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# BURKINA FASO

April 2023

## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURKINA FASO

In the context of the Request for Disbursement Under the Rapid Credit Facility, 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 March 27, 2023, following discussions that ended on February 8, 2023, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 14, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- A **Supplementary Information**
- 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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**International Monetary Fund**
**Washington, D.C.**

# IMF Executive Board Approves US $80.77 Million in Emergency Financing Support to Burkina Faso

**FOR IMMEDIATE RELEASE**

- The Executive Board of the International Monetary Fund (IMF) approved today a disbursement of US$80.77 million (SDR60.2 million, 50 percent of Burkina Faso's IMF quota) under the Food Shock Window of the Rapid Credit Facility (RCF)
- This emergency financing under the Food Shock Window will help Burkina Faso address urgent balance of payment needs related to the global food crisis and mitigate the impact of the food shock on the most vulnerable.
- The post-COVID economic recovery was disrupted by deteriorating security conditions, political uncertainty, and rising foodstuff prices as a result of Russia's war in Ukraine, worsening the ongoing food crisis and weighing on the budget. Economic recovery in 2023 will depend on financing conditions, the security situation, and on efforts to mobilize domestic revenues to ensure priority public expenditure and public debt sustainability.

**Washington, DC** – **March 27, 2023:** The Executive Board of the International Monetary Fund (IMF) approved today a disbursement of US$80.77 million (SDR60.2 million) under the Food Shock Window of the Rapid Credit Facility to help Burkina Faso address urgent balance of payment needs related to the global food crisis.

Food insecurity in Burkina Faso has increased significantly owing to deteriorating security conditions, which led to the displacement of about 2 million people; unfavorable climate events; supply-chain disruptions following the COVID-19 pandemic; Russia's war in Ukraine; and increasing prices for food and agricultural inputs such as fertilizer and seed. As a result, about 16 percent of the population is in acute food insecurity conditions.

The authorities also face significant macroeconomic challenges. External and fiscal buffers eroded substantially in 2022, as the current account deficit reached 5.2 percent of GDP while the overall fiscal balance widened to 10.3 percent of GPD. Both deteriorations reflect persistent and overlapping exogenous shocks, including a volatile political environment; fragile and deteriorating security conditions; the war in Ukraine; and the post-pandemic disruptions in international supply-chains. All these shocks adversely affected economic activity in Burkina Faso, where growth in 2022 decelerated to 2.5 percent year-on-year, after 6.9 percent of GDP in 2021, and widened macroeconomic imbalances.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and acting Chair, issued the following statement:

"Burkina Faso has been hit by several shocks, including deteriorating security conditions, unfavorable climate events, and Russia's war in Ukraine, which triggered higher energy and agricultural input prices and reduced food access for poor households. Emergency financial assistance under the RCF's Food Shock Window (RCF-FSW) would help address urgent balance-of-payments needs and mitigate the impact of the food crisis on the most vulnerable.

“The authorities’ crisis response appropriately focuses on providing immediate food assistance to affected households, preventing malnutrition and improving drinking water supply, and protecting livestock and animal husbandry. Measures to enhance transparency and governance in the use of Fund resources allocated under the FSW are needed. The authorities are committed to improving Public Financial Management practices and progressing toward the establishment of the Treasury Single Account. The plans to prepare progress reports and audits on the implementation of the cash transfer program and all food emergency spending are important. Identification and publication of the beneficial owners of entities awarded public procurement contracts related to measures to address the food crisis would be key.

“The authorities recognize that stronger engagement with the IMF would support their efforts to achieve macroeconomic stability, obtain additional external support, and build foundations for long-term development. Their longer-term focus on building fiscal space to support higher growth and poverty reduction and durably improving food security is appropriate.

# BURKINA FASO

## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

March 13, 2023

## EXECUTIVE SUMMARY

**Context**. Following two military coups in 2022, Burkina Faso remains committed to return to constitutional order, via democratic elections, by July 2024. Deviations from this timeline could put at risk the relationships with financial partners and donors. Deteriorating security, unfavorable climate conditions, the disruption of international supply-chains caused by the COVID-19 pandemic, and Russia's invasion of Ukraine are all factors that contributed to sharply rising food prices during 2021-2022. As a result, food access for poor households deteriorated significantly, and at present about 3.4 million Burkinabé (out of a population of 21.5 million) are in conditions of food crisis, while one province is in a situation of food emergency, as defined by the World Food Program. In addition, the adverse impact on the current account of price increases for key cereals and fertilizers is estimated to amount to 0.4 percent of GDP cumulatively during 2022 and 2023. The overall costs to fully address food insecurity over the next year are estimated to be up to 3.5 percent of GDP.

**Engagement with the Fund.** Prior to the January 2022 military coup, staff and the authorities held discussions on a possible Extended Credit Facility (ECF) arrangement. At that time, progress had been made on key program measures including extending social protection to the most vulnerable; creating fiscal space for priority spending by containing the civil service wage bill as share of revenues; enhancing domestic revenue mobilization; and reforming energy subsidies. Policy dialogue has continued since, with the objective of securing a new ECF arrangement in support of the authorities' reform and adjustment efforts. In the meantime, faced with urgent and acute food insecurity, the authorities have also requested access to the Food Shock Window (FSW) under the Rapid Credit Facility (RCF), with a disbursement of 50 percent of quota (SDR 60.2 million). They remain committed to resume program negotiations once the immediate food crisis has been addressed.

**Policy response to address the food crisis**. The authorities are committed to use the disbursed resources under the FSW to provide urgent financial and direct food support to the most vulnerable households, including through the provision of well-targeted cash transfers and the distribution of free food as well as sales of cereals at subsidized

prices. Furthermore, they commit to use the disbursed resources to improve clean water supply and distribution, and to sell key agricultural inputs such as fertilizers at subsidized prices. Finally, they also commit to gradually lift temporary food-related export restrictions.

**Risks**. The balance of risks is tilted to the downside. The main domestic risks relate to further security disruptions, which could lead to renewed social and political uncertainty and also weigh on the real and external sectors. On the fiscal side, difficulties in revenue mobilization and high security-related spending needs could put more pressure on the budget. Key external risks include a protracted war in Ukraine, which could lead to further supply disruptions; increasing geopolitical tensions; an abrupt global recession; and climate shocks affecting crops.

**Approved By**
**Annalisa Fedelino (AFR) and Maria Gonzalez (SPR)**

An IMF team comprising Mr. Schindler (head), Messrs. Capelle, Comelli, Mpatswe and Raju (all AFR), Ms. Alnasaa (FAD), and Ms. Mitra (SPR) visited Ouagadougou during January 31 – February 8, 2023. Messrs. Ben Hassine (Resident Representative) and Mr. Ouattara (local economist) assisted the mission. The mission met with Mr. A. Nacanabo, Minister for the Economy, Finance and Prospectives, Mr. C. L. Ki-Zerbo, National Director of the BCEAO, members of the diplomatic community, as well as representatives of relevant development partners. Administrative support was provided by Ms. Ndome-Yandun and Ms. Eckling (all AFR).

## CONTENTS

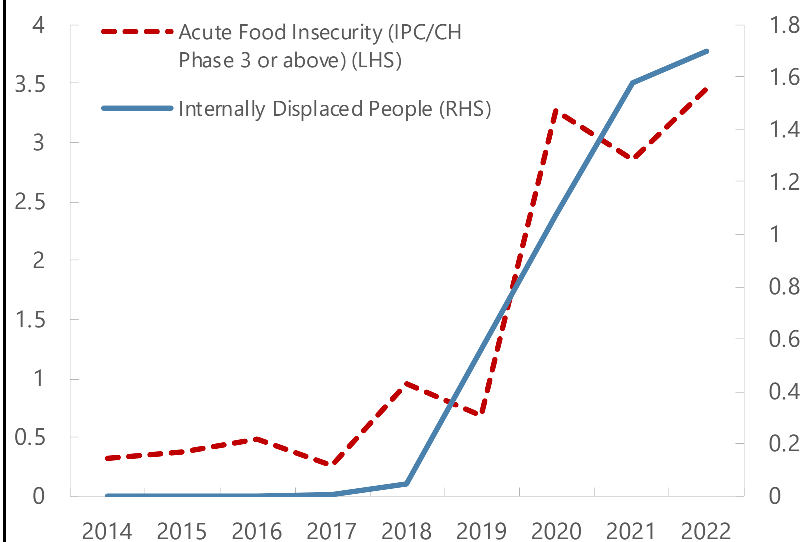
**ANNEXES**

# CONTEXT

1. **Burkina Faso has embarked on a challenging political transition.** Following two military coups in 2022, both motivated by a lack of progress in improving security, Burkina Faso has agreed with the Economic Community of West African States (ECOWAS) on a return to constitutional order, with democratic elections to be held by July 2024. The transitional government's stated policy priorities include (i) the restoration of security; (ii) improvement of the population's quality of life; and (iii) promotion of good governance, including ensuring macroeconomic stability and fighting corruption. Any deviation from this agenda or its timeline poses risks to the country's engagement with its regional and international partners, including donors.

2. **The country is facing urgent and acute food insecurity, with over 15 percent of the population suffering from acute malnutrition.** The effects of climate change on agriculture and a bad harvest during the 2021-2022 season resulting from low rainfall have contributed to a food crisis—compounding the impact of disrupted international supply-chains caused by the COVID-19 pandemic and Russia's invasion of Ukraine, including through higher fertilizer costs. About 3.5 million Burkinabé are estimated to be in acute food insecurity, which corresponds to Phase 3 or above of the Integrated Food Security Phase Classification and Cadre Harmonisé (IPC/CH), as measured by the latest 2022 update of the United Nations Global Report on Food Crises (Text Figure 1).[1] Regionally, the Soum province, located in the country's Sahel region and accounting for 4.4 percent of Burkina Faso's land area and 1.7 percent of its population, is affected the most and is considered to be in a food emergency situation (equivalent to Phase 4 in the IPC/CH). Given Burkina's security outlook, the FAO expects this assessment to worsen further in 2023. Political insecurity, the premature depletion of self-produced stocks, atypical increases in staple food prices, and declining incomes will lead to a deterioration in food access for poor households in general and for internally displaced persons (IDPs) in particular (about 1.9 million—8.5 percent of the population—as of end-December 2022).

**Text Figure 1. Burkina Faso: Population in Acute Food Insecurity and Internally Displaced, 2014–2022**
(Millions)



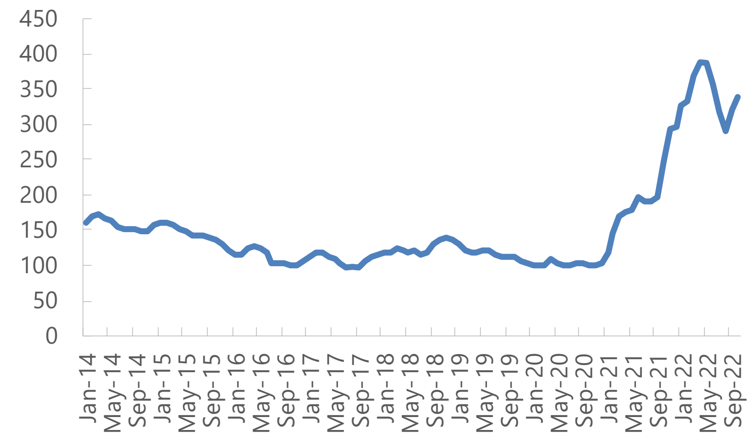

Source: IMF Global Assumptions Live

[1] The report is available at https://www.wfp.org/publications/global-report-food-crises-2022.

**3. The authorities have implemented policies to attenuate the effects of these shocks.** As international prices of energy soared in the first half of the year and the domestic political situation remained fragile following the January coup, the authorities kept pump prices constant and significantly below international costs. To mitigate the rising cost of subsidies, the authorities raised pump prices by 17 percent in May 2022, by another 5 percent in August, and by 13 percent in February 2023. In 2022, the fiscal cost of fuel subsidies is estimated to have risen to CFAF 595 billion, or 4.9 percent of GDP, up from an estimated 1.3 percent of GDP in 2021. To cushion the effect of the food price shock, in June the authorities waived customs duties on key food imports for a period of 3 months, with a cost estimated at CFAF 14 billion, or 0.12 percent of GDP. In addition, they have introduced a temporary ban on exports of grains (millet, corn, sorghum, and cowpea) and flours, in line with similar policies in neighboring countries. Finally, to mitigate the effect of increasing fertilizer prices (Text Figure 2), the government has capped the price of fertilizers sold to cotton-producers at its 2021 level, thereby increasing the subsidies on imported fertilizers to CFAF 72.8 billion, or 0.6 percent of GDP, from 0.12 percent of GDP in 2021.

**Text Figure 2. Burkina Faso: IMF Global Fertilizer Price Index, Jan 2014–Oct 2022**

(Index, 2016 = 100)




Source: IMF Global Assumptions, IMF Staff Calculations

**4. Staff and the authorities held protracted program negotiations before the January 2022 military coup.** Negotiations on a possible ECF-arrangement were initiated in June 2021 but suspended following the January 2022 coup. At the time of the suspension, staff and the authorities had made significant progress on key policies and reforms that could have served as the basis for an ECF arrangement. Key agreed policy measures included extending social protection to the most vulnerable, creating fiscal space for priority spending by containing the civil service wage bill as a share of revenues (currently accounting for a large percentage of tax revenues), enhancing domestic revenue mobilization, and reforming energy subsidies.

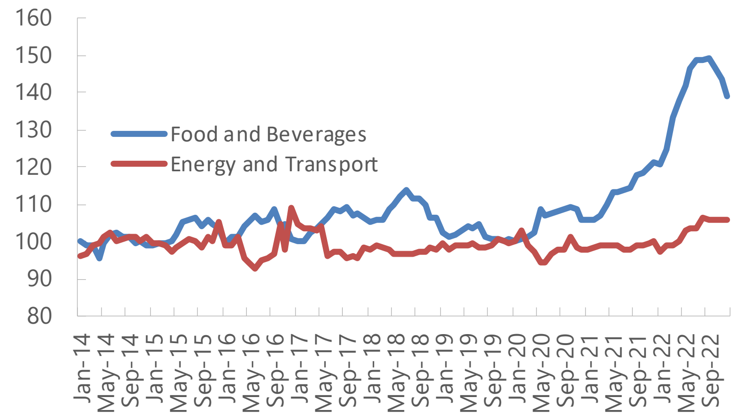
**5. Faced with urgent and acute food-related needs, the authorities have requested access to the Food Shock Window (FSW) under the Rapid** Credit **Facility (RCF) in the amount of 50 percent of quota (SDR 60.2 million).** Due to the gravity of acute food insecurity compounded by the humanitarian crisis arising from deteriorating security conditions and the urgency to address the balance of payments need created by the food shock, the authorities requested IMF emergency financing. At a later stage, the authorities plan to resume negotiations on an ECF arrangement with staff.

# RECENT ECONOMIC DEVELOPMENTS

6. **The deteriorating domestic security situation and external shocks have weighed on growth and spurred inflation.** The uncertain economic environment following the two military coups in January and September 2022 and deteriorating security conditions forced the permanent closure of the zinc mine, and temporary closures of several gold mines; the interruption of construction projects; and the displacement of 8.5 percent of the population. As a result, real GDP growth slowed down to 0.4 percent year-on-year (y-o-y) in 2022Q3, with overall growth in 2022 projected to moderate to 2.5 percent, from 6.9 percent in 2021. A lower-than-average harvest during the 2021-2022 season and the war in Ukraine have led to a very fast increase in local food prices (Text Figure 3). In addition, the disruption of domestic trade routes has weakened the link between food inflation in Burkina Faso and in neighboring countries. This resulted in headline inflation peaking at over 18 percent y-o-y in August, from 8 percent in December 2021. Since then, inflation decelerated but remained elevated at 9.6 percent in December 2022, with annual average inflation expected at about 14.1 percent, the highest among WAEMU countries (Text Figure 4), reflecting not only the impact of the Ukraine war on prices of key imports, but also the adverse impact of the fragile domestic security conditions on agricultural production.

**Text Figure 3. Burkina Faso: Food and Energy CPI Index, Jan 2014–Dec 2022**

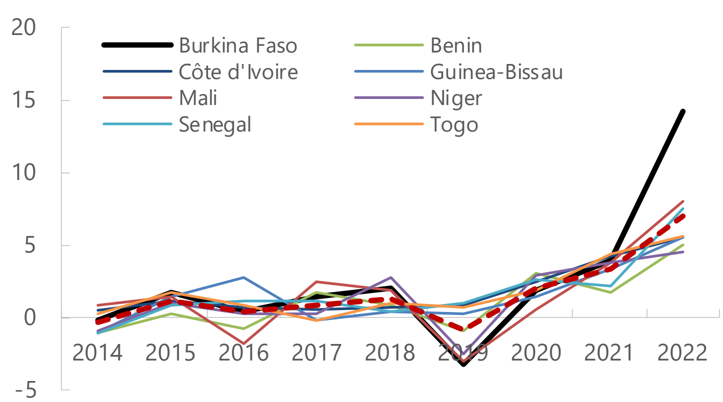
(Index, Jan 2020 = 100)




Source: INSD, Burkina Faso

**Text Figure 4. Burkina Faso: Inflation in the WAEMU, 2014–2022**

(Percent, annual average)



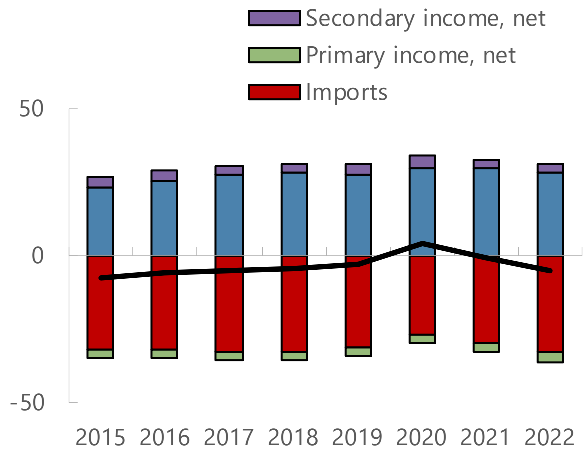

Source: IMF World Economic Outlook Live

7. **Following a surplus in 2020, the current account balance has since trended downward and is estimated to have reached a deficit of 5.2 percent of GDP in 2022.** Nominal imports are estimated to have increased by around 28 percent in 2022, mainly due to the rise in costs of food, fertilizers and energy imports. Gold exports, which account for over 70 percent of total exports, are estimated to have decreased on account of recent gold mine closures (Text Figure 5). Staff estimates nominal cotton exports to have

increased by 56 percent y-o-y in 2022, supported by a sharp increase in cotton prices in 2022 (45 percent y-o-y) and a good harvest in the 2022-23 season, mitigating the impact of lower gold exports. The capital account was supported by financial (mainly portfolio) inflows from bond issuances in the regional bond market (Text Figure 6).[2]

**Text Figure 5: Burkina Faso: Current Account Balance and Components, 2015–2022**

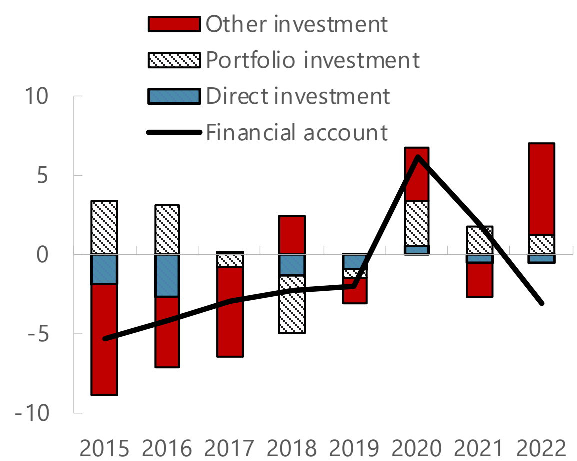
(Percent of GDP)




Sources: Burkinabe authorities; and IMF staff calculations

**Text Figure 6: Burkina Faso: Financial Account Balance and Components, 2015–2022**

(Percent of GDP)




Sources: Burkinabe authorities; and IMF staff calculations

8. **Fiscal outcomes have worsened substantially since the September 2022 staff visit, with the overall fiscal deficit now estimated to have widened to 10.3 percent of GDP in 2022.** Tax revenue collection in 2022 performed well compared to 2021 at a projected 16.9 percent of GDP, an increase of 1.4 percent of GDP over 2021. It was mostly driven by high import prices and continued implementation of administrative measures, such as digitalization of services and reinforcement of customs control. On the expenditure side, all public accounts were temporarily frozen immediately after the January coup and spending discipline was reinforced, which helped contain the wage bill and expenditure on goods and services within the budget envelope. However, current transfers increased significantly to CFAF 1,009.7 billion (9 percent of GDP) in 2022 compared to 6.4 percent of GDP in 2021, mainly driven by the fiscal cost of fuel subsidies (4.9 percent of GDP). Similarly, domestically financed public investment expenditure increased significantly in 2022 to about CFAF 875 billion (7.2 percent of GDP) from nearly CFAF 528 billion (4.8 percent of GDP) in 2021, mostly driven by the purchase of military equipment during the fourth quarter of 2022.

9. **The authorities are facing severe financing constraints.** With the exception of the World Bank, which disbursed a budget grant (CFAF 60 billion, US$98 million) and loan (CFAF 56 billion, US$92 million) in August 2022, albeit with a delay, budget support from other donors has remained suspended since January 2022. The overall fiscal deficit was financed by new issuances of treasury bills and bonds, issuances of syndicated bonds, withdrawals from government deposits at the BCEAO

[2] In 2022, the share of Burkina Faso government bond issuance in overall WAEMU bond issuance was around 10 percent, down from 19 percent in the previous year.

in the amount of 1.8 percent of GDP, and accumulation of payment floats of about 1.7 percent of GDP on subsidies owed to SONABHY (the state-owned fuel company). New domestic debt included about CFAF 150 billion (1.2 percent of GDP) and CFAF 129.5 billion (1.1 percent of GDP) in subsidies that were converted into loans by issuing debt bond and promissory notes, respectively, to SONABHY. The total gross financing needs of 13.6 percent of GDP included the amortization of existing domestic debt coming due (about 5.6 percent of GDP).

**10. Developments in the financial sector have been broadly favorable despite the uncertainty and disruptions to economic activity in 2022.** Private sector credit growth decelerated to 7.2 percent in 2022 after 10.1 percent in 2021, partly reflecting the interruption of construction projects. The banking system remains broadly sound, as at end-June 2022 banks held 13.6 percent of risk-weighted assets as equity capital, even though loan exposure to the top 5 borrowers increased to 81 percent from 67 percent at end-2021, while reported non-performing loans net of provisions as a share of total loans stood at 6.6 percent at end-September 2022. Reflecting the deceleration of private sector credit growth, bank retained more liquidity, which led to an improvement of liquidity indicators. The share of liquid assets in total banks assets increased to 21 percent at end-June 2022 from 19 percent at end-2021, and the share of liquid assets in total deposits increased to 29 percent from 26 percent. However, the level of domestic bank exposure to sovereign securities is a source of concentration risk in the banking system.[3]

# OUTLOOK AND RISKS

**11. The domestic security situation will continue to weigh on growth.** As the measures implemented by the recent governments to regain control of the national territory may eventually materialize in 2023 and in 2024, economic activity is expected to recover slowly. Mining activity is expected to accelerate during 2023 and 2024 as more mines reopen, leading to a projected mining sector growth of 6.7 percent in 2023 and 12 percent in 2024. As prices of fertilizers remain high and the relocation of displaced people will happen only progressively in 2023 and 2024, growth in agriculture is expected to remain at 2.6 percent in 2023, reaching its long-term average of 2.8 percent in 2024.

**12. Inflation is expected to drop sharply in 2023 and to fall within the WAEMU inflation target band of 1 to 3 percent.** After peaking at 14.1 percent in 2022, the annual average inflation rate is forecasted to slow down sharply to 1.5 percent in 2023, driven by a projected decline in international food and fuel prices in 2023 by -5.5 and -15 percent, respectively, and reflecting a strong base effect. Local agricultural production, while remaining low due to the displacement of population and higher fertilizer and energy prices throughout 2022, is not expected to further deteriorate, thereby maintaining local food prices at a stable, if elevated level. A persistent core inflation, reflecting second-round effects, may mitigate the decline in inflation. Overall, for 2023, end-of-period inflation is projected at 2.7 percent, within the WAEMU inflation target band. The low average annual rate of 1.5 percent in 2023 reflects a strong base effect, driven by elevated prices in 2022, and is consistent with a slow return of local prices to the regional trend. Uncertainty

[3] As of November 2021, banks in Burkina Faso held around 25 percent of total public debt, see WAEMU: Financial Sector Assessment Program – Financial System Stability Assesment, IMF Country Report No. 22/136.

surrounding inflation is high: a bad harvest in the ongoing season could keep inflation at a higher level while a better-than-expected harvest could lead to temporary deflation.

**13. The current account deficit is expected to persist in 2023, while fragile security conditions discourage private capital flows.** It would be reduced to 4.4 percent of GDP in 2023 from 5.2 percent in 2022, and continue to improve thereafter, reaching 3 percent of GDP in 2025.. Projected current account deficits result from a deterioration in the services balance, which is expected to more than offset projected trade surpluses, reflecting buoyant gold exports. While access under the FSW may catalyze some donor support, such financing is expected to remain limited going forward, in the absence of a credible policy framework and to the extent that the volatile political environment may persist. In addition, fragile security conditions, which may take time to be address, coupled with political uncertainty are expected to discourage private capital flows, leading to a BoP financing gap.

**14. Spending pressures will remain elevated in 2023 and over the medium-term, especially as the authorities revamp efforts to tackle the security crisis and humanitarian needs.**[4] In the absence of measures to build fiscal space through enhanced revenue mobilization, control of civil service wage bill growth, energy subsidy reforms, or improved expenditure efficiency, and in presence of efforts to address fragile security conditions, the fiscal deficit is expected to remain high in 2023 at 7.8 percent of GDP, delaying the return to the WAEMU convergence target of 3 percent of GDP to 2027 (Text Table 1). Efforts to to address security include the creation of the Patriotic Support Fund (FSP). Staff recommends to limit the duration of the FSP to one year only, and to subject the fund to enhanced governance and transparency practices. With external budget support declining following the military coups and in the absence of concessional development partner financing, the fiscal deficit would need to be financed through historically high volumes of costly, non-concessional bond issuances on the regional sovereign bond market, and accumulation of debt to the non-banking sector, including SOEs. This is likely to become more expensive going forward on account of tighter global financing conditions, and subject to absorption, rollover and liquidity risks. Additional fiscal risks include cuts in needed development and capital spending, and accumulation of domestic payment arrears.

**15. Without significant reforms, the current fiscal path carries substantial risks and could jeopardize growth potential and debt sustainability.** Lack of financing, or only on highly non-concessional terms, combined with an absence of reforms, may render achievement of the fiscal consolidation plan either infeasible or only via further cuts in public investment spending, with adverse impacts on potential growth and debt sustainability. Cognizant of these fiscal risks, the Burkinabé authorities have requested a resumption of discussions of an UCT-quality IMF-supported program to put public finances on a more sustainable footing. They are assessing a list of reform

[4] In addition to equipment and other needs, the transitional government has announced its intention to recruit 8,000 soldiers – on top of a similar number recruited by the previous junta. It will also deploy (and give financial incentives to) more than 50,000 volunteers (i.e., security auxiliaries) to increase the security footprint in the countryside. To support these security efforts the authorities created the (extrabudgetary) Patriotic Support Fund (Fonds de Soutien Patriotique (FSP)) by decree issued on January 23, 2023. The FSP (and its associated mechanisms) will be effective for one year with the option to extend if the security situation necessitates. It will be financed by voluntary contributions from residents, non-residents and technical partners, donations, and specific resource allocations (including possible taxes on telecom companies and others).

measures that could form the basis for such a program, with the aim of creating space for priority spending needs while preserving debt sustainability and supporting high and inclusive potential growth. The IMF-supported program would have the potential to also catalyze the resumption of external budget support, including from the World Bank, the European Union, and other partners.

**Text Table 1. Burkina Faso : Fiscal Deficit Path and Gross Financing Needs**

| In percent of GDP | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Act. | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Overall Fiscal Deficit (commitment basis) | 3.1 | 5.1 | 7.5 | 10.3 | 7.8 | 6.7 | 5.5 | 4.2 | 3.0 |
| Overall deficit (cash basis) | 3.1 | 5.2 | 6.4 | 7.1 | 7.8 | 6.7 | 5.5 | 4.2 | 3.0 |
| Gross Financing Needs | 9.3 | 14.1 | 15.2 | 13.6 | 16.7 | 16.7 | 17.8 | 16.7 | 16.0 |
| Primary deficit (commitment basis) | 1.9 | 3.7 | 5.8 | 8.4 | 5.9 | 4.9 | 3.5 | 2.0 | 0.7 |
| Interest Payments | 1.2 | 1.4 | 1.8 | 1.9 | 1.9 | 1.8 | 2.1 | 2.3 | 2.4 |
| Domestic | 1.0 | 1.1 | 1.5 | 1.6 | 1.6 | 1.6 | 1.8 | 2.0 | 2.1 |
| External | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Amortization | 6.1 | 8.9 | 8.8 | 6.5 | 8.9 | 10.0 | 12.3 | 12.5 | 12.9 |
| Domestic | 5.4 | 8.2 | 8.1 | 5.6 | 7.9 | 9.0 | 11.1 | 11.5 | 12.0 |
| Bills (maturity <1 year) | 3.9 | 4.3 | 3.1 | 3.2 | 4.7 | 6.0 | 6.2 | 6.7 | 6.3 |
| Bonds (maturity >1 year) | 1.0 | 2.8 | 2.4 | 2.0 | 3.2 | 2.9 | 4.9 | 4.7 | 5.7 |
| Other | 0.5 | 1.1 | 2.6 | 0.5 | - | - | - | - | - |
| External | 0.7 | 0.7 | 0.7 | 0.9 | 1.0 | 1.0 | 1.1 | 1.0 | 0.9 |
| Cash adjustment | 0.0 | 0.1 | (1.1) | (3.2) | - | - | - | - | - |

Sources: Burkinabe Authorities; Staff estimates and projections

**16. The Debt Sustainability Analysis (DSA) finds that Burkina Faso remains at moderate risk of external debt distress and overall public debt distress, and debt remains sustainable over the medium term (see DSA supplement).** All external debt indicators remain below the relevant indicative thresholds under the baseline scenario and the most extreme stress tests. While the mechanical results point to a low risk of external debt distress, judgment was applied, considering high uncertainties surrounding the macroeconomic outlook (both external and domestic), as well as uncertainty regarding support from donors. The risk of external debt distress is therefore assessed to be moderate. While overall public debt remains sustainable over the medium term and at moderate risk of debt distress, it has increased as a share of GDP and is very close to the threshold for a high debt distress risk rating while breaching the relevant benchmark under the most extreme scenario of a commodity price shock. Burkina Faso has a medium debt-carrying capacity, with some, but limited space to absorb shocks on public and external debt.[5]

**17. This outlook is highly uncertain with significant downside domestic risks (Annex I).** The main domestic risks relate to further security disruptions, leading to social and political uncertainty. On the fiscal side, difficulties in revenue mobilization and pressures on spending, including on security and public sector wages, could put further pressure on the government's budget. The materialization of these risks would be likely to exacerbate food insecurity and increase internal displacement, and could seriously hamper the baseline macroeconomic projections (including growth and inflation, as well as external accounts) both in the near and medium terms, further adding to sustainability risks Deteriorations in security conditions also impact economic activity,

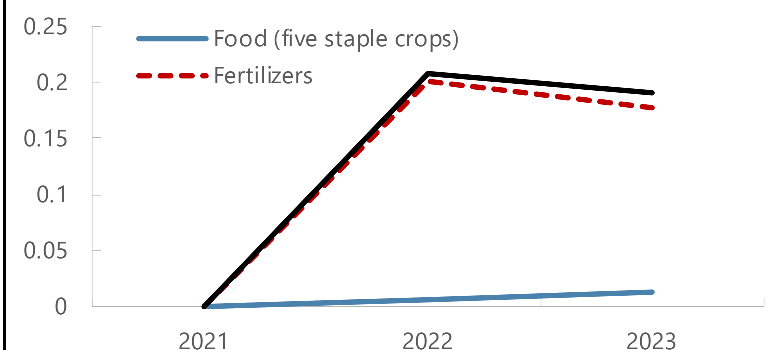
[5] Domestic debt is defined as debt denominated in the regional currency, the CFA franc (CFAF), with the exception of BOAD debt which is treated as external. The choice of coverage is based on currency, rather than residency, due to the difficulty of monitoring the residency of creditors for debt traded in the WAEMU regional market.

especially mining and agricultural production, which could reduce exports and may negatively affect FDI inflows.

**18. The government's recent requisitions of gold from mining companies present an additional source of risks.** In February 2023, the authorities requisitioned a total of 500 kg from two gold mines . While these decisions are in line with the existing mining code, which allows the government to requisition gold for public necessity at market prices, the payment modalities in the current case, including payment timeline, remain confidential and the motives behind the authorities' actions unclear. The requisitions are not consistent with best PFM practices and could further undermine confidence and have adverse implications for donor support and private investment going forward (including FDI), increasing risks to the fiscal and real sectors.

**Text Figure 7. Burkina Faso: Estimated BOP Need Related to the Global Food Shock**

(Percent of GDP)




BoP need calculated as difference between value of net imports of five main staple crops and all fertilizers in shock and baseline scenarios

**19. Risks from the global outlook are also tilted to the downside.** Burkina Faso is already affected by the rising food and energy prices resulting from Russia's war in Ukraine, and more intense and/or protracted supply disruptions could affect food security, increase inflation and fiscal deficits. A global slowdown or increasing geopolitical tensions could lead to increased volatility in commodity prices, especially gold which comprises over 70 percent of exports. This would further depress economic activity and weigh on mining, cotton production, and government revenue and expenditure. Burkina Faso could also be adversely affected by climate shocks affecting crops, which would strain the already limited fiscal space available to the authorities.

# POLICIES

**20. The global food shock affects Burkina Faso through several channels.** The main channel is through the prices of fertilizers which have sharply increased from the beginning of 2021 to 2022. Burkina Faso imports all the fertilizers it uses, which represented about CFAF 33.2 billion in 2021, or 3 percent of GDP. Higher government subsidies partially absorbed the price increase, which helped cushion its negative impact on the economy where the primary sector accounts for 20 percent of GDP and 80 percent of total employment. The second channel is through the increase in food prices. Between January and October 2022, food prices have increased by 21 percent (Text Figure 3), dramatically decreasing the standard-of-living of the population, with food accounting for one half of consumption spending. Although the direct effect of the increase in imported food prices is small, with Burkina Faso importing only a small fraction of its consumption of staple crops, the indirect effect through the transmission to local food prices due to the substitutability between local and foreign products has likely been stronger—an effect that is difficult to quantify, as the worsening security situation has disrupted domestic trade. Finally, in an attempt to insulate their own economy from the shock, export bans on cereals and flours, and in some cases fertilizers, by several governments in the region, including Burkina Faso, Benin, Ghana, Mali and Togo, have amplified the global food shock.

**21. Food-related financing needs are large and urgent to address a dire and costly food crisis.** Following the approach in *Tackling the Global Food Crisis. Impact, Policy Response and the Role of the IMF, IMF Note 2022/004*, staff estimates that the balance-of-payment need associated with the global food shock is around 0.4 percent of GDP cumulatively during 2022 and 2023, largely driven by the rise in the cost of (net) imports of fertilizers (see Text Figure 7 and Annex II for details on the methodology).

**22. The overall costs of tackling acute food insecurity would, however, be significantly larger** (Annex III). For example, based on the WFP's "Global Operational Response Plan," it would cost about 0.5 percent of GDP to lift out of hunger, for a period of one year, the additional 0.6 million people who fell into acute food insecurity between August 2021 and August 2022. A more ambitious and equitable goal of compensating all vulnerable households (US$1.9 or less per capita per day, about 43.7 percent of the population) for the rise in food prices in 2022 would require nearly 3½ percent of GDP.

**23. In this challenging crisis context, to address acute food-related needs, the authorities requested IMF emergency financing, with discussions on a prospective IMF-supported program to start subsequently.** In the context of fragile security conditions and an acute food crisis, rapid disbursement under the FSW will be key to address the food-related BOP need. It would not be possible to implement the needed emergency response to attend the urgent BOP need, as an IMF-supported arrangement would require time to negotiate program modalities, especially with a new government, and reach a new understanding between staff and the authorities. Emergency financial assistance from the IMF could also function as a catalyst for financial and in-kind support from development partners to help the authorities implement their response plan to food insecurity (Text Table 2). Development partners include the World Bank, the African Development Bank, and bilateral partners. The authorities are actively engaged in seeking additional financing from other donors.

**24. The authorities' plan to use the resources disbursed under the FSW to mitigate the temporary challenges implied by the food price shock.** The authorities are committed to implementing these efforts through a sound macroeconomic policy framework (LOI, paragraph 4), including achieving fiscal convergence within WAEMU in the medium-term, which is essential for safeguarding macroeconomic stability. Key underpinnings of such a framework, including on the needed ambition of the adjustment and specific measures, would be further refined in the context of planned discussions towards a possible IMF-supported program. The authorities are also committed not to introduce any new restrictions on international trade and to phase out existing, temporary ones (LOI paragraph 8).

**25. The authorities' response to food insecurity has several goals.** The government's 2023 food insecurity response plan (*Plan de Réponse et de Soutien aux Populations Vulnérables*) includes as objectives (i) the provision of immediate food assistance; (ii) the prevention of malnutrition and the improvement of the drinking water supply; and (iii) the protection of livelihoods. (See text table 2 and LOI paragraphs 5 and 6.) The response plan's total cost amounts to US$362 million, which is above the expected IMF emergency financing disbursement under the Food Shock Window (SDR 60.2 million, US$79.2 million). Immediate food assistance accounts for more than 80 percent of the plan's total cost.

**Text Table 2. Burkina Faso: Response Plan to Support Vulnerable Households, 2023**

| Goals | Measures | Costs | |
|---|---|---|---|
| | | CFAF (bn) | US$ (mn) |
| Immediate food assistance. | Distribution of free food. | 95.3 | 159.7 |
| | Monetary transfers | 63.3 | 106.0 |
| | Sale of cereals at subsidized prices | 19.9 | 33.3 |
| | **Sub-total** | **178.6** | **299.0** |
| Prevention and management of malnutrition; improving drinking water supply. | Care of children, pregnant and lactating women suffering from moderate and severe malnutrition. | 23.7 | 39.7 |
| | Improving drinking water supply and distribution | 1.5 | 2.5 |
| | **Sub-total** | **25.2** | **42.2** |
| Protection of livelihoods. | Distribution and sale of agricultural inputs (fertilizers, seeds) at subsidized prices. | 4.9 | 8.3 |
| | Measures to support livestock (free vaccinations, free distribution of feed for livestock and poultry). | 7.2 | 12.1 |
| | **Sub-total** | **12.2** | **20.4** |
| Evaluation and monitoring of the agropastoral campaign. | Data collection, evaluation and implantation of the 2023 Action Plan; preparation of the 2024 Action Plan | 0.4 | 0.6 |
| | **Sub-total** | **0.4** | **0.6** |
| **Total** | | **216.4** | **362.2** |

**Target groups:** Populations affected by disasters during the 2022/23 agropastoral campaign; Populations vulnerable to food insecurity and internally displaced persons; Children under five-year old vulnerable to malnutrition and pregnant and lactating women; Populations with low access to drinking water.

**Beneficiaries:** 3.5 million people in a food crisis situation, including 550,000 people in food emergency conditions and 20,000 in food catastrophe conditions.

**Operators:** National technical services, local authorities, NGOs, Associations, Private individuals, United Nations agencies, multilateral and bilateral partners.

Source: Burkinabe Authorities

**26. Efforts to finance the food insecurity response plan are ongoing.** The plan will be financed partly though the mobilization of government's budgetary resources, and partly through the resources made available by the government's partners involved in the response plan, which include UN Agencies (FAO, WFP and UNICEF), Non-governmental Organizations (NGOs), multilateral and bilateral partners. In this context, IMF emergency support will be an important component in helping the authorities finance the food insecurity response plan.

**27. The authorities are committed to use the disbursed resources under the FSW to immediately implement key measures (LOI, paragraphs 5 and 6).** Measures include immediate distribution of free food, provision of well-targeted cash transfers and sale of cereals at subsidized prices to the most vulnerable households; protecting children, pregnant and lactating women from malnutrition; and supporting farmers and herders through subsidized inputs (seeds, fertilizers, vaccinations and feed for livestock). The response plan also facilitates ongoing improvement in the supply of clean water, to help mitigate the impact of the food crisis on the population and improve agricultural production. Finally, while some of the measures may not be fully targeted in the near term (e.g., fertilizer subsidies) given capacity constraints and the scope and urgency of needs, the authorities are committed to provide more targeted support in the medium term, in line with structural medium-term reform needs.

**28. In this context, the authorities have been extending targeted social protection to the most vulnerable households**. While further developing and strengthening social protection mechanisms would remain a key goal of a potential IMF-supported program, efforts to create a system of well-targeted cash transfers to benefit the most vulnerable households, including the creation of a Social Registry to identify cash transfer beneficiaries, have been instrumental to attend to the ongoing food emergency.

**29. Furthermore, the authorities are committed to gradually lift existing, temporary imposed measures suspending exports of cereals, as well as to refrain from introducing any new export or import restrictions.** Like several countries in the region, Burkina Faso imposed restrictions on exports of key cereals including millet, sorghum, corn and cowpea to protect domestic supply. However, the authorities are committed to phasing out these temporary measures and not to introduce similar trade-restrictive measures in the future (LOI paragraph 8). These commitments are in line with the advice formulated by the IMF, the World Bank, and the WTO to keep trade open and avoid restrictive measures that further exacerbate the suffering of the most vulnerable households.

**30. The authorities commit to implementing transparency and good governance measures in the use of the resources allocated under the FSW.** In this regard, they will continue efforts to maintain, and further improve, good Public Financial Management (PFM) practices including timely publication on the Ministry of Finance website of the budget and budget execution reports on an annual basis. The budget execution reports will also include information on the use of FSW funds. The authorities will also progress towards the establishment of the Treasury Single Account (TSA), including the implementation of the conclusions of the study on the impact of closure of public accounts, and the recommendations of the Council of Ministers on the centralization of public funds. The FSW funds will be channeled through the BCEAO and made available to the government as budget support, and spending of the funds will be governed by the authorities' emergency spending framework, which covers the (i) overall institutional arrangements; (ii) financing of emergency mechanisms; (iii) appropriate budgetary, accounting and financial management procedures; (iv) ex-post accountability mechanisms; and (v) tools to ensure the transparency of the framework. The authorities intend to continue benefitting from IMF support in further improving PFM practices, including on accounting and public investment management. The authorities also commit to prepare semi-annual progress reports and publish audits on the implementation of the cash transfer program and all food emergency spending by June 30, 2024. The audits will be performed by the General Inspectorate of Public Finances (*Inspection Generale des Finances*) and will include a review of the procedures and protocols used to ensure payments were received by the intended and appropriate beneficiaries. Finally, the authorities commit to identification and publication of the beneficial owners of entities awarded public procurement contracts, for contracts related to improving the supply of clean water, and for purchasing agricultural inputs and food to be sold at subsidized prices (LOI paragraph 7).[6]

**31. Following the FSW disbursement to address urgent needs, the authorities intend to resume discussions to negotiate an IMF-supported arrangement.** Putting Burkina Faso on a stable macroeconomic path during the two-year transition period back to constitutional order requires the creation of fiscal space to finance priority spending (see Letter of Intent). In this context, an IMF-supported arrangement would be instrumental. Specifically, the authorities are committed to implementing a UCT-program, building on their track record established in past IMF-supported programs, progress in addressing governance issues, and good collaboration with IMF staff.

# IMF ASSISTANCE MODALITIES

**32. The access level is calibrated to the urgent balance-of-payment needs created by the food shock.** The urgent balance-of-payment needs associated with the global food shock are estimated around 0.4 percent of GDP cumulatively for the period 2022 and 2023 (see Text Figure 7). On this basis, staff proposes an access of 50 percent of quota, equivalent to 0.4 percent of GDP. Emergency financing is provided in support of policies that will address the urgent balance-of-payments needs.

**33. Burkina Faso's capacity to repay the IMF is adequate (Table 7).** Based on existing and prospective credit, total outstanding credit to the IMF is projected to peak at 227.8 percent of quota by end-2023, equivalent to 1.7 percent of GDP, 6.3 percent of exports, and 9.4 percent of government revenues.[7] Total obligations to the IMF are projected to peak at about 21 percent of external debt-service obligations, 0.2 percent of GDP, and 0.8 percent of exports in 2026. Highly concessional support from international partners will continue to be important to meet financing needs over the medium term and promote macroeconomic stability and growth. The authorities intend to intensify the dialogue with the international community to secure concessional financing in 2023 and beyond to create fiscal space. Risks to capacity-to-repay indicators include further political

[6] The authorities already publish information of the ultimate beneficial owners of entities awarded public procurement contracts related to response to the COVID-19 pandemic on the following website: https://www.dgcmef.gov.bf

[7] Capacity-to-repay indicators have been calculated using (i) projected payments based on existing and prospective drawings, and (ii) projected credit outstanding, also based on existing and prospective drawings.

and social instability, with spill-overs to the fiscal sector, and increasing geopolitical fragmentation, which may affect the external sector.

**34. The authorities are committed to adopt policy measures across critical areas to address acute food insecurity and reduce poverty**. In their Letter of Intent, the authorities are committing to use the disbursed resources under the FSW to rapidly support the most vulnerable and poorest households through direct food support and the provision of well-targeted cash transfers. Furthermore, they commit to use the disbursed resources to improve the clean water supply, and to continue investing in techniques to harvest rainfall water and thus mitigate the risks for agricultural production posed by extreme climate conditions. Finally, they also commit not to introduce measures restricting international trade.

# STAFF APPRAISAL

**35. Like many countries in Sub-Saharan Africa, Burkina Faso is facing acute food insecurity.** In recent years, the country has been hit continuously by a series of exogenous shocks, namely the deteriorating security conditions in the face of frequent terrorist attacks which has led to an estimated 1.9 million internally displaced persons as of end-December 2022; extreme climate conditions including droughts; the COVID-19 pandemic; and the war in Ukraine with its implications for international food, fuel and fertilizer prices. The effects of climate change on agriculture and a bad harvest during the 2021-2022 season resulting from low rainfall have contributed to the food crisis, worsened by the disruption of international supply-chains caused by the COVID-19 pandemic and exacerbated by Russia's invasion of Ukraine, including through higher fertilizer costs. As a result, about 3.4 million Burkinabé (out of a population of 21.5 million) are now estimated to be food insecure.

**36. To address acute food insecurity, the authorities requested IMF emergency financing.** In a context of fragile security conditions, rapid emergency financing will be key to mitigate the impact of the food crisis on the population and address the balance-of-payments need induced by acute food insecurity. Emergency financial assistance from the IMF could also function as a catalyst for financial and in-kind support from development partners to help address the crisis.

**37. Burkina Faso meets the qualification criteria to access the Food Shock Window under the Rapid Credit Facility.** The country is facing an urgent balance-of-payment need associated with a situation of acute food insecurity, as per the United Nations Global Report on Food Crisis (UNGRFC). Specifically, according to the GRFC Report, 3.4 million people are estimated to be in IPC/CH Phase 3. In addition, according to the same source, the Soum province in the Sahel region is in a food emergency situation (equivalent to IPC/CH Phase 4). In the context of fragile security conditions and an acute food crisis, rapid disbursement under the RCF/FSW will be key to address the food-related BOP need. Such a rapid response would not be possible through a UCT-quality program, as it would require time to negotiate program modalities, especially with a new government.

**38. The authorities are rapidly putting in place measures to assist immediately the populations in conditions of acute food insecurity, and are committed to good governance**

**practices, even though there are some areas where efforts to improve governance should continue.** Immediate assistance measures include the distribution of free food and unconditional cash transfers to the most vulnerable households, the sale of cereals and agricultural inputs at subsidized prices, as well as improving the supply of drinking water. In this context, the authorities are committed to putting strong safeguards in place, including to document their interventions by publishing semi-annual reports as well as conduct an audit of the implementation of the 2023 cash transfer program by June 30, 2024. In addition, as already done following the disbursement of IMF emergency financing to respond to the COVID-19 pandemic, the authorities are committed to identify and publish information of the ultimate beneficial owners of those entities awarded public procurement contracts related to measures to address the food crisis, such as purchasing agricultural inputs and food to be sold at subsidized prices, and improving the supply of clean water. Finally the authorities are also committed to maintain and further improve good PFM practices (LOI paragraph 7). However, there are some areas where the authorities should maintain momentum in improving good governance and transparency practices. Specifically, the requisitions of gold from mining companies do not reflect best PFM practices, discourage foreign direct investment, and may have adverse implications for donor support going forward, thereby increasing risks to the fiscal and real sectors. In addition, the Patriotic Support Fund (FSP) created to fund additional security measures through voluntary contributions should be phased out after one year and be subject to governance and transparency best practices.

**39. Discussions on access to the Food Shock Window helped lay the groundwork for a possible future Fund-supported program.** Building on their good track record established in past engagements with the IMF, including the successful conclusion of an ECF-arrangement in 2019 and the transparent management of the IMF's COVID-related assistance during 2020-2021, the authorities intend to resume program negotiations as soon as key measures to address the current acute food insecurity have been put in place. They deem an IMF-supported program necessary to restore macroeconomic stability, address growing debt vulnerabilities, and implement macro-critical reforms. Program discussions would seek to entrench fiscal and debt sustainability, and encompass key reforms needed for growth-friendly fiscal consolidation, such as the extension of social protection to the most vulnerable and creating fiscal space for priority spending—including investing in climate-resilient agriculture to improve food security permanently—by containing growth of the civil service wage bill, enhancing domestic revenue mobilization, and reforming energy subsidies.

**40. Finally, the BCEAO has implemented all recommendations from the 2018 Safeguards Assessment**. The assessment found that the BCEAO had broadly appropriate governance arrangements and a robust control environment. An update assessment of the BCEAO is planned for 2023.

**41. Against this background, staff support the authorities' request for a Rapid Credit Facility disbursement under the FSW and their plan to use the resources to mitigate the impact of the food shock on the most vulnerable.** The urgent intervention to accelerate direct food support and the distribution of well-targeted cash transfers, while improving the supply of clean water, would support the most vulnerable at a difficult time and improve the agricultural sector's prospects.

## Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2019–27

Population (2020): 20.9 million
Per capita GDP (2020): 790.7 USD
Share of population below the poverty line (2022): 43.7%

Gini Index (2018): 47.3
Life Expectancy (years): 61
Literacy rate (2018): 39%

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | *(Annual percentage change, unless otherwise indicated)* | | | | | | | | |
| **GDP and prices** | | | | | | | | | |
| GDP at constant prices | 5.7 | 1.9 | 6.9 | 2.5 | 4.9 | 5.9 | 5.8 | 5.3 | 5.2 |
| GDP deflator | 1.6 | 6.8 | -0.8 | 8.6 | 1.8 | 2.3 | 2.1 | 2.0 | 2.0 |
| Consumer prices (annual average) | -3.2 | 1.9 | 3.9 | 14.1 | 1.5 | 2.3 | 2.0 | 2.0 | 2.0 |
| Consumer prices (end of period) | -2.6 | 2.3 | 8.2 | 9.6 | 2.7 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | |
| Net domestic assets (banking system) 1/ | 7.6 | 6.0 | 5.2 | … | … | … | … | … | … |
| Credit to the government (banking system) 1/ | 2.6 | 1.1 | -5.8 | … | … | … | … | … | … |
| Credit to private sector | 11.1 | 9.9 | 10.1 | … | … | … | … | … | … |
| Broad money (M3) | 8.8 | 18.0 | 19.1 | … | … | … | … | … | … |
| Private sector credit/GDP | 28.1 | 28.3 | 29.4 | … | … | … | … | … | … |
| **External sector** | | | | | | | | | |
| Exports (f.o.b.; valued in CFA francs) | 4.8 | 21.2 | 4.5 | 6.8 | 2.8 | 9.8 | 8.2 | 5.0 | 5.8 |
| Imports (f.o.b.; valued in CFA francs) | 2.5 | -3.0 | 21.2 | 28.5 | 1.0 | 6.7 | 6.1 | 6.0 | 5.9 |
| Current account (percent of GDP) | -3.2 | 4.1 | -0.4 | -5.2 | -5.2 | -4.4 | -3.8 | -4.1 | -4.0 |
| Real effective exchange rate | … | … | … | … | … | … | … | … | … |
| | *(Percent of GDP, unless otherwise indicated)* | | | | | | | | |
| **Central government finances** | | | | | | | | | |
| Current revenue | 18.4 | 16.1 | 17.8 | 18.8 | 18.4 | 18.6 | 18.6 | 18.7 | 18.9 |
| Of which: tax revenue 2/ | 15.0 | 13.3 | 15.4 | 16.9 | 16.3 | 16.3 | 16.4 | 16.5 | 16.7 |
| Total expenditure and net lending | 23.0 | 24.2 | 27.8 | 31.3 | 28.4 | 27.3 | 26.1 | 24.8 | 23.7 |
| Of which: current expenditure | 17.3 | 16.7 | 18.6 | 20.9 | 19.4 | 19.0 | 18.9 | 18.8 | 18.6 |
| Overall fiscal balance, incl. grants (commitments) | -3.1 | -5.1 | -7.5 | -10.3 | -7.8 | -6.7 | -5.5 | -4.2 | -3.0 |
| Total public debt | 42.0 | 44.9 | 48.2 | 54.3 | 58.0 | 60.2 | 61.3 | 61.3 | 60.1 |
| Of which: external debt | 23.6 | 22.9 | 25.1 | 25.3 | 24.5 | 23.7 | 22.9 | 22.3 | 21.9 |
| ***Memorandum items:*** | | | | | | | | | |
| Nominal GDP (CFAF billion) | 9,479 | 10,322 | 10,945 | 12,179 | 13,008 | 14,088 | 15,214 | 16,338 | 17,536 |
| Nominal GDP per capita (US$) | 772 | 834 | 892 | 860 | 909 | 951 | 996 | 1,036 | 1,082 |
| REER based on Consumer Price Index (CFAF per US$) | 95 | 98 | 99 | | | | | | |

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

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

2/This includes a large one-off reimbursement of VAT in 2021.

## Table 2. Burkina Faso: Balance of Payments, 2019–27

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | *(CFAF billions, unless otherwise indicated)* | | | | | | | | |
| **Current account** | -307 | 428 | -46 | -631 | -674 | -616 | -576 | -667 | -699 |
| Trade balance | 214 | 766 | 460 | -40 | 14 | 113 | 193 | 167 | 172 |
| Exports of goods | 2,301 | 2,790 | 2,914 | 3,113 | 3,199 | 3,513 | 3,800 | 3,990 | 4,220 |
| *Of which: cotton* | 185 | 168 | 245 | 383 | 305 | 322 | 332 | 344 | 357 |
| *Of which: gold* | 1,686 | 2,279 | 2,280 | 2,230 | 2,388 | 2,649 | 2,902 | 3,054 | 3,244 |
| Imports of goods | -2,087 | -2,024 | -2,454 | -3,153 | -3,185 | -3,400 | -3,607 | -3,823 | -4,048 |
| *Of which: oil* | -420 | -286 | -488 | -782 | -680 | -685 | -688 | -696 | -705 |
| Services, net | -540 | -433 | -466 | -509 | -570 | -595 | -620 | -644 | -668 |
| Primary income, net | -299 | -320 | -352 | -378 | -404 | -434 | -460 | -488 | -515 |
| Secondary income, net | 318 | 416 | 312 | 296 | 287 | 299 | 311 | 297 | 312 |
| Of which: Official transfers, net | 169 | 246 | 167 | 147 | 130 | 134 | 121 | 106 | 107 |
| **Capital account** | 126 | 212 | 252 | 259 | 295 | 291 | 309 | 328 | 348 |
| Project grants | 72 | 142 | 182 | 189 | 225 | 221 | 240 | 259 | 279 |
| **Financial account** | 296 | -500 | 116 | -782 | -131 | -81 | -79 | -4 | 64 |
| Direct investment | 86 | -53 | 59 | 57 | 52 | 40 | 31 | 48 | 46 |
| Portfolio investment | 59 | -298 | -193 | -153 | 23 | 12 | 11 | 20 | 34 |
| Other investment | 152 | -149 | 250 | -686 | -206 | -133 | -121 | -73 | -16 |
| Commercial banks | -105 | -121 | -137 | -96 | -22 | -21 | -19 | -18 | -9 |
| General government | 97 | 152 | 265 | 162 | 96 | 148 | 148 | 165 | 193 |
| Project loans | 91 | 143 | 292 | 199 | 216 | 223 | 241 | 259 | 278 |
| Program loans | 65 | 70 | 46 | 57 | 0 | 58 | 59 | 59 | 59 |
| Amortization of public loans (excl. IMF) | -59 | -61 | -72 | -94 | -120 | -134 | -151 | -152 | -144 |
| Other private | 159 | -181 | 122 | -752 | -280 | -260 | -250 | -220 | -200 |
| **Errors and omissions** | -4 | -4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Overall balance** | 111 | 135 | 322 | -1,155 | -510 | -407 | -345 | -343 | -286 |
| Net change in foreign assets of the central bank | -111 | -135 | -322 | 1,155 | 255 | 128 | 200 | 205 | 159 |
| of which: IMF net financing | -25 | -104 | 16 | 0 | -39 | 12 | 17 | 13 | 11 |
| Disbursements (past and prospective) | 44 | 111 | 0 | 0 | 49 | 0 | 0 | 0 | 0 |
| Repayments (excluding charges) | -19 | -7 | -16 | 0 | -11 | -12 | -17 | -13 | -11 |
| of which: SDR allocation | … | … | 91 | … | … | … | … | … | … |
| **Residual Financing Gap** | 0 | 0 | 0 | 0 | 255 | 279 | 145 | 139 | 128 |
| | *(Percent of GDP, unless otherwise indicated)* | | | | | | | | |
| **Memorandum items:** | | | | | | | | | |
| Exports of goods | 24.3 | 27.0 | 26.6 | 25.6 | 24.6 | 24.9 | 25.0 | 24.4 | 24.1 |
| Imports of goods | -22.0 | -19.6 | -22.4 | -25.9 | -24.5 | -24.1 | -23.7 | -23.4 | -23.1 |
| Trade balance (goods) | 2.3 | 7.4 | 4.2 | -0.3 | 0.1 | 0.8 | 1.3 | 1.0 | 1.0 |
| Trade balance (services) | -5.7 | -4.2 | -4.3 | -4.2 | -4.4 | -4.2 | -4.1 | -3.9 | -3.8 |
| Trade balance (goods and services) | -3.4 | 3.2 | -0.1 | -4.5 | -4.3 | -3.4 | -2.8 | -2.9 | -2.8 |
| Current account (– = deficit) | -3.2 | 4.1 | -0.4 | -5.2 | -5.2 | -4.4 | -3.8 | -4.1 | -4.0 |
| GDP at current prices (CFAF billions) | 9,479 | 10,322 | 10,945 | 12,179 | 13,008 | 14,088 | 15,214 | 16,338 | 17,536 |
| BCEAO Reserves | | | | | | | | | |
| *In billion USD* | 5 | 6 | 6 | 6 | … | … | … | … | … |
| *In months of next year's WAEMU imports* | 5.6 | 5.4 | 5.6 | 4.5 | … | … | … | … | … |
| *In percent of broad money* | 34.2 | 32.9 | 31.6 | 28.3 | … | … | … | … | … |

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

## Table 3. Burkina Faso: Monetary Survey, 2019–27

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | *(CFAF billions, unless otherwise indicated)* | | | | | | | | |
| **Net foreign assets** | 1,508 | 1,989 | 2702 | 1822 | 1631 | 1562 | 1417 | 1264 | 1130 |
| BCEAO 1/ | 76 | 211 | 533 | -622 | -877 | -1005 | -1205 | -1410 | -1569 |
| Assets | 1,048 | 974 | 1109 | 169 | 187 | 205 | 225 | 242 | 254 |
| Liabilities | 972 | 763 | 576 | 791 | 1064 | 1210 | 1430 | 1652 | 1823 |
| Commercial banks | 1,432 | 1,778 | 2169 | 2444 | 2508 | 2567 | 2622 | 2674 | 2699 |
| **Net domestic assets** | 2,488 | 2,718 | 2952 | 3551 | 4281 | 4847 | 5529 | 6082 | 6589 |
| Domestic credit | 3,074 | 3,390 | 3494 | 4148 | 4918 | 5484 | 6166 | 6719 | 7226 |
| Net Bank credit to government | 158 | 201 | -60 | 56 | 1010 | 1792 | 2468 | 2981 | 3309 |
| BCEAO | -35 | 30 | -89 | 67 | 106 | 94 | 77 | 64 | 52 |
| Commercial banks | 194 | 171 | 29 | 86 | 904 | 1698 | 2391 | 2918 | 3257 |
| Credit to other sectors | 2,916 | 3,188 | 3554 | 4092 | 3908 | 3693 | 3698 | 3738 | 3917 |
| *of which: Credit to private sector* | 2,663 | 2,925 | 3,220 | 3,558 | 3,357 | 3,124 | 3,111 | 3,135 | 3,303 |
| Other items (net) | 51 | 38 | -182 | -246 | -189 | -189 | -189 | -189 | -189 |
| Shares and other equities | 535 | 633 | 724 | 826 | 826 | 826 | 826 | 826 | 826 |
| **Total broad money liabilities** | 3,996 | 4,707 | 5654 | 5498 | 5912 | 6410 | 6946 | 7346 | 7719 |
| Liquid liabilities | 3,812 | 4,498 | 5358 | 5104 | 5477 | 5933 | 6423 | 6783 | 7128 |
| Non-liquid liabilites (excl. from broad money) | 184 | 209 | 296 | 394 | 435 | 477 | 523 | 563 | 591 |
| | *(Annual percentage change, unless otherwise indicated)* | | | | | | | | |
| ***Memorandum items:*** | | | | | | | | | |
| Net foreign assets | 4.6 | 31.9 | 35.8 | -32.6 | -10.5 | -4.2 | -9.3 | -10.8 | -10.6 |
| Net domestic assets 2/ | 7.6 | 6.0 | 5.2 | 11.2 | 14.3 | 10.3 | 11.5 | 8.6 | 7.5 |
| Net credit to government 2/ | 2.6 | 1.1 | -5.8 | 2.2 | 18.7 | 14.3 | 11.4 | 8.0 | 4.8 |
| Credit to Private Sector | 11.1 | 9.9 | 10.1 | 10.5 | -5.7 | -6.9 | -0.4 | 0.8 | 5.4 |
| Private sector credit (percentage of GDP) | 28.1 | 28.3 | 29.4 | 29.2 | 25.8 | 22.2 | 20.4 | 19.2 | 18.8 |
| Money supply | 8.8 | 18.0 | 19.1 | -4.7 | 7.3 | 8.3 | 8.3 | 5.6 | 5.1 |
| Velocity of money (GDP/M2) 3/ | 2.5 | 2.3 | 2.0 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.5 |

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, 2014–22

(in percent)

| | Dec-14 | Dec-15 | Dec-16 | Dec-17 | Dec-18 1/ | Dec-19 | Dec-20 | Dec-21 | Jun-22 |
|---|---|---|---|---|---|---|---|---|---|
| **Capital Adequacy** | | | | | | | | | |
| Reg. capital to risk-weighted assets | 11.4 | 11.1 | 13.0 | 12.2 | 12.0 | 13.6 | 13.4 | 13.7 | 13.6 |
| **Asset Quality** | | | | | | | | | |
| Gross NPLs / Total loans | 8.6 | 8.9 | 8.9 | 8.8 | 7.4 | 7.6 | 7.8 | 7.4 | 6.6 |
| Provisions / NPLs | 64.9 | 67.6 | 70.4 | 66.4 | 70.4 | 69.1 | 71.4 | 71.4 | 75.6 |
| **Loan Concentration** | | | | | | | | | |
| 5 largest clients / equity | 158.4 | 179.6 | 114.5 | 79.8 | 70.6 | 69.3 | 76.5 | 66.8 | 80.6 |
| By Sector: (share of total) | | | | | | | | | |
| Agriculture | 2.8 | 1.9 | 3.7 | 4.4 | 4.7 | 3.7 | 1.8 | 2.3 | 2.0 |
| Extractive Industries | 2.0 | 2.3 | 1.5 | 2.0 | 2.9 | 4.1 | 4.6 | 4.3 | 5.5 |
| Manufacturing | 16.1 | 15.2 | 13.2 | 13.6 | 12.5 | 12.1 | 12.2 | 11.2 | 11.6 |
| Electricity, gas, water | 1.3 | 1.0 | 0.8 | 1.2 | 1.0 | 1.0 | 2.4 | 2.8 | 3.3 |
| Buildings/Public Works | 13.6 | 16.6 | 16.2 | 16.9 | 17.8 | 16.5 | 16.7 | 16.1 | 10.7 |
| Commercial (restaurants, hotels) | 26.0 | 28.3 | 25.6 | 23.9 | 23.6 | 18.5 | 18.0 | 18.2 | 23.0 |
| Transportation/communication | 9.5 | 8.4 | 10.3 | 8.8 | 9.1 | 10.9 | 9.9 | 9.0 | 8.8 |
| Insurance, real estate, business services | 3.7 | 3.0 | 5.0 | 5.6 | 7.2 | 7.3 | 10.1 | 9.9 | 7.3 |
| Other | 25.1 | 23.1 | 23.7 | 23.7 | 21.3 | 25.9 | 24.3 | 26.2 | 27.8 |
| **Liquidity** | | | | | | | | | |
| Loans to deposits | 99.8 | 91.2 | 86.1 | 83.9 | 85.7 | 87.4 | 77.6 | 71.3 | 74.5 |
| Liquid assets / total assets | 34.8 | 29.2 | 23.2 | 24.7 | 25.7 | 22.5 | 20.9 | 18.7 | 20.6 |

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, 2019–27

(CFAF billions)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | 1,882.0 | 1,975.3 | 2,223.9 | 2,551.9 | 2,679.7 | 2,901.5 | 3,124.6 | 3,354.6 | 3,628.5 |
| Total revenue | 1,747.7 | 1,659.4 | 1,946.6 | 2,288.3 | 2,396.3 | 2,618.5 | 2,835.7 | 3,062.1 | 3,314.6 |
| Tax revenue | 1,424.9 | 1,377.0 | 1,687.5 | 2,052.4 | 2,118.6 | 2,302.9 | 2,494.9 | 2,696.2 | 2,921.8 |
| Of which: Gold Mining CIT | 53.1 | 50.8 | 135.3 | 100.4 | 119.4 | 145.7 | 159.6 | 168.0 | 178.4 |
| Nontax revenue | 322.8 | 282.4 | 259.1 | 235.8 | 277.7 | 315.6 | 340.8 | 366.0 | 392.8 |
| Of which: Royalties from gold | 36.8 | 91.2 | 74.0 | 89.2 | 95.5 | 106.0 | 116.1 | 122.1 | 129.8 |
| Grants | 134.3 | 316.0 | 277.3 | 263.7 | 283.5 | 283.0 | 288.9 | 292.5 | 313.9 |
| Project | 45.9 | 156.3 | 196.3 | 203.4 | 239.6 | 235.3 | 254.1 | 272.9 | 292.9 |
| Program | 88.4 | 159.7 | 80.9 | 60.3 | 43.9 | 47.7 | 34.8 | 19.6 | 21.0 |
| **Expenditure and net lending 1/** | 2,177.4 | 2,500.0 | 3,047.8 | 3,807.3 | 3,695.4 | 3,843.0 | 3,966.4 | 4,046.4 | 4,160.8 |
| Current expenditure | 1,644.5 | 1,724.3 | 2,038.5 | 2,539.6 | 2,529.6 | 2,678.0 | 2,868.4 | 3,076.2 | 3,259.5 |
| Wages and salaries | 844.4 | 897.2 | 949.5 | 1,009.1 | 1,097.2 | 1,188.3 | 1,279.4 | 1,369.8 | 1,465.9 |
| Goods and services | 198.4 | 176.3 | 197.5 | 210.2 | 227.0 | 245.9 | 265.6 | 285.2 | 306.1 |
| Interest payments | 117.1 | 140.6 | 192.5 | 229.6 | 244.2 | 255.6 | 316.8 | 372.3 | 416.9 |
| Domestic | 95.6 | 117.0 | 163.9 | 196.3 | 210.1 | 222.2 | 280.6 | 333.1 | 374.3 |
| External | 21.5 | 23.5 | 28.6 | 33.3 | 34.1 | 33.4 | 36.1 | 39.2 | 42.5 |
| Current transfers | 484.6 | 510.2 | 698.9 | 1,090.7 | 961.2 | 988.2 | 1,006.6 | 1,048.8 | 1,070.6 |
| Investment expenditure | 556.8 | 780.0 | 999.1 | 1,277.2 | 1,165.8 | 1,165.0 | 1,098.0 | 970.2 | 901.3 |
| Domestically financed | 420.3 | 494.6 | 528.2 | 875.4 | 710.5 | 706.5 | 602.8 | 438.4 | 330.5 |
| Externally financed | 136.5 | 285.4 | 470.9 | 401.9 | 455.3 | 458.5 | 495.2 | 531.7 | 570.7 |
| Net lending | -23.8 | -4.4 | 10.2 | -9.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance 1/** | -295.5 | -524.6 | -824.0 | -1,255.3 | -1,015.7 | -941.5 | -841.8 | -691.8 | -532.2 |
| Cash basis adjustment | -2.6 | -8.2 | 120.1 | 386.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance (cash basis)** | -298.0 | -532.8 | -703.8 | -868.8 | -1,015.7 | -941.5 | -841.8 | -691.8 | -532.2 |
| **Financing** | 293.7 | 530.8 | 799.4 | 809.0 | 538.9 | 613.4 | 593.5 | 601.1 | 532.0 |
| Foreign financing | 97.2 | 152.4 | 265.0 | 161.9 | 96.1 | 147.7 | 148.4 | 165.3 | 193.0 |
| Drawings | 156.1 | 213.8 | 337.3 | 255.8 | 215.7 | 281.7 | 299.7 | 317.8 | 336.7 |
| Project loans | 90.6 | 143.5 | 291.6 | 199.1 | 215.7 | 223.2 | 241.1 | 258.9 | 277.8 |
| Program loans | 65.5 | 70.3 | 45.7 | 56.7 | 0.0 | 58.5 | 58.7 | 58.9 | 58.9 |
| Amortization (excl. IMF) | -58.9 | -61.4 | -72.3 | -93.9 | -119.6 | -134.0 | -151.3 | -152.5 | -143.7 |
| Domestic financing | 196.6 | 378.4 | 534.4 | 647.0 | 442.7 | 465.7 | 445.0 | 435.8 | 339.0 |
| Bank financing | 19.5 | 76.5 | 178.7 | 628.1 | 442.7 | 465.7 | 445.0 | 435.8 | 339.0 |
| Central bank | 11.2 | 118.3 | -48.9 | 208.3 | -10.6 | -12.1 | -16.9 | -13.5 | -11.2 |
| of which: IMF net financing | 28.7 | 103.8 | -16.3 | 0.0 | -10.6 | -12.1 | -16.9 | -13.5 | -11.2 |
| Disbursements | 47.8 | 110.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments | -19.1 | -7.1 | -16.3 | 0.0 | -10.6 | -12.1 | -16.9 | -13.5 | -11.2 |
| Commercial banks | 8.3 | -41.8 | 227.6 | 419.9 | 453.3 | 477.8 | 461.9 | 449.3 | 350.2 |
| Nonbank financing | 177.1 | 301.9 | 355.7 | 18.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and Omissions | 4.3 | 2.0 | -95.6 | 59.8 | | | | | |
| **Financing gap** | | | | | 476.8 | 328.2 | 248.3 | 90.6 | 0.2 |
| IMF disbursements | | | | | 49.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Outstanding financing gap | | | | | 427.4 | 328.2 | 248.3 | 90.6 | 0.2 |
| ***Memorandum items:*** | | | | | | | | | |
| Mining revenue | 267.9 | 306.4 | 371.2 | 471.0 | 504.4 | 559.5 | 612.8 | 644.9 | 685.1 |
| Overall Balance excl. mining revenue | -566.0 | -839.3 | -1,075.0 | -1,339.8 | -1,520.1 | -1,501.0 | -1,454.6 | -1,336.7 | -1,217.4 |

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

1/ Commitment ("engagement") basis.

## Table 5b. Burkina Faso: Consolidated Operations of the Central Government, 2019–27

(in percent of GDP)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| | Act. | Act. | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | 19.9 | 19.1 | 20.3 | 21.0 | 20.6 | 20.6 | 20.5 | 20.5 | 20.7 |
| Total revenue | 18.4 | 16.1 | 17.8 | 18.8 | 18.4 | 18.6 | 18.6 | 18.7 | 18.9 |
| Tax revenue | 15.0 | 13.3 | 15.4 | 16.9 | 16.3 | 16.3 | 16.4 | 16.5 | 16.7 |
| Of which: Gold Mining CIT | 0.6 | 0.5 | 1.2 | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Nontax revenue | 3.4 | 2.7 | 2.4 | 1.9 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 |
| Of which: Royalties from gold | 0.4 | 0.9 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.7 |
| Grants | 1.4 | 3.1 | 2.5 | 2.2 | 2.2 | 2.0 | 1.9 | 1.8 | 1.8 |
| Project | 0.5 | 1.5 | 1.8 | 1.7 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 |
| Program | 0.9 | 1.5 | 0.7 | 0.5 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| **Expenditure and net lending 1/** | 23.0 | 24.2 | 27.8 | 31.3 | 28.4 | 27.3 | 26.1 | 24.8 | 23.7 |
| Current expenditure | 17.3 | 16.7 | 18.6 | 20.9 | 19.4 | 19.0 | 18.9 | 18.8 | 18.6 |
| Wages and salaries | 8.9 | 8.7 | 8.7 | 8.3 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 |
| Goods and services | 2.1 | 1.7 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Interest payments | 1.2 | 1.4 | 1.8 | 1.9 | 1.9 | 1.8 | 2.1 | 2.3 | 2.4 |
| Domestic | 1.0 | 1.1 | 1.5 | 1.6 | 1.6 | 1.6 | 1.8 | 2.0 | 2.1 |
| External | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Current transfers | 5.1 | 4.9 | 6.4 | 9.0 | 7.4 | 7.0 | 6.6 | 6.4 | 6.1 |
| Investment expenditure | 5.9 | 7.6 | 9.1 | 10.5 | 9.0 | 8.3 | 7.2 | 5.9 | 5.1 |
| Domestically financed | 4.4 | 4.8 | 4.8 | 7.2 | 5.5 | 5.0 | 4.0 | 2.7 | 1.9 |
| Externally financed | 1.4 | 2.8 | 4.3 | 3.3 | 3.5 | 3.3 | 3.3 | 3.3 | 3.3 |
| Net lending | -0.3 | 0.0 | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance 1/** | -3.1 | -5.1 | -7.5 | -10.3 | -7.8 | -6.7 | -5.5 | -4.2 | -3.0 |
| Cash basis adjustment | 0.0 | -0.1 | 1.1 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance (cash basis)** | -3.1 | -5.2 | -6.4 | -7.1 | -7.8 | -6.7 | -5.5 | -4.2 | -3.0 |
| **Financing** | 3.1 | 5.1 | 7.3 | 6.6 | 4.1 | 4.4 | 3.9 | 3.7 | 3.0 |
| Foreign financing | 1.0 | 1.5 | 2.4 | 1.3 | 0.7 | 1.0 | 1.0 | 1.0 | 1.1 |
| Drawings | 1.6 | 2.1 | 3.1 | 2.1 | 1.7 | 2.0 | 2.0 | 1.9 | 1.9 |
| Project loans | 1.0 | 1.4 | 2.7 | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Program loans | 0.7 | 0.7 | 0.4 | 0.5 | 0.0 | 0.4 | 0.4 | 0.4 | 0.3 |
| Amortization (excl. IMF) | -0.6 | -0.6 | -0.7 | -0.8 | -0.9 | -1.0 | -1.0 | -0.9 | -0.8 |
| Domestic financing | 2.1 | 3.7 | 4.9 | 5.3 | 3.4 | 3.3 | 2.9 | 2.7 | 1.9 |
| Bank financing | 0.2 | 0.7 | 1.6 | 5.2 | 3.4 | 3.3 | 2.9 | 2.7 | 1.9 |
| Central bank | 0.1 | 1.1 | -0.4 | 1.7 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| of which: IMF net financing | 0.3 | 1.0 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Disbursements | 0.5 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments | -0.2 | -0.1 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Commercial banks | 0.1 | -0.4 | 2.1 | 3.4 | 3.5 | 3.4 | 3.0 | 2.8 | 2.0 |
| Nonbank financing | 1.9 | 2.9 | 3.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and Omissions | 0.0 | 0.0 | -0.6 | 0.3 | | | | | |
| **Financing gap** | | | | | 3.7 | 2.3 | 1.6 | 0.6 | 0.0 |
| IMF disbursements | | | | | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Outstanding financing gap | | | | | 3.3 | 2.3 | 1.6 | 0.6 | 0.0 |
| ***Memorandum items:*** | | | | | | | | | |
| Nominal GDP (CFAF billion) | 9,479 | 10,322 | 10,945 | 12,179 | 13,008 | 14,088 | 15,214 | 16,338 | 17,536 |
| Wage bill to tax revenue ratio (percent) | 59.3 | 65.2 | 56.3 | 49.2 | 51.8 | 51.6 | 51.3 | 50.8 | 50.2 |
| Primary balance excluding program grants | -2.8 | -5.3 | -6.5 | -8.9 | -6.3 | -5.2 | -3.7 | -2.1 | -0.8 |

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

1/ Commitment ("engagement") basis.

## Table 6. Burkina Faso: External Financing Requirements, 2022–2027

(CFAF Billions)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Financing need** | **-1746** | **-1092** | **-1056** | **-1023** | **-1039** | **-1020** |
| Current account balance (excl. official transfers) | -778 | -804 | -751 | -697 | -773 | -806 |
| IMF repayments | 0 | -11 | -12 | -17 | -13 | -11 |
| Private capital flows | -874 | -158 | -159 | -157 | -100 | -59 |
| Amortization of public loans (excl. IMF) | -94 | -120 | -134 | -151 | -152 | -144 |
| **Financing** | **1,746** | **787** | **777** | **878** | **900** | **893** |
| Project loans: | 199 | 216 | 223 | 241 | 259 | 278 |
| Program loans (excl. IMF): | 57 | 0 | 58 | 59 | 59 | 59 |
| Official transfers, net | 147 | 130 | 134 | 121 | 106 | 107 |
| Change in NFA central bank (excl. prospective IMF disbursements and repayments) | 1,155 | 216 | 140 | 217 | 218 | 170 |
| Project grants | 189 | 225 | 221 | 240 | 259 | 279 |
| **Errors and Omissions** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Financing Gap** | **0** | **305** | **279** | **145** | **139** | **128** |
| IMF Financing (past and prospective) | 0 | 49.4 | 0 | 0 | 0 | 0 |
| CCRT | 1 | … | … | … | | |
| DSSI | … | … | … | … | | |
| Other Donors | … | … | … | … | | |

Sources: Burkinabè authorities and IMF staff estimates and projections.

## Table 7. Burkina Faso: Indicators of Capacity to Repay the IMF, 2022–35

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | Projections | | | | | | | | | | | | |
| **Fund obligations based on existing and prospective credit (in millions of SDRs)** | | | | | | | | | | | | | | |
| Principal | 6.8 | 14.2 | 16.3 | 30.7 | 42.2 | 41.2 | 41.0 | 45.2 | 27.7 | 12.0 | 12.0 | 6.0 | 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 |
| **Total obligations based on existing and prospective credit** | | | | | | | | | | | | | | |
| In millions of SDRs | 6.8 | 14.2 | 16.3 | 30.7 | 42.2 | 41.2 | 41.0 | 45.2 | 27.7 | 12.0 | 12.0 | 6.0 | 0.0 | 0.0 |
| In billions of CFAF | 5.6 | 11.7 | 13.5 | 25.6 | 35.4 | 34.6 | 34.4 | 37.9 | 23.3 | 10.1 | 10.1 | 5.1 | 0.0 | 0.0 |
| In percent of government revenues | 0.2 | 0.5 | 0.5 | 0.9 | 1.2 | 1.0 | 0.9 | 1.0 | 0.5 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 |
| In percent of exports of goods and services | 0.2 | 0.3 | 0.3 | 0.6 | 0.8 | 0.7 | 0.7 | 0.7 | 0.4 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 |
| In percent of debt service 1/ | 4.7 | 9.4 | 10.1 | 16.9 | 20.8 | 19.7 | 17.6 | 18.3 | 10.8 | 4.7 | 4.3 | 2.1 | 0.0 | 0.0 |
| In percent of GDP | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| In percent of quota | 5.6 | 11.8 | 13.5 | 25.5 | 35.0 | 34.2 | 34.0 | 37.5 | 23.0 | 10.0 | 10.0 | 5.0 | 0.0 | 0.0 |
| **Outstanding IMF credit based on existing and prospective drawings** | | | | | | | | | | | | | | |
| In millions of SDRs | 228.3 | 274.3 | 258.0 | 227.3 | 185.1 | 143.9 | 109.2 | 57.8 | 30.1 | 18.1 | 6.0 | 0.0 | 0.0 | 0.0 |
| In billions of CFAF | 190.0 | 225.2 | 213.4 | 189.4 | 155.5 | 120.9 | 91.8 | 48.6 | 25.3 | 15.2 | 5.1 | 0.0 | 0.0 | 0.0 |
| In percent of government revenues | 8.3 | 9.4 | 8.1 | 6.7 | 5.1 | 3.6 | 2.5 | 1.2 | 0.6 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| In percent of exports of goods and services | 5.5 | 6.3 | 5.5 | 4.5 | 3.5 | 2.6 | 1.8 | 0.9 | 0.4 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| In percent of debt service 1/ | 157.8 | 181.4 | 160.2 | 124.9 | 91.3 | 68.7 | 46.9 | 23.4 | 11.7 | 7.0 | 2.2 | 0.0 | 0.0 | 0.0 |
| In percent of GDP | 1.6 | 1.7 | 1.5 | 1.2 | 1.0 | 0.7 | 0.5 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| In percent of quota | 189.6 | 227.8 | 214.3 | 188.8 | 153.7 | 119.5 | 90.7 | 48.0 | 25.0 | 15.0 | 5.0 | 0.0 | 0.0 | 0.0 |
| Net use of IMF credit (in millions of SDRs) | -6.8 | 46.0 | -16.3 | -30.7 | -42.2 | -41.2 | -41.0 | -45.2 | -27.7 | -12.0 | -12.0 | -6.0 | 0.0 | 0.0 |
| Disbursements | 0.0 | 60.2 | 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 | 6.8 | 14.22 | 16.3 | 30.7 | 42.2 | 41.2 | 41.0 | 45.2 | 27.7 | 12.0 | 12.0 | 6.0 | 0.0 | 0.0 |
| ***Memorandum items:*** | | | | | | | | | | | | | | |
| Nominal GDP (in billions of CFAF) | 12,179 | 13,008 | 14,088 | 15,214 | 16,338 | 17,536 | 18,826 | 20,213 | 21,706 | 23,313 | 25,026 | 26,869 | 28,851 | 30,984 |
| Exports of goods and services (in billions of CFAF) | 3,459 | 3,568 | 3,912 | 4,231 | 4,453 | 4,718 | 5,044 | 5,326 | 5,626 | 5,943 | 6,279 | 6,634 | 7,012 | 7,411 |
| Government revenue (in billions of CFAF) | 2,288 | 2,396 | 2,618 | 2,836 | 3,062 | 3,315 | 3,665 | 3,975 | 4,312 | 4,678 | 5,072 | 5,499 | 5,962 | 6,465 |
| Debt service (in billions of CFAF) 1/ 2/ | 120 | 124 | 133 | 152 | 170 | 176 | 196 | 208 | 216 | 216 | 233 | 242 | 251 | 262 |
| CFAF/SDR (period average) | 832 | 821 | 827 | 833 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 |

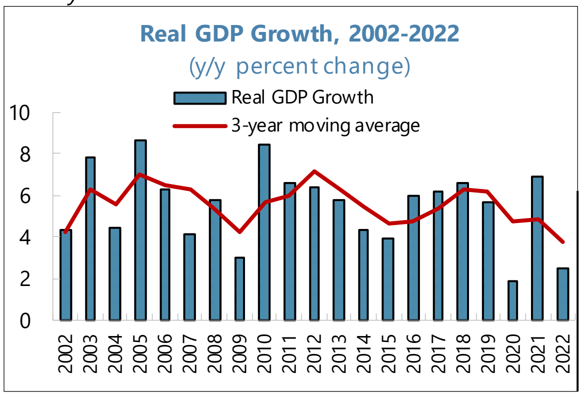
Sources: IMF staff estimates and projections.

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

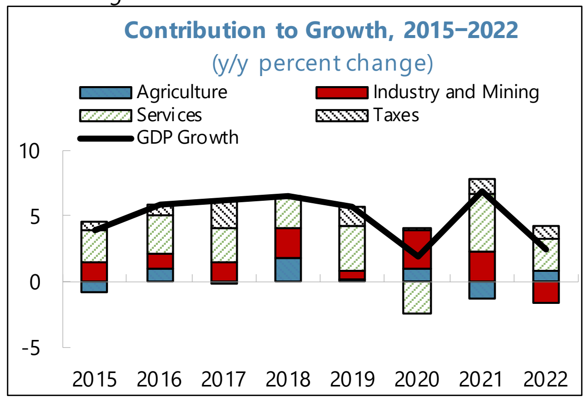
2/ Includes state-owned enterprises debt.

## Figure 1. Burkina Faso: Recent Economic Developments

*Growth is projected to fall in 2022 amid continued security and external shocks.*

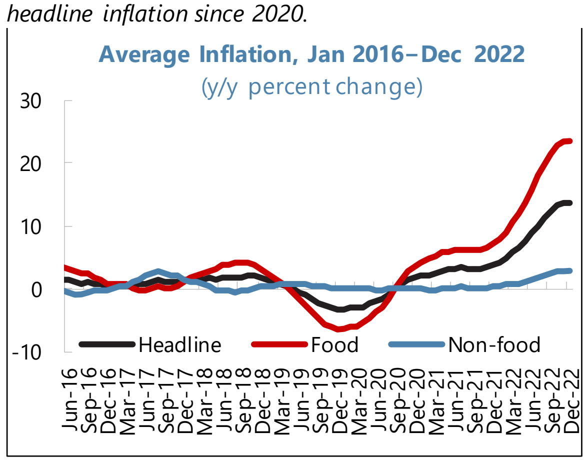



*Since 2020, there has been reduced growth in Industry and mining.*

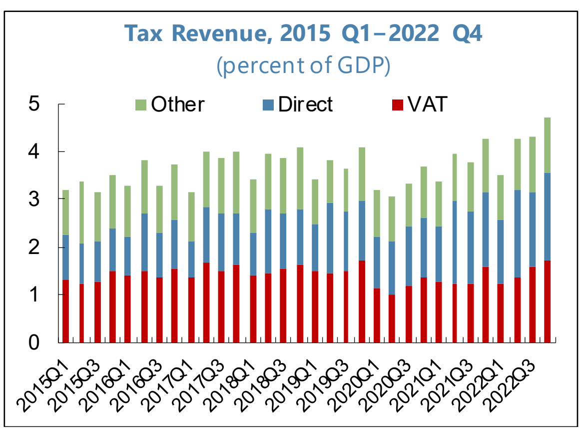



*Private credit growth has been declining recently reflecting the slowdown in growth.*

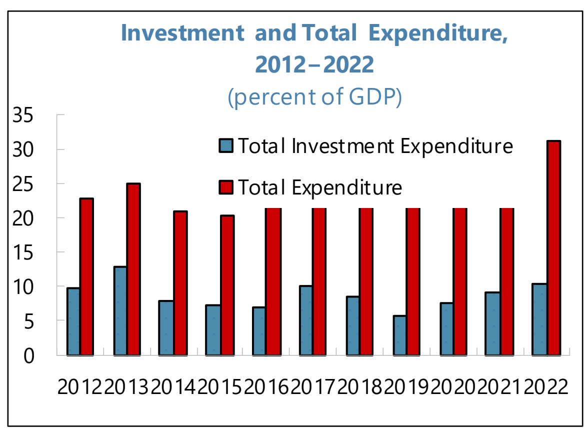

*Surging food prices have led to a large increase in headline inflation since 2020.*




*Tax revenue has been steadily increasing in recent quarters*



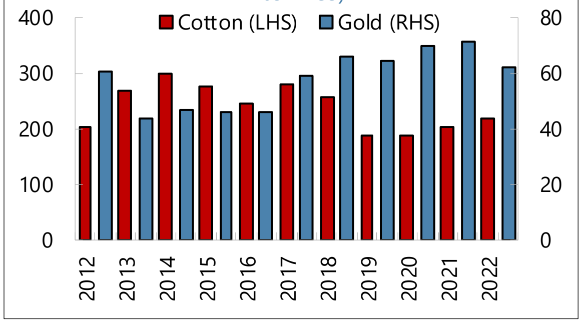

*...while public investment expenditure has increased, but less than total expenditures..*




Source: Burkinabe authorities; and IMF staff calculations

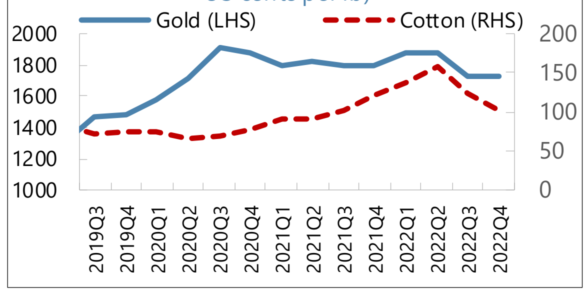
## Figure 2. Burkina Faso: Real and External Developments

*Gold nominal exports are estimated to have decreased in 2022…*



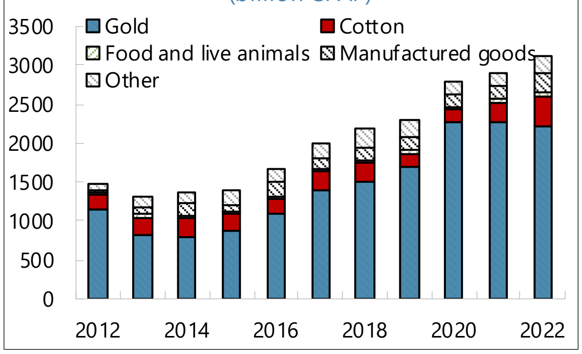

**Commodities Exports, 2012–2022**
(cotton in thousand tonnes, gold in tonnes)

*…as Gold and Cotton prices began to decline or stabilize.*



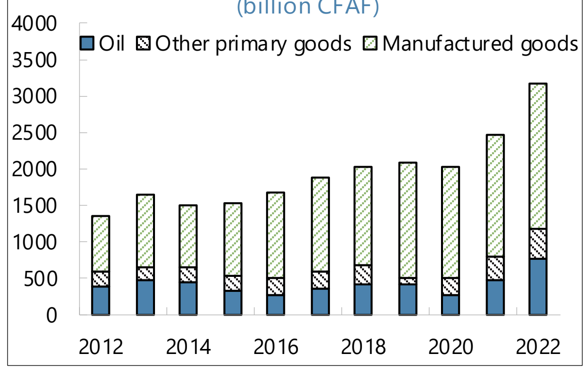

**Gold and Cotton Prices, 2019Q1–2022Q4**
(Gold in USD per troy ounce, Cotton in US cents per lb)

*The gold mining sector continues to be the main driver of total exports…*



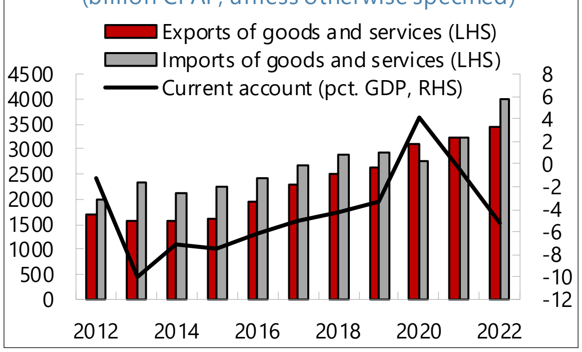

**Composition of Exports, 2012–22**
(billion CFAF)

*…while imports are increasingly driven by oil.*



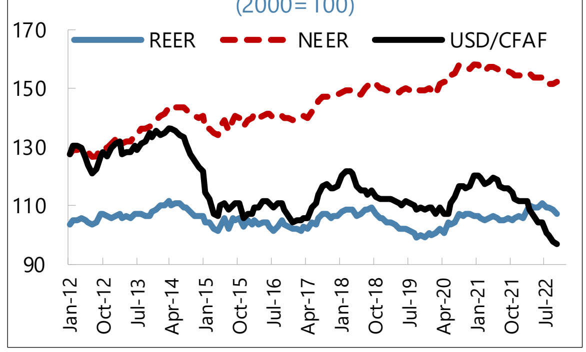

**Composition of Imports, 2012–2022**
(billion CFAF)

*The current account deficit is expected to have widened substantially in 2022.*




**Current Account Balance, 2012–2022**
(billion CFAF, unless otherwise specified)

*The real exchange rate has begun to depreciate, with a declining USD/CFAF rate.*



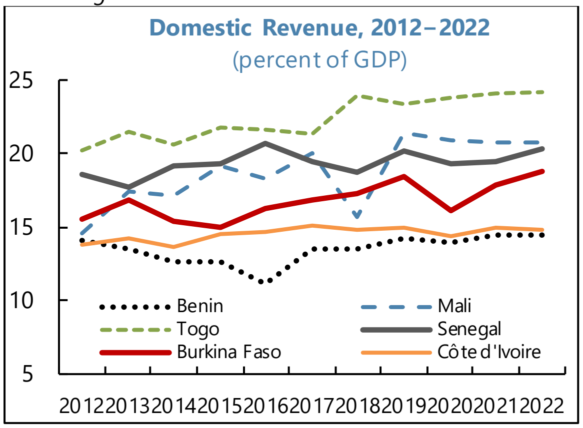

**Exchange Rates, Jan 2012–Dec 2022**
(2000=100)

Note: Figures for 2022 are projections

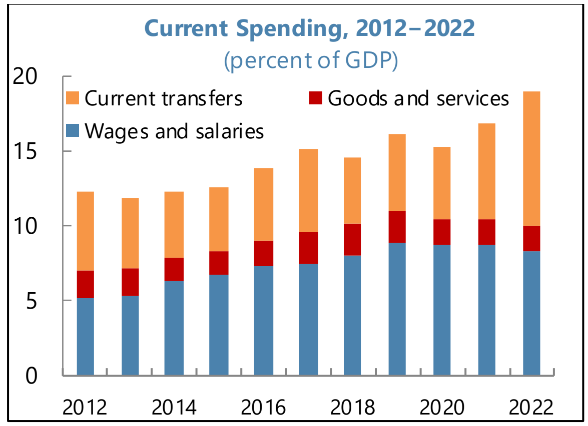
Source: Burkinabe authorities; and IMF staff calculations

## Figure 3. Burkina Faso: Fiscal Developments

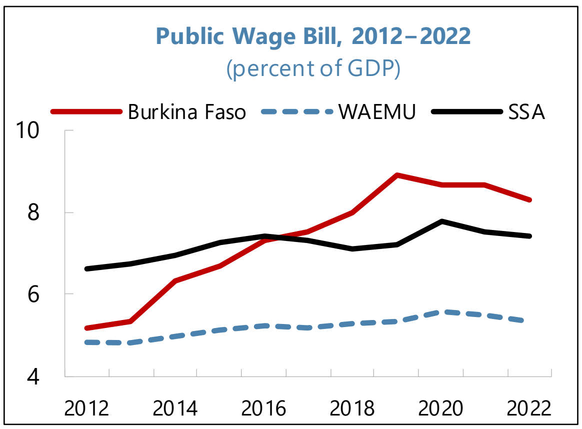
*Domestic revenue is estimated to have continued increasing in 2022.*



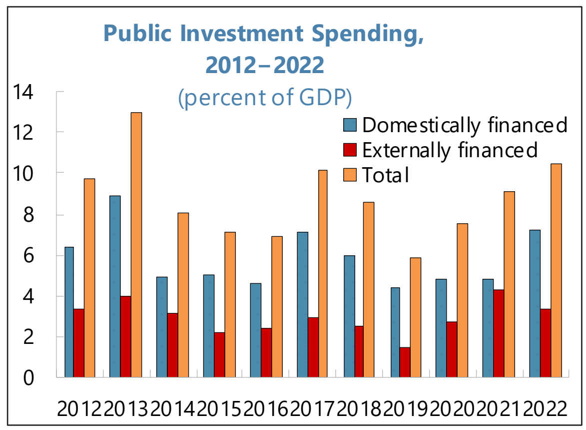

*Current spending remains high, and is estimated to have increased in 2022.*



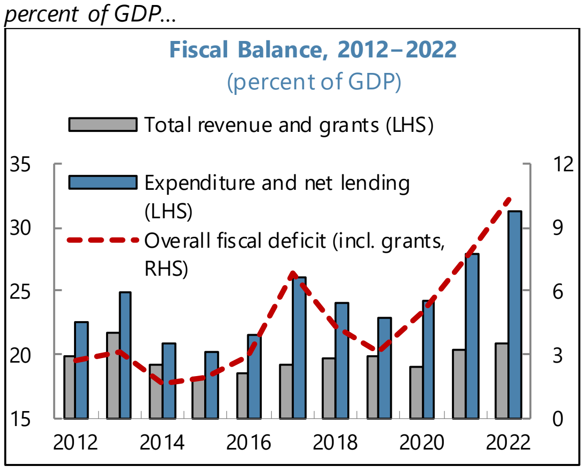

*The wage bill remains high relative to peers.*



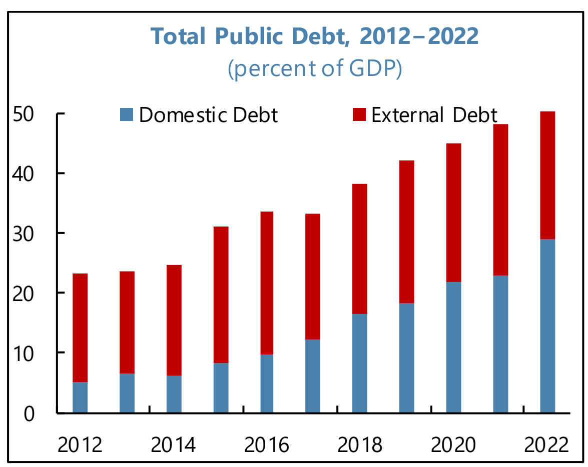

*Domestically financed investment spending is projected to have increased in 2022.*




*In 2022, the fiscal deficit has increased to over 10 percent of GDP…*




*…as domestic debt has increased to nearly 30% of GDP*




Note: Figures for 2022 are projections

Source: Burkinabe authorities; and IMF staff calculations

# Annex I. Risk Assessment Matrix for Burkina Faso[1]

| Source of Risk | Relative Likelihood | Impact if Realized | Possible Policy Response |
|---|---|---|---|
| **External** | | | |
| Intensifying spillovers from Russia's war in Ukraine.<br>Further sanctions resulting from the war and related uncertainties exacerbate trade and financial disruptions and commodity price volatility. | *High* | *High*<br>Higher food, fertilizer and energy prices, subsidies spending and fiscal deficits. | Create fiscal space; re-prioritize spending to address food emergency through cash transfers to protect the most vulnerable; seek from donors additional budget support and concessional financing. |
| Abrupt global slowdown or recession.<br>Sharp tightening of global financial conditions combined with volatile commodity prices leads to spiking risk premia, widening of external imbalances and fiscal pressures, capital outflows, sudden stops, and debt and financial crises across EMDEs. | *High* | *Medium*<br>Tighter financial conditions on the eurobond market may increase competion to raise bond finance on the regional bond market, leading to higher costs of deficit financing and deterioration of the overall fiscal balance. | Seek from donors budget support, grants and concessional financing; re-prioritize spending; increase efforts to mobilize domestic revenues. |
| Deepening geo-economic fragmentation and geopolitical tensions.<br>Broadening of conflicts and reduced international cooperation accelerate deglobalization, resulting in a reconfiguration of trade, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial system, and lower potential growth. | *High* | *High*<br>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. |
| COVID-19 outbreaks<br>Outbreaks or emergence of vaccine-resistant variants may lead to lockdowns and inhibit trade. This results in new supply chain disruptions and slower growth. | *Medium* | *High* | 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. |
| Natural disasters related to climate change<br>More frequent natural disasters create damage to infrastructure and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth. | *Medium* | *High*<br>Lower agricultural output and exports abd food insecurity; higher food prices; rising poverty and internally displaced people. | Re-prioritize spending to address food emergencies through cash targeted transfers to protect the most vulnerable; create fiscal space; seek concessional financing to invest in infrastructure to enhance resilience to climate-related shocks; step up efforts to safeguard food security. |
| **Domestic** | | | |
| Widespread social discontent and political instability, and intensification of terrorist activity. | *High* | *High*<br>Adverse impact on economic activity, revenues and foreign investment; risk of higher fiscal deficit and financing needs. Increased food insecurity and gold smuggling. Rising internally displaced people. | Re-prioritize spending to address social emergencies; implement social and financial inclusion; seek support from regional and international security arrangements. |
| Pressures for higher recurrent spending, particularly on wages. | *High* | *High*<br>Crowding out of investment spending; pressure on fiscal deficit target and prices. | Contain recurrent spending, and pass legislation to contain the public wage bill. Intensify efforts to mobilize domestic revenues. |
| Revenue mobilization lags | *Medium* | *High*<br>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. |

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. Quantification of the Balance of Payment Need Associated with the Global Food Shock

**1. This Annex quantifies the impact of the global food shock on the current account balance following the methodology proposed in the IMF note,** "Tackling the Global Food Crisis: Impact, Policy Response and the Role of the IMF".[1] The first purpose of this approach is to quantify the cost of the global food shock associated with the financing needs for cross-border payments. Annex III describes complementary approaches that capture the budgetary costs of the global food shock for the most vulnerable households. Staff then uses this assessment of the balance of payment needs to propose a level of access to the Food Shock Window under the Rapid Credit Facility of 50 percent of quota, equivalent to 0.4 percent of nominal GDP.

**2. We compare the value of net imports of five cereals (wheat, barley, maize, rice, sorghum) and all types of fertilizers in two different scenarios:** a baseline scenario and a global food shock scenario. Net import volumes for 2022 and 2023 are projected using UN Comtrade data for 2021, assuming that net import volumes would then grow proportionately with real GDP. Net import volumes are the same across both scenarios.

**3. Scenarios differ in the prices of cereals and fertilizers in 2022 and 2023. In the baseline scenario, we use the WEO projections of 2022 and 2023 price indices from October 2021.** In the shock scenario, we instead use updated projections from November 2022. The assumption is that the IMF WEO's price forecasts as of end-2021 would have prevailed in the absence of the recent price hikes associated with the war in Ukraine.

**4. While the above-mentioned IMF note proposes to include in the basket of fertilizers the three main types, namely, diammonium phosphate, urea and potassium chloride,** the most commonly used fertilizers in Burkina Faso are NPK fertilizers, a combination of Nitrogen, Potassium, and Phosphorus.[2] We therefore include this fourth type into our basket of fertilizers[3]. However, because price forecasts are not available for this fourth category, we instead use the composite Fertilizer Index provided by the IMF's WEO Global Assumptions.

**5. The table below reports the difference in percent of GDP between the value of net imports in the shock and baseline scenarios in 2022 and 2023,** and for the two groups of products (crops and fertilizers). For comparability with the method proposed in the IMF note, we also report the estimate when NPK fertilizers are excluded from the basket. It turns out to be five times lower than the estimate that includes all fertilizers, highlighting the importance of including all types. Staff's overall estimate of Burkina Faso's food-shock-related BOP needs over 2022-23, based on this

[1] Rother et al. (2022) "Tackling the Global Food Crisis: Impact, Policy Response and the Role of the IMF", available at https://www.imf.org/-/media/Files/Publications/IMF-Notes/2022/English/INSEA2022004.ashx.

[2] In 2021, 59% of imports of fertilizers were made of NPK, according to the UN Comtrade data

[3] Adapting the basket of fertilizers to the specific set of imports of Burkina Faso follows the guidelines in the IMF "Proposal for a food shock window under the RFI and RCF" on how to evaluate the balance-of-payment needs when assessing eligibility to the Food Shock Window.

methodology, is equal to 0.4 percent of GDP, equivalent to 50 percent of quota or about SDR 60.2 million.

**Text Table 1. Burkina Faso: Difference Between the Value of Net Imports in the Shock and Baseline Scenarios in 2022 and 2023**

(Percent of GDP)

| | 2022 | 2023 |
|---|---|---|
| Crops and All Fertilizers | 0.21 | 0.19 |
| Staple crops (wheat, barley, maize, sorghum, rice) | 0.01 | 0.01 |
| Fertilizers | 0.20 | 0.18 |
| Crops and Selected Fertilizers | 0.04 | 0.03 |
| Selected Fertilizers (Urea, DAP, and MOP) | 0.03 | 0.02 |

# Annex III. Quantification of the Fiscal Costs Associated with Food Price Inflation and Acute Food Insecurity

**1. This Annex describes two approaches that capture the budgetary costs of the global food shock for the most vulnerable households,** drawing on the second and third methodologies proposed in the IMF note, "Tackling the Global Food Crisis: Impact, Policy Response and the Role of the IMF".[1]

**2. The first approach assesses the fiscal cost of compensating the impact of higher food prices in 2022 relative to 2021 on the most vulnerable households' budget.** Vulnerable persons are assumed to be those with less than US$1.9 per day per capita. According to the World Bank, 43.7 percent of the Burkinabé population falls into this category, about 9.4 million people. Assuming that vulnerable households consume 50 percent of their budget on food, which is the national average, and live with exactly US$1.9 per day per capita, their total food consumption over the year amounts to CFAF 2,019.9 billion. Given that food prices have increased by 19.6 percent from November 2021 to November 2022, it would require CFAF 395.9 billion, or 3.4 percent of GDP, to compensate these households for the higher food costs.

**3. The second approach focuses on the individuals most severely affected by food insecurity**, **based on the increased number of people suffering acute food insecurity** (Phase 3 or above in the ICP/CH) over the past year. According to the WFP, this number has risen by 0.6 million in one year, from 2.8 million in August 2021 to 3.4 million in August 2022. To derive an estimate of the cost associated with lifting people out of acute food insecurity for 12 months, we apply the WFP's estimated operational cost of support per beneficiary based on their "Global Operational Response Plan." In the most recent update, the operational cost was estimated at US$22.2 billion to support 151.6 million people in 2022, which represents an annual cost of US$146.4 per beneficiary.[2] It would thus require 0.5 percent of GDP to lift the 0.6 million additional people out of acute food insecurity.

[1] Rother et al. (2022) "Tackling the Global Food Crisis: Impact, Policy Response and the Role of the IMF"

[2] World Food Programme, 2022b. "WFP Global Operation Response Plan 2022, Update #5." June.

# Appendix I. Letter of Intent

March 9, 2023

Kristalina Georgieva

Managing Director

International Monetary Fund

Washington, D.C.

U.S.A.

Dear Madame Georgieva:

1. **Like many countries in Sub-Saharan Africa, Burkina Faso is facing acute food insecurity.** In recent years, the country has been hit continuously by a series of exogenous shocks, namely the deteriorating security conditions in the face of frequent terrorist attacks; extreme climate conditions including droughts; the COVID-19 pandemic; and the war in Ukraine with its implications for international food, fuel and fertilizer prices. The ongoing security crisis has led to about 1.9 million internally displaced persons as of end-December 2022. The effects of climate change on agriculture, a bad harvest during the 2021-2022 season resulting from low rainfall, and population displacement have contributed to the food crisis. The crisis has been worsened by the disruption of international supply-chains during the COVID-19 pandemic and exacerbated by rising fertilizer costs following the Russia-Ukraine conflict, as a result, about 3 million Burkinabé (out of a population of 21.5 million) are now estimated to be food insecure.

2. **The ongoing food crisis is exacerbating Burkina Faso's balance-of-payments deficit.** Higher import prices and capital outflows are expected to lead to a deterioration of the balance of payments in 2023. The government intends to resume program discussions with the IMF, which were interrupted in January 2022, as soon as possible in 2023 to address these larger balance-of-payments as well as other development needs. More urgently, however, over the period 2022-2023, we estimated that the food crisis will induce a balance of payments financing requirement of at least 0.4 percent of GDP given the increases in fertilizer and major food prices.

3. **To address the balance-of-payments need caused by the ongoing food crisis, we request emergency financial support from the IMF under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF) in the amount of SDR 60.2 million (50 percent of quota, or US$79.2 million), in the form of budget support.** The RCF disbursement under the FSW will be

essential to address our urgent balance-of-payments need associated with acute food insecurity and to allow the implementation of the food insecurity response plan. Financial assistance from the IMF should also function as a catalyst for financial and in-kind support from other development partners to help address the crisis, including the World Bank, the African Development Bank, and bilateral partners. Furthermore, we are actively engaged in seeking additional financing from other donors.

4. **We plan to use the resources disbursed under the FSW to address the urgent challenges implied by the food price shock.** The policy measures would help address imminent balance of payments needs, make progress in poverty reduction, sustain growth, and help lay the groundwork for reducing structural food insecurity. We are committed to implementing these efforts through a sound macroeconomic policy framework, which will seek to achieve and maintain fiscal convergence within WAEMU, which is essential for safeguarding macroeconomic stability. Key underpinnings of such a framework, including specific measures, would be further refined in the context of discussions towards a possible ECF-arrangement in coming months.

5. **We have already begun implementing a series of urgent measures to address the current food crisis.** As illustrated in the 2023 *Plan de Réponse et de Soutien aux Populations Vulnérables* (PRSPV), the overall objective of our intervention is to address food insecurity through immediate food assistance and livelihood protection. More specifically, our actions aim to facilitate food access for the most vulnerable; to reinforce efforts to prevent and cure malnutrition among children, pregnant and lactating women; and to protect the livelihoods of food insecure households. The overall cost of our intervention amounts to at least US$362 million (see Annex). The implementation horizon of our actions extends to March 2024.

6. **Most of our efforts will focus on providing immediate food assistance to the most vulnerable households, including internally displaced persons.** Specific measures include free food distribution, unconditional cash transfers, and the sale of cereals at subsidized prices. The number of beneficiaries of these measures is approximately 3.5 million people in food insecurity crisis or worse, including at least 550 thousand people in emergency conditions and around 20 thousand people in a food catastrophe situation. The cost of these measures is approximately US$ 300 million.

- **In this critical context, the ongoing food crisis presents an opportunity to accelerate the extension of social protection to the poorest households, including internally displaced people and farmers.** In our efforts to develop a social protection system including cash transfers, we have already taken important steps to create a social registry to identify the most vulnerable households who will be the future beneficiaries. These efforts can be immediately leveraged to help attend the ongoing food security emergency through the existing system. Looking ahead, a nationwide cash transfer program could be an objective to be discussed in the context of a future IMF-supported program.

- **We plan to allocate part of the disbursed resources under the FSW to improve water supply and distribution (see Annex).** Resources under the FSW would help improve ongoing efforts to boost the supply of and access to clean water, which is an essential and urgent element to alleviate the suffering of the population affected by the food crisis (e.g., through low-lands development, simplified drinking water supply and new wells in areas of origin of internally displaced people).

7. **We commit to implement transparency and good governance measures in the use of the resources allocated under the FSW.** In this regard, we will continue efforts to maintain and improve good Public Financial Management (PFM) practices including timely publication on the ministry of finance website of the budget and budget execution reports on an annual basis. The budget execution reports will include information on the use of FSW funds. We will also pursue the establishment of the Treasury Single Account (TSA), including the implementation of the conclusions of the study on the impact of the closure of public accounts, and the recommendations of the Council of Ministers on the centralization of public funds. The FSW funds will be channeled through the budget and spending of the funds will be governed by our emergency spending framework, which covers the (i) overall institutional arrangements; (ii) financing of emergency mechanisms; (iii) appropriate budgetary, accounting and financial management procedures; (iv) ex-post accountability mechanisms; and (v) tools to ensure the transparency of the framework. We intend to continue benefitting from IMF support in further improving PFM practices, including on accounting and public investment management. We also commit to prepare semi-annual reports and publish the audit of the implementation of the 2023 cash transfer program by June 30, 2024. The audit will be performed by the General Inspectorate of Public Finances (*Inspection Generale des Finances*). The audit will include a review of the procedures and protocols used to ensure money was received by the intended and appropriate beneficiaries. Finally, we commit to identification and publication of the beneficial owners of entities awarded public procurement contracts, for contracts related to improving the supply of clean water and purchasing agricultural inputs and food to be sold at subsidized prices.

8. **We intend not to introduce or intensify restrictions on international trade on goods or other measures or policies that would aggravate Burkina Faso's balance of payments difficulties.** We will endeavor to gradually lift the current trade restrictions on foodstuffs – which were put in place temporarily to help alleviate national food shortages.

9. **We are determined to continue our close engagement with the IMF, with a view towards resuming program negotiations in the future.** We recognize that putting Burkina Faso on a stable path in its two-year transition back to constitutional order will require the creation of fiscal space to finance priority spending. In this context, a Fund-supported program will be instrumental. We stand ready to implement such a program building on our strong track record in past Fund-supported programs, our focus on good governance, and the good collaboration with IMF staff. Assistance under the FSW would provide immediate support to address imminent food-related needs and allow Burkina Faso to move speedily to discussions on a Fund-supported program to address more medium-term structural challenges and balance-of-payments needs. We are committed to continued collaboration with the IMF, including through policy advice, continued CD support, and financial assistance of a medium-term reform program.

**10. In line with our commitment to transparency and accountability, we authorize the IMF to publish this letter and the staff report for the request for disbursement under the FSW of the RCF.**

Please accept, Madame Managing Director, the assurance of our highest consideration.

/s/

**Aboubakar NACANABO**

Chevalier de l'Ordre du Merite

Minister of the Economy, Finance and Prospective

## Annex I. Response Plan to Support Vulnerable Households, 2023

| Goals | Specific measures | Costs | |
|---|---|---|---|
| | | CFAF (billions) | US$ (millions) |
| Immediate food assistance. | Distribution of free food. | 95.3 | 159.7 |
| | Monetary transfers | 63.3 | 106.0 |
| | Sale of cereals at subsidized prices | 19.9 | 33.3 |
| | **Sub-total** | **178.6** | **299.0** |
| Prevention and management of malnutrition; improving drinking water supply. | Care of children, pregnant and lactating women suffering from moderate and severe malnutrition. | 23.7 | 39.7 |
| | Improving drinking water supply and distribution | 1.5 | 2.5 |
| | **Sub-total** | **25.2** | **42.2** |
| Protection of livelihoods. | Distribution and sale of agricultural inputs (fertilizers, seeds) at subsidized prices. | 4.9 | 8.3 |
| | Measures to support livestock (free vaccinations, free distribution of feed for livestock and poultry). | 7.2 | 12.1 |
| | **Sub-total** | **12.2** | **20.4** |
| Evaluation and monitoring of the agropastoral campaign. | Data collection, evaluation and implantation of the 2023 Action Plan; preparation of the 2024 Action Plan | 0.4 | 0.6 |
| | **Sub-total** | **0.4** | **0.6** |
| **Total** | | **216.4** | **362.2** |

**Target groups:** Populations affected by disasters during the 2022/23 agropastoral campaign; Populations vulnerable to food insecurity and internally displaced persons; Children under five-year old vulnerable to malnutrition and pregnant and lactating women; Populations with low access to drinking water.

**Beneficiaries:** 3.5 million people in a food crisis situation, including 550,000 people in food emergency conditions and 20,000 in food catastrophe conditions.

**Operators:** National technical services, local authorities, NGOs, Associations, Private individuals, United Nations agencies.

Source: Burkinabe Authorities

# BURKINA FASO

## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS[1]

March 13, 2023

Approved by
**Annalisa Fedelino and Maria Gonzalez (IMF) and Manuela Francisco and Abebe Adugna (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** | Some, but limited, space to absorb shocks on external and public debt |
| **Application of judgement** | Yes: risk of debt distress increased based on high macroeconomic uncertainty, uncertainty regarding concessional finance from donors |

*Burkina Faso remains at moderate risk of external debt distress and overall public debt distress, and debt remains sustainable over the medium term. The current debt-carrying capacity is consistent with a classification of 'medium'.[2] These ratings are unchanged from the November 2020 Debt Sustainability Analysis (DSA), but debt ratios have deteriorated significantly. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario and the most extreme stress test. While the mechanical results point to a low risk of external debt distress, judgment was applied, considering the high degree of macroeconomic uncertainty as well as uncertainty regarding concessional finance from donors, other than the World Bank. The risk of external debt distress is therefore assessed to be moderate. Overall public debt breaches the relevant benchmark under the most extreme scenario of a commodity price shock.*

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[1] This DSA was prepared jointly with the World Bank and in collaboration with the Burkina Faso authorities.

[2] Burkina Faso's Composite Indicator (CI) is 2.93 based on the October 2022 WEO and the 2021 CPIA released, corresponding to the medium debt-carrying capacity.

*The risk of overall debt distress in Burkina Faso therefore remains moderate, with some, but limited, space to absorb shocks on external and public debt. The key vulnerabilities to debt sustainability include: (i) expenditures required to contain the security crisis; (ii) expenditures required to address food insecurity and the humanitarian crisis; (iii) risks arising due to limited support from donors, while a large proportion of the domestic debt portfolio has relatively short maturities; (iv) increased reliance on the expensive WAEMU regional bond market; and (v) undiversified export base, with high vulnerability to external price shocks.*

# PUBLIC DEBT COVERAGE

1. **The country's coverage of public debt has significantly expanded since 2020 to include guarantees, local government debt, and non-guaranteed SOE debt (Text Table 1).** Previous DSAs only included external and domestic obligations of the central government. With the support of the World Bank's Sustainable Development Finance Policy, the authorities expanded the coverage of public debt, which is provided in a quarterly debt bulletin (*Bulletin Statistique de la Dette*). Local government debt and SOE debt are now being tracked through the debt information system (SYGADE) and reported. The bulletin also includes outstanding government guaranteed loans disaggregated by type of creditor and a list of the latest contracted public loans. The data on newly included items is comprehensive, with Burkina Faso meeting the "full disclosure" rating for all categories on the World Bank's Debt Transparency Heat Map as the only IDA country.[3]

**Text Table 1. Burkina Faso: Coverage of Public Sector Debt [1/]**

| | Subsectors of the public sector | Check box |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | X |
| 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) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | X |

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

2. **Despite a relatively low level of contingent liabilities this DSA continues to include the contingent liability stress test as a precaution** (see Text Table 2). Contingent liabilities in Burkina Faso accounted for around 10 percent of public and publicly guaranteed (PPG) debt and 5 percent of GDP at the end of 2021. Burkina Faso's contingent liabilities include SOE debt, debt guarantees, or government debt further loaned for projects and public private partnerships.

**Text Table 2. Burkina Faso: Combined Contingent Liability Shock**

| | | | | | |
|---|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt | | | |
| | | 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%.

[3] See: Why One African Country Opted for Full Disclosure on Debt (worldbank.org)

# BACKGROUND ON DEBT

**3. Public debt levels have increased in the last few years following large fiscal deficits and a shift towards more expensive domestic borrowing** (Text Table 3). The nominal stock of public debt as of end-2022 is estimated at 54.3 percent of GDP increasing from 48.2 percent of GDP in 2021. The composition of debt has now shifted towards expensive domestic debt, financed through the WAEMU regional bond market[4], as budget support from donors other than the World Bank has remained suspended since January 2022. External debt is estimated to comprise 46.6 percent of the total debt stock at end-2022, falling over 15 percentage points since 2017.

**Text Table 3. Burkina Faso: Public Debt Stock, 2017-22**
(Percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Est. |
|---|---|---|---|---|---|---|
| **Public Debt** | **33.2%** | **38.2%** | **42.0%** | **44.9%** | **48.2%** | **54.3%** |
| External Debt | 20.7% | 21.7% | 23.6% | 22.9% | 25.1% | 25.3% |
| *(share of total debt, percentage)* | 62.5% | 56.8% | 56.1% | 51.1% | 52.1% | 46.6% |
| Domestic Debt | 12.4% | 16.5% | 18.4% | 22.0% | 23.1% | 29.0% |
| *(share of total debt, percentage)* | 37.5% | 43.2% | 43.9% | 48.9% | 47.9% | 53.4% |
| **Memorandum Items** | | | | | | |
| Overall fiscal balance | -6.8% | -4.3% | -3.1% | -5.1% | -7.5% | -10.3% |
| GDP growth | 6.2% | 6.6% | 5.7% | 1.9% | 6.9% | 2.5% |

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

**4. During 2018-2022, the government issued Treasury bills and government debt securities for a cumulative amount of about CFAF 4,000 billion.** The share of bond issuance in total issuance was 68 percent, while the remaining 32 percent consisted of Treasury bills (T-bills) issuance. Specifically, during 2018-2022, Burkina Faso raised a cumulative amount of CFAF 1,275 billion in Treasury bills, most with a 12-month maturity. As regards bonds, between 2018 and 2022 the government issued a cumulative amount of CFAF 2,691 billion (see Figure 1), with maturities ranging between 3 and 10 years.

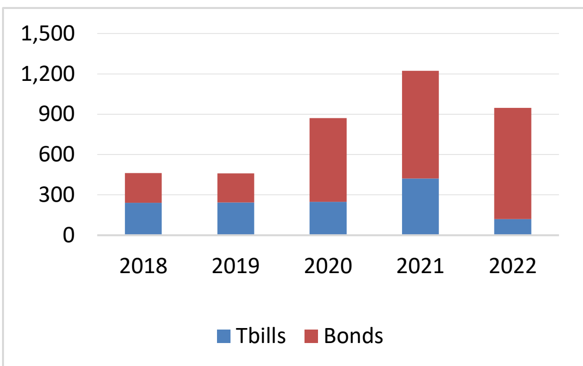
**5. Over time, the government relied more and more on the regional bond market to finance its deficit.** Issuance of medium- and long-term government debt securities grew though time and contributed to extend the long end of the yield curve (see Figure 2). In 2022, following bouts of political instability, total issuance declined compared to 2021, but remained elevated at CFAF 948 billion. Issuance on the regional market has been key for Burkina Faso to finance its budget

[4] 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. Borrowing from the West African Development Bank (BOAD), which is denominated in local currency, but classified as external debt as per the residency definition criteria continues to be an exception.

deficit: average annual issuance during 2018-2022 was 7.5 percent of GDP, which compares with an average budget deficit of 6.1 percent of GDP during the same period.

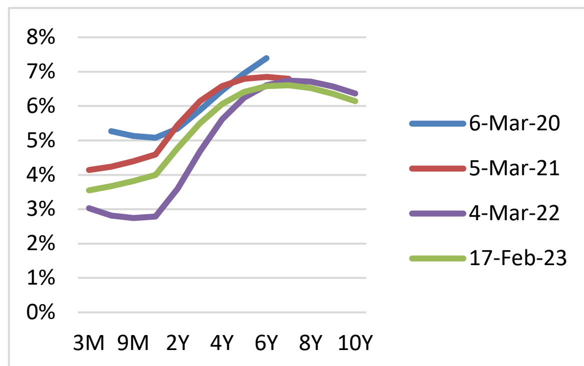
**6. Since the beginning of 2020, the yield curve shifted downward, indicating that interest rates declined across all maturities.** Between September 30, 2022, and February 14, 2023, Burkina Faso did not issue any security in the regional bond market, due to high long-term interest rates. On February 15, however, the country tapped again the regional bond market by issuing a 6-month Treasury Bill and a 5-year government bond. The authorities have also issued long-term bonds by syndication, which allowed them to raise larger volumes of capital at longer maturities (included between 10 and 12 years) compared to what is available in the regional sovereign bond market.[5] Syndicated bonds are mainly held by WAEMU regional banks.

**Text Figure 1. T-Bills and Government Bonds Issuance** (CFAF Billions)




*Sources: BCEAO; and IMF staff calculations.*

**Text Figure 2. Yield Curve** (In Percentage)




*Sources: UMOA Titres; and IMF staff calculations*

## BACKGROUND ON MACRO FORECASTS

**7. Text Table 4 summarizes the main differences in macroeconomic assumptions between the previous DSA (November 2020) and the current DSA.**[6] Real GDP growth remains lower than estimated in the previous DSA, owing to the deterioration in the security situation which led to increased political volatility, gold mine closures, reduced access to agricultural land and impacted exports in 2022. The authorities remain committed to the broad policy framework of being a WAEMU member and to achieve fiscal convergence to a 3 percent of GDP fiscal deficit implied by the membership. Our baseline, therefore, assumes that the Burkinabè authorities will attain this target by 2027, though risks remain tilted to the downside. The current account deficit widened sharply in 2022, to 5.6 percent of GDP, due to reduced gold exports as well as high prices of food and energy imports. In 2023, the deficit is expected to reduce slightly, and remains broadly in line

[5] According to the most recently available information, the interest rate on a 12-year bond issued by syndication is 6.40 percent.

[6] IMF Country Report No. 20/304 of November 2020.

with the previous vintage. The gold and cotton price forecasts through the projection period are slightly higher than in the previous DSA reflecting global developments.

**8. The macroeconomic outlook is uncertain, with several downside risks.** The main domestic risks relate to security disruptions, which could increase social and political uncertainty. On the fiscal side, difficulties in revenue mobilization and pressures on spending, including on security and public sector wages, could put further pressure on the government's budget. The materialization of these risks would be likely to exacerbate food insecurity and increase internal displacement and could seriously hamper the baseline macroeconomic projections (including growth and inflation, as well as external accounts) both in the near and medium terms, which would also impact debt sustainability.

**9. This DSA update is consistent with the macroeconomic framework underlying emergency access to the Food Shock Window (FSW) under the Rapid Credit Facility (Box 1).** As a result of the uncertain economic and security situation, the macroeconomic framework projects overall growth in 2022 moderating to 2.5 percent, from 6.9 percent in 2021. Fiscal consolidation and reform measures will be required to meet the WAEMU fiscal deficit target of 3 percent of GDP. The authorities are committed to use the disbursed resources under the FSW, subject to IMF Board approval, to provide financial and direct food support to the most vulnerable households, improve the clean water supply, and to invest in technologies to mitigate the risks for agricultural production posed by extreme climate conditions.

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

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Gold Price (USD/ounce) | Current Forecast | 1769.5 | 1799.8 | 1801.5 | 1959.5 | 2053.4 | 2122.7 | 2153.3 | 2182.0 | 2209.8 |
| | Nov-2020 DSA | 1787.7 | 1965.8 | 1989.6 | 2010.7 | 2029.4 | 2049.5 | 2049.5 | 2049.5 | 2049.5 |
| Cotton Price (USD cts/lb) | Current Forecast | 71.9 | 101.2 | 130.1 | 99.9 | 97.4 | 94.7 | 94.7 | 94.7 | 94.7 |
| | Nov-2020 DSA | 70.0 | 72.2 | 72.2 | 71.4 | 71.4 | 71.4 | 71.4 | 71.4 | 71.4 |
| Real GDP Growth (%) | Current Forecast | 1.9 | 6.9 | 2.5 | 4.9 | 5.9 | 5.8 | 5.3 | 5.2 | 5.2 |
| | Nov-2020 DSA | -2.8 | 4.1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Current Account (% of GDP) | Current Forecast | 4.1 | -0.4 | -5.2 | -4.4 | -3.6 | -3.0 | -3.1 | -3.0 | -2.7 |
| | Nov-2020 DSA | -3.5 | -3.5 | -4.0 | -4.7 | -5.0 | -5.2 | -5.6 | -5.8 | -6.0 |
| Overall Fiscal Balance (% of GDP) | Current Forecast | -5.1 | -7.5 | -10.3 | -7.8 | -6.7 | -5.5 | -4.2 | -3.0 | -3.0 |
| | Nov-2020 DSA | -5.3 | -5.5 | -4.8 | -4.0 | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 |

Sources: IMF staff estimates and World Economic Outlook projections

**10. 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 external-debt-creation is driven largely by current account and FDI dynamics in the projection period. External debt dynamics partly reflect non-identified debt-creating flows (as illustrated by the large residuals). These residuals are largely due to the definition of external debt on a currency basis, in misalignment to the current account which is conducted on a residency basis. High energy subsidies in 2022 (4.9 percent of GDP) and military and security-related expenditures (4.6 percent of GDP in 2022, up from 3.4 percent in

2021) resulted in a substantial widening of the fiscal deficit to 10.3 percent in 2022, from 7.5 percent in 2021, as a result of which total public debt projections remain elevated compared with Burkina Faso's historical experience. Unexpected changes in public debt are in the upper quartile of the distribution across low-income countries.

b. Figure 4 shows the country's planned fiscal adjustment for the next three years at around 1 percent of GDP. However, these projections are based on spending discipline, and improvement in the security situation, and are subject to change if spending pressures remain elevated. Estimated economic growth of 4.9 percent in 2023 is slightly below the possible growth paths suggested by plausible fiscal multipliers (0.2 to 0.8 percent). These figures illustrate that in the baseline scenario the security situation as well as the food crisis are expected to weigh on growth. 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.

### Box 1. Macroeconomic Assumptions Underlying this DSA Vintage

Real GDP in 2023 is estimated to grow by 4.9 percent, lower than the previous DSA projection. The uncertain economic environment and deteriorating security conditions forced the closure of the zinc and several gold mines in 2022; as well as the interruption of construction projects; and the displacement of about 8 percent of the population. Growth is expected to stabilize at around 5 percent in the medium term. Risks to the outlook are tilted to the downside. The main domestic risk relates to further security disruptions, leading to social and political uncertainty. A global slowdown or increasing geopolitical tensions could lead to increased volatility in commodity prices, especially gold which comprises over 70 percent of exports. This would further depress economic activity and weigh on mining, cotton production, and government revenue and expenditure.

Inflation is expected to drop sharply and fall within the WAEMU inflation target band of 1 to 3 percent in 2023. After peaking at 14.1 percent in 2022, the annual average inflation rate is forecasted to slow down sharply to 1.5 percent in 2023, driven by a projected decline in international food and fuel prices in 2023. However, these trends are expected to be counterbalanced by a low local agricultural production due to the displacement of population and higher fertilizer and energy prices throughout 2022, thereby maintaining local food prices at a somewhat elevated level.

The fiscal deficit is expected to remain high in 2023 at 7.8 percent of GDP, larger than the previous DSA estimate of 4 percent. The large increase is mainly driven by higher security spending and higher subsidies as a result of the security situation and continuing impact of global food and energy shocks. The fall in donor grant support also contributed to the higher deficit. With external budget support declining following the coups, the fiscal deficit would be financed through costly bond issuance on the regional sovereign bond market (likely to become more expensive going forward on account of tighter global financing conditions), cuts in capital spending, and possible accumulation of domestic payment arrears.

Domestic debt is assumed to continue to increase through the forecast horizon. This reflects the authorities' large financing needs over the short-term stemming from the security and humanitarian crises. In the medium-term, the composition of domestic financing is assumed to be comparable to the previous DSA with about 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 7.2 percent, and 25 percent in 8-year bonds with an average interest rate of 7.7 percent. The interest rates are comparable to the previous DSA and are higher than those reported by authorities in their latest debt bulletin.

**Box 1. Macroeconomic Assumptions Underlying this DSA Vintage (continued)**

Beyond the medium-term, the authorities are assumed to mobilize greater amounts from longer maturity 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 baseline assumption includes an annual net IDA-20 envelope from the World Bank projected to average about US$370 million per year over the medium term.

The current account balance has been trending downward and is estimated to have reached a deficit of 5.2 percent of GDP in 2022. Nominal imports are estimated to have increased by 28 percent in 2022, mainly due to the rise in costs of food, fertilizers and energy imports. Gold exports, which account for over 70 percent of total exports, are estimated to have decreased on account of recent gold mine closures. The current account deficit is expected to decrease from 2024 onwards, based on a recovery in gold production and exports.

**11. This DSA assumes an increase of non-concessional financing over the forecast horizon.** The authorities' medium term 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 30 percent of total external borrowing over time 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

**12. Burkina Faso's current debt-carrying capacity is consistent with a classification of 'medium' (Table 1).** The country's Composite Indicator (CI) index, calculated based on the October 2022 WEO and the 2021 CPIA is 2.93, that is below the threshold of 3.05 for "strong," hence the 'medium' classification. The classification based on the previous vintage was also 'medium'. The relevant indicative thresholds for external debt in this 'medium' category are 40 percent for the PV of external 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. 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

**13. Despite the improvement in coverage of the country's public debt since 2020, 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. A standard SOE debt of 2 percent of GDP too is included as additional contingent liability to reflect potential guaranteed and unguaranteed external and domestic debt of public companies (e.g., SONABHY, SONABEL, SOFITEX). The authorities estimate SOE debt to be about 4.6 percent of GDP. 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 burden of a financial crisis for the authorities.

**14. Besides the standardized stress tests, the analysis includes a tailored stress test for commodity price shocks 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 2022, corresponding to a decline in prices by 19 percent, 28 percent, and 31 percent, respectively, and incorporates macroeconomic interactions on the real GDP growth, inflation and primary balance.

# DEBT SUSTAINABILITY

## A. External Debt Sustainability Analysis

**15. Under the baseline scenario, all external PPG debt indicators remain below the policy-relevant thresholds for the next ten years (Table 2 and Figure 1).** Having a 40 percent threshold, the present value (PV) of external debt-to-GDP ratio is expected to remain around 15 percent over the projection horizon. The ratio decreases from 16.5 percent in 2022 to 14.6 percent in 2032. The PV of external debt-to-exports ratio is projected to decline gradually from 58 percent in 2022 to 54.8 percent in 2032, remaining well below the 180 percent threshold. Neither of the debt service indicators cause any breach of their respective thresholds under the baseline scenario. The PV of debt service-to-exports ratio remains around 4 percent for the next 10 years, while the debt service-to-revenue ratio (excluding grants) peaks at 7.4 percent in 2025, and then decreases to 5.1 percent in 2032.

**16. The standardized stress tests show that an export shock has the largest negative impact on the debt trajectory but does not trigger a breach of the external PPG debt indicators (Table 4).** 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. However, it remains below the threshold of 180 percent through the projection period. Nevertheless, 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. The PV of debt service-to-exports ratio deteriorates as well but stays well below its threshold of 15 percent for the projection period. Other shocks, including to real GDP growth, the primary balance, a one-time 30 percent depreciation of the CFAF and the tailored tests (for contingent liabilities and commodity prices) do not lead to any breach of the debt thresholds (Table 4).

**17. While the model signals a low risk of external debt distress, staff is of the view that the risk of external debt distress should continue to be assessed as moderate, as in the previous DSA update of November 2020.** All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2022–42) under the baseline and the most extreme stress test. Nevertheless, vulnerabilities warrant the application of judgement leading to the assessment of a moderate risk of external debt distress. A further escalation of the security crisis remains the most pertinent risk driving the use of judgement. It could lead to a considerable fall in GDP including through a sharp decline in gold production, adversely affecting export receipts. Increased military spending and rising costs of food, energy and fertilizer imports, as well as reduced support from donors, could add pressure to the authorities' budget. If such a scenario were to materialize, the authorities would require higher spending triggering the usage of non-concessional external debt or more expensive domestic financing with the potential for domestic debt-service to weigh on primary spending.

## B. Public Sector Debt Sustainability Analysis

**18. The baseline scenario projects a marginal downward trend of PPG public debt following a peak of 63 percent of GDP projected for end 2026 (Table 3 and Figure 2).** An increase in public debt is projected until 2026, mainly through issuance of domestic debt. Over the medium-term, the planned fiscal adjustment allows the debt ratio to be under control, with public debt reaching 56.3 percent of GDP in 2032, and falling to 50.2 percent of GDP by 2042.

**19. Under the baseline scenario, the PV of public debt-to-GDP ratio comes close to the 55 percent benchmark.** There is a single, marginal breach in 2026, with the public debt-to-GDP ratio reaching 55.1 percent in 2026, reflecting reduced donor support and increasing expenditure commitments on account of the security, food and humanitarian crises. However, it reduces gradually thereafter, reaching 50 percent in 2032. The PV of debt-to-revenue and grants ratio is expected to peak in 2026 at 268.4 percent and then gradually decrease to 227.9 percent by 2032. The PV of debt service-to-revenue and grants ratio escalates rapidly from 22.1 percent in 2022 to 74.9 percent by 2027, given the relatively 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 also driven up by cash flow management issues given maturity and rollover risks as well as a shallow domestic market.

**20. Under the most extreme shock — a shock to commodity prices— the PV of public debt-to-GDP ratio breaches the benchmark in 2024. (Figure 2, Table 5).** The standardized sensitivity analysis shows that the most extreme shock leading to the highest debt figures in the projection period is a shock to commodity prices**.** Under this shock to commodity prices, the PV of debt-to-GDP ratio breaches the benchmark of 55 percent in 2024 and continues to rise over the forecast horizon. The commodity price shock is also the most extreme shock affecting the PV of debt-to-revenue ratio and the debt service-to-revenue ratio.

## Table 1. Burkina Faso: Debt Carrying Capacity and Relevant Indicative Thresholds

### Debt Carrying Capacity and Thresholds

| | |
|---|---|
| Country | Burkina Faso |
| Country Code | 748 |

| | |
|---|---|
| Debt Carrying Capacity | Medium |

| Final | Classification based on current vintage | Classification based on current vintage | Classification based on current vintage |
|---|---|---|---|
| Medium | Medium<br>2.93 | Medium<br>2.97 | Medium<br>3.01 |

### 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 |

### 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 | 3.517 | 1.35 | 46% |
| Real growth rate (in percent) | 2.719 | 5.160 | 0.14 | 5% |
| Import coverage of reserves (in percent) | 4.052 | 44.277 | 1.79 | 61% |
| Import coverage of reserves^2 (in percent) | -3.990 | 19.604 | -0.78 | -27% |
| Remittances (in percent) | 2.022 | 1.460 | 0.03 | 1% |
| World economic growth (in | 13.520 | 2.898 | 0.39 | 13% |
| CI Score | | | 2.93 | 100% |
| CI rating | | | Medium | |

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

### Reference: Thresholds by Classiciation

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

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

Sources: Country authorities; and staff estimates and projections

# RISKS AND VULNERABILITIES

**21. A meaningful response to the food and security crises entails increased public expenditure.** Staff estimates suggest it would cost about 0.5 percent of GDP to lift out of hunger, for a period of one year, the additional 0.6 million people who fell into acute food insecurity between August 2021 and August 2022. Compensating all vulnerable households (about 43.7 percent of the population) for the rise in food prices in 2022 would require nearly 3½ percent of GDP. Climate change has also increased volatility in Burkina Faso's agriculture and animal husbandry sectors, which increases the risk of structural food insecurity in the long term.[7] Key priorities of the new government action plan include addressing the security crisis; providing assistance to the most vulnerable households to address the ongoing humanitarian crisis; improving governance and strengthening national reconciliation and social cohesion. Addressing these priorities while maintaining debt sustainability will require the authorities to secure concessional financing for 2023 and beyond.

**22. More than 11 percent of Burkina Faso's debt portfolio is expected to mature within the year with an average maturity of 7.5 years, while the average maturity of domestic debt is shorter at 4.5 years.** Given the uncertainty regarding budget support from donors, the authorities will have to rely on costly bond issuance and syndications on the regional market to finance the deficit. The large volume of debt maturing in the short term exposes the portfolio to rollover and liquidity risks. Under the baseline scenario of no reforms to build fiscal space, the fiscal deficit is expected to remain high in 2023 at 7.8 percent of GDP. The baseline scenario assumes that Burkina Faso undertakes gradual fiscal consolidation, achieving the WAEMU fiscal deficit convergence criteria of 3.0 percent of GDP in the medium term.

**23. Burkina Faso would benefit from a more diversified export base of goods and services.** For three out of four external debt indicators, the most extreme shock is an export shock, and for all public debt indicators, the most extreme shock is a commodity price shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and, to a much lesser extent, of cotton. Gold exports are estimated to have decreased in 2022 on account of gold mine closures, and staff estimates a current account deficit of 5.2 percent of GDP in 2022. The rise in costs of food, fertilizers and energy imports put additional pressure on the current account. The vulnerability of primary exports (namely gold and cotton) and imports (oil) to external developments and unanticipated price shocks remain a structural concern.

[7] World Bank G5 Sahel Region Country Climate and Development Report of 2022.

# CONCLUSION

**24. According to staff's assessment, Burkina Faso's risk of external debt distress and overall debt distress remains moderate.** The baseline scenario shows no breach of debt distress thresholds for any of the debt and debt service indicators for both external and public debt. For external debt distress, while no thresholds are breached under standard stress tests, staff is of the view that the risk of external debt distress should continue to be assessed as 'moderate' due to high macroeconomic uncertainty which could lead to sharp declines in GDP and trigger usage of non-concessional external debt or even higher reliance on expensive domestic debt. The PV of debt-to-GDP ratio is breached only in the commodity stress test, which illustrates vulnerability to developments in export prices. Consequently, Burkina Faso's risk of public debt distress is assessed to be 'moderate'. The granularity in the risk rating (Figure 5) suggests that there is some, but limited space to absorb shocks on external and public debt.

**25. While Burkina Faso's debt remains sustainable over the medium term, it remains very close to the threshold for a high risk of distress on overall public debt.** To avoid a deterioration of the debt distress rating several risks and vulnerabilities need to be addressed. These include, in particular: (i) expenditures required to address food insecurity and the humanitarian crisis; (ii) expenditures required to contain the security crisis; (iii) risks arising due to limited support from donors, while a large proportion of the debt portfolio has relatively short maturities, and is therefore vulnerable to rollover and liquidity risks; (iv) increased reliance on the expensive domestic financing market; and (v) an undiversified export base, with high vulnerability to external price shocks. A Fund-supported program in the near term could help mitigate uncertainties regarding the authorities' policy direction, and therefore catalyze donor finance.

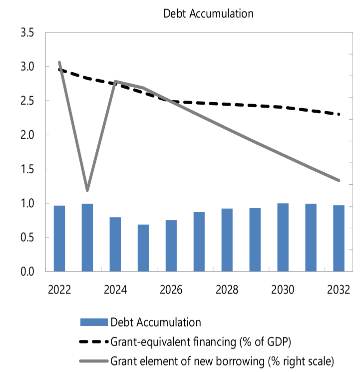
# AUTHORITIES' VIEWS

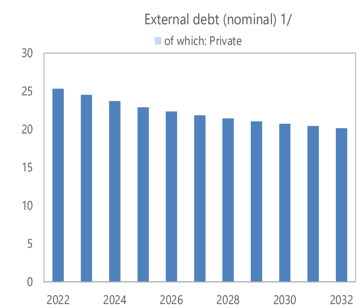
**26. The authorities agree that Burkina Faso remains at moderate risk of debt distress with space to absorb shocks on external debt.** They concurred with the importance of reducing risks and reiterated their commitment to a sustainable debt management strategy. They stressed that their debt strategy aims at mobilizing more concessional external loans and have been actively engaging with international donors. In addition, they are considering sources of semi-concessional financing on terms more favorable than those on the domestic sovereign debt market. They are working towards extending the maturity of the debt portfolio by favoring domestic debt with longer maturities. They acknowledge the importance of diversifying the export base in order to reduce vulnerability to external shocks.

## Table 2. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2019–2042
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **External debt (nominal) 1/** | 23.6 | 22.9 | 25.1 | 25.3 | 24.5 | 23.7 | 22.9 | 22.3 | 21.9 | 20.1 | 17.6 | 21.5 | 22.2 |
| ***of which: public and publicly guaranteed (PPG)*** | 23.6 | 22.9 | 25.1 | 25.3 | 24.5 | 23.7 | 22.9 | 22.3 | 21.9 | 20.1 | 17.6 | 21.5 | 22.2 |
| | | | | | | | | | | | | | |
| Change in external debt | 1.9 | -0.7 | 2.2 | 0.2 | -0.8 | -0.8 | -0.8 | -0.6 | -0.5 | -0.3 | -0.3 | | |
| **Identified net debt-creating flows** | 3.8 | -7.0 | -1.1 | 5.0 | 4.4 | 3.3 | 2.7 | 3.2 | 3.2 | 3.0 | 2.7 | 4.5 | 3.3 |
| **Non-interest current account deficit** | 2.9 | -4.3 | 0.2 | 4.9 | 4.9 | 4.1 | 3.5 | 3.8 | 3.7 | 3.5 | 3.2 | 3.9 | 3.9 |
| Deficit in balance of goods and services | 3.4 | -3.2 | 0.1 | 4.5 | 4.3 | 3.4 | 2.8 | 2.9 | 2.8 | 2.7 | 2.5 | 4.9 | 3.1 |
| Exports | 27.6 | 29.9 | 29.5 | 28.4 | 27.4 | 27.8 | 27.8 | 27.3 | 26.9 | 25.1 | 21.5 | | |
| Imports | 31.0 | 26.6 | 29.5 | 32.9 | 31.7 | 31.2 | 30.6 | 30.2 | 29.7 | 27.8 | 24.0 | | |
| Net current transfers (negative = inflow) | -3.4 | -4.0 | -2.9 | -2.4 | -2.2 | -2.1 | -2.0 | -1.8 | -1.8 | -1.5 | -0.8 | -3.4 | -1.9 |
| *of which: official* | -0.9 | -1.5 | -0.7 | -0.5 | -0.3 | -0.3 | -0.2 | -0.1 | -0.1 | -0.1 | 0.0 | | |
| Other current account flows (negative = net inflow) | 2.9 | 2.9 | 3.0 | 2.9 | 2.9 | 2.8 | 2.8 | 2.7 | 2.7 | 2.3 | 1.5 | 2.4 | 2.7 |
| **Net FDI (negative = inflow)** | 0.9 | -0.5 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 | 0.1 | 1.4 | 0.3 |
| **Endogenous debt dynamics 2/** | -0.1 | -2.2 | -1.9 | -0.4 | -0.9 | -1.1 | -1.0 | -0.9 | -0.8 | -0.7 | -0.5 | | |
| Contribution from nominal interest rate | 0.3 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | | |
| Contribution from real GDP growth | -1.2 | -0.4 | -1.4 | -0.6 | -1.1 | -1.3 | -1.3 | -1.1 | -1.1 | -1.0 | -0.9 | | |
| Contribution from price and exchange rate changes | 0.8 | -1.9 | -0.6 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | -1.9 | 6.3 | 3.3 | -4.8 | -5.2 | -4.1 | -3.5 | -3.8 | -3.6 | -3.3 | -3.0 | -3.7 | -3.8 |
| *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** | ... | ... | 15.4 | 16.5 | 16.1 | 15.7 | 15.2 | 14.9 | 14.7 | 14.2 | 13.4 | | |
| **PV of PPG external debt-to-exports ratio** | ... | ... | 52.2 | 58.0 | 58.6 | 56.4 | 54.7 | 54.7 | 54.7 | 56.7 | 62.5 | | |
| **PPG debt service-to-exports ratio** | 3.7 | 2.9 | 3.2 | 3.9 | 4.5 | 4.6 | 4.8 | 4.6 | 4.2 | 4.0 | 4.9 | | |
| **PPG debt service-to-revenue ratio** | 5.5 | 5.4 | 5.3 | 5.9 | 6.7 | 6.9 | 7.2 | 6.7 | 6.0 | 4.9 | 4.7 | | |
| Gross external financing need (Billion of U.S. dollars) | 0.8 | -0.7 | 0.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.4 | 1.5 | 1.9 | 3.6 | | |
| | | | | | | | | | | | | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 5.7 | 1.9 | 6.9 | 2.5 | 4.9 | 5.9 | 5.8 | 5.3 | 5.2 | 5.2 | 5.3 | 5.4 | 5.1 |
| GDP deflator in US dollar terms (change in percent) | -3.7 | 8.9 | 2.9 | -3.3 | 3.7 | 1.6 | 1.8 | 1.6 | 2.0 | 2.0 | 2.0 | 0.0 | 1.6 |
| Effective interest rate (percent) 4/ | 1.4 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.5 | 2.0 | 0.9 | 1.2 |
| Growth of exports of G&S (US dollar terms, in percent) | -1.0 | 20.0 | 8.5 | -4.5 | 5.0 | 8.9 | 7.8 | 4.8 | 5.9 | 5.6 | 5.8 | 8.1 | 5.2 |
| Growth of imports of G&S (US dollar terms, in percent) | -2.8 | -4.7 | 21.8 | 10.5 | 4.8 | 5.8 | 5.7 | 5.4 | 5.8 | 6.0 | 5.9 | 5.9 | 6.1 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 37.6 | 31.7 | 36.7 | 36.4 | 35.8 | 35.2 | 32.2 | 26.1 | ... | 34.6 |
| Government revenues (excluding grants, in percent of GDP) | 18.4 | 16.1 | 17.8 | 18.8 | 18.4 | 18.6 | 18.6 | 18.7 | 18.9 | 20.3 | 22.3 | 16.6 | 19.2 |
| Aid flows (in Billion of US dollars) 5/ | 156.3 | 214.3 | 337.8 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 | 0.9 | 1.2 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 3.0 | 2.8 | 2.7 | 2.6 | 2.5 | 2.5 | 2.3 | 1.7 | ... | 2.5 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 69.3 | 67.0 | 68.4 | 67.6 | 66.6 | 66.5 | 65.1 | 57.5 | ... | 66.8 |
| Nominal GDP (Billion of US dollars) | 16 | 18 | 20 | 20 | 21 | 23 | 25 | 26 | 28 | 40 | 82 | | |
| Nominal dollar GDP growth | 1.8 | 11.0 | 10.0 | -0.9 | 8.7 | 7.6 | 7.6 | 7.0 | 7.3 | 7.3 | 7.4 | 5.3 | 6.7 |
| | | | | | | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 15.4 | 16.5 | 16.1 | 15.7 | 15.2 | 14.9 | 14.7 | 14.2 | 13.4 | | |
| In percent of exports | ... | ... | 52.2 | 58.0 | 58.6 | 56.4 | 54.7 | 54.7 | 54.7 | 56.7 | 62.5 | | |
| Total external debt service-to-exports ratio | 3.7 | 2.9 | 3.2 | 3.9 | 4.5 | 4.6 | 4.8 | 4.6 | 4.2 | 4.0 | 4.9 | | |
| PV of PPG external debt (in Billion of US dollars) | | | 3.0 | 3.2 | 3.4 | 3.6 | 3.7 | 3.9 | 4.2 | 5.7 | 11.1 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 1.0 | 1.0 | 0.8 | 0.7 | 0.8 | 0.9 | 1.0 | 0.9 | | |
| Non-interest current account deficit that stabilizes debt ratio | 1.1 | -3.6 | -2.0 | 4.7 | 5.7 | 5.0 | 4.4 | 4.4 | 4.2 | 3.8 | 3.5 | | |

| 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.

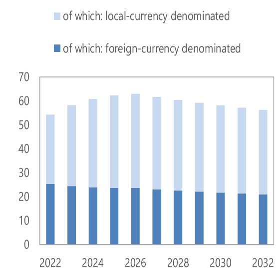
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

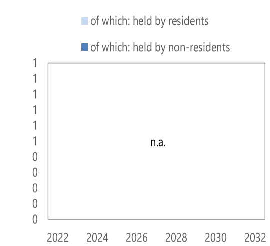
## Table 3. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–2042
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **Public sector debt 1/** | 42.0 | 44.9 | 48.2 | 54.3 | 58.3 | 60.8 | 62.4 | 63.0 | 61.7 | 56.3 | 50.2 | 34.3 | 59.2 |
| **of which: external debt** | 23.6 | 22.9 | 25.1 | 25.3 | 24.5 | 24.0 | 23.7 | 23.7 | 23.1 | 21.0 | 18.0 | 21.5 | 23.0 |
| Change in public sector debt | 3.8 | 2.8 | 3.3 | 6.1 | 4.0 | 2.5 | 1.6 | 0.6 | -1.3 | -0.9 | -0.4 | | |
| **Identified debt-creating flows** | 0.8 | -0.5 | 6.7 | 4.9 | 3.8 | 2.2 | 1.1 | 0.0 | -1.3 | -0.5 | -0.1 | 1.9 | 0.7 |
| **Primary deficit** | 2.1 | 3.8 | 5.7 | 8.5 | 6.3 | 4.8 | 3.4 | 1.9 | 0.6 | 0.6 | 0.6 | 3.1 | 2.6 |
| Revenue and grants | 19.9 | 19.1 | 20.3 | 21.0 | 20.6 | 20.6 | 20.5 | 20.5 | 20.7 | 22.0 | 23.5 | 19.6 | 21.1 |
| *of which: grants* | 1.4 | 3.1 | 2.5 | 2.2 | 2.2 | 2.0 | 1.9 | 1.8 | 1.8 | 1.7 | 1.3 | | |
| Primary (noninterest) expenditure | 22.0 | 22.9 | 26.0 | 29.5 | 26.9 | 25.4 | 24.0 | 22.5 | 21.3 | 22.6 | 24.1 | 22.7 | 23.7 |
| **Automatic debt dynamics** | -1.1 | -4.2 | 1.0 | -3.5 | -2.5 | -2.6 | -2.4 | -2.0 | -1.9 | -1.1 | -0.7 | | |
| Contribution from interest rate/growth differential | -1.7 | -1.2 | -1.8 | -3.5 | -2.5 | -2.6 | -2.4 | -2.0 | -1.9 | -1.1 | -0.7 | | |
| *of which: contribution from average real interest rate* | 0.4 | -0.4 | 1.1 | -2.4 | 0.0 | 0.6 | 1.0 | 1.2 | 1.3 | 1.7 | 1.8 | | |
| *of which: contribution from real GDP growth* | -2.1 | -0.8 | -2.9 | -1.2 | -2.5 | -3.2 | -3.3 | -3.1 | -3.1 | -2.8 | -2.6 | | |
| Contribution from real exchange rate depreciation | 0.5 | -3.1 | 2.8 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | -0.3 | 0.0 | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | 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) | -0.3 | 0.0 | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | 3.1 | 3.3 | -3.4 | 1.2 | 0.1 | 0.3 | 0.5 | 0.7 | -0.1 | -0.4 | -0.3 | 0.6 | 0.1 |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | 39.2 | 45.4 | 49.9 | 52.7 | 54.4 | 55.1 | 54.1 | 50.1 | 45.9 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | 192.9 | 216.6 | 242.2 | 255.9 | 265.0 | 268.4 | 261.6 | 227.9 | 195.2 | | |
| **Debt service-to-revenue and grants ratio 3/** | 30.9 | 38.8 | 45.7 | 22.1 | 50.4 | 58.2 | 70.6 | 72.9 | 74.9 | 62.6 | 47.5 | | |
| Gross financing need 4/ | 8.0 | 11.1 | 15.1 | 13.1 | 16.7 | 16.8 | 17.9 | 16.9 | 16.1 | 14.4 | 11.8 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 5.7 | 1.9 | 6.9 | 2.5 | 4.9 | 5.9 | 5.8 | 5.3 | 5.2 | 5.2 | 5.3 | 5.4 | 5.1 |
| Average nominal interest rate on external debt (in percent) | 1.4 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.5 | 2.0 | 0.9 | 1.2 |
| Average real interest rate on domestic debt (in percent) | 3.1 | -1.4 | 8.8 | -4.4 | 2.7 | 2.8 | 3.3 | 3.6 | 3.8 | 4.2 | 4.8 | 3.9 | 2.9 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 2.6 | -13.4 | 13.4 | ... | ... | ... | ... | ... | ... | ... | ... | 2.6 | ... |
| Inflation rate (GDP deflator, in percent) | 1.6 | 6.8 | -0.8 | 8.6 | 1.8 | 2.3 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 1.4 | 2.6 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 0.5 | 6.2 | 21.4 | 16.1 | -4.2 | 0.1 | -0.4 | -1.3 | -0.1 | 6.1 | 6.0 | 8.9 | 3.9 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | -1.7 | 0.9 | 2.3 | 2.4 | 2.3 | 2.3 | 1.9 | 1.3 | 1.9 | 1.5 | 1.1 | 0.5 | 1.9 |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

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

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

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

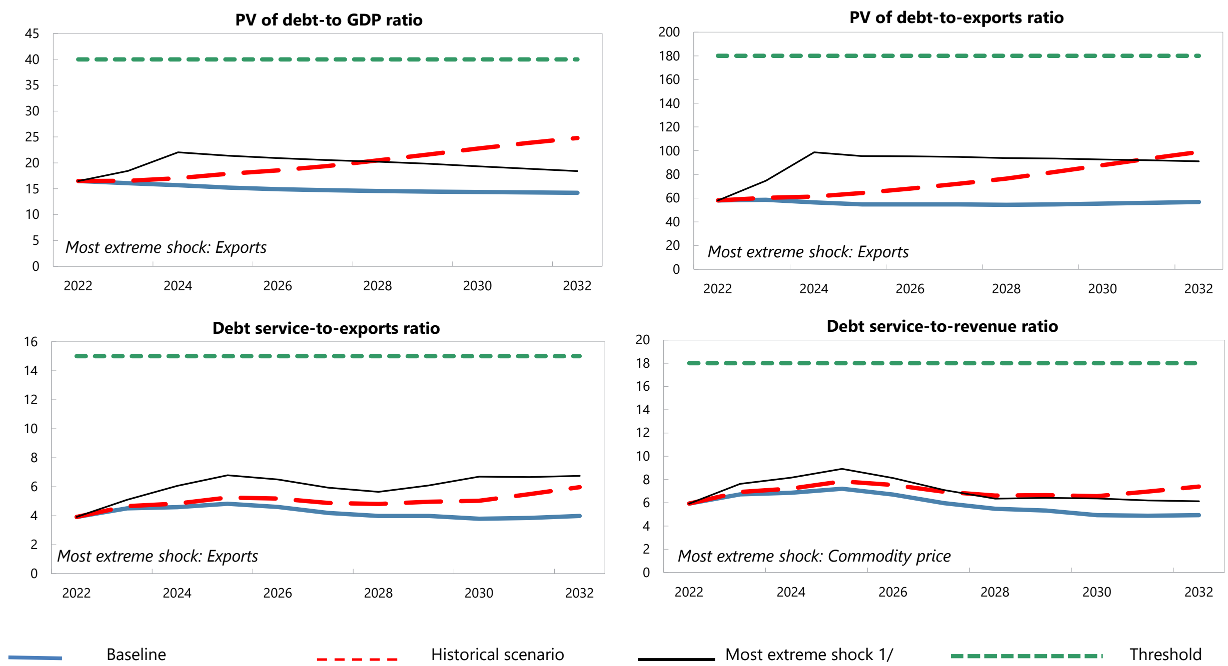
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

## Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios[1/ 2/], 2022–2032




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

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 | 1.8% | 1.8% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 26 | 26 |
| Avg. grace period | 5 | 5 |

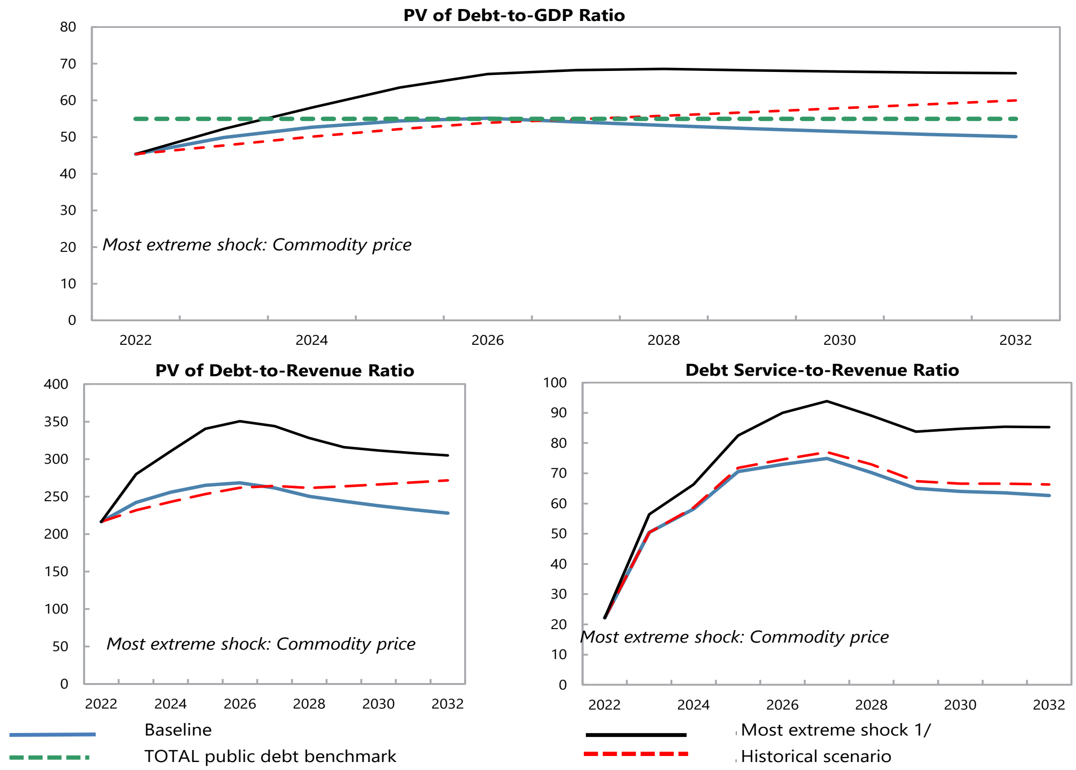
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

## Figure 2. Burkina Faso: Indicators of Public Debt Under Alternative Scenarios, 2022–2032




| Borrowing assumptions on additional financing needs resulting from the stress tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG medium and long-term** | 13% | 13% |
| **Domestic medium and long-term** | 50% | 50% |
| **Domestic short-term** | 38% | 38% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 1.8% | 1.8% |
| **Avg. maturity (incl. grace period)** | 26 | 26 |
| **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** | 2.8% | 2.8% |

* 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 2032. 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 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022-2032

(In percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 16 | 16 | 16 | 16 | 16 | 15 | 15 | 15 | 15 | 15 | 15 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 16 | 17 | 18 | 19 | 21 | 22 | 24 | 26 | 27 | 29 | 30 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 15 | 15 |
| B2. Primary balance | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 15 |
| B3. Exports | 16 | 18 | 22 | 22 | 22 | 21 | 21 | 21 | 20 | 20 | 19 |
| B4. Other flows 3/ | 16 | 18 | 19 | 19 | 19 | 19 | 18 | 18 | 18 | 17 | 17 |
| B5. Depreciation | 16 | 20 | 17 | 17 | 17 | 17 | 16 | 16 | 16 | 16 | 16 |
| B6. Combination of B1-B5 | 16 | 20 | 19 | 19 | 19 | 19 | 18 | 18 | 18 | 17 | 17 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| 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 | 16 | 18 | 20 | 20 | 20 | 20 | 19 | 19 | 18 | 18 | 18 |
| C4. Market Financing | 16 | 18 | 17 | 17 | 17 | 17 | 17 | 17 | 16 | 16 | 16 |
| **Threshold** | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 58 | 57 | 55 | 54 | 54 | 54 | 53 | 53 | 54 | 54 | 55 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 58 | 60 | 63 | 67 | 71 | 78 | 84 | 91 | 99 | 106 | 113 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 58 | 57 | 55 | 54 | 54 | 54 | 53 | 53 | 54 | 54 | 55 |
| B2. Primary balance | 58 | 57 | 57 | 56 | 56 | 56 | 56 | 56 | 57 | 57 | 58 |
| B3. Exports | 58 | 72 | 97 | 95 | 95 | 94 | 93 | 92 | 91 | 90 | 89 |
| B4. Other flows 3/ | 58 | 63 | 67 | 66 | 66 | 65 | 65 | 65 | 64 | 64 | 64 |
| B5. Depreciation | 58 | 57 | 47 | 46 | 47 | 47 | 46 | 47 | 48 | 48 | 49 |
| B6. Combination of B1-B5 | 58 | 69 | 62 | 69 | 69 | 69 | 68 | 68 | 68 | 68 | 68 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 58 | 59 | 58 | 58 | 58 | 59 | 59 | 60 | 61 | 62 | 63 |
| 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 | 58 | 70 | 74 | 72 | 71 | 70 | 69 | 68 | 68 | 67 | 67 |
| C4. Market Financing | 58 | 57 | 55 | 54 | 54 | 54 | 53 | 53 | 54 | 54 | 55 |
| **Threshold** | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 4 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 4 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| B2. Primary balance | 4 | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| B3. Exports | 4 | 5 | 6 | 7 | 6 | 6 | 6 | 6 | 7 | 7 | 7 |
| B4. Other flows 3/ | 4 | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 5 | 5 | 5 |
| B5. Depreciation | 4 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 3 | 3 | 3 |
| B6. Combination of B1-B5 | 4 | 5 | 5 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 4 | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| 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 | 5 | 5 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| C4. Market Financing | 4 | 4 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| **Threshold** | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | 6 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 5 | 5 | 5 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 6 | 7 | 7 | 8 | 8 | 7 | 7 | 7 | 7 | 8 | 9 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 6 | 7 | 7 | 8 | 7 | 7 | 6 | 6 | 5 | 5 | 5 |
| B2. Primary balance | 6 | 7 | 7 | 8 | 7 | 6 | 6 | 6 | 5 | 5 | 5 |
| B3. Exports | 6 | 7 | 7 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 |
| B4. Other flows 3/ | 6 | 7 | 7 | 8 | 8 | 7 | 6 | 6 | 6 | 6 | 6 |
| B5. Depreciation | 6 | 8 | 9 | 9 | 8 | 8 | 7 | 7 | 6 | 6 | 6 |
| B6. Combination of B1-B5 | 6 | 7 | 8 | 8 | 8 | 7 | 6 | 7 | 6 | 6 | 6 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 6 | 7 | 7 | 8 | 7 | 6 | 6 | 6 | 5 | 5 | 5 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 6 | 8 | 8 | 9 | 9 | 7 | 7 | 7 | 7 | 7 | 6 |
| C4. Market Financing | 6 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 5 | 5 | 5 |
| **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 5. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2022–2032

(In percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| | **PV of Debt-to-GDP Ratio** | | | | | | | | | | |
| **Baseline** | 45 | 50 | 53 | 54 | **55** | 54 | 53 | 52 | 51 | 51 | 50 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 45 | 48 | 50 | 52 | 54 | 55 | **56** | **57** | **58** | **59** | **60** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 45 | 52 | **57** | **59** | **61** | **61** | **60** | **60** | **60** | **60** | **60** |
| B2. Primary balance | 45 | 51 | **56** | **58** | **58** | **57** | **56** | **55** | 54 | 54 | 53 |
| B3. Exports | 45 | 52 | **59** | **61** | **61** | **60** | **59** | **58** | **57** | **55** | 54 |
| B4. Other flows 3/ | 45 | 52 | **56** | **58** | **59** | **58** | **57** | **55** | 54 | 53 | 52 |
| B5. Depreciation | 45 | 51 | 52 | 53 | 52 | 50 | 48 | 46 | 44 | 43 | 41 |
| B6. Combination of B1-B5 | 45 | 49 | 53 | 54 | 55 | 53 | 52 | 51 | 50 | 49 | 48 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 45 | **58** | **61** | **62** | **63** | **61** | **60** | **59** | **58** | **57** | **56** |
| 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 | 45 | 52 | **58** | **64** | **67** | **68** | **69** | **68** | **68** | **68** | **67** |
| C4. Market Financing | 45 | 50 | 53 | 54 | **55** | 54 | 53 | 52 | 51 | 51 | 50 |
| **TOTAL public debt benchmark** | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| | **PV of Debt-to-Revenue Ratio** | | | | | | | | | | |
| **Baseline** | 217 | 242 | 256 | 265 | 268 | 262 | 250 | 244 | 238 | 233 | 228 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 217 | 232 | 243 | 253 | 262 | 264 | 262 | 264 | 266 | 269 | 272 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 217 | 249 | 273 | 287 | 295 | 291 | 283 | 279 | 277 | 275 | 273 |
| B2. Primary balance | 217 | 250 | 272 | 281 | 284 | 277 | 265 | 258 | 251 | 245 | 240 |
| B3. Exports | 217 | 252 | 286 | 295 | 298 | 290 | 277 | 269 | 261 | 254 | 247 |
| B4. Other flows 3/ | 217 | 251 | 273 | 282 | 286 | 278 | 266 | 258 | 251 | 245 | 239 |
| B5. Depreciation | 217 | 251 | 255 | 258 | 255 | 243 | 227 | 216 | 206 | 196 | 188 |
| B6. Combination of B1-B5 | 217 | 238 | 258 | 265 | 266 | 258 | 245 | 237 | 230 | 223 | 217 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 217 | 282 | 294 | 302 | 305 | 297 | 284 | 276 | 269 | 262 | 257 |
| 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 | 217 | 280 | 311 | 340 | 351 | 344 | 328 | 316 | 312 | 308 | 305 |
| C4. Market Financing | 217 | 242 | 256 | 265 | 268 | 262 | 250 | 244 | 238 | 233 | 228 |
| | **Debt Service-to-Revenue Ratio** | | | | | | | | | | |
| **Baseline** | 22 | 50 | 58 | 71 | 73 | 75 | 70 | 65 | 64 | 64 | 63 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 22 | 50 | 59 | 72 | 75 | 77 | 73 | 67 | 67 | 67 | 66 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 22 | 52 | 62 | 76 | 80 | 83 | 80 | 76 | 76 | 76 | 77 |
| B2. Primary balance | 22 | 50 | 62 | 76 | 78 | 80 | 76 | 70 | 69 | 68 | 67 |
| B3. Exports | 22 | 50 | 58 | 71 | 74 | 76 | 71 | 66 | 66 | 65 | 64 |
| B4. Other flows 3/ | 22 | 50 | 58 | 71 | 73 | 75 | 71 | 66 | 65 | 65 | 64 |
| B5. Depreciation | 22 | 48 | 56 | 66 | 69 | 71 | 66 | 61 | 60 | 59 | 58 |
| B6. Combination of B1-B5 | 22 | 49 | 57 | 72 | 72 | 74 | 69 | 64 | 63 | 62 | 61 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 22 | 50 | 75 | 83 | 85 | 88 | 84 | 76 | 74 | 73 | 72 |
| 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 | 22 | 56 | 66 | 82 | 90 | 94 | 89 | 84 | 85 | 85 | 85 |
| C4. Market Financing | 22 | 50 | 58 | 71 | 73 | 75 | 70 | 65 | 64 | 63 | 63 |

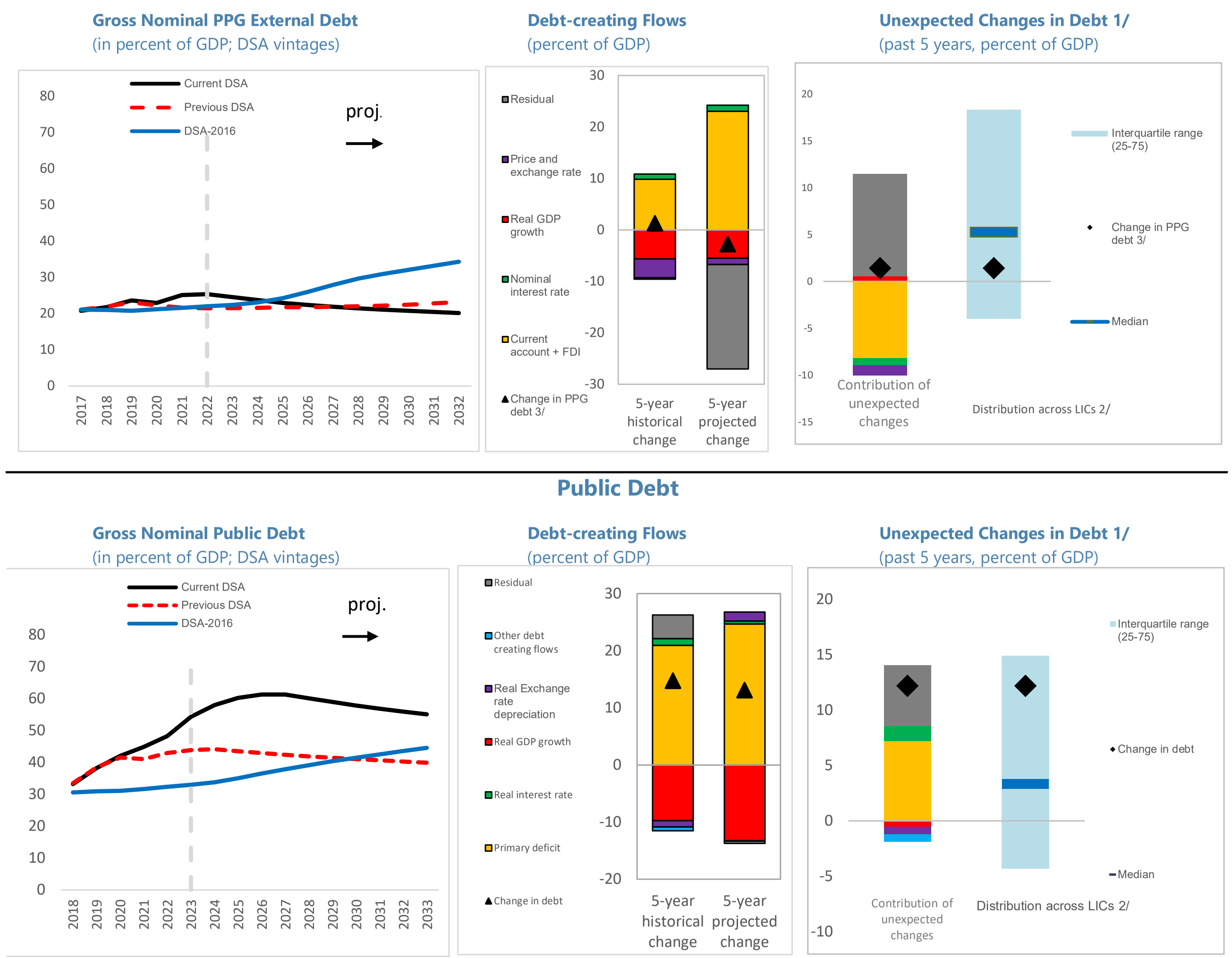
Sources: Country authorities; and staff estimates and projections.

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 – External Debt




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

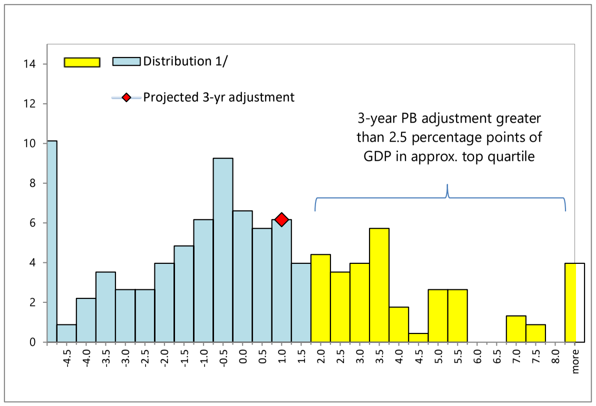
2/ Distribution across LICs for which LIC DSAs were produced.

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.

Sources: Country Authority; and staff estimates and projections

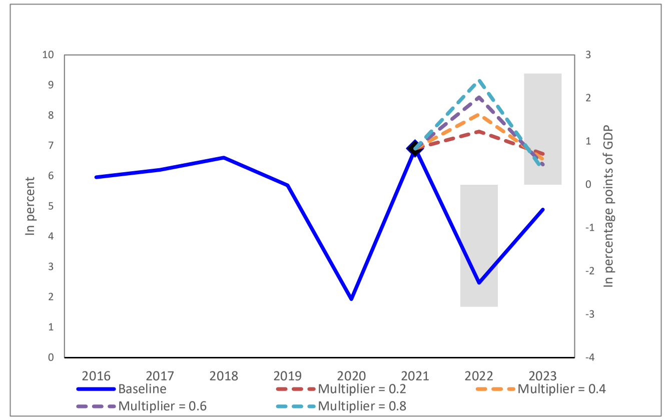
## Figure 4. Burkina Faso: Realism Tools

### 3-Year Adjustment in Primary Balance
(percent of GDP)



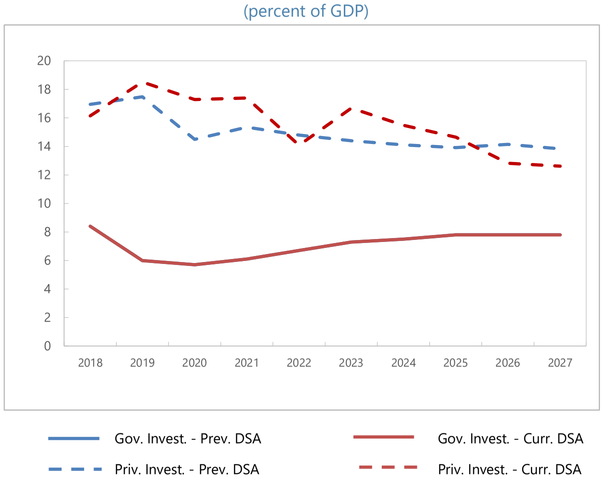

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

### Fiscal Adjustment and Possible Growth Paths 1/

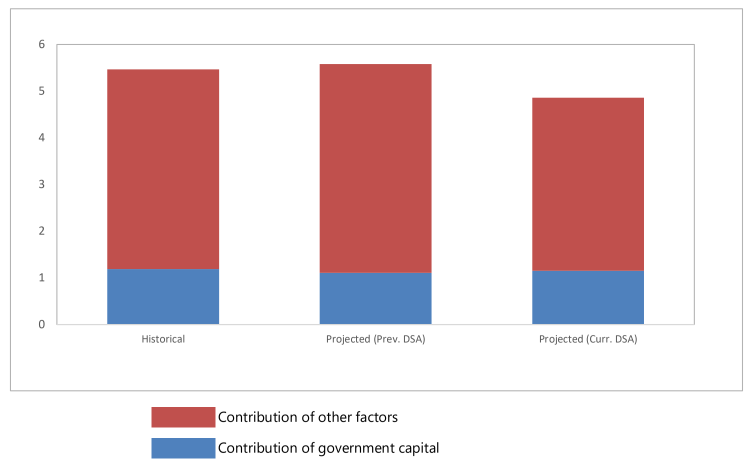



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

### Public and Private Investment Rates
(percent of GDP)




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




Sources: Countries authorities; and Staff estimates and projections

**Figure 5. Burkina Faso: Qualification of the Moderate Category, 2022–2032 [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.

# BURKINA FASO

## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—SUPPLEMENTARY INFORMATION

March 24, 2023

Prepared By The African Department

***This supplement reports on new information regarding external arrears from Burkina Faso to official creditors that has become known since the issuance of the Staff Report.*** *The new information does not change the thrust of the staff appraisal.*

**Burkina Faso has pre-HIPC Initiative legacy external arrears.**

- Arrears amounting to USD 54.7 million are due to Côte d'Ivoire, and USD 6.9 million are due to Libya, representing 0.3 and 0.04 percent of GDP in 2022, respectively. The combined impact is equivalent to less than 0.1 percent of GDP in NPV terms. As a result, the macroframework, related DSA, and thrust of the staff appraisal remain unchanged.

- Consistent with the Fund's lending-into-official-arrears (LIOA) policy, Cote d'Ivoire and Libya have consented to the Fund providing financing under the Food Shock Window of the Rapid Credit Facility despite these arrears.

**Statement by Mr. Sylla, Executive Director for Burkina Faso, Mr. Tall, Advisor to the Executive Director**
**March 27, 2023**

## Introduction

On behalf of our Burkina Faso's authorities, we would like to express our appreciation to Management and Staff for the Fund's steadfast support during a difficult period for the country. The authorities value the constructive engagement with Fund staff including through policy advice and capacity building. They highly appreciated the productive discussions recently held in Ouagadougou on their request for emergency financing through the Food Shock Window (FSW) under the Rapid Credit Facility (RCF) to address the acute food insecurity facing the country.

Burkina Faso has maintained for decades a remarkable track record of sound policy implementation, with the last IMF-supported program under an Extended Credit Facility (ECF) arrangement—successfully implemented--having expired in 2020. Discussions on a possible successor ECF arrangement have been repeatedly interrupted at an advanced stage due to institutional changes in an evolving political context, the pandemic, and the food and fertilizer price shock. The authorities are contemplating to engage discussions with IMF Staff on a new ECF arrangement shortly after the FSW disbursement.

Security and socio-political conditions deteriorated significantly in the last years due to terrorist attacks, contributing to power overtaking by the military in January and September 2022. After the September 2022 coup, an interim Government was formed, and the new transition authorities pledged to hold elections and restore democratic rule by July 2024, consistent with calls from regional leaders of the Economic Commission of West African States (ECOWAS).

Under trying security circumstances, about 2 million people (10 percent of the population) have been internally displaced and food supply activities critically disrupted, causing substantial increases in demand for emergency humanitarian assistance. About 4,000 schools, equivalent to 20% of the educational system capacity, are now closed.

The insecurity-based food crisis is compounded by the food and fuel prices shock caused by the war in Ukraine, supply chain disruptions brought about by the Covid-19 pandemic, and recurring extreme climate conditions including droughts. As a result, the World Food Organization estimates that 16% of the population is in acute food insecurity conditions, with one province in food emergency.

To address the food crisis, the authorities adopted the *2023 Response Plan to Support Vulnerable Households*, with the goal of relieving the most immediate needs of the population while laying the ground for strong structural reforms to strengthen resilience and ensure food security. They are requesting assistance from technical and financial partners to ensure orderly implementation of their food insecurity response plan, including Fund support under the FSW of the RCF. This would help meet the urgent balance of payment needs, mitigate the impact of the food shock on vulnerable households, lay the foundation for an upper-credit tranche arrangement with the IMF, and catalyze additional financial and in-kind support from development partners.

**Recent Economic Developments and Outlook**

The post-Covid-19 economic recovery decelerated, and macroeconomic imbalances widened in 2022 due to political uncertainty, deteriorating security conditions, and spillovers from the war in Ukraine. Real GDP growth moderated to 2.5 percent, from 6.9 percent in 2021. Average annual inflation rose to double-digit levels (14.1 percent) from 3.9 percent in 2021. The fiscal deficit increased to 10.3 percent in 2022 (7.5 percent in 2021) driven by increased fuel and food subsidies, and security spending which accounted for 20% of total government outlays. The current account position reached a deficit of 5.2 percent of GDP in 2022 from a surplus the previous year, mainly due to costly food, fertilizers, and fuel imports.

For 2023, economic growth is expected to rebound with stronger activity in mining and agriculture aided by favorable weather conditions. Inflation is expected to fall below the 3-percent WAEMU regional target, reflecting higher base effect. However, downside risks remain elevated. The main domestic risk is related to security which could weigh further on economic activity and the fiscal outlook as security-related spending pressures increase. Key external risks include persistent spillovers from the war in Ukraine and the impact of climate-related shocks.

## Macroeconomic Policies in 2023

The authorities are committed to preserving macroeconomic stability as they address the urgent needs and strive to advance their growth and poverty reduction agenda. In this respect, they are determined to adhere to a sound macroeconomic framework, anchored by the regional medium-term fiscal convergence criteria.

### *Fiscal Policy and Debt Management*

Financing needs are expected to remain elevated in 2023, in the context of an already narrow fiscal space. Amid limited availability of budget support and tighter global financial conditions, the authorities are committed to creating the fiscal space needed to finance priority spending while preserving fiscal sustainability. To that end, they will step up revenue mobilization efforts, improve spending efficiency, and better target social transfers towards the most vulnerable households. The focus of reforms will be on measures to strengthen tax collection and public investment efficiency. The authorities also plan measures to contain the civil service wage bill, reform energy subsidies, and strengthen the social safety net with support from the World Bank. On the wage bill, they have undertaken steps to identify and remove ghost workers, and to rationalize the payroll, including through digitalization. Further reforms are envisioned in the context of the next Fund-supported ECF program.

The new debt sustainability analysis (DSA) assesses Burkina Faso's risk of debt distress rating as moderate. Although the model-based estimates show a low risk of debt distress, macroeconomic and financing uncertainties remain elevated, stemming from the security situation and availability of donors' support, including the extent of concessional financing. The authorities are strongly committed to preserving debt sustainability and intend to adhere to sound fiscal and debt management policies and prioritize financing on concessional terms. Critically important will be the efforts to strengthen debt management capacity with Fund support.

### *Monetary and Financial Sector Policies*

Monetary policy conducted by the regional central bank BCEAO continues to be geared at preserving price stability while building adequate international reserve buffers. Regarding the financial sector policy, although private sector credit growth decelerated, banks' capital adequacy and loan loss provisioning ratios remain adequate. Liquidity in the banking system improved in the last years, although exposure to sovereign debt and concentration risk increased. Overall, the banking system has remained resilient to shocks on the back of tighter regulatory framework—following relaxation in the pandemic context—and close supervision by the West African Banking Commission, with support from national authorities.

## The Impact of the Overlapping Shocks on Food Security

According to the World Food Organization, 2.6 million people in Burkina Faso were in acute food insecurity in 2022. In the absence of urgent assistance, the number could rise to 3.5 million people (16 percent of the population). Regrettably, the security situation has worsened since 2022, with adverse effects compounded by overlapping shocks described above.

The increase in fertilizer costs and food import prices notably in the wake of the war in Ukraine, weighted on the balance of payment. The external current account widened to 5.2% of GDP in 2022 from 3.2 percent before the pandemic.

## Immediate Policy Responses to Food Insecurity

The authorities' response strategy, developed in partnership with the development community, aims in the near term at: (i) supporting about 3.5 million people in acute food insecurity, including internally displaced persons; (ii) relieving 550,000 people in food emergency conditions, and about 20,000 people in food catastrophe situation; and (iii) reducing the rate of chronic malnutrition among children, and pregnant and lactating women. Specific measures include free food distributions, implementation of an unconditional cash transfers program, sale of cereals at subsidized price, and providing for an environment conducive to a vibrant agricultural sector, with a view to boosting productivity and improving the sector's performance and prospects.

The authorities' response plan is estimated to cost approximately US$300 million and will use the FSW resources to mitigate the impact of the shocks on the most vulnerable.

The authorities are committed to adhering to strong governance and transparency standards in the use of the FSW resources. To ensure that public resources are used as intended, they plan to enforce strictly and strengthen public financial management policies and controls, including through rigorous adherence to the strict emergency spending framework which provides for, amongst others, rules governing spending and procurement, and ex-post accountability mechanisms. In the same vein, they will prepare a semi-annual execution report and carry out an exhaustive audit of the 2023 cash transfer program.

## Conclusion

Burkina Faso is facing an unprecedented series of internal and external challenges. The country authorities are endeavoring to protect the population from terror attacks while addressing acute food security needs. Considering the country' strong track record of policy implementation, and the authorities' commitment to sound policies going forward, we call on

Executive Directors to support their request for immediate assistance under the Food Shock Window.

Beyond the emergency support, continued Fund engagement in the form of arrangements under the Extended Credit Facility and, possibly, the Resilience and Sustainability Facility would help address Burkina Faso's structural challenges. Such engagement will help anchor macro-economic stability during and beyond the political transition, catalyze more donor assistance, provide critical support to the country's medium-term reform efforts, and strengthen resilience in the face of recurring shocks.