central Bank of West African States (BCEAO). In line with the development of its components, the money supply grew by 8.8 percent as at December 31, 2019, reflecting growth in cash in circulation (+13.5 percent) and bank deposits (+8.3 percent).

7. According to the quarterly national accounts estimates, real GDP contracted by 8.6 percent in the second quarter and 1.4 percent in the first quarter of 2020, representing an average contraction of 5.0 percent for the first half of 2020. Thus, the COVID-19 pandemic had a more negative impact on activity in the first half of 2020 than expected. At end-June 2020 the inflation rate stood at 1.1 percent year-on-year, compared to a rate of -3.9 percent at end-June 2019. As an annual average, it would be -2.0 percent compared to -0.4 percent. The year-on-year increase in the general price level is due mainly to a rise in the cost of "foodstuffs and non-alcoholic beverages" (+3.5 percent) and "education" (+2.7 percent), offset by a substantial decline in prices for "housing, water and electricity, gas and other fuel" (-9.1 percent) due to social measures taken by the government to mitigate the impact of COVID-19.

8. The first half of 2020, which was marked by the COVID-19 pandemic, saw a decline in foreign trade, particularly imports, which fell 6.2 percent from the level reported in the first half of 2019. Exports, on the other hand, grew 23.9 percent compared to the level seen in the first half of 2019. Exports were driven primarily by the mining sector, which registered a strong resilience with an increase in the volume of gold exported in a context of steady international prices.

9. During the first six months of 2020, the monetary aggregates were marked by an increase in money supply by 10.4 percent, driven by growth in deposits (+12.3 percent) and currency in circulation (+0.6 percent). As counterparts, the growth was driven by net external assets (+30.1 percent) and claims on the economy (+6.0 percent).

10. In terms of public finances, the overall deficit on a commitment basis improved, falling from 4.2 percent of GDP in 2018 to 3.2 percent in 2019. This performance was explained by growth in revenues and an overall decline in spending.

11. Domestic revenue (i.e., excluding grants) grew in line with the increase in economic activities (GDP) in 2019. Total tax and nontax revenue amounted to 18.9 percent of GDP at end-2019, compared to 17 percent in 2018. This increase in revenue can be explained by a rise in income and profit taxes equal to 0.7 percentage point of GDP, as well as an increase in nontax revenue equal to 1.5 percentage points of GDP for the period. The rise in tax revenues can also be explained by the implementation of actions and reforms undertaken by the authorities, in particular continuous monitoring of the valuation of goods in customs offices by the value control team, while stressing efforts to combat tariff evasion and false declarations of import volumes to customs, as well as the strengthening of online tax returns and payments. The increase in nontax revenue is linked to the collection of CFAF 120 billion for the renewal of licenses to mobile telephone companies.

12. Current expenditure continued to increase, from 15.4 percent of GDP in 2018 to 17.8 percent in 2019, primarily as a result of growth in the wage bill by 1.4 percentage points of GDP and an increase in current transfers by 1 percentage points of GDP in 2019. The government has implemented measures to raise the salaries paid to personnel in the security, health, and education sectors in accordance with the commitments made to social partners prior to 2018. In addition, it hired new public servants, performed reclassifications, and made statutory promotions. These efforts resulted in the wage bill during the 2019 fiscal year of about CFAF 139.3 billion. As for the increase in current transfers, it is attributable to the strengthening of social measures to support households and an increase in energy subsidies.

13. Capital expenditure contracted by 2.4 percentage points of GDP compared to 2018, falling to 6 percent of GDP in 2019. This decline is attributable to both externally financed investments (-1.0 percentage point of GDP) and domestically financed investments (-1.3 percentage points of GDP). The difficulties in the implementation of public procurement plans explain in part the decline in domestically financed capital expenditure.

14. The state budget for the 2020 fiscal year is being implemented in a challenging social context characterized by continuing insecurity, the associated surge in internally displaced persons, and socio-economic and budgetary disruptions caused by COVID-19. At end-June 2020, the implementation of the government's financial operations resulted in a deficit of CFAF 323.8 billion, which represented a deterioration of CFAF 236.2 billion compared to its level a year before. This sharp deterioration is the result of the decline in revenue collection and the increase in expenditure.

15. The mobilization of revenue and grants contracted by 7.7 percent compared to end-June 2019 as a result of the decline in domestic revenue (-11.2 percent), while grants grew by 89.5 percent over the same period. This underperformance by the authorities is explained primarily by measures taken to mitigate the effects of COVID-19, in particular:

- the automatic waiving of late tax payment penalties and fines for the period from April 1 to June 30, 2020;
- the suspension of the collection of tax payment arrears up to June 30, 2020, for the transport sector and for the hotel, restaurant, and tourism sector;
- the suspension of onsite inspection operations up to June 30, 2020;
- the application of a reduced VAT rate of 10 percent for the hotel and restaurant sector up to end-December 2020.

16. The overall implementation rate for expenditures improved at end-June 2020 compared to June 2019, rising from 46.3 percent to 47.2 percent. Current expenditure posted an increase of 9.2 percent, going from CFAF 780.7 billion at end-June 2019 to CFAF 852.8 billion at end-June 2020. This increase can be explained by the rise in current transfers (+CFAF 36.6 billion), in personnel costs (+CFAF 24.8 billion), and in public interest payments (+CFAF 19.6 billion). As for capital expenditure, it rose to CFAF 326.7 billion at end-June 2020 from CFAF 245.0 billion at end-June 2019, which represents an increase of 33.3 percent, due in particular to an upturn in externally financed investment outlays (+CFAF 90.9 billion).

17. With regard to public debt management, implementation of the 2019-2021 Medium-Term Debt Management Strategy (MTDS) made it possible to keep the risk of debt distress at a moderate level. The stock of public debt at end-December is estimated at CFAF 3,936.8 billion. It is composed of CFAF 2,188.2 billion in external debt and CFAF 1,748.6 billion in domestic debt, representing 55.6 percent and 44.4 percent of the outstanding debt stock, respectively. As for loan disbursement they are projected at CFAF 336.70 billion for external debt and CFAF 791.70 billion for domestic debt, including CFAF 690.32 billion in Fungible Treasury Bills and Fungible Treasury Bonds (BOATs).

18. As of June 30, 2020, the provisional stock of public debt stood at CFAF 4,465.73 billion, including CFAF 2,377.57 billion in external debt and CFAF 2,088.16 billion in domestic debt, accounting for 53.24 percent and 47.76 percent, respectively. With regard to the drawings, CFAF 555.50 billion was mobilized through treasury bonds. For the same period, the drawdowns on external debt are estimated at CFAF 247.38 billion.

19. The process of reforming the legal and institutional framework for public-private partnerships (PPPs) is continuing, and significant progress has been made with the support of the International Finance Corporation (IFC). To date, the PPP framework and development strategy has been adopted and the preliminary draft of the new PPP law and its implementing decree have been prepared. The new PPP law brings major innovations, including: (i) a sufficiently clear and prudent definition of a public-private partnership to distinguish it from pre-financing and supplier credits; (ii) a clarification of the roles and functions of the various key public players involved in the PPP process; (iii) creation of a PPP Unit in the law; (iv) establishment of the need to perform a budgetary and financial sustainability analysis of projects prior to their inclusion in the PPP program; (v) a framework for unsolicited offers, underpinned by the principle of putting them in competition; (vi) the provision of specific implementing texts for, on the one hand, participation by local small and medium-sized businesses in the contracting for PPP projects and, on the other hand, the development of a framework for PPPs at the level of local authorities.

20. Looking ahead to the rest of the year, the PPP law, as well as its implementing decree, are expected to be adopted. The action plan of the new PPP framework envisages the entry into force of the new PPP law and its implementing decree for 2021.

B. Program Implementation at end-December 2019 and end-June 2020

21. The Table of Government Financial Operations (TOFE) at end-December 2019 indicates that all of the quantitative performance criteria had been met as at December 31, 2019 (Table 1). As for the indicative targets, they were all met, with the exception of those related to the accumulation of VAT credits, which reached CFAF 62 billion, against the ceiling of CFAF 40billion, and the overall deficit ceiling, including grants, which reached CFAF 295.5 billion against the target of CFAF 258 billion. These indicative targets were not met because of VAT reimbursements made in 2019 and the stock of VAT credit were larger than the programmed amounts.

22. All of the quantitative performance criteria for end-June 2020 were also met, with the exception of the ceiling for net domestic financing of the government, which reached CFAF 236.9 billion, against the ceiling of CFAF 67 billion (Table 2). This was due to the financing of expenditures related to COVID-19.

23. In addition, with regard to the indicative targets, three out of the six were achieved (Table 2). The three not met related to: (i) the overall budget deficit, including grants, which reached CFAF 323.8 billion, against the ceiling of CFAF 141.00 billion; (ii) government revenue, which stood at CFAF 791.1 billion compared to the floor of CFAF 888.00 billion; and (iii) the stock of certified VAT reimbursement requests not paid for more than 30 days, which totaled CFAF 57.45 billion against the ceiling of CFAF 40 billion. These indicative targets were not met because of disruptions related to COVID-19. Indeed, the occurrence of the pandemic has led to a contraction of the economy, accompanied by lower tax revenues collection and consequently a slowdown of VAT reimbursements.

24. Four out of the five structural benchmarks for the 4th and 5th reviews were met (Table 3). The structural benchmark related to the "completion of the independent external audit of the financial operations and accounting practices of the Burkinabé National Hydrocarbons Company (SONABHY)" was met while the "dematerialization of the asset declarations of officials covered by the law and creating a searchable database (online declaration; online search)," was achieved, but with delay. The development of the platform for the declaration of wealth and interest has been completed and the official launching of the platform (www.asce-lc.bf) took place on August 4, 2020, while the publication of the declarations of the members of executive and legislative branches was effective on September 11, 2020.

25. Finally, implementation of the last benchmark for end-June 2020 relating to "a performance audit of SONABHY and evaluation of performance contracts (plan contract) of SONABHY and Burkinabe National Electricity Company (SONABEL) upon their expiration" is under way. An assessment report of the Government-SONABEL plan contract is being drafted. As for the Government-SONABHY plan contract, its evaluation has been completed and the report is available. The performance audit of SONABHY could not be carried out within the allotted time. The results of the call for tender as well as the short list of experts have been forwarded to the World Bank for its non-objection notice. According to the revised timetable sent to the World Bank, the final audit report will be available by March 2021.

II. IMPLEMENTATION OF THE PNDES

26. Despite the challenging national situation, the government's actions in 2019 had led to progress in implementation of strategic pillars of the PNDES.

27. With regard to institutional reforms and modernization of the administration (Pillar 1), the major achievements relate to the revamping of the electoral code to enable Burkinabé living abroad to participate in elections, revisions of the Criminal Code and the Code of Criminal Procedure which strengthened human rights in the management of criminal matters, the law on organization of the judicial system, the development of a national security policy, and strengthening of the operational capacities of the Defense and Security Forces through an increase in personnel, the acquisition of high-performance equipment, and the construction of police stations and gendarmerie posts. As for the diversification of instruments for financing of the economy, the Agricultural Bank of Faso (BADF) for the financing of agriculture has been operationalized.

28. In the area of human capital development (Pillar 2), government's efforts were dedicated to the implementation of the free healthcare policy targeting pregnant women and children under the age of 5 years, resulting in 14,856,837 free healthcare treatments at a cost of more than CFAF 26 billion. Other progress was registered, including the launching of the Emergency Medical Response Operations Center (CORUS), which improves the health service's ability to deal with medical emergencies, an increase in medical and paramedical personnel, and the adoption of free family planning products and services. In terms of education, efforts to improve the availability and quality of educational services have continued with the construction of infrastructure and an increase in the number of teachers. As for higher education, there has been progress related to certain structural investments by Thomas Sankara University and Nazi Boni University. With regard to drinking water, the access rate increased from 74 percent in 2018 to 75.4 percent in 2019 thanks to the construction and rehabilitation of simplified drinking water supply systems (AEPS), autonomous water supply points, new boreholes, and human-powered pumps.

29. In the revitalization of economic growth drivers and jobs creation (Pillar 3), noticeable progress in 2019 was made in the agricultural-forestry-pastoral sector, in particular an improvement in the coverage rate of grain consumption needs to 100 percent, increase in fisheries production from 27,700 metric tons in 2018 to 28,952 metric tons in 2019, and an improvement in the coverage rate of livestock feeding needs by 95 percent against the annual target of 75 percent. As for investments in transportation and road infrastructure, there were improvements in the security of transportation titles, and the increase in the ratio of rural tracks and paved roads, which went from 32.6 percent in 2018 to 33.11 percent and from 25.61 percent in 2018 to 26.72 percent, respectively, with the aim of improving road traffic and logistic capacity of the country. With regard to the development of the country's electricity sector, there was an increase in installed power generation capacity from 359.5 MW in 2018 to 410 MW in 2019, and the ratio of renewable energies as percentage of total production reached 18.36 percent compared to 16.87 percent in 2018. As for internet access, the progress achieved thanks to the deployment of a fiber optic network in the country, with 861.8 km deployed through the joint efforts of the government and telephone operators. The bandwidth capacity in 2019 reached 44.3 Gbps, compared to 39.3 Gbps in 2018.

30. In addition, in line with the Law No. 034-2018/AN of July 27, 2018 governing the steering and management and the expiration of the PNDES (2016-2020), the government is already drafting a new national development framework that will guide public action during the period 2021-2025.

III. ECONOMIC AND FINANCIAL POLICIES FOR THE REST OF 2020 AND OUTLOOK FOR 2021

A. Macroeconomic Framework

31. Economic activity in 2020 is taking place in a difficult socioeconomic environment defined by the COVID-19 pandemic, the persistence of terrorist attacks that has resulted in internal displacement of populations, and persistent social unrest. Economic growth is projected at 1.5 percent in 2020(way higher than IMF staff projection of -2.8 percent), down from 5.7 percent in

2019. This growth rate is explained mainly by projected growth in the primary sector (+5.1 percent compared to 1.0 percent in 2019). Developments in the primary sector are linked largely to the dynamic performance of the agriculture subsector (+8.2 percent), particularly cash crops (+13.2 percent), driven by the performance of the cotton sector, the output of which is expected to grow by 22.5 percent, corresponding to 566,498 metric tons. Growth of the secondary sector is expected to grow by 1.8 percent in 2020, compared to 1.6 percent in 2019. This change is expected to be driven by the cotton-ginning subsector (+5.1 percent), construction (+0.4 percent), and extractive industries (+1.7 percent). Activity in the tertiary sector is projected to decline by 1.1 percent in 2020, following an increase of 10.8 percent in 2019. This slowdown is expected to result from a decline in the commercial sector (down by 3.6 percent compared to growth of 5.4 percent in 2019), which is heavily affected by containment measures taken to limit the spread of the COVID-19 pandemic. Furthermore, the projected growth for the year 2020 is subject to uncertainties and downside risks

32. With regard to average inflation rate, it is expected to rise to 1.1 percent (the IMF expects 2.2 percent) compared to its level in 2019 (-3.2 percent). This increase is expected to be driven by the following items: alcoholic beverages, tobacco, and narcotics (+27.6 percent), education (+6.6 percent), and restaurants and hotels (+5.2 percent). On the other hand, there is expected to be a decline in the housing, water, gas, electricity, and other fuels category and in communications by 2.0 percent and 1.3 percent, respectively.

33. Assuming that COVID-19 is brought under control, which should lead to a gradual resumption of global economic activity, that the presidential and legislative elections are conducted peacefully, that the country sees an improvement in the security situation, favorable rainfall, and calmer conditions on the social front, economic activity is expected to grow by 5.6 percent in 2021 (the IMF expects 4.1 percent). This growth would be driven by the primary sector (+5.9 percent) and the secondary sector (+6.1 percent). As for inflation, it is expected to be somewhat below the regional convergence criteria of 3 percent.

34. Transactions with the rest of the world should lead to an improvement in the external current account in 2020. Imports are expected to decline by 1.0 percent owing to measures taken by various countries in the world to limit the spread of COVID-19. In addition, exports are expected to grow substantially thanks to the mining industry, which, thanks to the rise in the international price of gold, is showing strong resilience in the face of a difficult situation. The external current account deficit is expected to reach 3.5percent of GDP, compared to 4.8 percent in 2019.

B. Fiscal Policy

35. COVID-19 appeared in Burkina Faso in early March 2020, and it has had a serious impact on the national economy in general and on the state budget in particular as a result of a significant decline in domestic revenue, on the one hand, and the emergence of new spending priorities that need to be addressed, on the other hand. Given this context, the government prepared a draft Supplementary Budget (LFR), which was adopted by the National Assembly on July 9, 2020, to account for the adverse effects of the pandemic on the domestic revenue collection, the new spending priorities, the security crisis, and the organization of presidential and legislative elections in November 2020.

36. The basic guidelines set forth in the 2020 LFR in terms of revenue are as follows:

- strengthen the system for the monitoring and implementation of different action plans with the aim of minimizing revenue losses to the extent possible;
- develop new initiatives that can improve the performance of tax collection teams in the field;
- bolster efforts to fight fraud, forgery, and corruption by continuing the computerization of procedures, and the interconnection of the SINTAX and ASYCUDA software programs for the data sharing (among revenue collecting agencies).

37. The following measures, among others, have been taken to boost revenue collection:

- expansion of the tariff specification rules for high-risk products controlled by ASYCUDA (customs' software system) and monitored by the value control team to combat false declarations of cash, value, and quantity for 20 products susceptible to fraud;
- submission of 10 other products susceptible to fraud to ASYCUDA value control and an increase in the number of products monitored by the value control team to 30;
- extension of the interconnection between Burkina Faso's customs IT systems with that of Côte d'Ivoire to the railway transportation system;
- monitoring the implementation of fiscal measures to improve tax performance under the 2020 Initial Budget (LFI) (increase in the tax rate for tobacco from 45 percent to 50 percent; expansion of the group of persons subject to the payment of withholding at the source to include diplomatic and consular missions, international organizations, and similar entities; expansion of the scope of the specific tax on telecommunications enterprises to enterprises performing money transfers by mobile phone and an increase in its rate from 5 percent to 7 percent);
- implementation of reforms and measures to modernize the tax administration, in particular with regard to online declaration (improvement in taxpayer use of online procedures).

38. With regard to expenditure, new priorities are being taken into account while maintaining the efforts agreed upon to meet the major challenges of the current budget. In this context, the various adjustments were made across the budget, with exception of budget allocations for priority sectors, in particular the defense and security sectors, organization of the elections, the management of internally displaced persons, the emergency plan for the Sahel, salary and wages, and other current transfers (scholarships and school allowances, hydrocarbon exemptions), water and electricity costs, as well as transfers to local authorities.

39. In terms of public health, the government's main priorities have been the effective management of confirmed Covid19 cases, prevention through containment measures, as well as the strengthening of technical platforms and the capacities of specialized centers to receive patients.

Thus, it adopted a public health response plan at a cost of CFAF 177.9 billion (1.8 percent of GDP), which is aimed at responding to the immediate medical needs as well as actions to build up the resilience of the healthcare system.

40. In the social sector, efforts to control the spread of the virus through social distancing and quarantine measures in affected towns and cities have had a negative impact on the well-being of vulnerable populations. Mindful of this situation, the government has taken steps to support these vulnerable groups in order to alleviate the difficulties imposed by the pandemic.

41. The government has also taken measures to provide support to businesses as well as workers in order to limit the adverse economic effects of COVID-19. These measures, which are of two types, involve tax relief and intervention through direct or indirect financing of businesses that are experiencing difficulties. By virtue of their nature, these measures could help maintain production capacities, relieve cash flow pressures, and preserve jobs in the sectors heavily impacted by COVID-19.

42. The COVID-19 Economic Recovery Fund (FRE) of CFAF 100 billion, to be allocated to active businesses (individuals or corporates) operating in hard-hit sectors, will be implemented during 2020-2021, with CFAF 70 billion earmarked for 2020 and CFAF 30 billion for 2021, and is being carried out through a partnership framework agreement with banking system. The FRE interventions will mainly take the form of partial guarantee to secure low-interest loans at the rate of 3.5 percent for small and medium-sized enterprises (SMEs) and micro enterprises, and at the rate of 4 percent for large enterprises.

43. The mechanism of the FRE is based on three schemes:

- Scheme 1, **cash flow credit or investment credit**, enables the government to make funds available to lending institutions, in the form of non-interest-bearing cash deposits, in amount of CFAF 30 billion (CFAF 20 billion in 2020 and CFAF 10 billion in 2021) to serve as a guarantee for loan extended to large enterprises hit by COVID-19 and in amount of CFAF 40 billion (CFAF 25 billion in 2020 and CFAF 15 billion in 2021) to serve as a guarantee for loans extended to SMEs hard-hit by COVID-19;

- Scheme 2, **interest rate subsidization**, is used to enable the Burkinabé Fund for Economic and Social Development (FBDES) to provide a subsidy of 1.5 percent per annum, so as to reduce the interest rate set in the framework agreement between the government and the Professional Association of Banks and Financial Institutions (APBEF) to 4 percent per annum for eligible large enterprises and to 3.5 percent per annum for SMEs. CFAF 5 billion will be used for this purpose in 2020;

- Scheme 3, **reduced-interest loans**, enables the government to make a grant in the amount of CFAF 20 billion (CFAF 15 billion in 2020 and CFAF 5 billion in 2021) available to national financing funds (for micro enterprises and the informal sector essentially) in order to allow them to grant low-interest credits at the rate of 3.5 percent per annum to their customers whose activities have been heavily impacted by the consequences of COVID-19.

44. The management and monitoring of the mechanism is handled by two committees: a committee for managing financing requests addressed to the banking system and a committee for managing financing requests addressed to decentralized financial services (SFDs) and national financing funds (FNFs).

45. The governance of resources for the COVID-19 response is regulated by ministerial Order No. 2020-260/MINEFID/SG/DGTCP, which establishes a financial management and accounting committee, whose work is subject to the control of state oversight bodies (the State Control and Anti-Corruption Higher Authority ASCE-LC; the General Inspectorate of Finances (IGF), and the Technical Inspectorate of line Ministries). The support of external development partners has already been taken into account in the revised Budget. In addition, in order to ensure public accountability, government communications and quarterly and annual reports of the committees will be used to justify the utilization of these resources. An audit report on spending up to end-June 2020 has been completed and submitted to the IMF in October 2020 (prior action). Furthermore, the audit report on the management of resources up to end-December 2020 will be published by end-June 2021. In addition, for expenditures related to COVID-19, all of the public procurement contracts and the names of their beneficiaries will be published. Moreover, this information is included in the review of public procurement contracts.

46. To ensure a rapid response to COVID-19 and other crises and to guarantee the use of the relevant funds, the government of Burkina Faso, with support from the World Bank, developed a public financial management (PFM) system for emergencies. This system is organized around five governance pillars: (i) institutional governance; (ii) emergency funding; (iii) implementation of budgetary, accounting, and financial management procedures adapted to the situation; (iv) the guarantee of an a posteriori accountability mechanism; and (v) tools to be put into place for greater transparency. The system will be implemented through Ministerial Order No. 2020/000418/MINEFID/CAB of August 26, 2020, concerning the establishment and organization of the public financial management system during periods of crisis in Burkina Faso.

47. This system is meant to be adaptable and usable for crises that Burkina Faso may have to deal with in the future. Given the context and specific features of each crisis, however, it would be useful to draw lessons from each emergency situation on a regular basis in order to improve crisis governance through the continuous adaptation of PFM procedures to events.

48. With regard to the reimbursement of VAT credits and within the context of the implementation of the provisions of Article 8 of the revised 2018 budget concerning creation of the special Treasury appropriations account (CAST) for the reimbursement of VAT credits, an ministerial order (No. 2020-0306/MINEFID/SG/DGI) suspending for the period from July to December 2020 the collection of VAT on all imports of mining companies in the operational phase was signed on July 7, 2020. This decision aims to substantially reduce liabilities for VAT credit reimbursements. As of September 7, 2020, a total of 1,113 import files from mining companies had been received by the General Directorate of Taxes (DGI) and 630 files totaling CFAF 93.35 million were approved for VAT-exempt imports. The government adopted a roadmap (prior action) in order to further simplify and modernize the VAT reimbursement process so that the process will be in line with the relevant best practices over the medium term.

49. At end-December 2020, the revised budget (LFR) targets an overall deficit of around 5.1 percent of GDP, with the level of resources equal to 22.1 percent of GDP and expenditures representing 27.3 percent of GDP. In light of deeper than expected slowdown of economic activity, the deficit would reach 5.3 percent of GDP instead.

50. The 2021 budget has been prepared within a context marked at the national level by the effects of the COVID-19 pandemic, and by the persistence of terrorist attacks. This calls for a steady strengthening of measures and actions to mitigate their impact on the country's economy. This process is also taking place within a context marked by the suspension of the WAEMU Convergence, Stability, Growth and Solidarity Pact, as well as the end of the PNDES (2016-2020) and of the ECF-supported program concluded with the IMF for the period of March 2018 to March 2021.

51. In this connection, the priorities for the 2021 budget are focused on the following key areas:

- Improving security and social cohesion;
- promotion of good governance;
- development of human capital;
- dynamic development of the economic growth drivers.

In order to implement these priorities, strategic choices in terms of expenditure and revenue were made in order to make fiscal policy more effective.

52. With regard to revenue, the aim will be to continue optimizing the mobilization of domestic resources through better promotion of online declaration procedures and better organization of services, with a view to achieve broader coverage of budget expenses in general and capital expenditure in particular by these resources. In addition, action will be taken to improve tax performance.

53. As for expenditure, in view of the challenging national security situation in recent years, special emphasis will be placed on the defense and security sectors in order to ensure they have adequate means to deal with this threat. The efforts that have been undertaken with regard to priority sectors such as national education, health care, water and sanitation, agriculture, and infrastructure, will be continued in order to ensure the production of high-quality basic goods and services in the quantities needed for the population in general and for the most disadvantaged groups in particular. As for the modernization of public spending procedures undertaken in 2018, the aim will be to continue the computerization of public procurement processes and documents in the public expenditure chain.

54. In terms of the major components, the draft 2021 budget submitted to the parliament consistently with program objectives (prior action) projects CFAF 2,100.2 billion in revenue (21.5 percent of GDP) and CFAF 2,641.0 billion in expenditure (27.0 percent of GDP), resulting in a fiscal deficit (overall budget balance) of CFAF 540.8 billion (5.5 percent of GDP).

55. Compared to the 2020 revised budget (LFR), total revenue will exceed the projected amount by CFAF 39.3 billion in absolute terms and by 1.9 percent in relative terms. Expenditure will increase by 3.8 percent between 2020 and 2021, corresponding to an absolute amount of CFAF 97 billion. The budget deficit will be covered by recourse to external budget support and regional bond market. The draft 2021 law has already been tabled in the National Assembly and a revised draft in line with the framework agreed upon with the IMF has been submitted to Parliament during the budget review process (prior action).

C. Debt Management Policy

56. The objective of public debt management in Burkina Faso continues to be geared toward meeting the government's financing needs while: (i) ensuring payment of obligations at the lowest possible cost; (ii) keeping risks at a manageable level; and (iii) meeting other objectives of the authorities, in particular the development of the financial markets. In order to accomplish these objectives, the government put into place a Medium-Term Debt Management Strategy, the implementation of which in 2020 will make it possible to keep the risk of the country's debt distress at a moderate level. In addition to continuing its recourse to concessional resources, Burkina Faso, in line with its strategy for 2020-2022, is also considering less concessional resources in light of the challenges of obtaining concessional resources and the increasing domestic debt burden, and to change the profile of domestic debt in order to improve the average maturity of the debt portfolio. The choice will be made on the basis of a cost-benefit analysis.

57. With regard to regional financial market instruments, there have been simultaneous issues of Treasury bills and/or bonds with a choice of maturities in order to increase the chances of covering the government's needs. The projected total amount of issues expected by end-December 2020 is estimated at CFAF 942 billion.

58. The projected outstanding stock of debt at December 31, 2020, is CFAF 4,253.5 billion, consisting of CFAF 2,294.6 billion in external debt and CFAF 1,958.9 billion in domestic debt.

59. As for strengthening the legal framework for debt management, a review of regulatory framework for debt is being undertaken in order to comply with the relevant international standards. Furthermore, in order to improve the design and publication of Burkina Faso's debt data, an order was issued concerning the preparation and publication of a statistical bulletin on debt, an annual financing plan, and a report on implementation of the annual financing plan. To date, two bulletins have been published on the website of the General Directorate of the Treasury and Public Accounting (DGTCP).

60. Effective and optimal management of public debt is based, in particular, on efficient coordination with cash management. In this regard, support will be provided to the DGTCP, in particular through a draft methodological guide for cash management.

IV. STRUCTURAL REFORMS FOR THE REST OF 2020 AND OUTLOOK FOR 2021

A. Reform of Public Finances

61. Within the context of continuing implementation of the program budgeting, significant progress was made related to the preparation and execution of the budget. This progress concerns the operationalization of budget programming instruments and the appointment of all of the program managers.

62. In addition, a guideline document regarding management oversight was drafted. The guidance document for the appointment of program managers, the operational program budget, and the operational program unit is available.

63. Future plans include the establishment of new networks of public accountants within the Customs, Tax, and Treasury administrations (January 2022), improvement of the process for preparing the government's opening balance sheet, more rapid efforts to operationalize program managers, support to line ministries in the definition of operational program budgets and operational program units, the implementation of management oversight, and continued implementation of the project in charge of developing the integrated public financial management system (SIN@FOLO). In addition, a study is planned to develop a guidance document for the mapping of operational program budgets and operational program units.

64. Following the adoption of texts governing the Treasury Single Account (TSA) in 2019, the Public Treasury was able to connect to the WAEMU STAR and SICA payment systems for transfers. So payments have been executed via these systems since July 30, 2020. Furthermore, while continuing to close inactive accounts at banks and at the BCEAO, an exhaustive inventory of public bank accounts at all of the local banks was completed in July 2020 with the aim of gradually integrating these accounts into the TSA system.

65. The implementation of accounting reform as at September 15, 2020, consisted of:

- the implementation of accrual accounting according to a redesigned scheme based on the current network of DGTCP accountants;
- postponement of the deployment of networks of public accountants at the General Directorate of Taxes and the General Directorate of Customs to January 1, 2022, pursuant to Decree No. 2020-0266/PRES/PM/MINEFID of April 10, 2020;
- preparation of the government's first opening balance sheet as at January 1, 2019;
- strengthening the steering of the reform, which is now being led by the Deputy Director General of the DGTCP and will be supported by a new Quality, Innovation, and Reform Department within the DGTCP;

- adoption of a decree on the creation of the Treasury Single Account and an ministerial order setting out the terms and conditions for the opening and functioning of the TSA, as well as completion of the inventory of public accounts opened at commercial banks.

66. Since May 2020, the government of Burkina Faso has been developing a government expenditure commitment plan (PEDE) with a view to better aligning public expenditure commitments with the government's cash position. This work led to the design of a methodological guide for the drafting of the PEDE, standard frameworks for sectoral commitment plans and the consolidated commitment plan (PEC), and a draft text on the establishment and development of the PEDE. Thus, the PEDE management process was implemented within the public financial information system during the month of September and deployment for use in an experimental phase is scheduled to start on January 1, 2021, as part of the execution of the state budget for fiscal year 2021.

67. The PEDE should eventually be used to draw up a dynamic annual government cash flow plan (PATE), that is, one that is updated monthly. In addition, the government will continue to produce the annexes that are supposed to accompany the draft budget in Parliament, in particular the monthly cash flow forecast plan, in accordance with the provisions of Article 48 of Organic Law No. 073 on state Budget.

68. With regard to the management of public procurement, the main innovations introduced by the system within the context of the reforms being carried out include the following:

- clarification of the role of stakeholders involved in the management of public procurement and public service delegations;
- adoption of the market price list as a reference for verifying the validity of prices;
- a reduction in deadlines for parties involved in the procurement process.

69. Furthermore, within the context of combating insecurity and COVID-19, specific texts have been adopted with a view to speeding up implementation of the planned actions. In addition, with the support of development partners, a project to modernize the system through dematerialization of the process of managing public contracts and delegations of public service has been launched. In this regard, we are setting up a control and reporting system adapted to the challenges of managing COVID resources, to be used at the end of the fiscal year, but also on an intra-annual basis (in particular, through the quarterly report of the Management Committee created to coordinate the respond to COVID-19).

70. With regard to the management of public investment, the authorities will endeavor to address the weaknesses identified by the Public Investment Management Assessment (PIMA) carried out in June 2017. Beyond the strengthening of the PPP framework discussed above (paragraphs 19 and 20), the main areas for improvement were related to: (i) the connection between the various programming and budgeting tools for public investment; (ii) strengthening of the maturation system for the development of projects through ex ante assessments of projects by line ministries and further assessments by a competent central body; (iii) more rigorous selection of projects to be included in the budget; and (iv) improvement of programming and commitment of expenditures in order to secure information on the availability of financing.

B. Bringing the Wage Bill Under Control

71. The government, in an effort to set the wage bill on a sustainable path, arranged for a national conference on the system of compensation for public employees. This conference led to the creation of two committees: a technical committee and a monitoring committee. The work of the technical committee resulted in the preparation of a draft law on the fundamental principles of the civil service, as well as the preparation of draft texts on the wage and compensation scales for civil servants. The monitoring committee, for its part, offered guidance on implementation of the process. Difficulties inherent to the social (protests against the implementation of the tax on bonuses and allowances for public sector employees) and to the health context (COVID-19) emerged, however. Studies are planned to define the best way of resuming the consultations. To this end, a high-level committee composed of independent persons will be set up to help refine the reform proposals in consultation with all stakeholders and the conclusions will be submitted to all of the participants by end-December 2020. The government reiterates its commitment not to grant any new wage agreement (except for the security sector) leading to an increase in the wage bill, before the adoption of a comprehensive reform package.

C. Improve Performance in the Energy Sector

72. In order to strengthen the operational and financial performance of SONABHY and SONABEL, the contracts that the government signed with these two entities were evaluated so as to capitalize on the gains made and correct the shortcomings. The evaluation of the 2015-2019 Government-SONABEL contract shows the following: (i) the government met 75 percent of its 16 commitments and SONABEL met 50 percent of its 17 commitments. This contract-plan called for the recruitment of an external auditor to monitor the application of the contract. The results of this audit and the recommendations that will be made by the auditor will facilitate arrangements to provide SONABEL with adequate means to achieve better results during the next contract. As for SONABHY, out of 22 commitments under the Government-SONABHY's contract, two are in progress, three have been partially implemented, and three others have not been implemented. The rest of the commitments have been effectively implemented.

73. Furthermore, the implementation of the Government-SONABEL-SONABHY Memorandum of Understanding on financial transactions between the government and the energy sector and the setting of prices for the sale of fuel to SONABEL, and the Government-SONABHY Memorandum of Understanding on the implementation of commitments under the contract-plan and the clearance of SONABEL's debt, made it possible to clear the government's debts to SONABEL and to ensure regular payment by SONABEL of the rescheduled debt owed to SONABHY.

74. In addition, the government and SONABHY validated the amount of outstanding financial obligations between the government and SONABHY as of August 31, 2020 (prior action). As a result of this validation, the government remains indebted to SONABHY for the sum of CFAF 21,073,077,736. This sum represents the balance after offsetting the amounts due to SONABHY with the estimated surplus in the operation of the fuel pricing mechanism in the amount of

CFAF 68,381,684,665 as of August 31, 2020. As of that same date, the balance on the subsidy deposit account held at the General Payment Office showed a credit of CFAF 23,190,600,277. In addition, the 2020 revised budget (LFR) has budgeted an additional CFAF 25 billion, which is currently being released.

D. Retail Fuel Price Adjustment Mechanism

75. The drop in prices for petroleum products in the international market, as well as the application, albeit still partial, of the retail fuel price adjustment mechanism, have made it possible to reduce considerably the burden of energy subsidies related to shortfalls recorded in 2019. Losses as end-December 2019 were CFAF 9.13 billion, compared to CFAF 88.73 billion at end-2018.

76. In terms of efforts to protect vulnerable populations, the completion of a study on the effects of the change in retail fuel prices on the prices of consumer goods, in collaboration with all of the key players in the country's fuel supply chain, made it possible to better contain inflationary pressures related to the increase in prices for petroleum products.

77. For 2020, efforts will be continued in the application of the retail fuel price adjustment mechanism with the aim of further reducing the fiscal burden of subsidies on the sale of petroleum products. The decline in oil prices on the international market suggests that a surplus of about CFAF 75 billion is expected by end-2020. Texts to delegate a certain amount of decision-making autonomy to the technical committee responsible for setting pump prices, which are currently being finalized, will allow for direct adjustments of retail fuel prices in connection with international price variations within a predefined range.

78. Efforts will also be pursued to strengthen communication activities throughout 2020. The ongoing specific studies on (i) cost items of the price structure and (ii) the butane gas subsidy in Burkina Faso by the end of 2020 should boost the stakeholders' confidence in the ongoing reforms.

E. Stability of the Financial Sector

79. Changes in the financial indicators of lending institutions as at end-June 2020 were as follows:

- an increase in assets (652.2 billion, 13.03 percent) and in liabilities (+533.34 billion, 11.68 percent) compared to end-December 2019, led to a deterioration of their cash balance by 118.8 billion;

- a 7.6 percent rise in the obligations of lending institutions vis-a-vis the monetary authority during the first half of the year, reaching 930.18 billion as at June 30, 2020, due in particular to the need to hedge exposures on public securities issued in connection with efforts to combat the pandemic;

- quality of the portfolio, which remained virtually stable with gross and net non-performing loans rates of 7.46 percent and 2.32 percent, respectively, in June 2020 compared to 7.62 percent and 2.32 percent a year earlier;

- overall compliance with prudential norms, with the exception of two a relatively small institutions (each accounting for around 3.3 percent of the banking market). One of these two institutions is in breach of the risk-sharing standard and the breach of the second institution pertains to the solvency and risk-sharing ratios.

80. The Burkinabé banking system remains sound overall and has shown resilience in the face of the coronavirus epidemic thanks in particular to the supportive actions undertaken by the BCEAO. These actions have made it possible, among other things, to provide lending institutions with the resources they need on an ongoing basis and at a lower cost, to broaden the scope of private instruments eligible for refinancing window by listing a greater number of companies, to grant accounting and prudential relief to institutions that have extended maturity to individuals and businesses affected by the pandemic, and to provide necessary support to the efforts of the Union's member states to mitigate the fallout of the pandemic on the economy.

81. In 2021, the soundness of the banking system should be strengthened, in particular with the continued implementation of the transitional provisions of the new prudential framework that came into force in 2018, with the corollary of an increase in equity. The lending institutions are expected to strengthen their risk management and compliance systems in order to increase their soundness in an uncertain environment, while at the same time supporting the necessary efforts for recovery of the economy.

F. Financial Inclusion

82. As part of the operationalization of the National Strategy for Financial Inclusion (SNFI), five major actions have been carried out. They are as follows: (i) the establishment of a committee to monitor the declarations and commitments of technical and financial partners and other stakeholders pursuant to ministerial Order No. 2020-00178/MINEFID/CAB of April 18, 2020; (ii) submission to the authority of a draft order establishing the monitoring system, in particular the SNFI Implementation Monitoring Committee (CSMO/SNFI) and thematic working groups for the implementation of the monitoring and evaluation mechanism; (iii) validation by the stakeholders of a draft document which focuses on strengthening the financial skills of people outside school, training in financial literacy from elementary school to higher education, and the coordination of partnerships and monitoring and evaluation within the framework of the development of a Financial Literacy Action Plan; (iv) the hiring of a consultant to develop a communication plan; and (v) ongoing data collection for the preparation of the 2019 report and the updating of the 2020-2022 action plan of the SNFI.

G. Social Protection

83. The establishment of a single register to improve the targeting of vulnerable households is a fundamental tool in the building of a coherent, effective, and sustainable social protection system.

84. The use of tools for the collection of data on vulnerable households other than the harmonized tool by certain entities in the field of social protection makes it necessary to provide funding for databases with a different structure than that expected for the creation of a single register of vulnerable persons at the national level. Thus, the momentum for the establishment of the single register will be achieved through continued targeting of vulnerable persons in the municipalities still to be surveyed by the Permanent Secretariat of the National Council for Social Protection and consultations with the various stakeholders in order to agree on the consensual measures to be taken to facilitate the use of the harmonized data collection tool for vulnerable households.

85. The establishment of the single register of vulnerable persons currently under construction, the databases of which are available in the municipalities already surveyed and are used by a number of actors in the field of social protection for the identification of the population targeted by their projects and programs, allows for better coordination and synergy of interventions, for a greater impact on the targets while avoiding duplication. In a national context marked by the fragmentation of social safety net projects and programs and taking into account the cross-cutting and intersectoral nature of social protection, the establishment of a single registry at the national level and the alignment of players in the field with the registry's targets will make it possible to resolve the problems of inefficiency of interventions observed so far.

86. The database on vulnerable households contains information on about 42,797 households (323,717 persons), of which 17,410 are vulnerable households (representing 138,611 persons), and it covered 63 municipalities at end-December 2019. The 2019 targeting data are currently being processed in 55 municipalities, which will make it possible to have a database of 118 municipalities by end-September.

87. As part of the response to the COVID-19 pandemic, cash transfers are expected to benefit 43,000 vulnerable households, including 3,000 people affected or infected by the disease, 20,000 market vendors in Ouagadougou and Bobo Dioulasso, and 20,000 vulnerable people in the outskirts of Ouagadougou and Bobo Dioulasso. The process has already reached more than 15,000 people and is still ongoing.

88. The conditions for setting up the social register are improving, with the number of municipalities with social services increasing from 195 at end-2019 to 270 as of June 30, 2020, making it possible to extend the targeting of households in 81 additional municipalities for the year 2020, as well as the continued implementation of the national program to meet the needs of vulnerable persons.

89. This vision of building a social protection system, with the establishment of the single registry as the centerpiece, was reaffirmed during the eighth session of the National Council for Social Protection. The principal recommendations adopted at this session are as follows: (i) the use of the social registry by stakeholders operating in the municipalities covered so far; and (ii) pursuing consultations among the various stakeholders in order to define a roadmap for coordinated progress towards a single registry of beneficiaries. In order to consolidate the implementation of this registry, a study to design the architecture of the single register system will be carried out.

H. Poverty Reduction

90. In terms of health promotion, the efforts will be focused on: (i) the implementation of the COVID Pandemic Preparedness and Response Plan; (ii) free health care and improvement of its management; (iii) the accreditation of health facilities for the implementation of universal health insurance scheme; and (iv) free family planning.

91. With regard to improving the nutritional status of the population, the aim will be to continue treating cases of severe acute malnutrition and to strengthen the management of intervention and food security stocks. Appropriate and targeted interventions will be carried out to reduce the vulnerability of populations in structurally deprived areas, with support for agricultural production and unconditional cash transfers to vulnerable households, as well as the sale of food based on social pricing.

92. In terms of improving access to high-quality training, broad expansion of the vocational training strategy through mobile training units, as well as the granting of subsidies and awarding of training scholarships for young people and women will be continued.

93. In order to guarantee decent employment and social protection for all, the benefits of the National Support Fund for Laid-Off and Retired Workers (FONA-DR) will be strengthened to finance 150 projects for laid-off and retired workers. In addition, to promote self-employment, emphasis will be placed on improving the intervention capacity of the funds for financing youth micro-projects.

94. In terms of reducing social and gender inequality, future plans include accelerated implementation of the Project for the Integrated Care of Orphans and Other Vulnerable Children (PECI-OEV), increasing the number of vulnerable families benefiting from income-generating activities, and accelerating the implementation of the Integrated Program for the Empowerment of Women in Burkina Faso (PIAF-BF).

I. Strengthening Anti-Corruption Activities

95. Combating corruption remains a priority for the government, which is committed to implementing the relevant laws and regulations, in particular Law No. 004-2015/CNT of March 3, 2015, on the prevention and suppression of corruption in Burkina Faso.

96. In December 2019 the ASCE-LC also organized the first Anti-Corruption Night, chaired by the President of Faso, under the theme "Individual and collective responsibility in the fight against corruption in Burkina Faso."

97. Similarly, to ensure budgetary transparency, the ASCE-LC and the Court of Auditors have regularly produced and transmitted public financial management reports to the President of Faso for follow-up, the latest of which concern relates to the 2018 fiscal year. Reports related to financial management in 2019 are currently being prepared.

98. Since the adoption of the Mutual Evaluation Report (MER) in May 2019, Burkina Faso has made progress in improving its anti-money laundering and combating the financing of terrorism (AML/CFT) system. Pending the validation and assessment of these efforts by the Technical Commission of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), the main notable improvements are as follows:

- application of the relevant provisions of the Criminal Code (Law No. 025-2018/AN of May 31, 2018, on the Criminal Code of Burkina Faso) and the Code of Criminal Procedure (Law No. 044-2019/AN of May 29, 2019, on the Code of Criminal Procedure in Burkina Faso);

- adoption of Law No. 044-2019/AN [sic] of June 21, 2019, on the amendment of Law No. 025-2018/AN of May 31, 2018, on the Criminal Code, Articles 361-23 and 361-24 criminalizing the financing of terrorism or terrorist organizations for all purposes;

- adoption of Decree No. 2019-1237/PRES/PM/MINEFID/MSECU/MJ of December 10, 2019, on the designation of supervisory and control authorities with respect to non-financial sector reporting entities in combating money laundering and the financing of terrorism and the proliferation of weapons of mass destruction;

- Decree No. 2020-0630/PRES/PM/MINEFID/MSECU/MJ of July 16, 2020, on designation of the competent authority for administrative freezing of assets and targeted financial sanctions and establishment of the Advisory Commission on the Administrative Freezing of Assets (CCGA).

99. Furthermore, steps have been taken by the National Financial Intelligence Processing Unit (CENTIF) to develop guidelines regarding the obligations of Designated Non-Financial Businesses and Professions (DNFBPs) in terms of AML/CFT and control and supervision guides. The recruitment process of the consulting firm is in its final stage and the firm will have 90 days to develop the guidelines and control guides.

J. Improvement of Macroeconomic Data

100. In the process of improving macroeconomic forecasts, ongoing working sessions of the technical team for modeling and forecasting are held to ensure the updating of the automated forecasting tool (AFT) in accordance with the roadmap developed for this purpose. Thus, a technical workshop to finish the work of updating the AFT model was organized in July 2020. This workshop provided an opportunity to review the work on the construction of the new module and to examine the central and peripheral modules of the model ("TRE," "TOFE," "Balance of Payments (BOP)," "Currency," "Debt," "Inputs," "Assumptions," "Outputs"). In addition, the construction of the new AFT model also took into account the new 2015 base year of the national accounts. Moving forward, the work on the next macroeconomic framework, scheduled to take place between late November and early December 2020, will be based on the new AFT model.

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

	2019					
	Sept. 1/		Dec.			
	Prog.	Prel.	Prog.	Adj.	Prel.	Status
Quantitative Performance Criteria						
Ceiling on net domestic financing of the government 2/ 3/ 4/ 5/	146	139	200	200	197	Met
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 6/ 7/	370	206	370	370	285	Met
Ceiling on the accumulation of external payment arrears by the government 8/	0	0	0	0	0	Met
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	0	0	0	0	0	Met
Ceiling on government guarantees of new bank pre-financing for public investments 8/	0	0	0	0	0	Met
Indicative Targets						
Ceiling on the accumulation of domestic arrears by the government 8/	0	0	0	0	0	Met
Ceiling on the overall fiscal deficit including grants 2/ 3/	196	216	258	269	295	Not met
Floor on government revenue 2/	1262	1361	1697	1697	1748	Met
Floor on poverty-reducing current social expenditures 2/	143	293	190	190	229	Met
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40	38	40	40	62	Not met
Ceiling on the value of PPPs contracted 2/	200	141	200	200	141	Met

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 2. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2020 (CFAF billion)

	2020					
	Mar. 1/		June			
	Prog.	Prel.	Prog.	Adj.	Prel.	Status
Quantitative Performance Criteria						
Ceiling on net domestic financing of the government 2/ 3/ 4/ 5/	60	92	67	115	237	Not met
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 6/ 7/	410	22	410	410	135	Met
Ceiling on the accumulation of external payment arrears by the government 8/	0	0	0	0	0	Met
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	0	0	0	0	0	Met
Ceiling on government guarantees of new bank pre-financing for public investments 8/	0	0	0	0	0	Met
Indicative Targets						
Ceiling on the accumulation of domestic arrears by the government 8/	0	0	0	0	0	Met
Ceiling on the overall fiscal deficit including grants 2/ 3/	0	117	141	185	324	Not met
Floor on government revenue 2/	418	389	888	888	797	Not met
Floor on poverty-reducing current social expenditures 2/	52	127	103	103	137	Met
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40	74	40	40	57	Not met
Ceiling on the value of PPPs contracted 2/	200	0	200	200	0	Met

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 3. Burkina Faso: Prior Actions and Structural Benchmarks—2019-2020			
Benchmarks	**Objective**	**Completion Date**	**Status**
Submit the 2021 budget in line with program objectives	Reduce fiscal risks	Prior action	Met
Submit a roadmap for streamlining the VAT reimbursement process	Improve cash management	Prior action	Met
Submit an audited report of COVID19-related spending through end-June 2020	Improve governance and the fight against corruption	Prior action	Met
Sign a memorandum of understanding between SONABHY and the government, to validate cross-debt as of end-August 2021.	Improve cash and budget management	Prior action	Met
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)*	Met
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.	Contain public-sector wage bill	From the approval of the 2020 budget	Met
Adoption by the Treasury Directorate of a roadmap with a detailed chronogram on the implementation of the Treasury Single Account.	Improve cash management	December 2019	Met
Finalize the external audit on SONABHY's financial operations and accounting practices.	Reduce fiscal risks	March 2020	Met
Complete a performance audit of SONABHY, and an evaluation of the performance contracts with SONABHY and SONABEL upon their expiration.	Reduce fiscal risks	June 2020	Not met

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 2 of the MEFP. The structural benchmarks in the program are presented in Table 3 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.[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.

8. 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

9. 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

10. 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; and (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.

11. 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

12. 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.

13. 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.

14. 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

15. 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

16. 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

17. 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

18. 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

19. 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

20. 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

21. 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.

H. Government Revenue

Definition

22. 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

23. 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

24. 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

25. 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

26. 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 1. 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 1. 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 1. 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

BURKINA FASO

October 29, 2020

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION AND REPHASING OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

Approved by
Catriona Purfield (IMF) and 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
Application of judgement	No

Burkina Faso remains at moderate risk of external debt distress. *The rating is unchanged from the April 2020 Debt Sustainability Analysis (DSA). The macroframework underlying this DSA accounts for Burkina Faso's recent GDP rebasing and incorporates the impact of the Covid-19 pandemic and the deteriorating security situation. The current debt-carrying capacity is consistent with a classification of 'medium'.[1] The risk of overall and external debt distress in Burkina Faso remains moderate, with substantial space to absorb shocks. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario. Under a standard stress test of a shock to exports, two of the thresholds for PPG external debt—debt service-to-exports and debt service-to-revenue ratios—are breached. Overall public debt breaches the relevant benchmark under one scenario. Burkina Faso would need to: (i) maintain a sound macro-fiscal framework in the midst of the pandemic shock; (ii) implement structural reforms to diversify its export base; (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] Burkina Faso's Composite Indicator is 3.01 based on the October 2019 WEO and the 2019 CPIA, corresponding to the medium debt-carrying capacity.

BACKGROUND ON DEBT

1. **Public debt levels have increased in the last few years following large fiscal deficits and a shift towards more expensive domestic borrowing (Text Table 1).** The nominal stock of public debt as of end-2019 stood at 42.7 percent of GDP up by 5 percentage points of GDP compared to the previous year. The increase in 2019 was driven by (i) an elevated budget deficit due to higher than planned VAT reimbursement and (ii) weaker than expected external disbursements. The composition of debt has continued to shift towards domestic debt, financed by the WAEMU regional market. External debt comprised 55.6 percent of the total debt stock at end-2019, down from 77.1 percent at end-2014.

Text Table 1. Burkina Faso: Public Debt Stock, 2014-19
(percent of GDP)

	2014	2015	2016	2017	2018	2019
Public Debt	26.6	31.4	33.3	33.5	37.7	42.7
External Debt	20.5	23.2	23.7	21.1	21.5	23.7
share (in percent to total debt)	*77.1*	*73.9*	*71.1*	*62.8*	*57.0*	*55.6*
Domestic Debt	6.1	8.2	9.6	12.4	16.2	19.0
share (in percent to total debt)	*22.9*	*26.1*	*28.9*	*37.2*	*43.0*	*44.4*
Memorandum items:						
Overall fiscal balance	-1.6	-1.9	-3.0	-6.8	-4.2	-3.2
GDP growth (in percent)	4.3	3.9	6.0	6.2	6.8	5.7

Sources: Burkinabe authorities; and IMF staff estimates.

Text Table 2. Burkina Faso: Coverage of Public Sector Debt 1/

	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	

1/ The Central Bank is not allowed to borrow on behalf of the central government.

Text Table 3. 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%.

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 are taking steps to extend the coverage of debt to include guarantees to the public and private sectors for this current 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] An audit of SOE debt too is underway, and under the World Bank's Sustainable Development Finance Policy, an annual debt report and two quarterly debt bulletins aim to broaden the coverage of debt statistics to include domestic debt and contingent liabilities. Any additional information will be reflected in the upcoming DSA. Domestic debt of these state-owned enterprises, however, is not covered in the baseline DSA, but the standard SOEs' 2 percent share of GDP is included in the contingent liability stress test (see Text Table 3 and ¶8). Domestic debt is defined as debt denominated in the regional currency, the FCAF. The choice of coverage is based on currency, rather than residency, due to the difficulty of monitoring the residency of creditors for debt traded in the regional market. Once the debt audit is finalized and the coverage and quality of the debt ensured, the data will be included in the DSA.

BACKGROUND ON MACRO FORECASTS

3. Text Table 4 summarizes the main differences in macroeconomic assumptions between the previous DSA (April 2020) and the current DSA.[3] Compared with the previous DSA, real GDP growth decelerated further, notably with a sharp contraction in 2020 owing to the external and domestic effects of the COVID-19 outbreak. The intensification of the security crisis also contributes to lower growth. Burkina Faso's overall fiscal balance breaches the WAEMU convergence criterion for the period 2019-2023 but reverts back thereafter. This DSA includes for 2020 IMF disbursements (ECF/RCF), IMF debt relief (CCRT),[4] G20 DSSI and additional external support (other donors), while the remaining financing gap is sought to be filled on the WAEMU's regional market. The authorities have also requested the debt service suspension from official bilateral creditors and intend to adhere to the required commitments. While the current account has been revised sizably upwards to account for artisanal gold exports from 2019 onwards, the improvement in 2020 and 2021 is attributable to the increase in gold prices and decline in the oil bill. Gold price forecasts are sizably larger than the previous DSA in light of recent global developments. Gold exports maintain an upward path amid continued robust expansion in the domestic gold sector. The price of Burkina Faso's other main commodity export, cotton, is largely stable relative to the previous DSA.

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

[3] IMF Country Report No. 20/130 of April 2020.

[4] CCRT includes both the first 6 months of debt relief and potential debt relief provided for the next 18 months. The last 18 months of debt service relief is expected subject to availability of CCRT resources.

Text Table 4. Burkina Faso: Changes in Assumptions for Current DSA Compared with April–2020 DSA

			2019 est.	2020	2021	2025	2028
Gold (USD/ounce)	⬆	Current DSA	1,392	1,788	1,966	2,050	2,050
		Apr-2020 DSA	1,392	1,500	1,499	1,571	1,571
Cotton Prices (cts/lb)	⬍	Current DSA	78	70	72	71	71
		Apr-2020 DSA	78	70	71	70	70
Exports of goods (% of GDP)	⬆	Current DSA	24.3	25.8	24.8	20.4	17.7
		Apr-2020 DSA	24.3	22.8	22.2	19.6	17.0
Real GDP Growth (y/y)	⬇	Current DSA	5.7	-2.8	4.1	5.6	5.6
		Apr-2020 DSA	5.7	2.0	5.8	5.6	5.6
Current Account (% of GDP)	⬆	Current DSA	-4.8	-3.5	-3.5	-5.2	-6.0
		Apr-2020 DSA	-4.4	-4.3	-4.5	-5.3	-6.2
Overall Fiscal Balance (% of GDP)	⬇	Current DSA	-3.2	-5.3	-5.5	-3.0	-3.0
		Apr-2020 DSA	-2.7	-5.0	-3.5	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections.

4. **This DSA update is consistent with the macroeconomic framework underlying the Staff Report prepared for the fourth and fifth reviews of the three-year ECF program (Box 1).** The macro framework estimates growth to contract by 2.8 percent in 2020 and recover to 5.6 percent over the medium term. The macro framework projects a relaxation of the deficit target until 2023 above the 3 percent threshold consistent with Burkina Faso's WAEMU membership commitment. The authorities continue to provide provisions for the subsidies to the national oil company and are limiting cash adjustments, hence containing the off-budget debt creating flows.

Box 1. Macroeconomic Revisions and Assumptions Underlying this DSA Vintage

Gold prices have been revised upwards throughout the projection period. WEO gold price projections have been raised since the previous DSA for 2020 onward, driven by global price developments in response to the economic impact of the pandemic. WEO cotton price projections have remained more or less stable since the previous DSA for 2020 onwards. Gold production growth is expected to drop moderately over the medium term, as a challenging security situation is weighing on exploration operations of mining companies. In November 2019, an attack on a road leading to a SEMAFO Boungou mine led to the suspension of production for 3 months which has also added contemporaneous pressure on total gold production. The coming on stream of new industrial gold mines represent a buffer, but continued escalation of security tensions could further hamper exploration, limit prospective mining, and depress export receipts. The COVID-19 outbreak could compound this challenging situation as an outbreak in mines could lead to suspension of production.

Real GDP in 2020 is estimated to contract by 2.8 percent, sizably lower than the previous DSA projections. The growth projection for 2020 reflects the impact of COVID-19 shock and associated policy measures. The impact of the pandemic is projected to be widespread, with hotels, restaurants, commerce and transportation among the most hit sectors. Policies are envisaged to cushion the shock under the authorities' economic recovery plan, which includes a partial guarantee fund for companies in hard-hit sectors. While growth is projected to rebound partially in 2021 to 4.1 percent, considerable downside risks remain due to a potential second wave of infections, further intensification of security challenges, and commodity price vulnerabilities. From 2022 onwards, real GDP growth is projected to stabilize at 5.6 percent.

The overall fiscal deficit for 2020 has further worsened to 5.3 percent compared to the previous DSA. The widening deficit reflects the effort by the authorities to deal with the COVID-19 pandemic and the security crisis weighing on economic activity and public finances. The higher fiscal deficit in 2020 is financed in part by the Fund's disbursements from the ECF and RCF and debt relief under the CCRT. The rest is assumed to be financed by an increased mobilization of external support including the World Bank, the African Development Bank, and the European Union, as well as on the WAEMU's regional market leading to an increase in domestic financing and interest payments. Fiscal deficit is expected to be 5.5 percent of GDP for 2021, further improving to 4.8 and 4.0 percent in 2022 and 2023 respectively, and stabilizing at 3.0 percent going forward assuming the government undertakes efforts to meet the WAEMU convergence criteria. Over the medium-term, defense and security spending will continue to place a heavy burden on the budget. This warrants a more gradual return of the fiscal deficit to the regional convergence criteria of 3 percent of GDP in 2024.

Domestic debt is assumed to continue to increase throughout the forecast horizon, reflecting the authorities' financing needs over the medium-term. In 2020, domestic financing is expected to increase by 2.2 percentage points of GDP to 21.2 percent of GDP. In the medium term, the composition of domestic financing is assumed to be similar to that in 2019 with 45 percent in T-bills with an average interest rate of 5.4 percent, 30 percent in 3 to 5-year bonds with an average interest rate of around 6.5 percent, and 25 percent in 8-year bonds with an average interest rate of 7.6 percent. Beyond the medium-term, the authorities are assumed to mobilize greater amounts from longer-term instruments as the regional financial market develops. The remainder of the deficit 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 non-concessional external financing is assumed to increase from 1 percent in 2019 to one half of the total external financing in 2040. Fiscal consolidation over the medium term is expected to be achieved through: i) increased revenue mobilization underpinned by reforms to broaden the tax base and to reinforce the effectiveness of tax collecting agency (DGI) and customs administration (DGD); ii) better control of expenditures with reforms to bring the wage bill growth to a sustainable path and reduce energy subsidies.

The current account deficit is estimated to have reached 4.8 percent of GDP in 2019 but it is then projected to drop to 3.5 percent of GDP in 2020 and 2021 driven by the external price conditions, primarily gold and oil. 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 deterioration of the security environment in the Sahel region. Current account is projected to worsen going forward with an average of 5.1 percent for the projection period through 2030.

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 3 and 4).

a. Figure 3 shows that the contributions of past external debt creating factors remain relatively unchanged for the projection period. However, the contribution of prices and exchange rate is projected to decrease debt going forward and the magnitudes are projected to shrink in the future. Unexpected changes in external debt are near the median of the distribution across low-income countries. Total public debt projections improve compared with Burkina Faso's historical experience, mostly due to a projected fiscal adjustment of about 3 percent of GDP beginning from 2024 to accommodate the covid shock response, as opposed to the unusually large fiscal deficits in the previous 5 years, especially in 2016 and 2017. Unexpected changes in public debt are near the upper quartile of the distribution across low-income countries.

b. Figure 4 shows the country's planned fiscal adjustment for the next 3 years average at 0 percent of GDP. This reflects the relaxation of deficit target during 2020-2023 to help the country better respond to the pandemic outbreak and escalating security threat. The DSA takes this into account while assuming a gradual return to the fiscal deficit convergence criterion of 3 percent of GDP, with the country back in full compliance starting in 2024.

c. Finally, Figure 4 also shows the contribution from government capital to real GDP growth is projected in line with the historical magnitude, while the contribution from other factors is expected to decline.

6. This DSA assumes an increase of non-concessional financing over the forecast horizon. 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 over time starting from 2020 and through the DSA horizon. Consistent with this assumption, 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 5). The country's Composite Indicator (CI) index, calculated based on the October 2019 WEO and the 2019 CPIA score, is 3.01, that is below the threshold of 3.05 for "strong," hence the 'medium' classification. Moreover, the classification based on the previous vintage had been also 'medium'. 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.

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 3). 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 debt, a standard SOE debt of 2 percent of GDP is included as additional contingent liability to reflect potential guaranteed and unguaranteed external and domestic debt of public companies (e.g. SONABHY, SONABEL, SOFITEX). No shock is used to account for PPPs, as the stock is still less than 1 percent of GDP. For the financial sector, the default value of 5 percent of GDP is retained, representing the average cost to the government of a financial crisis.

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 16 percent, 11 percent, and 15 percent, respectively, and incorporates macroeconomic interactions on the real GDP growth, inflation and primary balance.

Text Table 5. Burkina Faso: Debt Carrying Capacity and Relevant Indicative Thresholds

Country	Burkina Faso
Country Code	748

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	Medium	Strong
	3.006	3.03	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.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.586	1.38	46%
Real growth rate (in percent)	2.719	5.727	0.16	5%
Import coverage of reserves (in percent)	4.052	38.402	1.56	52%
Import coverage of reserves^2 (in percent)	-3.990	14.747	-0.59	-20%
Remittances (in percent)	2.022	1.460	0.03	1%
World economic growth (in percent)	13.520	3.499	0.47	16%
CI Score			3.01	100%
CI rating			Medium	

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

New framework				
	Cut-off values			
Weak	CI <	2.69		
Medium	2.69	≤ CI ≤		3.05
Strong	CI >	3.05		

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 present value (PV) of external debt-to-GDP ratio is expected to remain around 18 percent over the projection horizon. The ratio increases from 18.7 percent in 2020 to 19.4 in 2030, albeit after a reduction in initial years, reflecting the external and domestic impact of the COVID-19 outbreak and policy responses to mitigate.[5] The PV of debt-to-exports ratio is expected to grow steadily from 66.2 percent in 2020 to 100.4 percent in 2030 yet remains below the 180 percent threshold. Neither of the debt service indicators causes any breach of their respective thresholds under the baseline scenario. The PV of debt service-to-exports ratio remains at around 5 percent for most of the next 10 years, increasing from 3.6 percent in 2020 reaching 6.9 percent in 2030; while the debt service-to-revenue ratio (excluding grants) increases from 5.6 percent in 2020 to reach 6.4 percent in 2030.

11. The standardized stress tests show that an export shock has the largest negative impact on the debt trajectory, triggering breaches to two of the external PPG debt indicators (Table 3). The PV of debt-to-exports ratio is significantly impacted by the export shock driven mostly by a high historical volatility in receipts in US dollar terms. The indicator reaches 212.4 percent in 2022 (against 66.0 percent under the baseline), and it remains above the threshold of 180 percent for the remainder of the projection period. The test highlights the need for a sustained effort to improve the economy's potential in exporting goods and services by addressing the security situation, through policy reforms in the mining sector, and diversification efforts. Similarly, the PV of debt service-to-exports ratio breaches its threshold of 15 percent by reaching 19.5 percent in 2028 and remaining above for the remainder of the period. Other shocks, including to real GDP growth, the primary balance, a one-time 30 percent depreciation of CFAF 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 marginal downward trend of PPG public debt following a peak of 48.1 percent of GDP projected for end 2022 (Table 2 and Figure 2). An increase in public debt is projected in 2020 and 2021—to finance the pandemic response—with both domestic and external debt projected to rise. Over the longer-term, the planned fiscal adjustment allows the debt ratio to be under control.

13. Under the baseline scenario, the PV of public debt-to-GDP ratio does not breach the 55 percent benchmark. The ratio remains around 40 percent over the projection horizon reflecting

[5] 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.

the temporary impact of COVID-19 shock, long-term effects of fiscal consolidation in line with WAEMU commitments, and the limit imposed to off-budget debt creating operations. The PV of debt-to-revenue and grants ratio is expected to peak in 2023 at 194.7 percent and then gradually decrease to 168.9 percent by 2030. The PV of debt service-to-revenue and grants ratio escalates rapidly from 37.3 percent in 2020 to 50.9 percent by 2022, given the short maturity of domestic financing. The latter raises concerns over the medium to long term about liquidity risks to the service of total public debt, especially as domestic debt is driven up by cash flow management issues.

14. The standardized sensitivity analysis shows that the most extreme shock leading to the highest debt figures in the projection period is a shock to exports, which breaches the public debt benchmark (Figure 2, Table 4). The PV of debt-to-GDP ratio would peak at 56 percent of GDP, under the stress test of a shock to exports—the most extreme shock, crossing the benchmark of 55 percent. Although the breach occurs in the near future, the deviations are minimal. The exports shock 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 the debt service-to-revenue ratio.

RISKS AND VULNERABILITIES

15. A meaningful response to the COVID-19 fallout entails heightened fiscal risks. In the light of the COVID-19 outbreak, and the ongoing security crisis, the fiscal framework for 2020 projects a deficit of 5.3 percent of GDP, and it remains above the WAEMU fiscal deficit convergence criteria of 3.0 percent of GDP until 2023. Nevertheless, the baseline scenario assumes that Burkina Faso achieves the planned fiscal consolidation by 2024, stabilizing thereafter at 3.0 percent of GDP (see Policy Note). Although pre-COVID-19 this target seemed achievable, it now looks more challenging and could well not materialize. In addition, exports and overall GDP may develop less favorably than projected under the baseline in view of the vulnerability of primary exports (namely gold and cotton) and imports (oil) to price shocks, to a second wave of COVID-19 infections that would trigger another severe lockdown, and a further deterioration in security conditions as highlighted in Box 1.

16. Burkina Faso would benefit from a more diversified export base of goods and services. For all external debt indicators, the most extreme shock is an export shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and, to a much lesser extent, of agricultural products. Moreover, this underlies the importance of strengthening the services export sector to address the imbalances in the trade of services. Burkina Faso has also 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.

CONCLUSION

17. 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 – debt service-to-exports and debt service-to-revenue ratios – 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.

18. The DSA suggests that the overall risk of public debt distress remains moderate. The risk of overall debt distress remains moderate because the benchmark for the PV of public debt-to-GDP ratio is breached for three years under the exports shock scenario and also because the risk of external debt distress is moderate. To avoid a deterioration of the debt distress rating, several risks and vulnerabilities need to be addressed, particularly: (i) the fiscal response to COVID-19 and pressures to deviate from the agreed medium-term fiscal consolidation; (ii) a non-diversified export base and a weak services exporting sector; (iii) fiscal costs arising from contingent liabilities accounting associated with various off-budget activities, including SOE debts and potential future PPP arrangements; (iv) rollover risk related to domestic financing; and (v) limit non-concessional borrowing and strengthen the implementation of the MTDS.

AUTHORITIES' VIEW

19. The authorities concurred with the results of the current DSA. They agreed that fiscal response to COVID-19 remains the most important concern in the short run. In view of the increasing debt service of domestic debt, the authorities are considering expanding their external financing while giving priority to concessional financing.[6] Semi-concessional financing sources with conditions that would be more favorable than the conditions on the domestic market are also being actively considered. The authorities reiterated their commitment to maintain prudent overall debt levels with a view to rebalancing debt composition and maintaining the assessed risk of debt distress at a 'moderate' rating.

[6] Concessional loans are defined as loans with a grant element above 35 percent. Semi-concessional loans refers to loans that have a material positive grant element but that is lower than 35 percent.

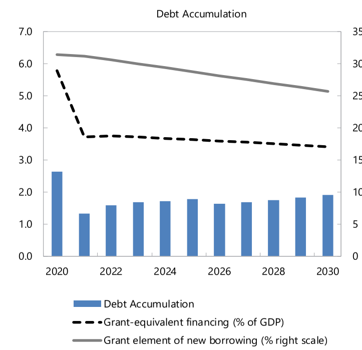
Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2017–2040

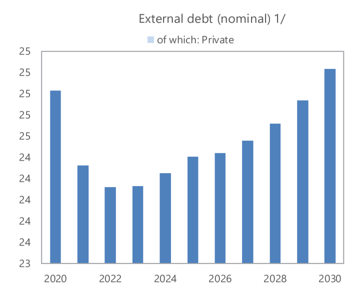
(In percent of GDP, unless otherwise indicated)

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
of which: public and publicly guaranteed (PPG)	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
Change in external debt	-2.6	0.4	2.3	1.3	-0.7	-0.2	0.0	0.1	0.2	0.3	0.4		
Identified net debt-creating flows	2.7	2.7	6.6	4.5	3.6	3.4	4.2	4.4	4.5	5.6	6.7	5.4	4.6
Non-interest current account deficit	4.8	3.9	4.4	3.4	3.2	3.6	4.4	4.7	4.9	6.0	7.3	4.7	4.7
Deficit in balance of goods and services	5.0	4.0	5.1	4.4	3.6	4.2	5.0	5.5	5.9	7.4	9.0	6.6	5.7
Exports	27.6	27.8	27.6	28.3	27.7	26.5	25.2	24.4	23.6	19.4	13.4		
Imports	32.7	31.9	32.6	32.7	31.3	30.7	30.2	29.9	29.5	26.8	22.4		
Net current transfers (negative = inflow)	-2.8	-2.9	-2.9	-3.6	-2.7	-2.7	-2.6	-2.6	-2.7	-2.4	-1.7	-3.6	-2.7
of which: official	-0.9	-1.0	-1.0	-2.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8		
Other current account flows (negative = net inflow)	2.6	2.8	2.3	2.7	2.3	2.1	2.0	1.8	1.6	0.9	0.0	1.7	1.7
Net FDI (negative = inflow)	-0.1	1.2	1.2	0.3	0.9	0.6	0.7	0.6	0.5	0.4	0.2	1.5	0.5
Endogenous debt dynamics 2/	-2.1	-2.5	1.0	0.8	-0.6	-0.9	-0.9	-0.9	-0.9	-0.8	-0.8		
Contribution from nominal interest rate	0.2	0.2	0.3	0.1	0.3	0.3	0.3	0.4	0.4	0.5	0.7		
Contribution from real GDP growth	-1.3	-1.3	-1.3	0.7	-0.9	-1.2	-1.2	-1.2	-1.3	-1.3	-1.5		
Contribution from price and exchange rate changes	-0.9	-1.4	1.9	...	...	...	...	...	...	...	...		
Residual 3/	-5.3	-2.3	-4.4	-3.2	-4.3	-3.6	-4.2	-4.3	-4.3	-5.3	-6.3	-5.1	-4.5
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	...	...	16.4	18.7	17.5	17.5	17.7	17.9	18.2	19.4	23.8		
PV of PPG external debt-to-exports ratio	...	...	59.4	66.2	63.2	66.0	70.1	73.5	77.2	100.4	177.9		
PPG debt service-to-exports ratio	3.5	3.5	4.3	3.6	4.3	4.1	4.2	4.5	4.6	6.9	13.5		
PPG debt service-to-revenue ratio	5.7	5.7	6.3	5.6	6.4	5.7	5.5	5.6	5.5	6.4	7.7		
Gross external financing need (Billion of U.S. dollars)	0.8	1.0	1.1	0.8	1.0	1.1	1.3	1.5	1.6	2.9	7.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.2	6.8	5.7	-2.8	4.1	5.6	5.6	5.6	5.6	5.6	5.6	6.0	4.7
GDP deflator in US dollar terms (change in percent)	4.1	7.1	-8.1	4.4	10.0	3.3	2.8	2.5	2.4	2.3	2.3	-0.4	3.4
Effective interest rate (percent) 4/	0.9	1.0	1.5	0.5	1.5	1.4	1.5	1.6	1.6	2.1	2.6	1.0	1.6
Growth of exports of G&S (US dollar terms, in percent)	19.7	15.2	-3.9	4.2	12.2	4.4	3.1	4.7	4.7	3.9	4.3	17.8	4.8
Growth of imports of G&S (US dollar terms, in percent)	13.8	11.7	-0.5	1.5	9.8	7.1	6.8	6.8	6.8	6.0	6.1	11.3	6.2
Grant element of new public sector borrowing (in percent)	...	...	...	31.4	31.2	30.6	30.0	29.3	28.7	25.7	19.6	...	28.7
Government revenues (excluding grants, in percent of GDP)	16.9	17.0	18.9	18.0	18.5	19.0	19.2	19.5	19.8	21.0	23.4	15.9	19.7
Aid flows (in Billion of US dollars) 5/	124.8	131.4	156.3	0.9	0.7	0.7	0.8	0.8	0.9	1.2	2.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.8	3.7	3.8	3.7	3.7	3.6	3.4	2.9	...	3.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	67.4	70.7	68.1	67.1	66.2	65.2	60.4	49.7	...	65.1
Nominal GDP (Billion of US dollars)	14	16	16	16	18	20	22	23	25	37	81		
Nominal dollar GDP growth	10.5	14.4	-2.8	1.5	14.6	9.1	8.5	8.2	8.1	8.0	8.0	5.7	8.2
Memorandum items:													
PV of external debt 7/	...	...	16.4	18.7	17.5	17.5	17.7	17.9	18.2	19.4	23.8		
In percent of exports	...	...	59.4	66.2	63.2	66.0	70.1	73.5	77.2	100.4	177.9		
Total external debt service-to-exports ratio	3.5	3.5	4.3	3.6	4.3	4.1	4.2	4.5	4.6	6.9	13.5		
PV of PPG external debt (in Billion of US dollars)			2.6	3.0	3.2	3.5	3.8	4.2	4.6	7.3	19.2		
(PVt-PVt-1)/GDPt-1 (in percent)				2.6	1.3	1.6	1.7	1.7	1.8	1.9	2.3		
Non-interest current account deficit that stabilizes debt ratio	7.4	3.5	2.2	2.1	3.9	3.8	4.4	4.6	4.7	5.7	6.9		

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, 2017–2040

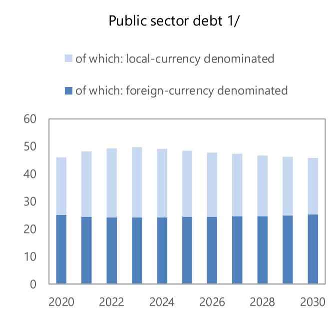
(In percent of GDP, unless otherwise indicated)

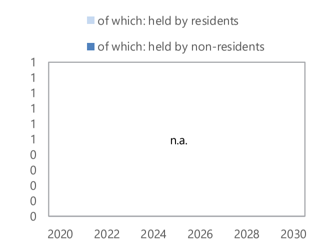
Table 2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	33.5	37.7	42.7	46.1	48.2	49.3	49.6	49.0	48.3	45.8	42.8	30.8	47.6
of which: external debt	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
Change in public sector debt	0.2	4.2	5.0	3.4	2.2	1.1	0.3	-0.7	-0.6	-0.4	-0.2		
Identified debt-creating flows	1.6	1.5	2.6	5.7	2.8	1.3	0.5	-0.6	-0.6	0.1	0.4	1.6	0.8
Primary deficit	6.0	3.3	2.2	4.1	3.9	3.1	2.1	1.1	1.1	1.2	1.4	2.7	1.9
Revenue and grants	19.2	19.4	20.4	22.5	21.5	22.0	22.2	22.4	22.7	23.7	25.6	19.3	22.7
of which: grants	2.4	2.4	1.5	4.5	3.0	3.0	2.9	2.9	2.8	2.6	2.2		
Primary (noninterest) expenditure	25.3	22.7	22.6	26.6	25.4	25.1	24.3	23.5	23.8	24.8	26.9	21.9	24.6
Automatic debt dynamics	-4.4	-1.4	0.7	1.6	-1.0	-1.8	-1.7	-1.7	-1.7	-1.1	-0.9		
Contribution from interest rate/growth differential	-1.9	-2.2	-0.8	1.6	-1.0	-1.8	-1.7	-1.7	-1.7	-1.1	-0.9		
of which: contribution from average real interest rate	0.0	-0.1	1.2	0.4	0.8	0.8	0.9	1.0	0.9	1.4	1.3		
of which: contribution from real GDP growth	-1.9	-2.1	-2.0	1.2	-1.8	-2.5	-2.6	-2.6	-2.6	-2.5	-2.3		
Contribution from real exchange rate depreciation	-2.4	0.8	1.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.4	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
Privatization receipts (negative)	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	-0.1	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other) 7/	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	-1.4	2.7	2.4	-2.3	-0.6	-0.2	-0.1	-0.1	-0.1	-0.5	-0.6	0.2	-0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	35.4	38.8	41.3	42.7	43.2	42.6	42.1	40.0	37.6		
PV of public debt-to-revenue and grants ratio	...	...	173.7	172.5	192.0	193.9	194.7	190.2	185.6	168.9	147.0		
Debt service-to-revenue and grants ratio 3/	22.6	27.8	31.6	37.3	45.0	50.9	51.8	53.1	50.3	41.4	25.7		
Gross financing need 4/	10.3	8.3	8.4	12.4	13.4	14.3	13.6	13.0	12.5	11.0	8.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.2	6.8	5.7	-2.8	4.1	5.6	5.6	5.6	5.6	5.6	5.6	6.0	4.7
Average nominal interest rate on external debt (in percent)	0.9	1.0	1.5	0.5	1.4	1.4	1.5	1.6	1.6	2.1	2.6	1.0	1.6
Average real interest rate on domestic debt (in percent)	2.1	1.9	8.0	3.0	4.9	4.0	4.3	4.3	4.3	4.5	4.6	3.8	4.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-11.0	4.0	7.4	...	...	...	...	...	...	...	...	3.3	...
Inflation rate (GDP deflator, in percent)	2.0	2.4	-3.0	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	1.5	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	29.1	-4.2	5.3	14.5	-0.7	4.4	2.2	2.1	6.9	6.5	6.4	7.4	5.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	5.8	-0.9	-2.8	0.7	1.7	2.0	1.8	1.8	1.7	1.6	1.6	0.7	1.6
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**





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.

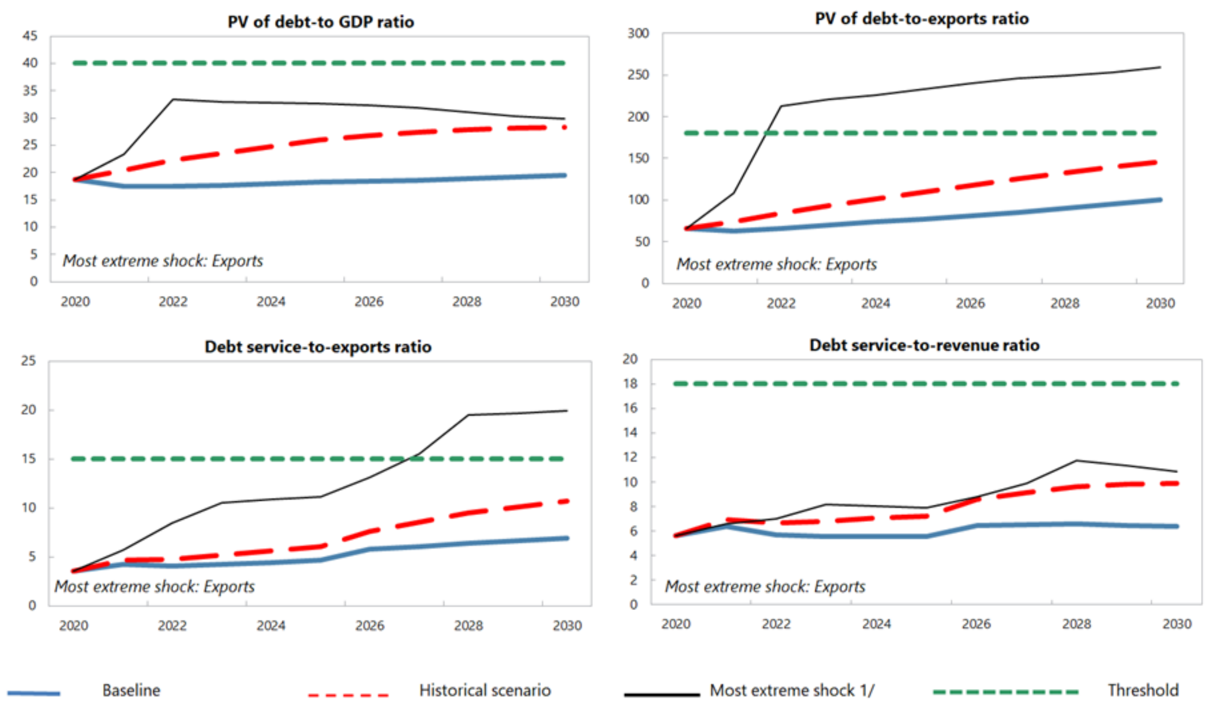
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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.

7/ CCRT debt relief is included in the primary deficit and does not show up in"debt relief (HIPC and other)".

Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–2030



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.

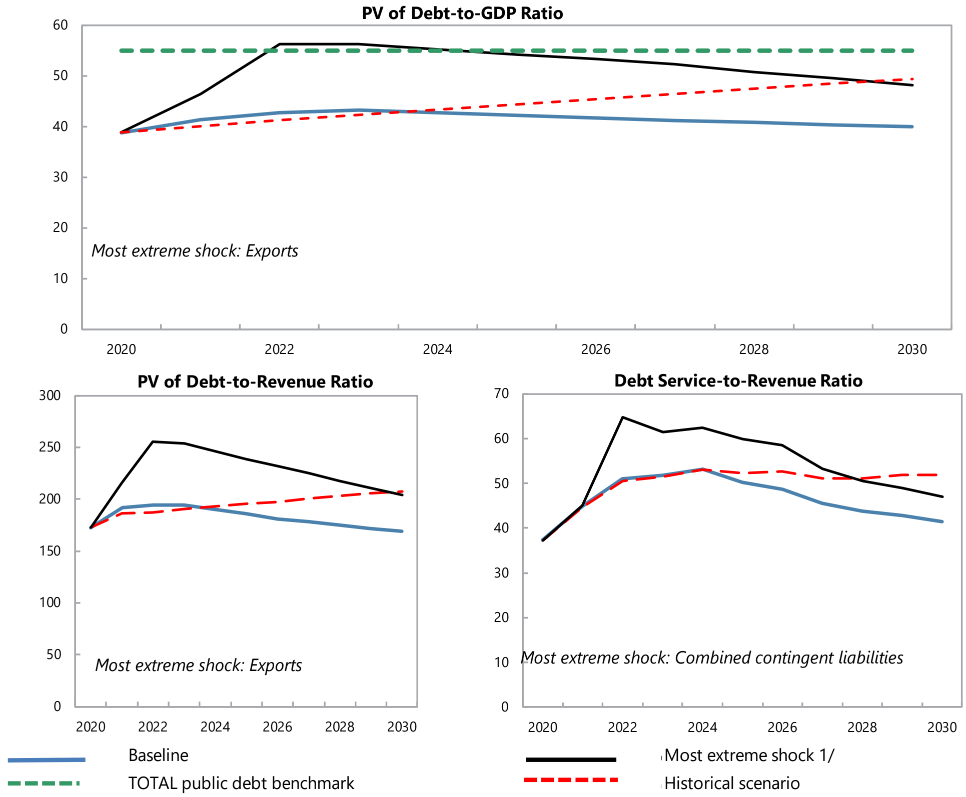
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
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 2030. 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.

Figure 2. Burkina Faso: Indicators of Public Debt under Alternative Scenarios, 2020–2030



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	23%	23%
Domestic medium and long-term	44%	44%
Domestic short-term	33%	33%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

* 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 2030. 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, 2020–2030

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	19	18	18	18	18	18	18	19	19	19	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	19	20	22	24	25	26	27	27	28	28	28
B. Bound Tests											
B1. Real GDP growth	19	18	18	18	19	19	19	19	20	20	20
B2. Primary balance	19	18	18	18	19	19	19	20	20	20	20
B3. Exports	19	23	33	33	33	33	32	32	31	30	30
B4. Other flows 3/	19	19	21	21	21	21	21	21	21	21	22
B5. Depreciation	19	22	19	19	20	20	20	21	21	22	22
B6. Combination of B1-B5	19	23	23	23	23	23	23	23	23	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	19	19	19	20	20	21	21	22	22	22	23
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	19	19	20	20	20	20	20	20	20	20	20
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	66	63	66	70	73	77	81	85	90	95	100
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	66	74	84	94	102	110	118	125	132	139	146
B. Bound Tests											
B1. Real GDP growth	66	63	66	70	73	77	81	85	90	95	100
B2. Primary balance	66	64	68	73	77	81	85	90	95	100	106
B3. Exports	66	108	**212**	**221**	**226**	**233**	**240**	**246**	**249**	**254**	**259**
B4. Other flows 3/	66	69	79	84	87	91	95	98	102	107	111
B5. Depreciation	66	63	57	61	65	68	72	76	81	87	93
B6. Combination of B1-B5	66	87	79	110	114	119	124	129	134	139	146
C. Tailored Tests											
C1. Combined contingent liabilities	66	68	73	79	83	88	93	99	104	110	117
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	66	69	76	80	83	86	89	92	96	100	104
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	4	4	4	4	4	5	6	6	6	7	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	4	5	5	5	6	6	8	9	9	10	11
B. Bound Tests											
B1. Real GDP growth	4	4	4	4	4	5	6	6	6	7	7
B2. Primary balance	4	4	4	4	5	5	6	6	7	7	7
B3. Exports	4	6	8	11	11	11	13	**16**	**19**	**20**	**20**
B4. Other flows 3/	4	4	4	5	5	5	6	7	8	8	8
B5. Depreciation	4	4	4	4	4	4	6	6	6	6	6
B6. Combination of B1-B5	4	5	6	6	6	7	8	9	10	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	4	4	5	5	6	6	7	7	7
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	4	4	4	5	5	5	6	7	7	7	8
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	6	6	6	6	6	6	6	7	7	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	6	7	7	7	7	7	9	9	10	10	10
B. Bound Tests											
B1. Real GDP growth	6	7	6	6	6	6	7	7	7	7	7
B2. Primary balance	6	6	6	6	6	6	7	7	7	7	7
B3. Exports	6	7	7	8	8	8	9	10	12	11	11
B4. Other flows 3/	6	6	6	6	6	6	7	7	8	8	7
B5. Depreciation	6	8	7	6	6	6	8	8	7	7	7
B6. Combination of B1-B5	6	7	7	7	7	7	7	8	8	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	6	6	6	6	7	7	7	7	7
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	6	7	6	6	6	6	7	7	7	7	7
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, 2020–2030

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	39	41	43	43	43	42	42	41	41	40	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	39	40	41	42	43	44	45	46	47	48	49
B. Bound Tests											
B1. Real GDP growth	39	42	45	47	47	47	47	47	47	48	48
B2. Primary balance	39	43	45	46	45	45	44	43	43	42	42
B3. Exports	39	46	**56**	**56**	**55**	54	53	52	51	49	48
B4. Other flows 3/	39	43	46	47	46	45	45	44	43	43	42
B5. Depreciation	39	44	43	42	40	39	37	35	33	32	30
B6. Combination of B1-B5	39	41	42	42	41	40	40	40	39	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	39	49	50	51	50	49	48	48	47	46	46
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	39	43	46	49	50	50	51	51	51	51	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	172	192	194	195	190	186	181	178	175	172	169
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	172	186	188	191	193	195	198	200	203	205	208
B. Bound Tests											
B1. Real GDP growth	172	197	205	209	208	206	204	203	202	201	201
B2. Primary balance	172	198	206	206	201	196	191	188	184	181	177
B3. Exports	172	215	255	253	246	239	232	225	218	210	204
B4. Other flows 3/	172	200	210	210	205	200	195	190	186	182	178
B5. Depreciation	172	207	199	193	182	172	162	153	145	137	130
B6. Combination of B1-B5	172	190	193	190	184	179	174	172	169	165	162
C. Tailored Tests											
C1. Combined contingent liabilities	172	229	229	228	222	216	210	206	201	197	193
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	172	209	220	230	229	227	223	219	217	216	215
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	37	45	51	52	53	50	49	46	44	43	41
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	37	45	50	51	53	52	53	51	51	52	52
B. Bound Tests											
B1. Real GDP growth	37	46	53	55	57	55	55	52	51	51	50
B2. Primary balance	37	45	53	56	56	53	52	49	46	45	44
B3. Exports	37	45	52	54	55	52	50	48	48	46	45
B4. Other flows 3/	37	45	51	52	54	51	49	46	45	44	42
B5. Depreciation	37	43	49	48	50	48	47	43	42	41	39
B6. Combination of B1-B5	37	44	50	52	52	49	48	45	44	42	41
C. Tailored Tests											
C1. Combined contingent liabilities	37	45	65	61	62	60	59	53	51	49	47
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	37	48	55	58	61	60	59	56	55	54	53
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.

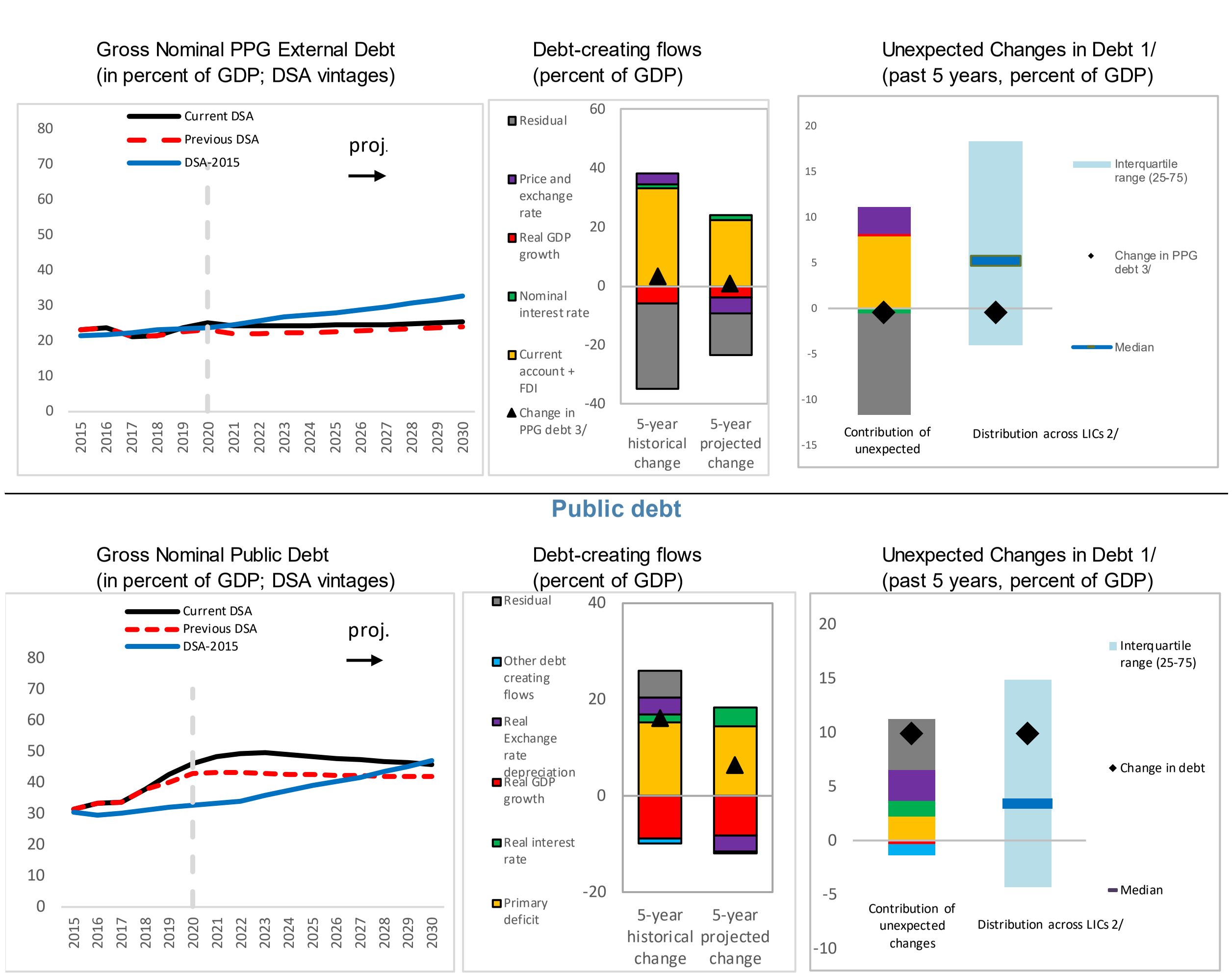
Sources: Country authorities; and staff estimates and projections.

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



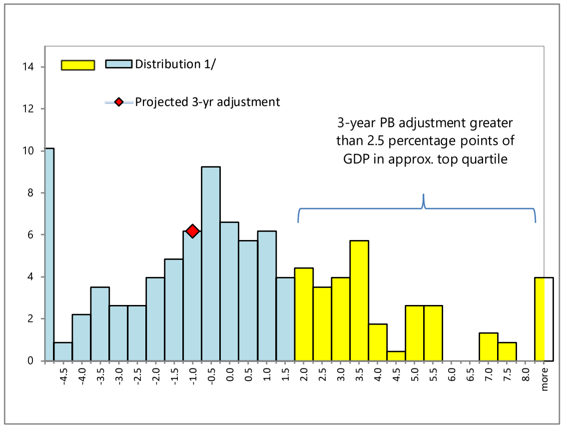
1/ Difference between anticipated and actual contributions on debt ratios.

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.

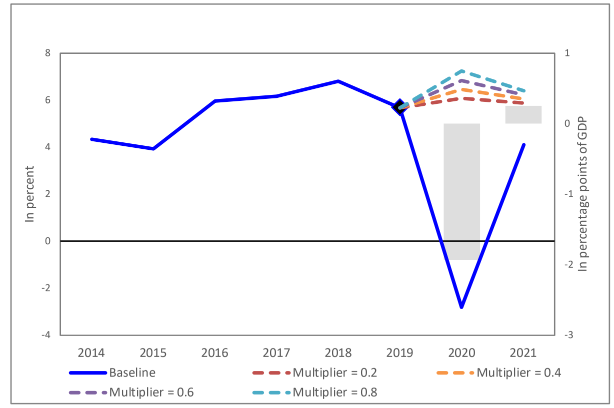
Figure 4. Burkina Faso: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



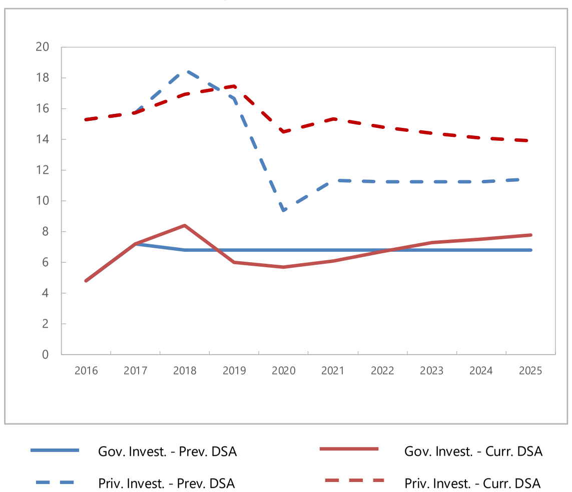
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

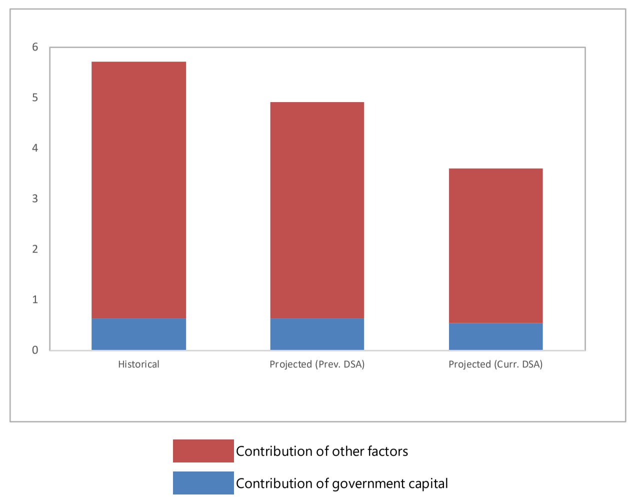
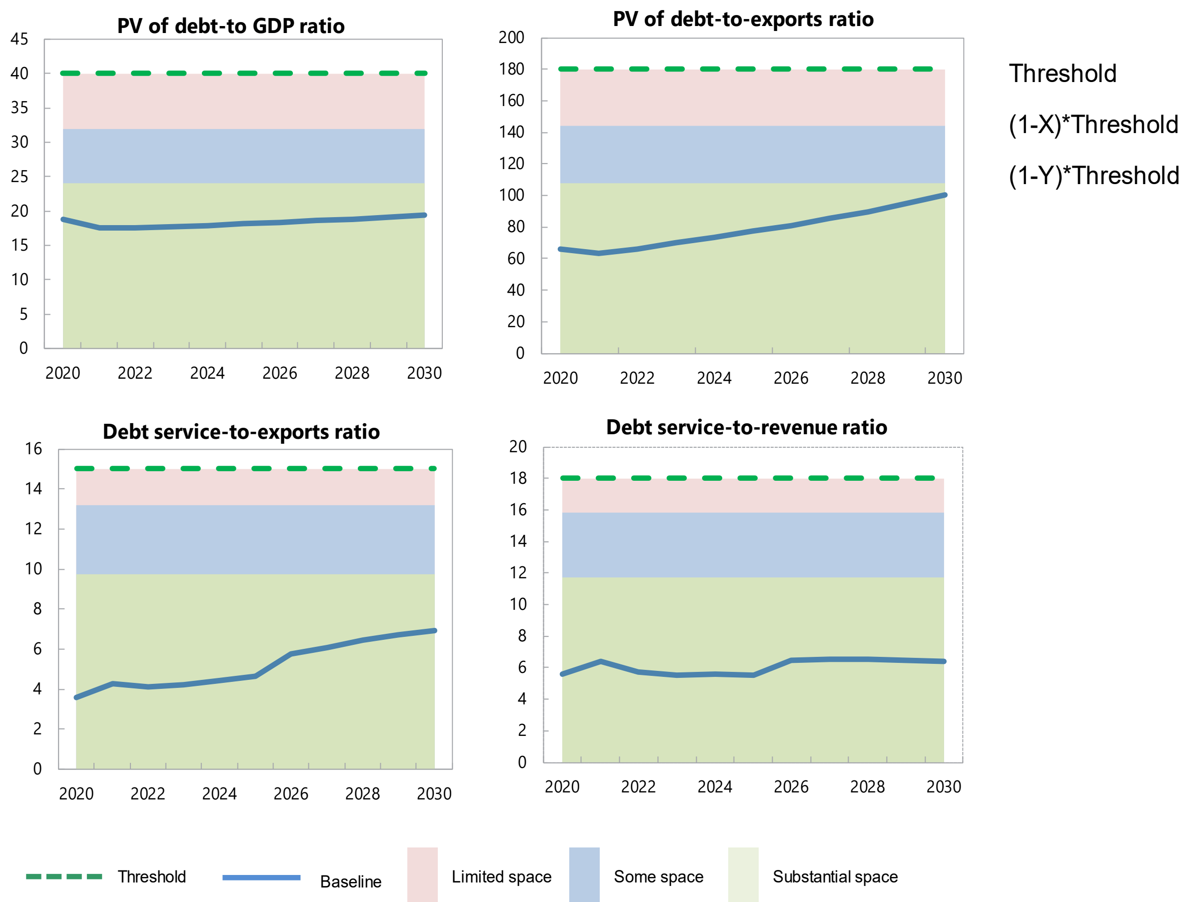


Figure 5. Burkina Faso: Qualification of the Moderate Category, 2020–2030 [1/]



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.

Statement by Mr. Aivo Andrianarivelo, Executive Director for Burkina Faso, and Mr. Facinet Sylla, Alternate Executive Director, and Mr. Marcellin Koffi Alle, Senior Advisor to Executive Director

November 13, 2020

1. On behalf of our Burkinabe authorities, we would like to thank the Board, Management and Staff for the Fund's continued support. The authorities particularly appreciate the swift disbursement under the Rapid Credit Facility (RCF), which was instrumental in the government's efforts to address the COVID-19 related health emergency and subsequent economic fallout. This emergency assistance has also contributed to keep the program supported by the Extended Credit Facility (ECF), on track. As this arrangement comes to an end with the 4th and 5th reviews, the authorities would like to reaffirm their commitment to keeping pace with efforts to preserve macroeconomic stability and structural reforms with the view to building a strong post-pandemic recovery. They broadly share the thrust of the staff report as a fair account of their recent discussions.

2. The Burkinabe economy has been battling the combined shocks of the COVID-19 and a protracted security crisis. The latter has claimed more than 2,400 casualties, affected about 5.2 million people and caused over one million internally displaced as of September 2020. With the help of partners, the authorities have striven to mitigate the effects of these adverse developments on growth and public finances. These efforts have helped maintain a satisfactory performance under the ECF-supported program through the 4th and 5th review periods. For end-2020 and 2021, the authorities will focus their agenda on gradually improving the fiscal stance while prioritizing security and pandemic-related spending and laying the foundations for a post-crisis recovery. In this context, they have expressed interest in a successor program to support their medium-term policies and reforms.

Recent Developments, Program Performance and Outlook

3. Despite the challenging environment, Burkina Faso kept pace with its overall good performance since the inception of the ECF-supported program. All end-December 2019 quantitative performance criteria (QPCs) and four out of six indicative targets (ITs) were met for the 4th review. Likewise, four out of five QPCs were met for the 5th review. Finally, all but one structural benchmark were met for each review, as well as all prior actions.

4. The government's efforts have emphasized keeping the impact of the pandemic and the heightened security conditions on key macroeconomic indicators from worsening further. After recording a strong 5.7 percent in 2019, real GDP growth contracted in the first and second quarters of 2020, respectively by 1.4 percent and 8.6 percent y-o-y. Activities in hotels, restaurants and commerce made the bulk of a rather broad-based output loss. The disruptions of domestic food supply chains caused inflation to rise to 4.1

percent at end-August 2020, compared to -2.6 percent y-o-y in 2019. The current account deficit should narrow from 4.8 percent of GDP in 2019 to 3.5 percent of GDP in 2020 as a result of favorable gold and oil prices.

5. As regards the outlook, the authorities have a more optimistic view compared to staff. They are confident that growth will recover in the second half of 2020 and stand at 1.5 percent at year-end, while staff projects it to contract by 2.8 percent. In the same vein, the authorities expect inflation to fall further to 1.4 percent at year-end. The authorities remain mindful of downside risks. They are committed to continuing their efforts to mitigate those under their control, including remaining alert of a possible second wave of COVID-19 and keeping labor disputes at bay.

Policies for Post-Pandemic Recovery

Fiscal policy and reforms

6. The authorities' policies are geared towards making room for security and pandemic-related spending for the remaining of 2020 and supporting a strong and inclusive economic recovery within the 2021 budget. To this end, the revised 2020 budget has accommodated a larger fiscal deficit, 5.3 percent of GDP compared to 3 percent initially. This is consistent with the policy in the West African Economic and Monetary Union (WAEMU) of temporarily easing fiscal rules to effectively combat the effects of COVID-19. Revenue collection is expected to fall while spending needs will increase substantially, notably COVID-19 spending and additional security outlays. Efforts have been made to keep the wage bill unchanged, cancel non-priority spending on goods and services and reduce transfers.

7. The rebalancing of expenditures has also benefited hard-hit sectors such as transport, hospitality and restaurants. The government has set a CFA100 billion guarantee fund which should be leveraged to boost credit to the economy in the form of at least CFA200 billion fresh money over 2020-21. The deficit is fully financed by IMF's RCF disbursement and debt relief under the CCRT, and additional resources including from the World Bank, the African Development Bank, the European Union and bilateral partners.

8. Though the 2021 budget continues to reflect COVID-19 and security-related challenges, it signals effort to resume fiscal reforms and kickstart economic recovery. The deficit thus widens a bit further, at 5,5 percent of GDP. The fiscal stance is also characterized by an increase in domestic revenue of 0.5 percent of GDP, a reduction in current expenditures, a continued support to hard-hit sectors and an increase in investment to support the recovery.

9. The authorities are also advancing important fiscal reforms which will span over 2021. These reforms cover both tax policy and administrative measures and include increasing the tobacco tax rate from 45 to 50 percent; phasing out some tax measures taken to respond to the pandemic; conducting a comprehensive reform of the VAT

system and; enhancing computerization of tax declaration and payment procedures to fight corruption and fraud. Other critical reforms in public financial management are also on a good track, notably the Treasury Single Account (TSA), the appointment of an independent and high-level committee for the negotiations on a comprehensive wage bill reform package and the energy subsidies reform.

Debt policy

10. Preserving debt sustainability is a key priority to the Burkinabe authorities. They take positive note of the indication from the DSA 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." Going forward, the authorities are committed to pursuing a prudent borrowing strategy, prioritizing grants and concessional financing with the view to maintaining the country's moderate risk of debt distress ranking.

Financial sector policies

11. The authorities will continue to strengthen the financial sector and financial inclusion to support the economic recovery. A special attention is being paid to financial stability issues in the face of the pandemic and its effects on businesses. Measures taken by the regional central bank (BCEAO) have helped in this regard, and the authorities will continue to closely monitor developments in the banking and microfinance sectors. The government will also build on the BCEAO's measures to facilitate mobile payments to expand access to financial services, notably to mobile banking and microfinance.

12. The Burkinabe authorities are committed to addressing the macro-critical shortcomings identified in the 2018 AML/CFT assessment, given the security situation in the country. Recent progress includes "amending the law to criminalize the terrorism financing and appointing the competent Authority in matters of targeted financial sanctions and freezing assets linked to terrorism." Efforts will be pursued to address the remaining deficiencies of the framework.

Governance and transparency of COVID-related spending

13. Significant progress has been made to promote good governance. The recent completion of the dematerialization and online publication of asset declarations of government officials and members of parliament will set the right incentives for other officials and for citizens. In particular, the anti-corruption institutions will keep a regular check on administrations exposed to potential systemic risks of corruption and misuse of public resources, such as customs administration and police.

14. Our authorities are committed to the transparency of COVID-related spending along the overall efforts of good governance. In this regard, a high-level mechanism including civil society, oversees the whole external COVID-related assistance to ensure transparency and accountability. Furthermore, the anti-corruption authority and the Court of Auditors conduct audits of these COVID-related spending in priority and the first

audited report covering spending up to end-June 2020 has been shared with staff; such proceedings will continue and reports will be published going forward.

Conclusion

15. Burkina Faso's growth momentum of the recent years has been halted by heightened security conditions compounded by the COVID-19 pandemic and its economic fallout. With the assistance of the IMF and development partners, the authorities are still making effort to respond to the combined crises while laying the foundations for subsequent recovery. The ECF-supported program has provided an appropriate framework for these undertakings.

16. The period of the 4^{th} and 5^{th} reviews under the ECF arrangement has continued to exhibit the authorities' good performance since the inception of the program. In view of these achievements, we would appreciate Executive Directors' support for the completion of the 4^{th} and 5^{th} reviews under the ECF arrangement, and approval of a request for a waiver of nonobservance of performance criterion and rephasing of access.