



BURKINA FASO

October 2023

REQUEST FOR A FOUR-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURKINA FASO

In the context of the Request for a Four-Year Arrangement Under the Extended 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 September 21, 2023, following discussions that ended on June 29, 2023, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on September 7, 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.

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Washington, D.C.



IMF Executive Board Approves a US\$302 Million 48-month Arrangement Under the Extended Credit Facility for Burkina Faso

FOR IMMEDIATE RELEASE

- *The Executive Board of the International Monetary Fund (IMF) approved a 48-month arrangement under the Extended Credit Facility (ECF) for Burkina Faso. The arrangement will provide financing of SDR228.76 million (about US\$302 million), with an immediate disbursement of SDR24.08 million (about US\$31.8 million).*
- *Burkina Faso faces protracted balance of payments problems, reflecting large development needs and the impact of shocks such as the COVID-19 pandemic, adverse weather conditions, deteriorating domestic security, the food insecurity crisis, and spillovers from Russia's war in Ukraine. These shocks have disrupted economic activity, affected livelihoods, and exacerbated macroeconomic imbalances.*
- *The ECF will help create fiscal space for priority spending, strengthen resilience to shocks while reducing poverty, and bolster fiscal discipline, transparency and governance. It will also help close financing gaps reflecting tight financial conditions, large fiscal deficits, debt vulnerabilities, food insecurity, and fragile security conditions.*

Washington, DC – September 21, 2023: The Executive Board of the International Monetary Fund (IMF) approved today a 48-month arrangement under the [Extended Credit Facility](#) of US\$302.5 million (SDR228.76 million), with an immediate disbursement of SDR24 million (about US\$31.8 million)

Following the [Food Shock Window](#) disbursement in March, 2023, the new arrangement aims to address protracted balance of payments problems, achieve macroeconomic stabilization, mitigate the impact of current shocks on the most vulnerable, and reduce poverty. This decision comes against the background of persistent, severe, and overlapping exogenous shocks, including a volatile political environment; fragile and deteriorating security conditions; the impact of Russia's war in Ukraine on energy prices and key agricultural imports and the resulting food insecurity crisis; as well as the post-pandemic disruptions in international supply-chains. All these shocks have disrupted economic activity, affected livelihoods, and exacerbated macroeconomic imbalances. As a result, external and fiscal buffers eroded substantially in 2022, as the current account deficit reached 6.2 percent of GDP, the overall fiscal balance widened to 10.6 percent of GDP, economic growth in 2022 decelerated to 1.5 percent year-on-year, after 6.9 percent in 2021, while more than 40 percent of the population remains below the poverty line.

In this context, the program builds on three pillars: (i) creating fiscal space for priority spending, (ii) strengthening the resilience to shocks while reducing poverty, and (iii) reinforcing fiscal discipline, transparency, and governance. The program will help the authorities close financing gaps in a policy environment characterized by tighter financial condition on the regional bond market, larger deficits and debt vulnerabilities, and weak donor support. It will help also mitigate risks of sharp policy corrections in case financing shortfalls were to materialize.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, issued the following statement:

"Burkina Faso faces a challenging macroeconomic outlook amid large development and security needs, compounded by acute food insecurity and long-standing fragility. To address the country's multiple challenges, the authorities have requested a four-year arrangement under the Extended Credit Facility. The arrangement would help address the country's balance of payment needs and create fiscal space for priority spending and reduce public debt vulnerabilities. It would also contribute to strengthening resilience to security and climate shocks while reducing poverty and inequality, as well as to reinforcing fiscal discipline, transparency, and governance. A resolute commitment to the policy and reform agenda under the arrangement, as well as to the timeline of the political transition, will be critical to safeguard fiscal and debt sustainability, anchor the country's macroeconomic outlook, and catalyze additional concessional financing.

"The authorities are committed to a gradual fiscal consolidation to return to the regional convergence criteria for the fiscal deficit. They plan to step up efforts to increase domestic revenue mobilization and improve the quality and transparency of public spending. On the revenue side, reforms aim at broadening the tax base, including by closing tax loopholes in the mining sector, and at strengthening tax and customs administration. On the expenditure side, the authorities will focus on bringing the public sector wage bill as a share of tax revenue to a sustainable level over the medium term and on reforming the energy sector to reduce untargeted energy subsidies. Strengthening fiscal governance and transparency is paramount to restore donors' trust and catalyze concessional financing.

"Given the large humanitarian and socio-economic development needs, the program envisages a scaling up of social spending and the strengthening of social protection, including consolidating existing social safety nets and accelerating the establishment of the Single National Registry of Beneficiaries.

"For the country's long-term development process, it remains essential to sustain structural reforms to foster economic growth and diversification as well as to reduce poverty. In this context, further efforts to improve the business environment, reinforce governance and anti-corruption efforts, and address the security crisis are critical."



BURKINA FASO

REQUEST FOR A FOUR-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

September 7, 2023

EXECUTIVE SUMMARY

Context. Burkina Faso faces large balance of payments (BoP) and security needs aggravated by acute food insecurity and political instability. In March 2023, the authorities obtained Fund emergency financing under the Food Shock Window (FSW) of the Rapid Credit Facility to address the ongoing food insecurity crisis, which in some regions remains acute. Following two military coups in 2022, international development support has declined. Burkina Faso has agreed with the Economic Community of West African States (ECOWAS) on a return to constitutional order, with elections to be held by July 2024.

Policy discussions. The ECF arrangement is articulated around three main pillars: (1) creating fiscal space for priority spending; (2) strengthening resilience to shocks and reducing poverty and inequality; and (3) reinforcing fiscal discipline, transparency, and governance. The fiscal anchor of the program is centered around bringing, by the end of the program period, the deficit-to-GDP ratio to 3 percent; significantly reducing the wage-bill-to-revenue ratio; and raising the tax revenue-to-GDP ratio by the end of the program period. The program would help Burkina Faso return to a moderate risk of debt distress and meet its large development needs which require capital inflows to finance investment for a protracted period.

Program design and IMF engagement. Staff propose a 48-month ECF arrangement, with access of 190 percent of quota (1.5 percent of GDP, SDR 228.76 million). Given Burkina Faso's current outstanding credit to the Fund (233 percent of quota), a key program priority is to catalyze additional concessional resources to complement IMF financing. The proposed access reflects BoP needs; the four-year program duration would allow policies and reforms to yield results and secure lasting adjustment. Other donors (including IDA) have provided significant financing assurances to complement disbursements under the scheduled ECF arrangement, bringing the IMF's financing contribution below 50 percent of the estimated financing gap. Donors view an IMF-supported program as a positive signal and providing comfort for potentially scaling up budget support. Prior to policy discussions, staff informally briefed the Executive Board on June 15, 2023, as required under the PRGT's High Access Procedure.

Risks to the program are significant and include (i) a further deterioration in security conditions, which would negatively affect economic activity; (ii) a protracted war in

Ukraine, which could exert further pressures on food, fertilizers and energy prices and raise inflation, subsidies, and the fiscal deficit; (iii) tighter financing conditions on the regional bond market, making deficit financing more costly; and (iv) protracted social and political instability, both within Burkina Faso and across the Sahel region, which may complicate implementation of policy measures and reduce the program's catalytic effect. Risks would be partly mitigated by close engagement with the authorities and burden sharing with donors, a comprehensive capacity development (CD) program, and consideration of a faster fiscal deficit reduction.

Approved By
Annalisa Fedelino
(AFR) and Bergljot
Barkbu (SPR)

An IMF team comprising Mr. Schindler (head), Messrs. Capelle, Comelli and Mpatswe (all AFR), Mr. Juarros (FAD) and Ms. Mitra (SPR) visited Ouagadougou during June 20–29, 2023. Messrs. Ben Hassine (Resident Representative) and Mr. Ouattara (local economist) assisted the mission. The mission met with President of the Transition Captain Traoré, Prime Minister Tambela, Finance Minister A. Nacanabo, and BCEAO National Director C. L. Ki-Zerbo, as well as their teams and other members of the government and directors of various government agencies. The team also met with members of the diplomatic community. Mmes. Ndome-Yandun and Eckling (all AFR) provided administrative support.

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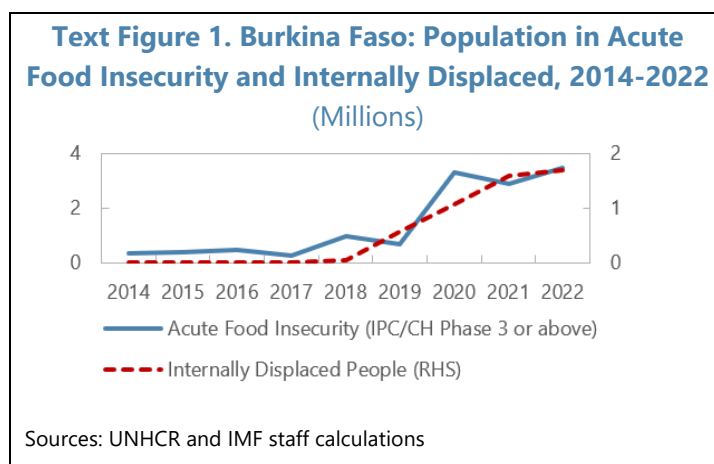
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CONTEXT

1. Burkina Faso faces multiple development and security challenges aggravated by acute food insecurity and political instability. A poor harvest in 2021-22, international supply-chain disruptions caused by COVID-19, the impact of Russia's invasion of Ukraine on food and fertilizer costs, and rising terrorist activity contributed to a food crisis, the displacement of about 2 million people (Text Figure 1) and disrupted economic activity.¹



2. Failed attempts to address the security crisis led to political instability and the interruption of donor budget support. Two military coups took place in 2022, both motivated by deteriorating security. Burkina Faso agreed with the Economic Community of West African States (ECOWAS) on a return to constitutional order, with elections to be held by July 2024. While project support has continued, budget support has halted in response to political instability.

3. Burkina Faso has had a long engagement with the IMF. The previous ECF-supported program (2018 – 2020) was satisfactorily completed and improved fiscal discipline. Reform efforts were commendable in some areas (progress on the Treasury Single Account, cash management) but slower in others (resource mobilization, wage bill reform, and tackling the costs of energy subsidies).

4. The proposed program builds on continued IMF engagement before and after the military coups. Discussions of an ECF-supported program in 2021 were suspended following the January 2022 coup, but policy dialogue, including several staff visits, has continued. Recent IMF engagement included COVID-19 emergency financing of CFAF 65 billion (0.6 percent of GDP); an SDR allocation in 2021 of CFAF 91 billion (0.8 percent of GDP); debt relief under the CCRT of CFAF 31.5 billion (0.3 percent of GDP) during 2020-2022; and emergency financing in 2023 under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF) of CFAF 49. billion (0.4 percent of GDP, see Box 1 for a discussion on the authorities' response to address the food insecurity crisis).

¹ For a detailed discussion on Burkina Faso's fragility see the Country Engagement Strategy in Annex I.

5. Burkina Faso faces significant and protracted balance of payment problems, which the proposed program will help address. Burkina is a landlocked economy based on limited natural resources, in particular gold and livestock, and completely dependent on food and energy imports. This has led to BoP stability relying heavily on external factors, in particular commodity prices. Protracted BoP problems resulting from climate change, deteriorating security conditions, and an undiversified economic base have been exacerbated by elevated food and energy prices following Russia's war in Ukraine. The financing under the proposed arrangement will be used for budget support, to cover budget needs closely intertwined with protracted BoP problems, in a policy environment characterized by larger deficits and debt vulnerabilities, lack of external financing, tighter financial conditions on the regional markets and weak donor support.

Box 1. Authorities' Response to the Food Crisis.

Burkina Faso is facing urgent and acute food insecurity. Climate change, a bad 2021/22 harvest, the impact of disrupted international supply-chains caused by the COVID-19 pandemic, and Russia's invasion of Ukraine, including through higher fertilizer costs, all have contributed to a food crisis. At least 3.5 million Burkinabè (over 15 percent of the population) suffer from acute food insecurity.¹

The authorities' Response and Support Plan for Vulnerable Populations (RSPVP) aimed to address food insecurity in several ways, including by facilitating food access for the most vulnerable; reinforcing efforts to prevent and cure malnutrition among children, pregnant and lactating women; and protecting food insecure households.

IMF emergency financial support through the Food Shock Window (FSW) of the Rapid Credit Facility (RCF) in the amount of SDR 60.2 million (US\$81 million, CFAF 49 billion) helped meet BoP needs caused by the food crisis. Disbursed on March 29, 2023, the FSW resources aided the implementation of essential measures to support the most vulnerable groups, including (i) distribution of free food, (ii) cash transfers, (iii) sale of cereals at subsidized prices, (iv) improvement of water supply and water distribution, (v) distribution and sale at subsidized prices of agricultural inputs (fertilizers, seeds), and (vi) measures to support livestock farming (e.g., vaccinations, feed).

The authorities committed to various safeguards, including semi-annual reports as well as an audit after one year on the implementation of cash transfer programs and all emergency food expenditure (structural benchmark and MEFP ¶78). The first report is due after September 30, 2023. The total cost of the RSPVP amounts to US\$111 million (CFAF 67 bn, 0.5 percent of GDP). As of June 30, total actual expenditure on the RSPVP amounted to US\$34 million (CFAF 20 bn), equivalent to about 31 percent of the total cost of the RSPVP.

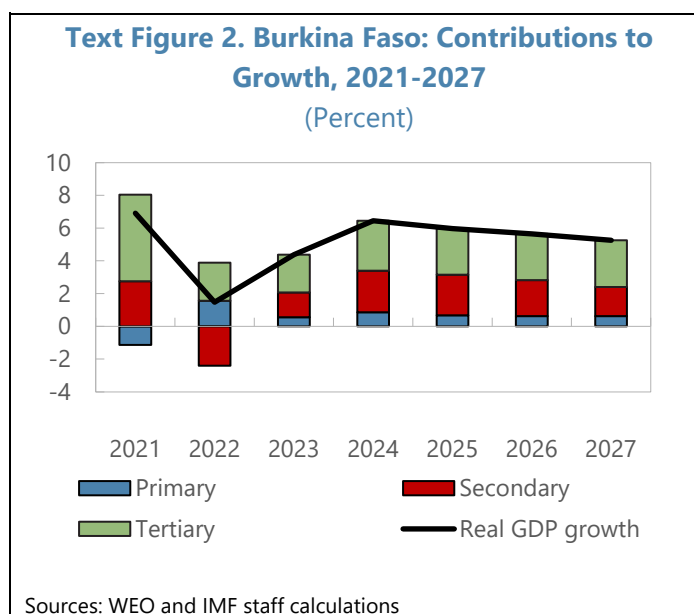
Initial measures under the RSPVP focused on alleviating urgent needs. As of June 30, 2023, all budgeted resources have been spent on emergency measures to address immediate needs, including free food and subsidized cereals. About 15 percent of the budgeted resources have been spent on measures with longer implementation timeframes, such as the improvement of water supply and distribution of clean water and the provision of cash transfers to the most vulnerable.

¹ See [Burkina Faso: Request for Disbursement Under the Rapid Credit Facility](#).

RECENT ECONOMIC DEVELOPMENTS

6. Preliminary data for end-2022 and 2023Q1 paint a mixed picture:

- Real GDP growth.** The deteriorating security situation and the two military coups in January and September 2022 have weighed heavily on growth, forcing the closure of some zinc and gold mines; the interruption of construction projects; and the displacement of 1.9 million people. As a result, the secondary sector in 2022 contracted by 7.4 percent relative to 2021, and overall real GDP growth moderated to 1.5 percent, from 6.9 percent in 2021 (Text Figure 2). Despite the challenging political situation, the primary and tertiary sectors have experienced robust growth, with the former expanding by 8.5 percent, reflecting a good harvest, and the latter by 5.9 percent.

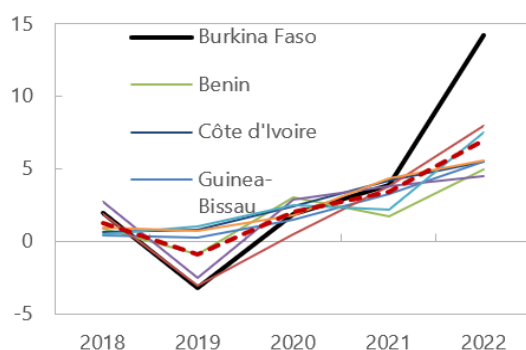


- Inflation.** Local climate and external shocks spurred inflation. A lower-than-average 2021-22 harvest, the disruption of domestic trade, and the war in Ukraine contributed to higher local food prices, resulting in headline inflation peaking at over 18 percent year-on-year (y-o-y) in August 2022 and average annual inflation reaching 14.1 percent in 2022, the highest in the WAEMU, from 3.9 percent in 2021. More recently, inflation has decelerated to -0.7 percent year-on-year (y-o-y) in June 2023 (Text Figures 3 & 4).
- Monetary and financial sector.** Developments in the financial sector have been broadly favorable despite the economic disruptions in 2022. Private sector credit growth accelerated to 14.2 percent after 10.1 percent in 2021. The banking system remains broadly sound. At end-June 2022 banks held 14 percent of risk-weighted assets as equity capital, while loan exposure to the top 5 borrowers increased to 80 percent from 67 percent at end-2021, with non-performing loans net of provisions at 5.6 percent of total loans in December 2022, compared to 7.4 percent one year earlier. Banks also retained more liquidity as the share of liquid assets in total assets increased to 21 percent at end-December 2022 from 19 percent at end-2021. The level of bank exposure to sovereign securities is a source of concentration risk in the banking system.¹

¹ As of November 2021, banks held around 25 percent of total public debt ([WAEMU: Financial Sector Assessment Program – Financial System Stability Assessment](#), IMF Country Report No. 22/136).

Text Figure 3. Burkina Faso: Inflation in the WAEMU, 2014–2022

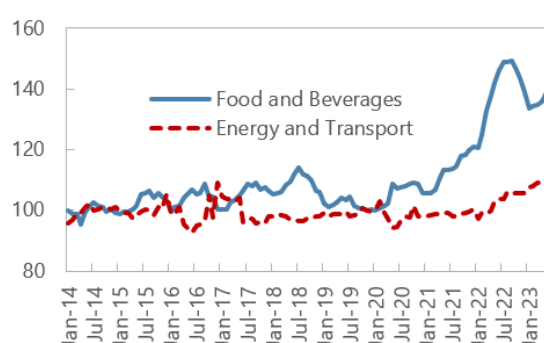
(Percent, annual average)



Sources: Burkinabè authorities and IMF staff calculations

Text Figure 4. Burkina Faso: Food and Energy CPI Index, Jan 2014–Jun 2023

(Index, Jan 2020 = 100)

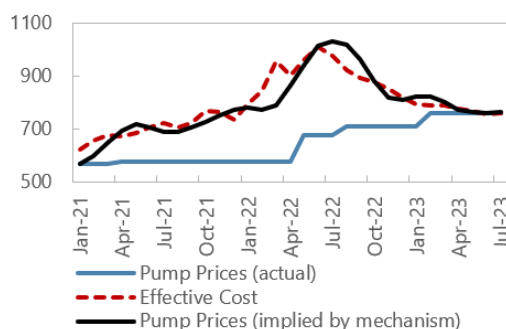


Sources: WEO Live and staff calculations

- Fiscal performance.** In 2022, the overall deficit widened to 10.7 percent of GDP, from 7.5 percent in 2021. Revenues increased by 1.6 percentage points to 19.4 percent of GDP, mostly driven by high import prices and continued implementation of administrative measures, such as the digitalization of services. Regarding expenditures, current transfers increased substantially to 9.3 percent of GDP, especially fuel subsidies (5 percent of GDP). While pump prices fell significantly short of fuel costs in recent years as international prices increased, they have recently moved closer in line with those implied by the pricing mechanism given declining international prices (Text Figure 5).
- At 7.4 percent of GDP, domestically financed public investment was 2.6 percentage points higher than in 2021, reflecting a sizeable increase in security-related investments. The wage bill remained elevated at 8.6 percent of GDP. This large deficit was largely financed by tapping the regional bond market, which resulted in an increase in debt and debt service costs given the elevated interest rate on domestic instruments (see also DSA). Fiscal performance in 2023Q1 was broadly in line with the budget: tax collection was 19.7 percent higher than in 2022Q1, and disbursement of project grants and expenditures 155 respectively 53 percent higher than in 2022Q1, as both were temporarily frozen following the January 2022 coup.

Text Figure 5. Burkina Faso: Fuel Cost and Pump Prices, Jan 2021–Jul 2023

(CFAF per liter)



Sources: Burkinabè authorities and IMF staff calculations

Note: Pump prices and effective cost are calculated as averages over different fuel types. Effective cost includes international oil price, taxes, transport, and other intermediation costs. The mechanism adopted in November 2018 aims to adjust pump prices in line with international commodity prices to achieve cost recovery in the medium term while smoothing short-term price volatility.

- *External position.* The current account deficit widened to 6.2 percent of GDP in 2022, mainly driven by lower gold production and exports. The capital account was supported mainly by (portfolio) inflows from bond issuances in the regional market.

OUTLOOK AND RISKS

7. Growth is expected to increase to 4.4 percent in 2023, 6.4 percent in 2024, and progressively moderate to potential over the medium term. The rebound in growth reflects expected improvements in the security situation, especially in the construction and mining sectors with the coming on stream of a new mine. In 2024, real GDP growth could rise to 6.4 percent above its medium-term potential of 5.3 percent, reflecting further improvements in security, the opening of new mines and construction projects, and the normalization of domestic trade (Text Figure 2).

8. Average inflation is expected to drop sharply to 1.4 percent in 2023 and rebound to 3 percent in 2024, within the WAEMU inflation target range. Low inflation in 2023 reflects a strong base effect, as well as declining global oil and food prices. End-of-period inflation in 2023 is expected to reach 2.4 percent as local food prices continue to increase throughout the lean season (May-August) and given persistent core inflation due to second-round effects.

9. The current account deficit is projected to narrow. Higher gold prices are expected to offset the impact of the projected deterioration in the services balance on the current account balance, which would narrow to 4.7 percent of GDP in 2023 and reach 4.0 percent of GDP in 2025. However, the uncertain political environment discourages private capital flows, contributing to an external financing requirement of CFAF 19 billion in 2023 net of the IMF emergency financing disbursement under the Food Shock Window, reducing to CFAF 39 billion in 2024 and remaining broadly stable during the remaining program period (table 6).

Text Table 1. Burkina Faso: Key Macroeconomic Indicators

(Percent of GDP unless otherwise specified)

	Average 2017-19	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP (percent change)	6.2	Act. 1.9	Prel. 6.9	Prel. 1.5	Proj. 4.4	Proj. 6.4	Proj. 6.0	Proj. 5.6	Proj. 5.3
CPI inflation (percent change)	-0.3	1.9	3.9	14.1	1.4	3.0	2.0	2.0	2.0
Overall balance (commitment basis, incl grants)	-4.8	-5.1	-7.5	-10.6	-6.6	-5.6	-4.7	-3.8	-3.0
Tax Revenue	15.1	13.3	15.4	17.4	16.7	16.9	17.3	17.8	18.3
Current Expenditures	16.3	16.7	18.6	21.6	17.4	17.3	17.2	16.7	16.4
Public Debt	37.8	43.3	55.4	58.3	60.9	61.0	61.2	60.7	59.7

Sources: Burkinabè authorities and IMF staff estimates and projections.

10. The Debt Sustainability Analysis (DSA) finds that Burkina Faso remains at moderate risk of external debt distress and overall public debt distress, with debt sustainable over the medium term (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, breaching the relevant benchmark only under the most extreme scenario of a commodity price shock, it has increased as a share of GDP and is very close to the threshold for a high debt distress risk rating. Burkina Faso has a medium debt-carrying capacity, with some, but limited space to absorb shocks on public and external debt.

11. The outlook is highly uncertain, with risks tilted to the downside (Annex II). More security disruptions may lead to further political uncertainty, food insecurity, internal displacement and lower growth. Difficulties in revenue mobilization and increased spending pressures could further deteriorate the fiscal balance. High short-term borrowing costs in the WAEMU regional financing market could lead to rapid increases in debt service costs, further limiting fiscal space. External risks, including a global slowdown, an intensification of Russia's war in Ukraine, deeper geo-economic fragmentation, extreme climate events, and increased regional instability, could worsen fiscal outcomes, reduce FDI inflows and exacerbate food insecurity.

NEW ECF ARRANGEMENT: OBJECTIVES AND POLICIES

The new 48-month ECF arrangement (2023-27) aims at addressing the protracted BoP problems, achieving macroeconomic stabilization and reducing poverty, after the impact of several exogenous shocks (the COVID-19 pandemic, adverse weather conditions, deteriorating domestic security, and the food insecurity crisis) which have disrupted economic activity and exacerbated macroeconomic imbalances. The program builds on three pillars: (i) creating fiscal space for priority spending, (ii) strengthening the resilience to shocks while reducing poverty and (iii) strengthening fiscal discipline, transparency, and governance. The program will help the authorities close financing gaps in a policy environment characterized by tighter financial conditions, larger deficits and debt vulnerabilities, to address the food insecurity and security crises, heightened vulnerability to shocks, and risks of sharp corrections in case financing shortfalls were to materialize.

12. The program will be anchored by a gradual decline of the fiscal deficit, maintaining debt sustainability, and remaining at moderate risk of debt distress while supporting growth. To this end, the authorities are committed to a tighter fiscal stance by reducing the fiscal deficit by 7.6 percent of GDP during 2023-2027, to 3 percent of GDP, through revenue and expenditure measures and more favorable financing conditions.¹ Fiscal adjustments are broadly evenly spaced throughout the program period, with frontloaded expenditure adjustments, especially on energy subsidies, and revenue measures that would pay dividends over time. The policy framework will support efforts to contain the security crisis while meeting development needs (Box 2 and Text Table 2). The program is expected to catalyze concessional financing (including from World Bank, African Development Bank, and the European Union), as domestic debt, about 58 percent of total public debt in 2023 and accounting for 85 percent of interest payments in 2022, is expensive and has relatively short maturities.

¹ Some revenue and expenditure developments in 2022 and 2023 could be considered temporary, including the extraordinary build-up of military expenditures, securitized arrears in 2022, and windfall revenue gains due to higher import prices. Accounting for these factors would yield an underlying deficit of about 8 percent of GDP in 2023 and imply a cumulative consolidation of about 5 ppts. by 2027.

Box 2. Program versus No-Program Scenarios

Without a program, fiscal adjustment would be more moderate, and rely more heavily on public investment reductions. Efforts to mobilize domestic revenues and reduce current public expenditures (in particular, wage bill and energy subsidy expenditures) would be more moderate (Text Table 2), and the (limited) fiscal consolidation efforts would thus require weaker public investment growth, leading to lower real GDP growth. The fiscal anchor of 3 percent of GDP by 2027 would be missed by a large margin in this scenario.

Financing the larger deficits in the absence of a program and its catalytic effect would rely on non-concessional deficit financing, including higher interest rates on the regional bond market given higher funding pressures. Consequently, average interest rates on new financing would be substantially higher, and remain so in the medium term, leading to less favorable debt dynamics and a high risk of debt distress.

Text Table 2. Burkina Faso: Key Indicators Under Program and No-program Scenarios^{1/}
(Percent of GDP unless otherwise indicated)

		2023	2024	2025	2026	2027
Real GDP growth	Program	4.4	6.4	6.0	5.6	5.3
(% change)	No program	4.4	6.1	5.3	4.9	4.3
Tax revenues	Program	16.7	16.9	17.3	17.8	18.3
	No program	16.0	15.9	16.2	16.5	16.8
Wage bill	Program	8.8	8.7	8.6	8.4	8.1
	No program	8.8	9.1	8.9	8.9	8.9
Energy subsidies	Program	0.7	0.1	0.1	0.1	0.1
	No program	1.4	1.0	1.0	1.0	0.9
Investment	Program	10.1	9.2	8.8	8.9	8.8
	No program	9.8	7.7	7.2	6.8	6.6
Overall balance	Program	-6.6	-5.6	-4.7	-3.8	-3.0
	No program	-7.9	-7.5	-7.1	-6.7	-6.3
Total debt	Program	60.9	61.0	61.2	60.7	59.7
	No program	62.0	64.0	66.5	68.6	70.7

^{1/} The no-program scenario assumes reduced policy efforts in terms of revenue mobilization and expenditure measures, including regarding the wage bill and subsidies, as well as reduced productive investment. The combination of factors would result in lower growth, and the absence of concessional financing would raise interest expenditures and debt, resulting in a high risk of debt distress.

A. Creating Fiscal Space for Priority Spending and Reducing Debt Vulnerabilities

13. The authorities are committed to implement the following reforms detailed in the MEFP to create fiscal space needed to finance priority spending:

- **Domestic revenue mobilization.** Progress in this area will be critical to reduce the deficit and create fiscal space. Under the program (relative to the no-program scenario), staff projects a 1.5 percent of GDP increase in tax revenues relative to the baseline, including tax and customs administration gains (Text Table 3). Key measures to mobilize revenues include broadening the tax base (reducing VAT and vehicle exemptions and incorporating firms previously outside the tax code with the new non-determined regime), increasing tax rates on beverages and tobacco products

Text Table 3. Burkina Faso: Tax Policy and Administration Gains Under the Program
(Percent of GDP)

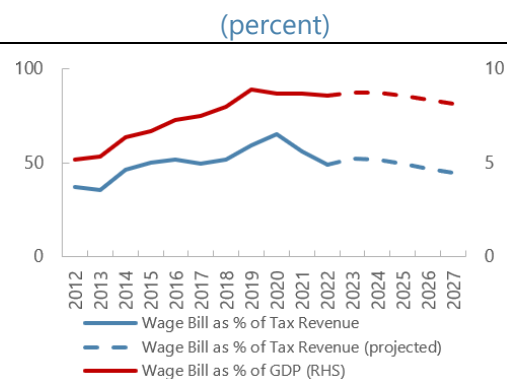
Tax Policy Measures	2023	2024	2025	2026	2027
Vehicle tax (reducing exemptions)	0.01	0.02	0.02	0.02	0.02
Obligation to withhold VAT at source	0.09	0.15	0.16	0.16	0.16
"Non-determined" tax regime (reduction of VAT exemptions)	0.07	0.10	0.10	0.12	0.14
Increase in the tax rate on beverages	0.01	0.05	0.10	0.15	0.19
Increase in the tax rate on tobacco & cigarettes	0.05	0.10	0.15	0.15	0.15
Developing e-CME Module	0.00	0.00	0.00	0.01	0.01
Digitizing land/properties registration	0.00	0.06	0.12	0.20	0.30
Certified digital invoicing	0.00	0.00	0.08	0.10	0.10
Tax arrears recovery	0.46	0.50	0.45	0.37	0.40
TOTAL	0.69	0.98	1.18	1.26	1.46

Note: Tax efforts under the program relative to the no-program scenario.

(goods with negative externalities), closing tax loopholes in the mining sector, recovering tax and customs duties arrears by strengthening tax and customs administration capacity (MEFP ¶155, 69), digitalizing land and public procurement registration and certified digital invoicing (MEFP ¶167), and strengthening mining revenue collection (MEFP ¶155). A revised customs and mining code and a new strategic plan to strengthen tax and customs administration will be adopted by December 2024, **structural benchmark**, MEFP ¶166. In addition, the authorities will complete a tax expenditure assessment report for 2018–2021, including an economic impact analysis (**indicative structural benchmark**, MEFP ¶165). They will also lift the budget ceiling on VAT credit reimbursement to reduce the accumulation of arrears and enhance the efficiency of the VAT system (**structural benchmark**, MEFP ¶168).

- Wage bill.** The authorities are committed to implementing measures during the program period to bring the ratio of the wage bill-to-tax revenue to 45 percent by 2027 (**structural benchmark**, MEFP ¶170) from currently over 50 percent, as an intermediate target toward achieving the WAEMU convergence criterion of 35 percent. The intermediate target will be achieved through control of wage bill growth (about 6 percent nominal average growth annually) and increased domestic revenue collection (MEFP ¶164). Key measures include annual reconciliations between personnel and civil service payroll registries, which will cover about 50 percent of the workforce each year, to eliminate “ghost workers” and improve the management of the civil service payroll (**structural benchmark**, MEFP ¶170); enhanced and transparent wage bill statistics (MEFP ¶170); centralization of the collective bargaining process; improved staffing needs assessments; and limiting new recruitment to essential service needs (MEFP ¶170). The authorities are also committed to grant no new wage agreement (except in security) that would increase the wage bill as a share of tax revenues (**continuous structural benchmark**, MEFP ¶170). To reinforce their commitment to control the wage bill, the authorities agreed to consult with staff if, at the end of each quarter, there are deviations between actual and projected wage bill growth (MEFP ¶171). Key goals of the consultations include identifying both the causes of the deviation and the corrective measures to ensure that the intermediate target for the wage bill-to-revenue ratio will be achieved by the end of the program period.

Text Figure 6. Burkina Faso: Historic and Projected Wage Bill as Share of GDP and Tax Revenue, 2012–2027



Sources: Burkinabè authorities and IMF staff calculations

- **Energy sector.** With global oil prices down from their 2021 peak, the authorities will seize this opportunity to transition to fuller cost recovery. Increasing the energy sector efficiency is critical for supporting growth and reducing subsidies of fuel-powered electricity generation. In this context, measures include (i) reviewing the fuel-price-setting mechanism to move toward a full cost recovery pricing (MEFP ¶173); (ii) implementing, in cooperation with the World Bank and others, a comprehensive electricity tariff reform to limit subsidies and reduce their regressivity (MEFP ¶173); and (iii) adopting performance-contracts with state-owned firms operating in the energy sector (i.e., SONABHY, the fuel-supply SOE, and SONABEL, the electricity SOE) to strengthen their operational and financial performance (**structural benchmark for end-December 2023**, MEFP ¶173).

Text Table 4. Burkina Faso: Change in Overall Deficit Towards Achieving WAEMU Target of 3 percent of GDP
(Percent of GDP)

	Impact 2022-2027
Current revenue	1.1
of which: Tax revenue	0.9
of which: Non-tax revenue	0.2
Grants	-0.5
Total expenditure and net lending	-7.0
of which: Wage Bill	-0.4
of which: Subsidies	-4.9
of which: other current transfers	-0.5
of which: Interest payments	0.7
of which: Investment expenditure	-2.0
Overall fiscal balance, incl. grants	-7.6

Sources: Burkinabè authorities and IMF staff estimates and projections.

- **These measures will help create fiscal space for priority spending**, including security, development, and social expenditures. During the program period, the authorities are committed to appropriately balancing spending in these areas (MEFP ¶158). In particular, security-related expenditures are expected to reach about 1/3 of the wage bill, and less than half of public investment, in both 2023 and 2024, declining thereafter in line with expected improvements in security. Between 2022 and 2027, efforts to mobilize domestic revenues and reduce primary current expenditure are projected to reduce the overall fiscal deficit by more than 7 percent of GDP during the program period (Text Table 4).

B. Strengthening Resilience to Shocks While Reducing Poverty and Inequality

14. To help address the security crisis, promote social cohesion, and strengthen resilience to shocks, the authorities are committed to tackle important vulnerabilities as detailed in the MEFP:

- **Security.** Given increasing security spending, improving efficiency and transparency are essential for macroeconomic stability. The authorities are committed to enhance reporting on security spending, including on wage, and strengthen procurement in defense and security. In this context, the authorities are committed to appropriate budgetary transparency regarding the Patriotic Support Fund (PSF) in the 2024 budget, including notably a special account (CAST) where related funds are deposited. The CAST account would be run on a cash basis, with expenditures capped by cash inflows, thus containing fiscal risks (MEFP ¶183 and **structural benchmark**).

- **Climate change.** The authorities are committed to attach an annex to the 2025 budget, detailing efforts to sustain infrastructure investment spending in the budget to adapt to climate change (MEFP ¶177, **indicative structural benchmark**).
- **Social protection.** The authorities will focus on actions with immediate impact (e.g., expanding cash transfer programs to rural areas and security-affected regions), while creating conditions for accelerating the establishment of the Single National Registry of Beneficiaries and consolidating existing social safety net (SSN) programs into a single nationwide SSN to help mitigate the impact of shocks, including related to food insecurity and fuel prices, on the poorest (MEFP ¶178-80). The cost of establishing a nationwide SSN would amount to about US\$581 million (2.9 percent of GDP) during the program period (**indicative structural benchmark**). Donors remain committed to complement the authorities' efforts to extend social protection to the most vulnerable households. The extension of social protection is a key element of the authorities' poverty reduction strategy (MEFP ¶127).

C. Fiscal Discipline, Transparency, Governance and AML/CFT

15. Reforms to strengthen public financial management (PFM), transparency and governance would help improve spending efficiency and reduce fiscal risks. Despite significant past improvements in governance, more efforts are needed to improve cash management and fiscal transparency, including the publication of reports, clearing government domestic arrears, strengthening the independence of audit institutions, reducing corruption, and addressing critical AML/CFT challenges. In this context, the authorities commit to implement the following measures:

- Publish on the Ministry of Finance website annual budget execution reports which will also include information on the use of funds disbursed under the FSW (**continuous structural benchmark** and MEFP ¶183).
- Submit a revised 2023 budget in line with program objectives regarding energy subsidies, the wage bill, tax revenue measures, and the overall fiscal deficit (**prior action**) and a draft 2024 budget (**structural benchmark**) detailing security-related spending that was previously kept off-budget and that will be included in a special account (CAST); the budget will also include an appendix detailing the funding arrangements for the PSF (MEFP ¶183);
- Formally instruct the High Anti-Corruption Authority (ASCE-LC) to launch an audit of all government's arrears and floating debts (**prior action** and MEFP ¶183).¹

¹ Based on preliminary data, the stock of reported domestic arrears, as of June 2023, is equal to about 2.8 percent of GDP and has the following composition: (i) unpaid VAT refunds (more than 90 days) of CFAF 86 billion (about 0.7 percent of GDP); (ii) unpaid obligations to government suppliers of CFAF 34 billion (about 0.3 percent of GDP); and, based on staff estimates, (iii) arrears vis-à-vis SONABHY of about CFAF 220 billion (1.8 percent of GDP). Regarding the existing stock of VAT refunds in arrears, given current legislation that limits the repayment of VAT refunds to a maximum of CFAF 100 billion and which prevents immediate clearance, the program allows, as a short-term solution by end-December 2023, the securitization of VAT refunds in arrears to reach a level consistent with the Indicative

(continued)

- Prepare semi-annual reports and publish audits on the implementation of the cash transfer program and all food emergency spending by end-June 2024 (**structural benchmark** and MEFP ¶178).¹ The audits will be performed by the ASCE-LC and include a review of procedures and protocols that ensure payments are received by appropriate beneficiaries;
- Conduct, with IMF support, and publish a Governance Diagnostic Assessment of the country's macro-critical governance weaknesses and corruption vulnerabilities by December 2025 (MEFP ¶183, **indicative structural benchmark**). The assessment report will provide a list of prioritized policy recommendations to address existing vulnerabilities and risks, to help the authorities develop and implement an action plan (MEFP ¶183, **indicative structural benchmark**).
- Publish information of beneficial owners of entities awarded public procurement contracts to address food insecurity, improve clean water supply, or purchase agricultural inputs/food to be sold at subsidized prices (**structural benchmark** and MEFP ¶185);
- Prepare a roadmap to improve the efficiency of public investment through the strengthening of the multi-year budgeting approach, ex-ante feasibility assessments, and the project selection process; monitoring of fiscal risks on a regular basis, focusing also on traditional (non-PPP) investment projects; and ensuring the effective coordination of investment plans across government entities (full implementation of PIMA recommendations, **indicative structural benchmark** and MEFP ¶185);
- Put in place a beneficial ownership registry that is accessible without restrictions for relevant government authorities (including financial supervisors, tax authorities, public procurement and mining authorities) and financial institutions with customer due diligence (CDD) obligations (**indicative structural benchmark** and MEFP ¶185). This registry will in particular support the authorities' objective and action plan to exit the FATF grey list.

PROGRAM MODALITIES

16. Staff propose a 48-month arrangement with access of 190 percent of quota. The proposed program will be used for budget support to help the authorities close financing needs in a context characterized by a lack of external financing. Program success will depend on reform efforts, including reducing the wage bill to below 45 percent of revenues and the budget deficit to 3 percent of GDP, both by 2027. It will also depend on increasing the overall revenue-to-GDP ratio to at least 20 percent by 2027. A four-year duration would anchor government commitments and help preserve debt sustainability. Regarding access, staff estimate that the financing gap, after accounting for the IMF disbursement under the FSW of about CFAF 50 billion, would be about CFAF 407 billion (see Table 6). To fill the total financing gap over the program period, CFAF 224 billion of

Target (IT). This one-time adjustor would help normalize the mentioned floating debt, in recognition of the initial levels of arrears and the targeted IT; a longer-term solution for clearing VAT refunds in arrears will be defined once the audit (SB) is completed.

¹ Box 1 summarizes the main measures adopted by the authorities to address the food insecurity crisis.

the gap will be covered by budget loans by development partners. The Fund would cover the remaining BoP need of CFAF 183 billion (190 percent of quota), the cumulative disbursement under the ECF arrangement.

17. Regarding burden sharing, at present disbursements under the ECF would be expected cover almost half of the projected budget support during the program period (Text Table 5).

However, given the authorities' strong reform package, staff assess that the program has the potential to catalyze additional external financing, including from the World Bank, the African Development Bank, and the European Union. More concessional budget support would help reduce the government's reliance on bond issuance to finance its deficits and the share of ECF disbursements in total budget support over the program period. The CFAF equivalent of the proposed access will be made available by BCEAO to the government's budget (on terms consistent with the ECF program) to help close financing gaps. The four year program duration would allow sufficient time to undertake reforms (such as the extension of social protection to the most vulnerable) given challenging conditions in a fragile environment and reflecting large BoP needs. The overall high credit outstanding stems partly from previous Fund engagements.

	2023	2024	2025	2026	2027	TOTAL	Percent
Total Projected Budget Support	18.5	94.8	94.6	94.5	104.6	407.0	100
IMF ECF	18.5	38.5	38.5	38.6	48.5	182.5	45
Other Donors (including IDA)	0.0	56.3	56.1	55.9	56.1	224.4	55

Sources: Burkinabe Authorities; IMF staff projections and calculations
Source: IMF staff projections.

18. Program disbursements are moderately backloaded. The program entails nine disbursements, designed to ensure positive net disbursements and to strike a balance between incentivizing the authorities' implementation efforts, assuring donors of stable IMF support, and safeguarding IMF resources (Text Table 6). Staff assess that the proposed disbursement schedule should strengthen the program's catalytic effect.

	2023	2024	2025	2026	2027	TOTAL
Net disbursements	17.3	31.9	17.5	6.0	19.0	91.7
Disbursements	24.1	48.2	48.2	48.2	60.2	228.8
Repayments	6.7	16.3	30.7	42.2	41.2	137.1

Sources: IMF staff projections.

20. Program performance will be monitored through semi-annual quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs). Two prior actions (PAs) include submitting the revised 2023 budget and formally instructing the Anti-Corruption State Agency (ASCE-LC) to launch an audit of all the government's arrears and floating debts. Tables 9 and 10 contain the QPCs, ITs, PAs and SBs. While key reforms will be tracked under the program, SBs are proposed parsimoniously given Burkina Faso's fragility and capacity constraints, in line with the Fund's Strategy for Fragile and Conflict Affected States (FCS).

21. The proposed Fund-supported program is fully financed. While project support has continued, budget support has halted. However, significant financing assurances have been provided to complement the scheduled disbursements under the ECF arrangement, bringing the IMF's financing contribution under the ECF to below 50 percent during the first program year. Donors in general indicated that they would welcome an IMF-supported program as a positive signal and which would provide some comfort for potentially scaling up support during the remaining program period. In sum, there are firm commitments of full program financing for the first 12 months of the program, and there are good prospects for the remaining program period.

22. Burkina Faso's capacity to repay the Fund is assessed to be adequate although subject to significant risks (Figure 4). Total outstanding IMF credit is projected to peak at 309.5 percent of quota by end-2027, equivalent to 2 percent of GDP, 7 percent of exports and 9.9 percent of revenues. Total obligations to the IMF peak at about 0.25 percent of GDP in 2029, 0.9 percent of exports, and 1.2 percent of revenues in 2029. Repayments to the IMF in percent of government revenues are projected to peak at 43.6 percent of quota, equivalent to 0.2 percent of GDP, 0.9 percent of exports and 1.2 percent of revenues. However, when measured in percent of gross international reserves, Burkina Faso's total Fund credit stands out compared to the median of PRGT countries, as it exceeds the 75th percentile of PRGT comparator countries. Should concessional and non-concessional borrowing become unavailable in the future, further reliance on WAEMU gross international reserves may be necessary to service the country's debt to the Fund. Exposure risks for the IMF are mitigated by the authorities' strong track record of servicing their debt obligations to the IMF and policy measures envisaged under the program. Concessional support from donors and partners will be key to meeting medium-term financing needs, promote macroeconomic stability and reinforce the country's capacity to repay the IMF.

23. The share of preferred creditor status debt, including multilateral debt, in total external debt is almost 90 percent at program initiation. It is projected to remain high over the medium term under the baseline projection (Text Table 7). The share of multilateral debt to external debt is higher than the average level of PRGT-eligible countries, in the absence of other sources of finance. About half of this is resources from the IMF and the World Bank. Given the challenging situation, staff has taken a conservative position in projecting additional financing from other institutions. Total multilateral debt owed to preferred creditors as a share of GDP remains stable under the program, declining slightly from 23 to 22 percent of GDP. These trends are largely due to the country's limited access to external finances.

24. Debt sustainability under the program is anchored by a gradual deficit reduction and debt limits.

While currently assessed at moderate risk of overall debt distress, elevated levels of short-term domestic currency debt pose rollover risks. The risk of external debt distress is moderate. The program targets a fiscal deficit reduction to reach the regional deficit target of 3 percent of GDP by 2027, taking into account the elevated initial fiscal deficit. To further help contain risks, the program includes ceilings on net domestic financing in the regional financial

market and on the present value of external debt that provide incentives to seek concessional financing. In addition, the program includes ceilings on contingent liabilities, including government guarantees to banks, suppliers and contractors, as well as on the value of public-private partnerships (PPPs).

Text Table 7. Burkina Faso: Debt Decomposition
(USD millions)

Creditor Profile	Actuals		Projections			
	2022	2023	2024	2025	2026	2027
Total debt	11095	12719	14140	15393	16489	17353
External debt	4933	5179	5562	5956	6357	6724
<i>Multilateral creditors</i>	4,392	4,673	5,077	5,492	5,918	6,300
o/w: IMF and WB	2,473	2,785	3,253	3,731	4,215	4,626
o/w: IMF	298	394	437	465	476	508
o/w: Other Multilaterals	1,919	1,888	1,824	1,762	1,703	1,674
<i>Bilateral creditors</i>	540	508	488	469	445	432
o/w: Paris Club	273	266	267	269	268	274
o/w: Non-Paris Club	267	242	220	199	177	158
Domestic debt	6,162	7,683	8,607	9,467	10,104	10,596
Nominal GDP	18,934	20,886	23,188	25,170	27,177	29,054
Multilateral and collateralized debt						
<i>Multilateral debt</i>	4,392	4,673	5,077	5,492	5,918	6,300
Percent of external debt	89%	90%	91%	92%	93%	94%
Percent of GDP	23%	22%	22%	22%	22%	22%
<i>o/w: IMF and WB</i>	2,473	2,785	3,253	3,731	4,215	4,626
Percent of external debt	50%	54%	58%	63%	66%	69%
Percent of GDP	13%	13%	14%	15%	16%	16%
<i>o/w: Other Multilaterals</i>	1,919	1,888	1,824	1,762	1,703	1,674
Percent of external debt	39%	36%	33%	30%	27%	25%
Percent of GDP	10%	9%	8%	7%	6%	6%

Sources: Burkinabè authorities and IMF Staff Projections.

25. Capacity development (CD) to support program objectives remains key. A revised CD strategy tailored to program objectives will be discussed with the authorities, including in the context of the upcoming governance diagnostic exercise. Priority areas include reforms in tax policy and administration to enhance revenue mobilization, PFM to promote efficiency of government spending, and upgrading the quality of macroeconomic statistics.

26. 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 to Libya, representing 0.3 and 0.04 percent of GDP in 2022, respectively, equivalent to less than 0.1 percent of GDP in NPV terms and thus having no material impact on the macro-framework, related DSA, and thrust of the staff appraisal. Consistent with the Fund's lending-into-official-arrears (LIOA) policy and reflecting the good progress being made in the discussions to settle legacy arrears, Côte d'Ivoire and Libya have consented to the IMF providing financing under the ECF despite these arrears.

27. Risks to the program relate mainly to political uncertainty, both domestic and regional, and access to financing. Political instability may increase further if insufficient progress is made to address the security and humanitarian crises, as well as arising from regional developments. This, and deviations from the election timeline, may reduce the program's catalytic effect, including both budget and project support and the possible cancellation of associated projects, and delay reviews. A continued suspension of budget support would require relying on the expensive regional bond market—conforming with WAEMU fiscal convergence criteria in a pro-growth, pro-poor manner would be challenging in this scenario.

28. Data availability will underpin program commitments. The authorities have committed to provide the team with detailed data on (i) the wage bill, including number of employees and average wages, by ministries/government agencies; (ii) energy subsidies; (iii) the pump price adjustment mechanism; (iv) planned and realized syndicated and auctioned bond issuances and (v) liabilities, including contingent liabilities.

29. Safeguards assessment. The 2023 update assessment of the BCEAO found that the institution continues to have a robust control environment with strong governance arrangements. All recommendations from the 2018 safeguards assessment have been implemented. Financial reporting and external audit arrangements remain in line with international practices.

STAFF APPRAISAL

30. Burkina Faso has large development and security needs, compounded by acute food insecurity and political instability. The authorities had to set macroeconomic policies in a challenging environment, where multiple exogenous shocks disrupted growth. Domestically, weak security conditions have been disrupting activity, including through the closing of mines and interruption of construction projects. In addition, adverse weather conditions affected agricultural production, while political instability has discouraged budget support and private capital inflows. Externally, the prolonged war in Ukraine led to higher food, fertilizer and energy prices, leading to high inflation and a deterioration in the external current account. In 2022, the authorities' policy response mainly consisted in increasing spending on subsidies and security, which led to a marked deterioration of the fiscal balance in turn financed by expensive non-concessional debt securities on the WAEMU regional bond markets, where financing conditions have been tightening. However, the approval of an IMF-supported program and a successful completion of the transition to democracy as agreed with ECOWAS are expected to lead to a resumption of budget support.

31. Prospects in 2023 have improved, reflecting a recovery in growth and declining inflation, a commitment to reducing the deficit, and the disbursement of IMF emergency funds under the FSW to help address the food crisis. At the same time, the outlook remains uncertain with sizeable downside risks, including a further deterioration in security conditions; a protracted war in Ukraine, with further pressures on food, fertilizers, and energy prices; tighter financing conditions on the regional bond market; and protracted social and political instability which may reduce the program's catalytic effect or jeopardize the program altogether.

32. In this fragile and challenging environment, the authorities' policy commitments strike an appropriate balance between ambition and feasibility. The reduction of the fiscal deficit to 3 percent of GDP by the end of the program period is an ambitious but realistic objective. In this context, the program seeks to create fiscal space for priority needs and increase resilience to shocks, while reducing poverty and strengthening fiscal discipline and governance. The program will help the authorities address Burkina Faso's protracted BOP problems in a challenging policy environment characterized by tighter financial conditions, larger deficits, and elevated debt, to address the food insecurity and security crises, heightened vulnerability to shocks, and risks of sharp corrections in case financing shortfalls were to materialize. Absent a Fund-supported program and its catalytic role, macroeconomic vulnerabilities would deepen, and Burkina Faso's debt sustainability would deteriorate.

33. Key reforms aim to ensure reducing the budget deficit to 3 percent of GDP by 2027 while protecting the most vulnerable and creating fiscal space for priority spending. The fiscal strategy relies on measures to increase domestic resource mobilization and rationalize public expenditure. In addition, the authorities have committed to strengthening social safety nets, including setting up a nation-wide targeted cash-transfer program for the most vulnerable households. Finally, the authorities are continuing to implement measures to address the ongoing food insecurity crisis, including the sale of food and agricultural inputs at subsidized prices, the distribution of free food to combat acute malnutrition, as well as conditional and unconditional cash transfers to the affected populations.

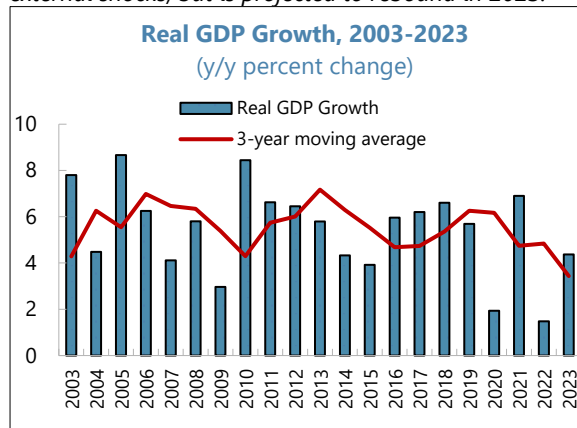
34. Structural reforms will be introduced to underpin the fiscal strategy and ensure a durable consolidation. These include improving the efficiency of state-owned companies operating in the energy sector, ensuring that wage bill growth is commensurate with fiscal resources, and advancing reforms to bolster tax compliance and intensifying efforts to collect tax arrears. These measures will help create space for growth-enhancing measures and social spending.

35. Efforts will also be made to improve fiscal transparency, including the publication of budget execution reports. The authorities are committed to appropriately balancing security-related, development, and social expenditures. They will strengthen public expenditure commitment controls (including the publication of audits on spending to address the food insecurity crisis), tackle structural challenges in the energy sector, improve the efficiency of public investment, and intensify efforts to address financial integrity challenges.

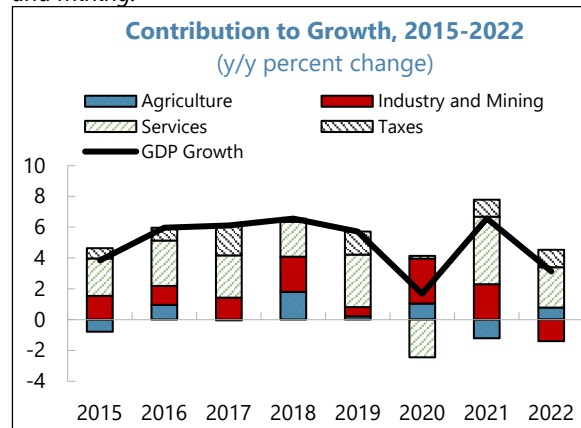
36. In view of Burkina Faso's protracted BoP problems and the authorities' strong program of economic policies and reforms, staff supports the authorities' request for an ECF arrangement in the amount equivalent to SDR 228.76 million (190 percent of quota).

Figure 1. Burkina Faso: Recent Economic Developments

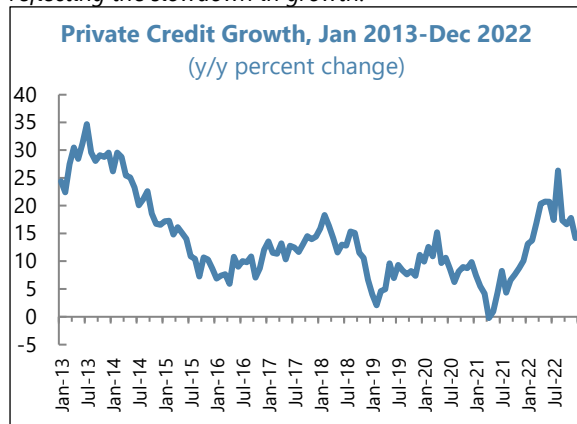
Growth fell in 2022 amid continued security and external shocks, but is projected to rebound in 2023.



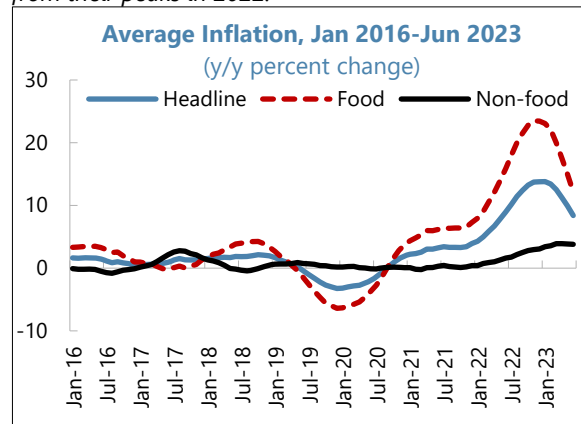
Since 2020, there has been reduced growth in Industry and mining.



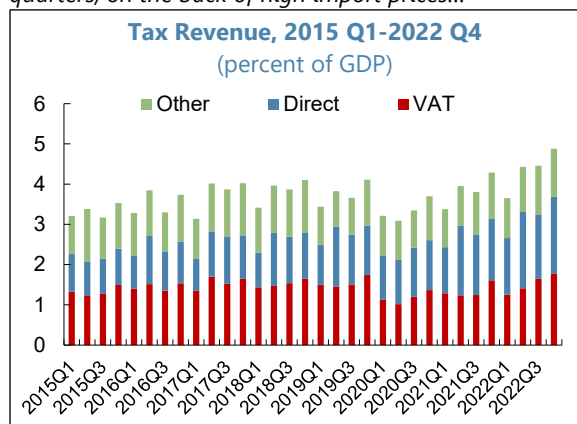
Private credit growth has been declining recently reflecting the slowdown in growth.



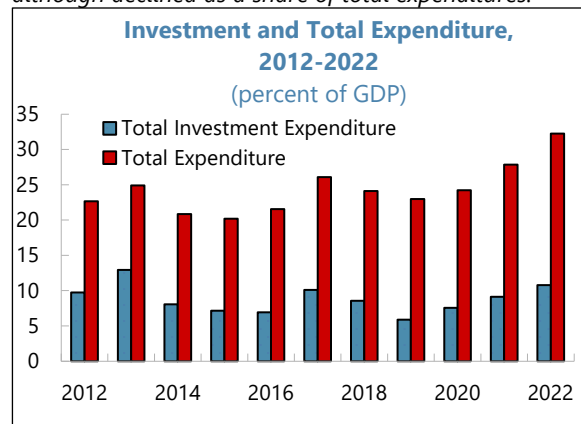
Food and headline inflation have continued to decline from their peaks in 2022.



Tax revenue has been steadily increasing in recent quarters, on the back of high import prices...



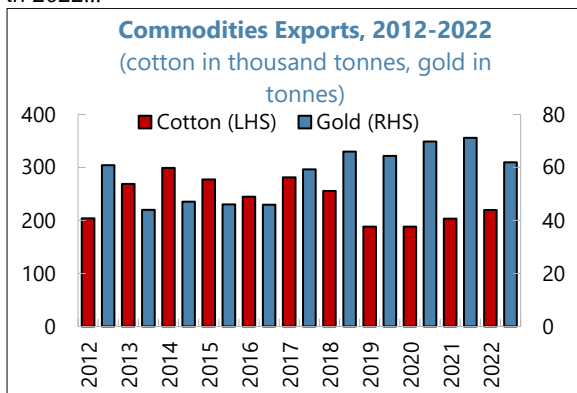
...while public investment expenditure has increased, although declined as a share of total expenditures.



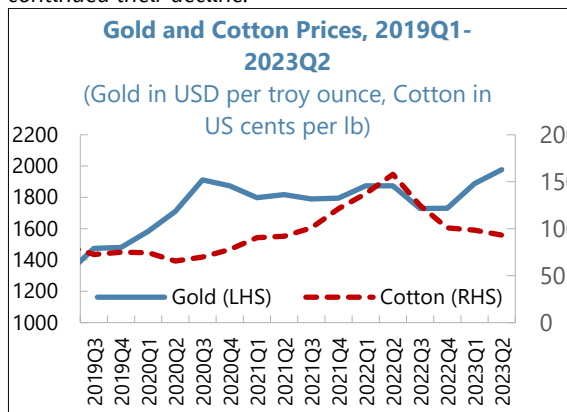
Sources: Burkinabè authorities; and IMF staff calculations

Figure 2. Burkina Faso: Real and External Developments

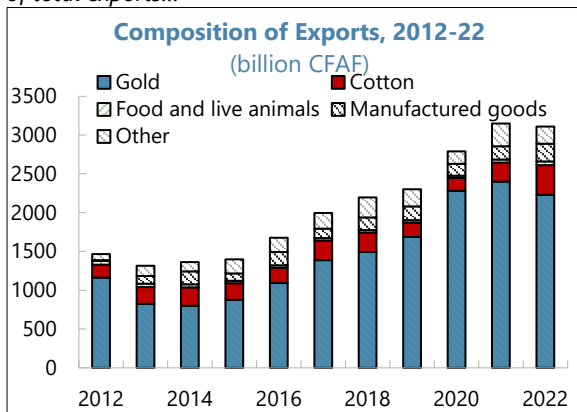
Nominal gold exports are estimated to have decreased in 2022...



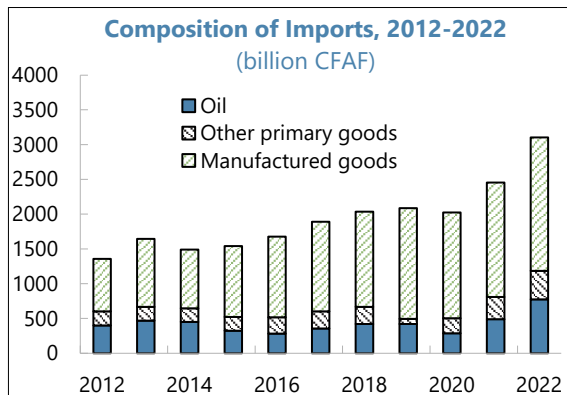
...with gold prices rebounding in 2023 as cotton prices continued their decline.



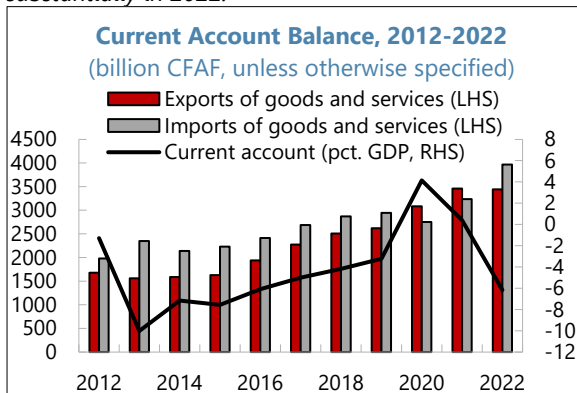
The gold mining sector continues to be the main driver of total exports...



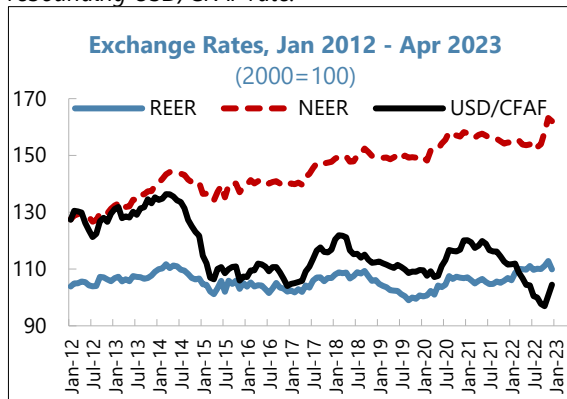
...while imports are increasingly driven by oil.



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



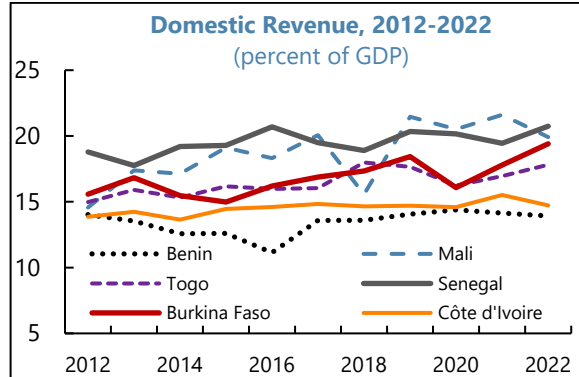
The real exchange rate has begun to depreciate, with a rebounding USD/CFAF rate.



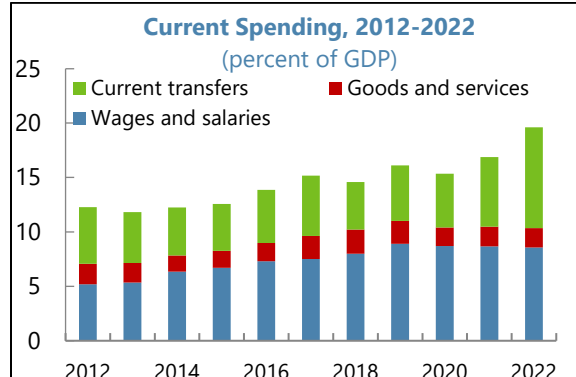
Sources: Burkina authorities; and IMF staff calculations
Note: Figures for 2022 are preliminary

Figure 3. Burkina Faso: Fiscal Developments

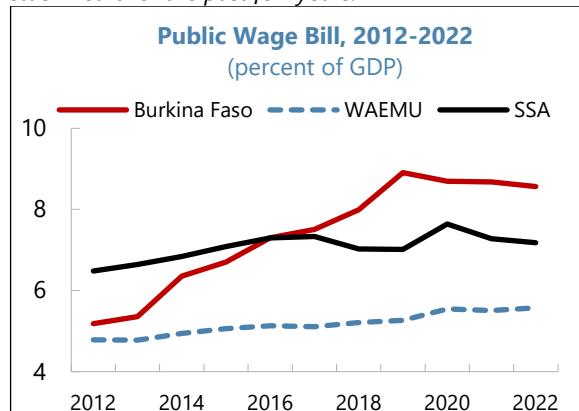
Domestic revenue is estimated to have continued to increase in 2022.



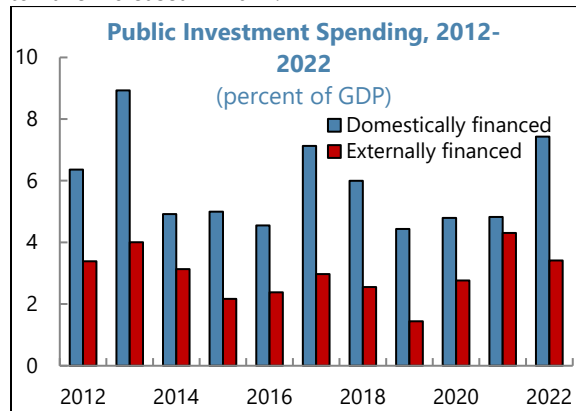
Current spending remains high and is estimated to have increased in 2022.



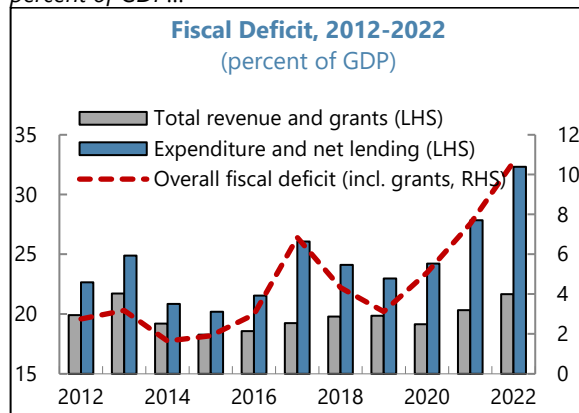
The wage bill remains high relative to peers but has stabilized over the past few years.



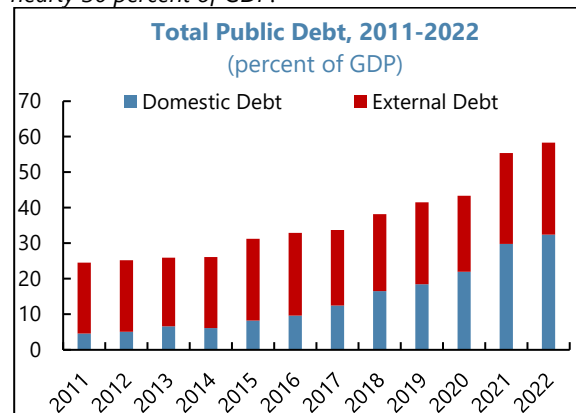
Domestically financed investment spending is projected to have increased in 2022.



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



...as public debt rose further, with domestic debt at nearly 30 percent of GDP.

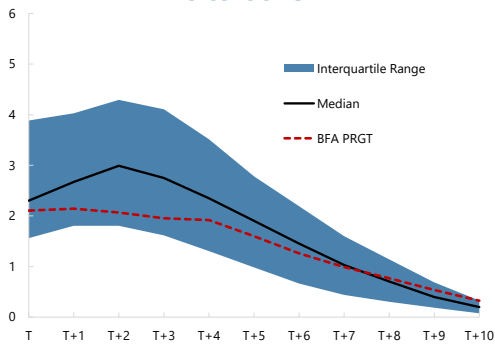


Sources: Burkinabè authorities; and IMF staff calculations
Note: Figures for 2022 are projections

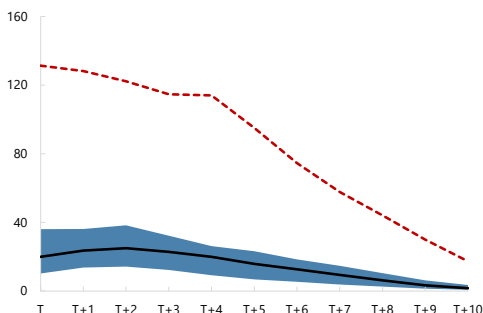
Figure 4. Burkina Faso: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries
(in percent of the indicated variable)

Total Fund Credit Outstanding

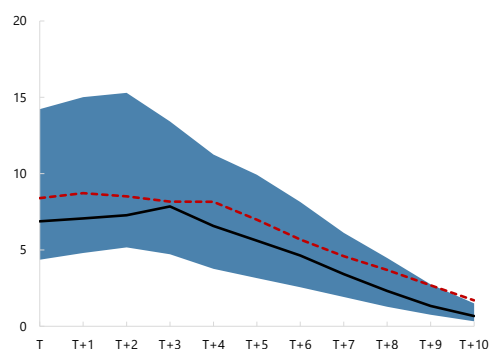
Percent of GDP



Percent of Gross International Reserves

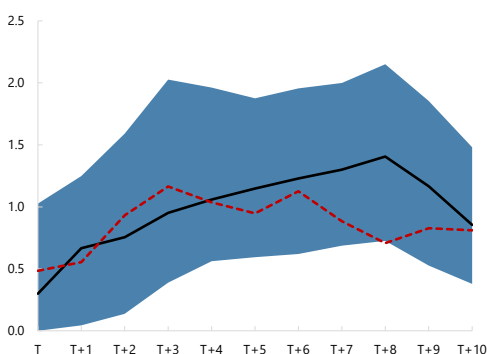


Percent of PPG External Debt

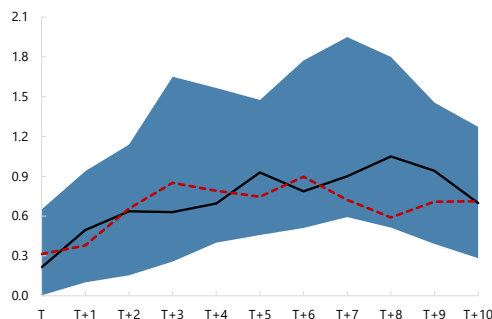


Total Debt Service to the Fund

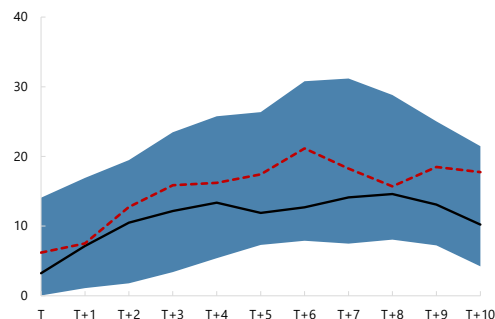
Percent of Revenue excl. Grants



Percent of Exports of Goods and Services

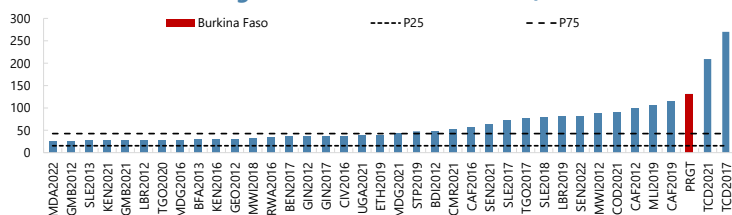


Percent of PPG External Debt Service

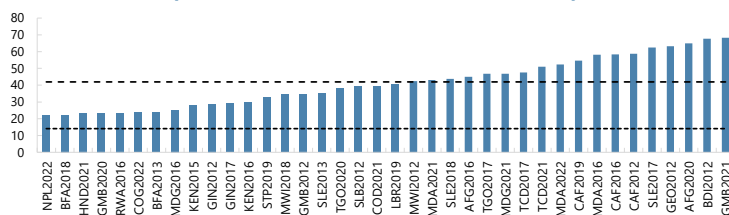


Largest Peaks

38 Largest Peaks for Fund Credit Outstanding (Percent of gross international reserves)



38 Largest Peaks for Total Debt Service to the Fund (Percent of PPG external debt service)



- 1) T = date of arrangement approval. PPG = public and publicly guaranteed.
- 2) Red lines/bars indicate the Ctr indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2012 and 2022.
- 4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
- 5) Comparator series is for PRGT arrangements only and runs up to T+10.
- 6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
- 7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2021–27

Population (2023): 22.7 million
 Per capita GDP (2023): 831 USD
 Share of population below the poverty line (2022): 43.7%

Gini Index (2018): 47.3
 Life Expectancy (years): 60
 Literacy rate (2018): 39%

	2021	2022	2023	2024	2025	2026	2027
	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>(Annual percentage change, unless otherwise indicated)</i>							
GDP and Prices							
GDP at constant prices	6.9	1.5	4.4	6.4	6.0	5.6	5.3
GDP deflator	-0.8	6.1	1.9	3.0	2.0	2.0	2.0
Consumer prices (annual average)	3.9	14.1	1.4	3.0	2.0	2.0	2.0
Consumer prices (end of period)	8.2	9.6	2.4	2.0	2.0	2.0	2.0
Money and Credit							
Net domestic assets (banking system) 1/	5.2	...	...	...	...	...	...
Credit to the government (banking system) 1/	-5.8	...	...	...	...	...	...
Credit to private sector	10.1	...	...	...	...	...	...
Broad money (M3)	19.1	...	...	...	...	...	...
Private sector credit/GDP	29.4	...	...	...	...	...	...
External Sector							
Exports (f.o.b.; valued in CFA francs)	12.9	-1.2	0.7	7.5	5.2	4.3	6.1
Imports (f.o.b.; valued in CFA francs)	21.1	26.8	-2.8	6.6	5.9	5.8	6.1
Current account (percent of GDP)	0.4	-6.2	-4.7	-4.2	-4.0	-3.9	-3.7
Real effective exchange rate	...	...	...	...	...	...	...
<i>(Percent of GDP, unless otherwise indicated)</i>							
Central Government Finances							
Current revenue	17.8	19.4	19.0	19.1	19.6	20.0	20.5
Of which: tax revenue 2/	15.4	17.4	16.7	16.9	17.3	17.8	18.3
Total expenditure and net lending	27.8	32.2	26.5	26.0	26.0	25.6	25.2
Of which: current expenditure	18.6	21.6	17.4	17.3	17.2	16.7	16.4
Overall fiscal balance, incl. grants (commitments)	-7.5	-10.6	-6.6	-5.6	-4.7	-3.8	-3.0
Total public debt	55.4	58.3	60.9	61.0	61.2	60.7	59.7
Of which: external debt	25.6	25.9	24.5	23.9	23.6	23.4	23.2
Memorandum Items:							
Nominal GDP (CFAF billion)	10,945	11,785	12,527	13,742	14,854	16,000	17,170
Nominal GDP per capita (US\$)	892	832	892	964	1,017	1,069	1,111
REER based on Consumer Price Index (CFAF per US\$)	99						

Sources: Burkinabè 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, 2019–2027

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>(CFAF billions, unless otherwise indicated)</i>									
Current Account	-307	428	43	-727	-588	-575	-599	-623	-635
Trade balance	214	766	698	3	111	149	133	87	93
Exports of goods	2,301	2,790	3,149	3,110	3,131	3,367	3,541	3,695	3,920
Of which: cotton	185	168	245	383	278	281	279	286	299
Of which: gold	1,686	2,279	2,401	2,230	2,390	2,600	2,759	2,887	3,078
Imports of goods	-2,087	-2,024	-2,451	-3,107	-3,020	-3,218	-3,408	-3,607	-3,828
Of which: oil	-420	-286	-488	-775	-631	-643	-653	-663	-679
Services, net	-540	-433	-477	-526	-543	-566	-592	-617	-640
Primary income, net	-299	-320	-512	-478	-378	-386	-392	-346	-354
Secondary income, net	318	416	334	274	221	228	253	253	266
Of which: Official transfers, net	169	246	146	126	65	65	65	65	65
Capital Account	126	212	236	260	172	230	311	329	349
Project grants	72	142	179	203	116	174	254	273	293
Financial Account	-49	-500	66	-688	-36	191	70	63	85
Direct investment	86	-53	-20	24	30	13	-1	9	15
Portfolio investment	59	-298	109	-49	216	273	229	246	273
Other investment	-193	-149	-22	-663	-281	-95	-157	-192	-203
Commercial banks	-237	58	-40	-149	-26	-24	-22	-21	-9
General government	97	152	265	158	91	202	217	230	199
Project loans	91	143	292	195	207	275	297	320	284
Program loans	65	70	46	57	0	56	56	56	56
Amortization of public loans (excl. IMF)	-59	-61	-72	-94	-116	-129	-136	-146	-141
Other private	-53	-359	-246	-671	-346	-273	-352	-401	-393
Errors and Omissions	-4	-4	-23	0	0	0	0	0	0
Overall Balance	-234	135	322	-1,155	-451	-154	-218	-231	-201
Net change in foreign assets of the central bank	234	-135	-322	1,155	451	154	218	231	201
of which: IMF net financing	-25	-104	16	15	-57	-26	-16	-7	-19
Disbursements (past and prospective)	44	111	0	0	68	38	39	39	48
Repayments (excluding charges)	-19	-7	-16	-15	-11	-13	-22	-32	-30
of which: SDR allocation	...	...	91	...	...	...	...	...	...
Residual Financing Gap	0	0	0	0	0	0	0	0	0
<i>(Percent of GDP, unless otherwise indicated)</i>									
Memorandum Items:									
Exports of goods	24.3	27.0	28.8	26.4	25.0	24.5	23.8	23.1	22.8
Imports of goods	-22.0	-19.6	-22.4	-26.4	-24.1	-23.4	-22.9	-22.5	-22.3
Trade balance (goods)	2.3	7.4	6.4	0.0	0.9	1.1	0.9	0.5	0.5
Trade balance (services)	-5.7	-4.2	-4.4	-4.5	-4.3	-4.1	-4.0	-3.9	-3.7
Trade balance (goods and services)	-3.4	3.2	2.0	-4.4	-3.4	-3.0	-3.1	-3.3	-3.2
Current account (= deficit)	-3.2	4.1	0.4	-6.2	-4.7	-4.2	-4.0	-3.9	-3.7
GDP at current prices (CFAF billions)	9,479	10,322	10,945	11,785	12,527	13,742	14,854	16,000	17,170
BCEAO Reserves									
In billion USD	5	6	6	6	...	...	...	...	...
In months of next year's WAEMU imports	5.6	5.5	5.1	4.1	...	...	...	...	...
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 3a. 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	2,490.0	2,802.5	3,162.9	3,479.4	3,817.7
Total revenue	1,747.7	1,659.4	1,946.6	2,288.3	2,374.3	2,628.6	2,908.8	3,206.5	3,524.1
Tax revenue	1,424.9	1,377.0	1,687.5	2,052.4	2,096.6	2,320.8	2,576.1	2,848.1	3,139.1
Of which: Gold Mining CIT	53.1	50.8	135.3	100.4	119.5	143.0	151.7	158.8	169.1
Nontax revenue	322.8	282.4	259.1	235.8	277.7	307.8	332.7	358.4	384.9
Of which: Royalties from gold	36.8	91.2	74.0	89.2	95.6	104.0	110.4	115.5	123.1
Grants	134.3	316.0	277.3	263.7	115.8	173.9	254.1	272.9	292.5
Project	45.9	156.3	196.3	203.4	115.8	173.9	254.1	272.9	292.5
Program	88.4	159.7	80.9	60.3	0.0	0.0	0.0	0.0	0.0
Expenditure and Net Lending 1/	2,177.4	2,500.0	3,047.8	3,799.2	3,321.2	3,576.8	3,866.2	4,093.0	4,332.1
Current expenditure	1,644.5	1,724.3	2,038.5	2,539.8	2,177.6	2,371.0	2,554.4	2,668.5	2,815.1
Wages and salaries	844.4	897.2	949.5	1,009.1	1,097.2	1,202.3	1,274.6	1,342.0	1,399.1
Goods and services	198.4	176.3	197.5	210.4	226.1	248.1	268.1	288.8	309.1
Interest payments	117.1	140.6	192.5	229.6	271.1	355.4	408.7	420.7	447.1
Domestic	95.6	117.0	163.9	196.3	223.4	309.1	362.8	374.8	401.1
External	21.5	23.5	28.6	33.3	47.8	46.3	46.0	45.9	46.0
Current transfers	484.6	510.2	698.9	1,090.7	583.2	565.2	603.0	616.9	659.1
Investment expenditure	556.8	780.0	999.1	1,269.0	1,143.6	1,205.9	1,311.8	1,424.5	1,516.1
Domestically financed	420.3	494.6	528.2	871.4	820.8	757.1	760.6	831.6	940.1
Externally financed	136.5	285.4	470.9	397.6	322.8	448.8	551.2	592.9	576.0
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	-1,247.3	-831.2	-774.3	-703.3	-613.6	-515.1
Cash basis adjustment	-2.6	-8.2	120.1	394.6	0.0	0.0	0.0	0.0	0.0
Overall Balance (Cash Basis)	-298.0	-532.8	-703.8	-852.7	-831.2	-774.3	-703.3	-613.6	-515.1
Financing	293.7	530.8	799.4	872.3	831.2	774.3	703.3	613.6	515.1
Foreign financing	97.2	152.4	265.0	157.6	91.2	201.8	217.3	230.1	199.1
Drawings	156.1	213.8	337.3	251.5	207.1	331.0	353.0	375.8	339.1
Project loans	90.6	143.5	291.6	194.8	207.1	274.8	297.1	320.0	283.1
Program loans	65.5	70.3	45.7	56.7	0.0	56.1	55.9	55.8	56.0
Amortization (excl. IMF)	-58.9	-61.4	-72.3	-93.9	-115.8	-129.1	-135.7	-145.6	-140.0
Domestic financing	196.6	378.4	534.4	714.6	739.9	572.5	486.0	383.4	316.0
Bank financing	19.5	76.5	178.7	622.9	739.9	572.5	486.0	383.4	316.0
Central bank	11.2	118.3	-48.9	202.8	57.5	25.6	16.3	6.6	18.0
of which: IMF net financing	28.7	103.8	-16.3	-15.1	57.5	25.6	16.3	6.6	18.0
Disbursements	47.8	110.8	0.0	0.0	68.5	38.5	38.5	38.6	48.0
Repayments	-19.1	-7.1	-16.3	-15.1	-11.0	-12.9	-22.2	-32.0	-29.0
Commercial banks	8.3	-41.8	227.6	420.1	682.4	546.9	469.7	376.9	297.0
Nonbank financing	177.1	301.9	355.7	91.7	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	4.3	2.0	-95.6	-19.5					
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Mining revenue	267.9	306.4	371.2	471.0	504.8	549.1	582.7	609.7	650.0
Overall Balance excl. mining revenue	-566.0	-839.3	-1,075.0	-1,323.7	-1,336.0	-1,323.4	-1,286.0	-1,223.3	-1,165.1

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

1/ Commitment ("engagement") basis.

Table 3b. Burkina Faso: Consolidated Operations of the Central Government, 2021-27
(In percent of GDP)

	2021	2022	2023	2024	2025	2026	2027
	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	20.3	21.7	19.9	20.4	21.3	21.7	22.2
Total revenue	17.8	19.4	19.0	19.1	19.6	20.0	20.5
Tax revenue	15.4	17.4	16.7	16.9	17.3	17.8	18.3
Of which: Gold Mining CIT	1.2	0.9	1.0	1.0	1.0	1.0	1.0
Nontax revenue	2.4	2.0	2.2	2.2	2.2	2.2	2.2
Of which: Royalties from gold	0.7	0.8	0.8	0.8	0.7	0.7	0.7
Grants	2.5	2.2	0.9	1.3	1.7	1.7	1.7
Project	1.8	1.7	0.9	1.3	1.7	1.7	1.7
Program	0.7	0.5	0.0	0.0	0.0	0.0	0.0
Expenditure and Net Lending 1/	27.8	32.2	26.5	26.0	26.0	25.6	25.2
Current expenditure	18.6	21.6	17.4	17.3	17.2	16.7	16.4
Wages and salaries	8.7	8.6	8.8	8.7	8.6	8.4	8.1
Goods and services	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Interest payments	1.8	1.9	2.2	2.6	2.8	2.6	2.6
Domestic	1.5	1.7	1.8	2.2	2.4	2.3	2.3
External	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Current transfers	6.4	9.3	4.7	4.1	4.1	3.9	3.8
Investment expenditure	9.1	10.8	9.1	8.8	8.8	8.9	8.8
Domestically financed	4.8	7.4	6.6	5.5	5.1	5.2	5.5
Externally financed	4.3	3.4	2.6	3.3	3.7	3.7	3.4
Net lending	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Overall Balance 1/	-7.5	-10.6	-6.6	-5.6	-4.7	-3.8	-3.0
Cash basis adjustment	1.1	3.3	0.0	0.0	0.0	0.0	0.0
Overall Balance (Cash Basis)	-6.4	-7.2	-6.6	-5.6	-4.7	-3.8	-3.0
Financing	7.3	7.4	6.6	5.6	4.7	3.8	3.0
Foreign financing	2.4	1.3	0.7	1.5	1.5	1.4	1.2
Drawings	3.1	2.1	1.7	2.4	2.4	2.3	2.0
Project loans	2.7	1.7	1.7	2.0	2.0	2.0	1.7
Program loans	0.4	0.5	0.0	0.4	0.4	0.3	0.3
Amortization (excl. IMF)	-0.7	-0.8	-0.9	-0.9	-0.9	-0.9	-0.8
Domestic financing	4.9	6.1	5.9	4.2	3.3	2.4	1.8
Bank financing	1.6	5.3	5.9	4.2	3.3	2.4	1.8
Central bank	-0.4	1.7	0.5	0.2	0.1	0.0	0.1
of which: IMF net financing	-0.1	-0.1	0.5	0.2	0.1	0.0	0.1
Disbursements	0.0	0.0	0.5	0.3	0.3	0.2	0.3
Repayments	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2
Commercial banks	2.1	3.6	5.4	4.0	3.2	2.4	1.7
Nonbank financing	3.2	0.8	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	-0.6	-0.1					
Financing Gap			0.0	0.0	0.0	0.0	0.0
Memorandum Items:							
Nominal GDP (CFAF billion)	10,945	11,785	12,527	13,742	14,854	16,000	17,170
Wage bill to tax revenue ratio (percent)	56.3	49.2	52.3	51.8	49.5	47.1	44.6
Primary balance excluding program grants	-6.5	-9.1	-4.5	-3.0	-2.0	-1.2	-0.4

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

1/ Commitment ("engagement") basis.

Table 4. Burkina Faso: Monetary Survey, 2021–27

	2021	2022	2023	2024	2025	2026	2027
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<i>(CFAF billions, unless otherwise indicated)</i>							
Net foreign assets	2702	1974	1598	1513	1358	1187	1013
BCEAO 1/	533	-622	-1073	-1227	-1445	-1676	-1876
Assets	1109	169	189	209	232	253	270
Liabilities	576	791	1262	1436	1677	1929	2146
Commercial banks	2169	2596	2671	2740	2803	2862	2889
Net domestic assets	2952	3797	4586	5275	6010	6622	7184
Domestic credit	3494	4403	5275	5964	6700	7312	7873
Net Bank credit to government	-60	288	1028	1601	2087	2470	2786
BCEAO	-89	67	125	150	167	173	192
Commercial banks	29	221	904	1450	1920	2297	2594
Credit to other sectors	3554	4114	4247	4364	4613	4842	5087
<i>of which: Credit to private sector</i>	3,220	3,676	3,807	3,921	4,168	4,394	4,637
Other items (net)	-182	-233	-149	-149	-149	-149	-149
Shares and other equities	724	838	838	838	838	838	838
Total broad money liabilities	5654	5771	6184	6788	7369	7809	8196
Liquid liabilities	5358	5422	5794	6356	6889	7286	7640
Non-liquid liabilities (excl. from broad money)	296	350	390	432	479	523	556
<i>(Annual percentage change, unless otherwise indicated)</i>							
Memorandum items:							
Net foreign assets	35.8	-26.9	-19.1	-5.3	-10.2	-12.6	-14.7
Net domestic assets 2/	5.2	15.8	14.5	11.9	11.6	8.9	7.7
Net credit to government 2/	-5.8	6.5	13.6	9.9	7.6	5.6	4.3
Credit to Private Sector	10.1	14.2	3.5	3.0	6.3	5.4	5.5
Private sector credit (percentage of GDP)	29.4	31.2	30.4	28.5	28.1	27.5	27.0
Money supply	19.1	1.2	6.9	9.7	8.4	5.8	4.9
Velocity of money (GDP/M2) 3/	2.0	2.2	2.2	2.2	2.2	2.2	2.2

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 5. 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	Dec-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	14.0
Asset Quality									
Gross NPLs / Total loans	8.6	8.9	8.9	8.8	7.4	7.6	7.8	7.4	5.6
Provisions / NPLs	64.9	67.6	70.4	66.4	70.4	69.1	71.4	71.4	80.2
Loan Concentration									
5 largest clients / equity	158.4	179.6	114.5	79.8	70.6	69.3	76.5	66.8	80.0
By Sector: (share of total)									
Agriculture	2.8	1.9	3.7	4.4	4.7	3.7	1.8	2.3	2.4
Extractive Industries	2.0	2.3	1.5	2.0	2.9	4.1	4.6	4.3	6.3
Manufacturing	16.1	15.2	13.2	13.6	12.5	12.1	12.2	11.2	11.1
Electricity, gas, water	1.3	1.0	0.8	1.2	1.0	1.0	2.4	2.8	2.1
Buildings/Public Works	13.6	16.6	16.2	16.9	17.8	16.5	16.7	16.1	12.4
Commercial (restaurants, hotels)	26.0	28.3	25.6	23.9	23.6	18.5	18.0	18.2	28.5
Transportation/communication	9.5	8.4	10.3	8.8	9.1	10.9	9.9	9.0	1.8
Insurance, real estate, business services	3.7	3.0	5.0	5.6	7.2	7.3	10.1	9.9	6.5
Other	25.1	23.1	23.7	23.7	21.3	25.9	24.3	26.2	28.7
Liquidity									
Loans to deposits	99.8	91.2	86.1	83.9	85.7	87.4	77.6	71.3	81.9
Liquid assets / total assets	34.8	29.2	23.2	24.7	25.7	22.5	20.9	18.7	21.2

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 6. Burkina Faso: External Financing Requirements, 2022-2027

(CFAF billions)

	2022	2023	2024	2025	2026	2027
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Financing Need	-1,750.3	-850.4	-736.7	-912.6	-976.8	-928.3
Current account balance (excl. official transfers)	-852.3	-653.1	-639.9	-664.0	-688.4	-700.6
IMF repayments	-15.1	-11.0	-12.9	-22.2	-32.0	-29.7
Private capital flows	-788.9	-70.5	45.2	-90.7	-110.8	-57.2
Amortization of public loans (excl. IMF)	-93.9	-115.8	-129.1	-135.7	-145.6	-140.8
Financing	1,693.5	781.9	642.1	818.1	882.4	823.8
Project loans:	194.8	207.1	274.8	297.1	320.0	283.8
Official transfers, net	125.5	65.3	65.3	65.3	65.3	65.3
Change in NFA central bank (excl. prospective IMF disbursements and repayments)	1,169.8	393.8	128.0	201.7	224.3	181.8
Project grants	203.4	115.8	173.9	254.1	272.9	292.9
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap (excluding past IMF financing)	56.7	18.5	94.6	94.4	94.3	104.5
Past IMF financing	0.0	49.9	...	...	...	...
Prospective IMF financing	...	18.5	38.5	38.5	38.6	48.5
Other donors	56.7	0.0	56.1	55.9	55.8	56.0
Residual Financing Gap (after IMF and donor financing)	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Burkinabè authorities and IMF staff estimates and projections.

Table 7. Burkina Faso: Schedule of Disbursements and Proposed Phasing Under Four-year ECF Arrangement 2023–27

Amount	Percent of Quota	Availability Date	Conditions for Disbursement¹
SDR 24.08 million	20.0	21-Sep-23	Executive Board Approval of a new arrangement under the Extended Credit Facility
SDR 24.08 million	20.0	31-Mar-24	Observance of continuous and end-December 2023 performance criteria, and completion of the first review under the arrangement
SDR 24.08 million	20.0	30-Sep-24	Observance of continuous and end-June 2024 performance criteria, and completion of the second review under the arrangement
SDR 24.08 million	20.0	31-Mar-25	Observance of continuous and end-December 2024 performance criteria, and completion of the third review under the arrangement
SDR 24.08 million	20.0	30-Sep-25	Observance of continuous and end-June 2025 performance criteria, and completion of the fourth review under the arrangement
SDR 24.08 million	20.0	31-Mar-26	Observance of continuous and end-December 2025 performance criteria, and completion of the fifth review under the arrangement
SDR 24.08 million	20.0	30-Sep-26	Observance of continuous and end-June 2026 performance criteria, and completion of the sixth review under the arrangement
SDR 30.1 million	25.0	31-Mar-27	Observance of continuous and end-December 2026 performance criteria, and completion of the seventh review under the arrangement
SDR 30.1 million	25.0	31-Aug-27	Observance of continuous and end-June 2027 performance criteria, and completion of the eighth review under the arrangement
Total			
SDR 228.76 million	190.0		

Sources: Burkinabè authorities; and IMF staff estimates.

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

Table 8. Burkina Faso: Indicators of Capacity to Repay the IMF, 2023-35 1/

	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	17.4	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	17.4	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	14.5	11.5	13.0	24.5	33.8	33.2	33.2	36.6	22.5	9.8	9.8	4.9	0.0	0.0
In percent of government revenues	0.6	0.5	0.5	0.8	1.1	0.9	0.9	0.9	0.5	0.2	0.2	0.1	0.0	0.0
In percent of exports of goods and services	0.4	0.3	0.3	0.6	0.8	0.8	0.7	0.7	0.4	0.2	0.2	0.1	0.0	0.0
In percent of debt service 1/	12.0	9.2	9.8	16.2	19.8	18.9	17.0	17.6	10.4	4.5	4.2	2.0	0.0	0.0
In percent of GDP	0.1	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	14.5	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	221.0	206.0	181.7	148.3	115.8	88.5	46.9	24.4	14.7	4.9	0.0	0.0	0.0
In percent of government revenues	8.3	9.3	7.8	6.2	4.6	3.3	2.3	1.1	0.5	0.3	0.1	0.0	0.0	0.0
In percent of exports of goods and services	5.5	6.3	5.5	4.6	3.6	2.6	1.9	0.9	0.5	0.3	0.1	0.0	0.0	0.0
In percent of debt service 1/	157.8	178.0	154.7	119.9	87.0	65.8	45.2	22.6	11.3	6.8	2.1	0.0	0.0	0.0
In percent of GDP	1.6	1.8	1.5	1.2	0.9	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)														
Disbursements	-17.4	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
Repayments and repurchases	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
	17.4	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)	11,785	12,527	13,742	14,854	16,000	17,170	18,439	19,806	21,267	22,841	24,538	26,369	28,343	30,432
Exports of goods and services (in billions of CFAF)	3,442	3,484	3,754	3,959	4,145	4,403	4,726	4,993	5,275	5,575	5,892	6,229	6,586	6,965
Government revenue (in billions of CFAF)	2,288	2,374	2,629	2,909	3,207	3,525	3,848	4,167	4,509	4,881	5,284	5,721	6,195	6,701
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	806	799	800	801	805	811	811	811	811	811	811	811	811

Sources: IMF staff estimates and projections.

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

2/ Includes state-owned enterprises debt.

Table 9. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2023-24
(CFAF billions, unless otherwise indicated)

	2023		2024	
	Dec.	Mars 1/	Juin	Sept. 1/
	Prog.	Prog.	Prog.	Prog.
Quantitative Performance Criteria				
Ceiling on net domestic financing of the government 2/ 3/ 4/	739.9	143.1	286.3	429.4
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 5/ 6/ 7/	410.0	410.0	410.0	410.0
Ceiling on the accumulation of external payment arrears by the government 8/	-	-	-	-
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	-	-	-	-
Ceiling on government guarantees of new bank pre-financing for public investments 8/	-	-	-	-
Ceiling on the primary fiscal deficit including grants 2/	560.0	104.7	209.5	314.2
Indicative Targets				
Ceiling on the accumulation of domestic arrears by the government 8/	-	-	-	-
Floor on government revenue 2/	2,374.3	657.1	1,314.3	1,971.4
Floor on poverty-reducing current social expenditures 2/	296.2	75.9	151.7	227.6
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40.0	40.0	40.0	40.0
Ceiling on primary current expenditure 2/ 9/	1,906.5	503.9	1,007.8	1,511.7
Ceiling on the value of PPPs contracted 2/	200.0	200.0	200.0	200.0

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

1/ March (and September) figures are indicative targets, except for continuous performance criteria. June and December figures are performance criteria.

2/ Cumulative from beginning of the year.

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

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of unpaid VAT refunds by end-December 2023, up to a maximum of CFAF 85 billion, as specified in the TMU.

5/ The ceiling on the amount of external debt contracted or guaranteed by the government (in PV terms) will be adjusted upward by the present value of the full amount of loans used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

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

8/ To be observed continuously.

9/ Primary current expenditure includes spending on the wage bill, goods and services, energy subsidies and excludes interest payments.

Table 10. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027

Benchmarks	Objective	Completion Date
Submit to Parliament the revised 2023 budget in line with program objectives.	Reduce fiscal risks.	Prior action.
Formally instruct ASCE-LC to launch an audit of all the government's arrears and floating debts.	Improve fiscal transparency and governance.	Prior action.
Do not grant any new wage agreement (except for the security sector) that could impact the wage bill trajectory and push it beyond 45% of tax revenues by 2027.	Wage bill control.	Continuous structural benchmark.
Publish information on the beneficial owners of entities awarded public procurement contracts to address food insecurity on the Ministry of the Economy, Finance and Perspective's website on a quarterly basis the quarter after the contract is awarded.	Improve fiscal transparency and governance.	Continuous structural benchmark.
Publish on the Ministry of the Economy, Finance and Perspective's website annual (and to the extent possible, quarterly) budget execution reports which will also include information on the use of funds disbursed under the FSW	Improve fiscal transparency and governance.	Continuous structural benchmark.
First Review		
Submit draft 2024 budget, which must include a "CAST-Patriotic Support Fund (PSF)"; the budget must also include an appendix detailing the funding arrangement for the PSF.	Reduce fiscal risks.	End-December 2023
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 52.3 percent.	Wage bill control.	End-December 2023
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2023
Publish audits of the implementation of cash transfer programs and all emergency food expenditure on the Ministry of Economy, Finance and Perspective's website.	Improve fiscal transparency and governance.	End-December 2023

Table 10. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (continued)

Benchmarks	Objective	Completion Date
Adopt performance contracts with SONABHY and SONABEL, as well as the tripartite contract between the government, SONABHY and SONABEL.	Improve efficiency in the energy sector.	End-December 2023.
Second Review		
Conduct a review of energy subsidies and an assessment of the application of the price-setting mechanism, to move towards a reduction in subsidies over the program period	Improve efficiency in the energy sector.	End-June 2024.
Prepare and implement a strategy for clearing government's arrears.	Improve fiscal transparency and governance.	End-June 2024
Raise the ceiling on VAT credit reimbursements to the CAST account to level consistent to avoid accumulation of arrears.	Reduce fiscal risks.	End-June 2024
Third Review (indicative)		
Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology..	Improve fiscal transparency and governance.	End-December 2024 and every year thereafter.
Adopt a new strategic plan for revenue mobilization for the period 2024-27, based on the 2021 self-assessment.	Improve domestic revenues mobilization.	End-December 2024.
Publish an audit of all the government's arrears and floating spending on the Ministry of Economy, Finance and Perspective's website.	Improve fiscal transparency and governance	End-December 2024.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.	Wage bill control.	End-December 2024.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2024.
Fourth Review (indicative)		
Put in place a beneficial ownership registry accessible to government authorities and financial institutions with customer due diligence obligations.	Improve governance and the fight against money laundering and terrorism financing.	End-June 2025.

Table 10. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (continued)

Benchmarks	Objective	Completion Date
Submit a progress report on the implementation of the Unique Social Registry.	Extend social protection.	End-June 2025.
Publish a report assessing the impact of tax expenditure on the Burkina Faso economy over the period 2018-2021.	Improve management of fiscal risks.	End-June 2025.
Fifth Review (indicative)		
Prepare and publish a report on the governance diagnostic on the Ministry of Economy, Finance and Perspective's website.	Improve governance and fiscal transparency.	End-December 2025.
Ensure that cash transfers from the Social Safety Net Program (PFS) cover at least 180,000 of the poorest households, in addition to what covered by donors.	Extend social protection.	End-December 2025.
Conduct a complete census of the civil service workforce and publish a report on the results.	Wage bill control.	End-December 2025.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 49.5 percent.	Wage bill control.	End-December 2025.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2025.
Sixth Review (indicative)		
Publish a governance action plan to be implemented over the remaining program period.	Improve governance and fiscal discipline.	End-June 2026.
To improve public investment efficiency, prepare a roadmap to strengthen the assessment, quantification and monitoring of public investment budgetary risks on a regular basis, focusing not only on PPPs but also on traditional (non-PPP) investment projects, ensure that all PPP projects undergo fiscal sustainability analysis, and continue to fully implement the PIMA recommendations.	Reduce fiscal risks.	End-June 2026.
To continue implementing the Treasury Single Account, implement the conclusions of the study on the impact of the closure of public accounts, as well as the recommendations of the Council of Ministers on the centralization of public funds.	Reduce fiscal risks	End-June 2026.

Table 10. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (concluded)

Benchmarks	Objective	Completion Date
Seventh Review (indicative)		
Strengthen the capacity to revenue authorities to collect mining revenues.	Improve domestic revenues mobilization.	End-December 2026.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 47.1 percent.	Wage bill control.	End-December 2026.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2026.

Table 11. Burkina Faso: Summary Table of Projected External Borrowing Program
(USD millions)

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		PV of new debt in 2023 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	629.9	100	216.2	100	216.2	100
Concessional debt, of which	575.8	91	170.4	79	170.4	79
Multilateral debt	575.8	91	170.4	79	170.4	79
Bilateral debt	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	54.1	9	45.8	21	45.8	21
Semi-concessional	54.1	9	45.8	21	45.8	21
Commercial terms	0.0	0	0.0	0	0.0	0
By Creditor Type	629.9	100	216.2	100	216.2	100
Multilateral	629.9	100	216.2	100	216.2	100
Bilateral - Paris Club	0.0	0	0.0	0	0.0	0
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Uses of debt financing	629.9	100	216.2	100	216.2	100
Infrastructure	156.4	25	79.3	37	79.3	37
Social Spending	473.5	75	136.9	63	136.9	63
Budget Financing	0.0	0	0.0	0	0.0	0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Memo Items						
Indicative projections						
Year 2	0.0		0.0		0.0	
Year 3	0.0		0.0		0.0	

Annex I. Country Engagement Strategy

A. Background and Context

1. **Burkina Faso faces multiple development challenges**, mainly related to the ongoing security crisis, climate change, and poverty, exacerbated by the disruption of international supply-chains caused by the COVID-19 pandemic and Russia's invasion of Ukraine.
2. **Poverty remains extreme.** In 2021, 26.8 percent of the population was living on less than US\$2.15 a day (2017 PPP).¹ Burkina Faso ranked 184th out of 191 countries in the 2021 Human Development Index (HDI), an index of per-capita income, educational attainment, and life expectancy, and 138th out of 163 countries in terms of overall performance on achieving the SDGs in 2022.
3. **The authorities have embarked on a difficult political transition.** The transitional government's policy priorities include (i) the restoration of security; (ii) improvement of the population's quality of life; and (iii) promotion of good governance, including macroeconomic stability and fighting corruption. Financing needs are elevated along with important spending needs, including related to the security sector, humanitarian, and development needs, requiring the need to build fiscal space as well as securing increased external budget grants and concessional borrowing.

B. Drivers of Fragility

4. **The structural drivers of fragility are complex and systemic, arising from both external and internal sources.** The most relevant constraints include the following:
 - **Climate change.** Historically, extreme weather conditions such as flood and drought have contributed to keeping the country in conditions of fragility, with unemployment, poverty, and food insecurity remaining high, and facilitating the recruitment for jihadist armed groups.
 - **Security constraints.** Burkina Faso is at the epicenter of cross-border incursions by armed jihadist groups,² causing thousands of casualties, internal displacement of over 2 million individuals, and the loss of state presence in many conflict zones.
 - **Weapons proliferation and illicit trade.** Traffickers make use of the porous border areas to link the countries in the Gulf of Guinea to the illicit trans-Sahara trade, making weapons easily accessible. Illicit trade, including artisanal gold mining, complements the range of potential revenue sources for jihadist groups and other organized criminal networks.

¹ Based on World Bank estimates. The international poverty line of US\$2.15 per person per day, expressed in terms of Power Purchasing Parity (PPP), is generally used for measuring poverty in lower-income countries.

² The 2022 Global Terrorism Index ([GTI](#)) ranks Burkina Faso second only to Afghanistan as the most terrorism-affected country in the world.

- **Political instability and governance challenges.** Although Burkina Faso has taken steps since 2015 to build institutions for tackling systemic corruption,¹ including basic anti-money laundering laws, but their effective enforcement remains a challenge given weak capacity.
- **Weakening human capital indicators.** According to the World Bank, in 2021 life expectancy at birth remains at under 60 years and lower secondary-school attendance below 50 percent of the school-age population; the maternal mortality rate is high at 320 per 100,000 live births (2017).
- **Urban-rural gap of access to services and resources.** Burkina Faso is marked by a deep urban-rural divide in access to public services, including electricity, sanitation, clean water, schooling, health, police presence and the justice system, creating a breeding ground for violent conflict.
- **Narrow economic base and lack of diversification.** A landlocked economy based on limited natural resources (including gold, cotton, livestock), economic success depends heavily on external factors (e.g., rainfall, commodity prices). Improvements in the business environment and infrastructure are key for private sector development and economic diversification.

C. Past Fund Engagement

5. The 2018–2020 ECF arrangement aimed to restore macroeconomic stability and promote sustainable and inclusive growth. Key program objectives included fostering fiscal discipline, including to achieve the WAEMU fiscal deficit target of 3 percent of GDP; and creating fiscal space for priority spending through revenue and spending measures, including the public sector wage bill; and improved public investment management; among others. Fiscal discipline improved, with the fiscal deficit declining from 7 percent of GDP in 2017 to just over 3 percent of GDP in 2019, despite however a larger wage bill and the fiscal impact of the nascent security crisis. The fiscal deficit subsequently widened again, reflecting fiscal support measures during the COVID-19 pandemic. Long-standing operational inefficiencies in the energy sector remained.

6. Policy dialogue continued during COVID-19 pandemic and thereafter. In 2020, Burkina Faso benefited from disbursement under the Rapid Credit Facility's (RCF) exogenous shocks window of SDR 84.28 million (70 percent of quota) to respond to the impact of COVID-19, as well as from debt service relief under CCRT. IMF engagement continued through staff visits and CD. In March 2023 Burkina Faso received a disbursement of USD80.77 million (50 percent of Quota, SDR 60.2 million) under the RCF's Food Shock Window to help address the food crisis.

D. Engagement Strategy & Key Risks

7. A new ECF-supported program would help Burkina Faso address its many challenges highlighted above. Strengthening resilience to security and climate shocks, reducing poverty and inequality, and addressing food insecurity, including through enhanced social protection, are among the key pillars of the program.

¹ Burkina Faso ranks relatively more favorably in comparison to other Sub-Saharan Africa countries, at 12th out of 49 SSA countries (including Somalia) in 2022, with a score of 42 on a scale from 100 (very clean) to 0 (highly corrupt) (TI and [AfriBarometer](#)).

8. Risks remain substantial. Failure to address the security crisis may lead to further political instability, delay the resumption of budget support from partners and increase the country's dependence on the regional bond market, which would delay the achievement of WAEMU convergence criteria even further. In addition, risks arise also from adherence to the timeline for the elections, currently scheduled for July 2024, as well as from possible changes in macroeconomic policy priorities under a new government. Lastly, political instability in the broader region would also affect Burkina Faso through various channels, including security and donor sentiment.

9. Given these risks, and based on the Fund's experience in engaging with other fragile and conflict-affected states, it will be necessary that:

- **Program conditionalities** are kept parsimonious and realistic about what the authorities can achieve and the time it will take to implement specific reforms.
- **Policy synergies** are leveraged. Measures to address the various sources of fragility (including food insecurity and access to infrastructure and government services) go hand in hand with addressing economic development challenges, political instability, and terrorism. Measures as part of the authorities' food security plan, supported by the IMF's FSW financing, is a key example.
- **Outreach and communications** are reinforced to advance the objectives of the strategy and raise the understanding of key policy issues of the program to help build support among the broader public, especially on the need for macroeconomic stability and fiscal sustainability, while addressing the security crisis and strengthening the social safety net.
- **Capacity building** is tailored to the program objectives, well sequenced, and informed by the experience with implementation of past TA recommendations. Burkina Faso remains an intensive user of IMF technical assistance, currently focused on further enhancing revenue mobilization, the establishment of the Treasury Single Account, promoting the efficiency of government spending, improve the management of natural resources, and upgrade the quality of macroeconomic statistics. Key risks relate to limitations of absorption capacity.
- **Coordination and partnership**, including with the World Bank, African Development Bank (AfDB), European Union, UN agencies and other partners, are strengthened to leverage their mandate and expertise. The World Bank and AfDB are key partners, active in the project financing for infrastructure development and buttressing resilience to poverty and environment. The European Union has been an important provider of budget support, the resumption of which would be a key element to the ECF-supported program.

Annex II. Risk Assessment Matrix for Burkina Faso

Source of Risk	Relative Likelihood	Impact if realized	Possible Policy Response
External			
Intensification of regional conflicts. Further sanctions resulting from the war and related uncertainties exacerbate trade, financial disruptions, and commodity price volatility.	High	High	Create fiscal space; re-prioritize spending to address food emergency; seek budget support and concessional financing. Seek budget support and concessional financing; re-prioritize spending; intensify efforts to mobilize domestic revenues. Implement reforms to improve competitiveness; diversify exports; pursue efforts to promote regional trade. Re-prioritize spending to address food emergency; create fiscal space; seek concessional financing to invest in infrastructure to enhance resilience to climate-related shocks.
Abrupt global slowdown or recession. Tightening of financial conditions leads to spiking risk premia, widening of external imbalances and fiscal pressures, capital outflows, sudden stops, and debt and financial crises across EMDEs.	Medium	Medium	
Deepening geo-economic fragmentation. Broadening of conflicts and reduced international cooperation accelerate deglobalization, resulting in supply disruptions, rising input costs, and lower potential growth.	High	High	
Extreme climate events. More frequent natural disasters create damage to infrastructure and amplify supply chain disruptions and inflationary pressures, causing water and food shortages.	Medium	High	
Domestic			
Security disruptions Intensification of terrorist activity generates social discontent, which may lead to political instability.	High	High	Re-prioritize spending to address social emergencies; implement social and financial inclusion; seek support from international security arrangements. Contain the wage bill; reform energy subsidies; intensify efforts to mobilize revenues. Create fiscal space, seek support from bilateral/multilateral partners. Pursue tax policy reforms; optimize current spending and re-prioritize public investment.
Spending pressures Pressures for higher spending on wages, energy subsidies and security.	High	High	
Rollover/interest rate risks Higher interest rates, lack of regional bond market access	Medium	High	
Insufficient revenue collection Delays in revenue mobilization.	Medium	High	

Appendix I. Letter of Intent

Ouagadougou, September 6, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Madam Managing Director,

- 1. Burkina Faso is facing significant development and security challenges, compounded by acute food insecurity and recurring terrorist attacks.** Furthermore, extreme weather conditions, such as floods and droughts, have kept the country in a fragile condition. Adverse weather events have also led to poor harvests in recent years, exacerbating the impact of the COVID-19 pandemic on economic activity. As a result, unemployment and poverty have increased and food insecurity has worsened. This challenging socio-economic context is making it easier for terrorist groups to recruit forces, and more and more regions of the country are living under this threat. The security situation remains worrying and has a negative impact on mining and other economic activities.
- 2. To address acute food insecurity, we have requested emergency financing from the International Monetary Fund (IMF).** In this fragile security context, IMF emergency financing has helped to mitigate the impact of the food crisis on the population and meet the balance of payment needs caused by acute food insecurity. In fact, disbursed resources are being used to provide direct financial and food support to the most vulnerable households, improve the supply and distribution of safe drinking water, and provide essential agricultural inputs at subsidized prices.
- 3. In addition, we are pursuing a counter-cyclical fiscal policy to mitigate the negative impact of these shocks.** Our policy response in 2022 to mitigate the impact of the multiple shocks on economic activity has mainly focused on adjusting expenditure to address the ongoing security crisis and increasing support to the most vulnerable households. In the absence of budget support, we were obliged to finance the widening budget deficit through non-concessional domestic borrowing on the sub-regional market, which has become more expensive due to tighter financial conditions.
- 4. It is in this context that we are hereby officially requesting an IMF arrangement to support our economic and financial program.** More specifically, we are requesting a 48-month financing arrangement under the Extended Credit Facility (ECF) in the amount of SDR 228.76 million (equivalent to about US\$305 million, or 190 percent of Burkina Faso's quota), which will be used entirely for budget support. We will also seek additional support from our multilateral development partners and other bilateral partners.

5. This new arrangement will support our efforts to restore macroeconomic stability, address the country's longstanding balance of payments needs, and finance medium-term development efforts. It will also support a sound macroeconomic framework for the economic policies and reforms we plan to undertake over the next four years as set out in the attached Memorandum of Economic and Financial Policies (MEFP). We consider these reforms essential to achieve our objectives of (i) creating fiscal space for priority spending and reducing debt vulnerabilities, (ii) strengthening resilience to shocks while reducing poverty and inequality, and (iii) improving fiscal discipline and governance. To begin the implementation of our program, we have submitted to parliament a draft supplementary budget law (*Loi de finances rectificative*) and formally instructed the ASCE-LC to initiate an audit of all arrears and floating debts of the Government, which is aligned with our commitments as described in Table 2 of the MEFP. Disbursements under the new arrangement will be subject to compliance with the performance criteria and structural benchmarks shown in tables 1 and 2 of the attached MEFP.

6. We believe that the measures and policies set out in the MEFP are appropriate for meeting the objectives of the ECF-supported program. We nevertheless stand ready to take any additional measures that might be required to achieve these objectives. The government will consult with the IMF prior to adopting any modification of the economic and financial policies set out in the MEFP, in accordance with the IMF's policies governing such consultations. We will also provide Fund staff with all data and information required to assess the economic and financial policies and reforms contained in the attached Technical Memorandum of Understanding (TMU).

7. In keeping with our commitment to transparency and accountability, we authorize the IMF to publish this Letter of Intent and the attached MPEF and TMU once the Executive Board has approved this new ECF program.

Very truly yours,

/s/

Aboubakar Nacanabo

Minister of the Economy, Finance and the Prospective

Attachments:

Memorandum of Economic and Financial Policies (MEFP)

Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

1. The 2023-2027 economic and financial program, supported by an arrangement under the Extended Credit Facility (ECF), aims to consolidate gains, and complete some of the reforms begun by the 2018-2020 program. It is based on three principal pillars: (i) creating fiscal headroom for priority spending and reducing debt vulnerabilities, (ii) strengthening resilience to shocks while reducing poverty and inequalities, and (iii) strengthening budget discipline, governance, and anti-money laundering and terrorism financing (AML/TF) actions.

2. This memorandum of economic and financial policies (MEFP) reviews recent economic developments and the short-term macroeconomic outlook and presents the 2023-2027 economic and financial program for which Burkina Faso requests support from the IMF.

I. RECENT ECONOMIC DEVELOPMENTS

3. Economic activity in 2022 evolved in a difficult socioeconomic environment marked by the continuation of the food insecurity crisis and continued terrorist attacks, resulting in the displacement of Burkinabè populations, the closure of several mines, and the interruption of certain construction projects.

4. Based on preliminary estimates, economic growth slowed sharply in 2022. Real GDP growth stood at roughly 1.5 percent in 2022 compared to 6.9 percent in 2021. Slower overall growth in 2022 is primarily due to a steep recession in the secondary sector (-7.4 percent compared to 2021), reflecting deterioration of the security situation, which forced the closure of certain gold mines and interrupted numerous construction projects. Despite the displacement of roughly 2 million persons from rural areas affected by terrorism, the primary sector saw a rebound of 8.5 percent relative to 2021 due to a good harvest. The tertiary sector posted overall growth of 5.9 percent albeit with significant heterogeneity between subsectors: while growth in tourism, transport, and trade slowed sharply, the public sector and professional activities were less affected by the security situation.

5. In addition, the local climate, and external shocks in 2022 stimulated inflation, which was driven primarily by the price of local foodstuffs. A 2021-2022 harvest below the five-year average, the disruption of domestic trade, and the war in Ukraine helped drive up local food prices, resulting in an average inflation of 14.1 percent in 2022, the highest for the WAEMU countries, compared to 3.9 percent in 2021. Inflation has slowed since then, to -0.3 percent year on year in May 2023.

6. Burkina Faso's economic transactions with the rest of the world were affected by both the rise in average international oil prices and the appreciation of the U.S. dollar. In that context, trade with the rest of the world resulted in a sharp decline of the current account balance, which stood at -5.7 percent of GDP in 2022 compared to 0.4 percent of GDP in 2021. This underperformance is essentially due to deterioration of the trade balance, reflecting the drop in gold production. The goods balance posted a surplus of CFAF 9.4 billion in 2022 after a surplus of CFAF 698.1 billion in 2021 as the growth of imports (+30.7 percent) outpaced that of exports (+2.0 percent).

- 7.** Monetary developments between end-December 2021 and end-December 2022 were marked by significant deterioration of net foreign assets (NFA) (-25.2 percent) accompanied by a marked increase of domestic claims (+26.1 percent), resulting in a CFAF 210.8 billion reduction of the monetary base (-14.3 percent), with deposit-taking institutions' non-monetary liabilities decreasing by CFAF 223.0 billion (-43.1 percent) and currency in circulation increasing by CFAF 13.7 billion (+1.4 percent).
- 8.** In public finances, tax revenue increased by 21.6 percent in 2022 relative to 2021 following actions to expand the tax base and combat fraud as well as continued digitization of tax and customs procedures, although economic activity had slowed in 2022. The increase was more evident in taxes on international trade and transactions (+37.3 percent), income and corporate taxes (+26.3 percent), and goods and services taxes (+15.6 percent). Despite a reduction of grants received (-12.2 percent in one year), total mobilization of budget resources posted an increase of 14.8 percent to stand at 20.6 percent of GDP in 2022 compared to 19.7 percent of GDP in 2021.
- 9.** Expenditure execution represented 32.2 percent of GDP in 2022 compared to 27.8 percent of GDP in 2021. The increased spending is largely due to an increase in investments executed from own resources (+68.0 percent), employee compensation (+6.3 percent), interest on the debt (+19.1 percent), and current transfers of 56.1 percent. The increased wage bill is due to the financial impact of the government's commitments to employee representatives (salary increases for police personnel, water and forest officers, and security guards at prison, health care, and educational institutions), additional staff, and statutory promotions. The increased interest is attributable to both domestic and external debt expense (+19.0 percent and +19.5 percent, respectively).
- 10.** To control the growth of the wage bill, reforms were undertaken concerning: (i) control of attendance and components of compensation for employees registered in the personnel and payroll system (SIGASPE) in 2023, which is expected to generate economies over time, with partial results identifying potentially improper payments of CFAF 8.5 billion to be recovered, (ii) the functional review of four ministries (Civil Service, Education, Health, and Justice) representing roughly 70 percent of the civil service, and (iii) the institution of human resources management tools, in particular job descriptions.
- 11.** The financing requirement increased in 2022 to stand at 10.6 percent of GDP compared to 7.5 percent in 2021. The requirement was paid primarily by net domestic financing equivalent to 6.1 percent of GDP, which increased the stock of central government debt.
- 12.** The fuel price adjustment mechanism has yet to be fully implemented. Petroleum prices increased in 2022 in a context marked by the upsurge in international prices for petroleum products and a stated political will to protect consumers from the effects of inflation. This situation constrained the government's action in its decisions to regularly adjust prices, particularly in the case of increases. At December 31, 2022, losses on fuel sales reached a record of CFAF 457.6 billion, of which CFAF 275.5 billion were covered in 2022, contributing to the widened budget deficit.

13. Regarding public debt management, Burkina Faso prepared and launched a 2022-2024 medium-term debt strategy (MTDS), which served to maintain public debt at a sustainable level. The stock of public debt (non-consolidated) as of December 31, 2022, is estimated at CFAF 6,792.19 billion (central government, subnational governments, and public institutions), or 54.3 percent of GDP, of which 45.0 percent external debt and 55.0 percent domestic debt. The legal framework for debt management was revised to conform to international standards for debt management. To this end, the government adopted Decree No. 2022-0273/PRES-TRANS/PM/MEFP of May 31, 2022, setting out the general regulations for public borrowing and public debt management.

14. Public debt service excluding Treasury bills, which stood at CFAF 807.0 billion at end-2021, came to CFAF 709.3 billion at end-2022, divided between external and domestic creditors in the amount of CFAF 145.9 billion (20.6 percent) and CFAF 563.3 billion (79.4 percent), respectively. The debt service breakdown was CFAF 480.0 billion (67.7 percent) in principal repayment and CFAF 229.3 billion (32.3 percent) in interest payments.

15. At end-March 2023, the provisional stock of public debt stood at CFAF 7,120.85 billion (central government, subnational governments, and public institutions) compared to CFAF 6,792.19 (central government, subnational governments, and public institutions) on December 31, 2022, or an increase of 4.8 percent. At the same period of 2022, the stock of public debt was CFAF 6,122.08 billion, or an increase of 16.3 percent. At end-March 2023, the public debt service stood at CFAF 293.36 billion compared to CFAF 105.74 billion for the same period of 2022, or an increase of 177.4 percent (+ CFAF 187.62 billion).

16. At the close of first quarter 2023, budget resources of CFAF 669.0 billion had been raised compared to CFAF 473.6 billion at end-March 2022, representing an increase of 41.2 percent. The increase is attributable to all major categories of resources: tax revenue increased 20.3 percent, nontax revenue posted a 5.4 percent growth rate, and grants saw an exceptional increase (+CFAF 102.8 billion). This strong performance is explained by increased receipts from income and corporate taxes (+17.4 percent), goods and services taxes (+19.5 percent), and taxes on international trade and transactions (+27.0 percent). The improved collection of domestic tax revenue was aided, inter alia, by the digitization of tax procedures, wider use of the standardized invoice, the creation of a "non-determined" taxpayer category (NGOs, associations, individual consultants, etc.), and continued efforts to stamp out fraud and corruption.

17. Grants in the amount of CFAF 109.6 billion were raised in first quarter 2023 compared to CFAF 6.8 billion for the same period in 2022. This relatively weak mobilization observed at end-March 2022 is explained by the development partners' hesitation following the institutional transition of January 24, 2022.

18. Expenditures increased by 53.3 percent relative to first quarter 2022, to stand at CFAF 851.5 billion at end-March 2023. The increase was driven by capital expenditures and all components of current expenditure.

19. Regarding the refund of VAT credits and in the context of efforts to improve processing times for the related dossiers, Decision No. 2020-0306/MINEFID/SG/DGI of July 7, 2020, which temporarily suspended the collection of VAT on goods imported by mining companies in the development phase, was not renewed in 2022. Accordingly, 249 tax refund certificates were approved and paid at end-December 2022, for a total of CFAF 99.41 billion. At end-June 2023, 86 tax refund certificates were approved and paid, for total of CFAF 50.4 billion from the special Treasury appropriations (CAST) account.

20. In the area of real property management, the government established a system of appraising improved and unimproved land that is a reference of cadastral and real property appraisals comprising software and methodological guide to support equitable taxation of taxpayers under the different real property levies and taxes. The appraisal system currently covers the cities of Ouagadougou and Bobo-Dioulasso.

21. The year 2023 began with a slight lull in the upward surge of petroleum prices, yet the price per barrel of Brent and the exchange rate vis-à-vis the dollar averaged US\$810 and CFAF 614.1, respectively, during the first quarter. The regular adoption of decisions adjusting fuel prices afforded of degree of control of subsidies through the continued application of actual market prices for products used by mining companies and construction firms and the CFAF 100 increase in the price per liter of Super 91 in February 2023. Between January 1 and May 31, 2023, the accumulated losses stood at CFAF 55.2 billion, significantly below the amount posted for the same period of 2022, which was CFAF 151.7 billion.

22. In the process of revising the legal and institutional framework for public-private partnerships (PPPs), several decrees and decisions were adopted with major innovations such as rigorous project planning, control of unsolicited bids based on the principle of competition, involvement of sector regulators, the establishment of a PPP unit within the Ministry of Finance, etc.

23. In 2022, a PPP contract was concluded for a large-scale solar backup project. Also, a new PPP program aligned with the principal pillars of national development plans is pending adoption by the Council of Ministers.

II. IMPLEMENTATION OF NATIONAL DEVELOPMENT POLICY

24. Implementation of the National Development Policy (PND) in 2022 was based on the revised version of the Transition Action Plan (PAT), known as the Action Plan for Stabilization and Development (PA-SD) of January 25, 2023. It is organized around four pillars: (i) the fight against terrorism and restoration of territorial integrity; (ii) the response to the humanitarian crisis; (iii) reform of the public sector and strengthened governance; and (iv) efforts toward national reconciliation and social cohesion.

25. To **combat terrorism and restore territorial integrity**, the most important actions undertaken in 2022 concern the diversification of defense and security partnerships with the signature of new defense and security accords; strengthening of the defense and security forces'

operational capacities; securing of judicial bodies and penitentiary institutions with the launch of Special Judiciary Units (USJ) in the regional courts (TGI), and the provision of security equipment for penitentiary institutions. In addition, actions were taken to cut off supplies of all types of resources for armed terrorist groups.

26. In **response to the humanitarian crisis**, several actions were conducted in 2022 and concern, in particular, psychological and social support provided to victims and persons affected by terrorism, with food assistance to roughly 3 million internally displaced persons (IDPs) and victims of climate disasters. In addition, 2.2 million persons from PDI and host populations received direct cash transfers and psychological-social support. Actions were conducted to support voluntary return and concerned assisting with local integration, relocating displaced persons in their areas of origin, and guaranteeing their safety.

27. To **reduce poverty**, we are committed to extend social protection to the most vulnerable households. A key measure was the creation of a social register to identify the most vulnerable households throughout the country that will be the recipients of cash transfers. The government's efforts will supplement donor contributions to strengthen the social safety net.

28. In support of **reforming and improving governance**, several actions were carried out concerning the development and operation of five business applications for the justice system, strengthened protection of human rights reflected in the implementation of 70 percent of the remaining recommendations of the third cycle of the Universal Periodic Review (UPR); and strengthened supervision of political activities and associations through monitoring of civil society organizations. The actions served to improve the functioning of judicial entities.

29. In terms of **administrative governance and public sector modernization**, notable progress was made in improving the efficiency of public sector human resources management with the timely processing of 89.0 percent of candidacies for civil service promotions; the adoption of a text suspending hiring under new measures adopted in 2020 and 2021 without competition; the installation and deployment of transverse platforms supporting the deployment of the integrated missions cycle (CIM) in 6 ministries and institutions, the electronic public records management system (SIGED) in five ministries, and the digitization of 39 administration procedures.

30. In the area of **economic and financial governance and cooperation**, we note the digitization of the national land cadaster and determination of the supervising authority; a 75 percent completion rate in deploying the national land cadaster; improvement of the domestic market with the punishment of 558 cases of fraud and forgery; the development of local economies through the continued implementation of development projects and programs such as the Program to Support Local Economic Development (PADEL), Emergency Local Development and Resilience Project (PUDTR), and the Socioeconomic Infrastructure Strengthening Project (PRISE).

31. In the area of **health care**, major advances relate to the continuation of reforms with improvement of the system of vaccination coverage against COVID-19, hepatitis B, and the human papilloma virus; the construction of 27 health care and social promotion centers (CSPS) and upgrade

of an additional 17 to meet standards, reducing the theoretical radius of coverage of health care facilities from 5.5 kilometers to 5.3 kilometers.

32. Concerning **education and training**, the areas of progress concern the continued reform of the educational system with the development of four curricula for English instruction in the elementary (CE) and middle school (CM) cycles; training curricula and syllabuses for senior laboratory and workshop technicians at lower- and upper-level secondary schools; and the availability of 37 interdisciplinary reference modules and 27 teaching modules.

33. To **promote decent jobs**, the most notable advances concern: (i) improving the legal framework for the job market with the adoption of 14 regulations implementing laws Nos. 004/2021 and 003/2021 on the social security regimes applicable to private employees and civil servants, respectively; and strengthening protections for vulnerable children through the provision of care to 81.2 percent of child victims of violence.

34. With respect to **electrification**, we note in 2022 connection of 33,600 additional households to the national electricity network and the installation of 7,152 streetlights for public lighting.

35. In the area of **agriculture, forestry, and livestock production**, the most important gains concern households' improved access to quality inputs and equipment through subsidies for agricultural inputs (fertilizer and seeds) for 734,214 producers and equipment for 2,361 others. The gains also concern the development of irrigated agricultural production with the development of 2,824.6 hectares of improved wetlands and plains. In addition, 5,266 pieces of irrigation equipment and 82 innovative, resilient, and efficient farming models (AIRP) were made available to producers.

36. Gains were also made in the areas of **industry, artisanal trades, culture, and sports**. They primarily involve the recovery of industrial units, with 45 percent progress toward the launch of the Burkina textile incubator and the upgrade of 34 firms; financing and commercial promotion of artisanal products with credits totaling CFAF 900.7 million for artisans and the construction of two sections of the Bobo-Dioulasso artisanal village. Also, strengthened implementation of the national anti-fraud strategy led to the seizure of 22.3 kilograms of gold, and implementation of the national culture and tourism strategy encouraged the creation of 13 tourism development initiatives and financing for 200 cultural and tourist operators.

37. In the **development of hydraulic, road, airport, and telecommunications infrastructures**, significant progress concerned the resumption of hydraulic infrastructure works with the rehabilitation of six deteriorating dams and the construction of two new dams. Progress also is concerned the resumption of road infrastructure work with the paving of 108.1 kilometers of new roads and the improvement of 413 kilometers of new rural roads and 58.3 kilometers of primary and secondary streets.

38. In the context of **strengthening social cohesion and peace**, the gains in 2022 concerned the promotion of civic responsibility, dialogue, and citizen engagement with outreach to over 150,000 persons during National Citizenship Week (SENAC) and 1,000 persons in school settings.

We also note the systematic sanctioning of hate speech and stigmatization of communities and observance of the International Day of Living Together in Peace. In addition, a decree was adopted creating the national coordinating office for local committees on dialog to restore peace, and the action plan was developed to implement the National Reconciliation Strategy (PA-SNR).

III. MACROECONOMIC OUTLOOK FOR THE REMAINDER OF 2023

39. Economic activity carried on in 2023 in an international context marked by the Russia-Ukraine crisis, geopolitical tension, disruption of commodity supply chains, and the continuing effects of COVID-19. The national context was marked by the difficult security situation, the transitional sociopolitical context, the process of reclaiming the national territory, and a favorable outlook for crop and livestock production.

40. The pace of economic activity is expected to quicken in 2023 relative to 2022. The economic growth rate is projected at 4.4 percent in 2023 compared to 1.5 percent in 2022. The growth is expected to be driven by all sectors (tertiary (+4.5 percent), secondary (+5.0 percent) and primary (+2.4 percent)). The economic performance will be due in part to the buoyancy of the tertiary sector, through domestic tourism and major events such as the Ouagadougou International Arts and Crafts Fair (SIAO), the Pan- African Film and Television Festival of Ouagadougou (FESPACO), the National Cultural Week of Burkina Faso (SNC), the Tour du Faso cycling race, the Ouagadougou International Tourism and Hospitality Trade Show (SITHO), the Week of Mining Activities in West Africa (SAMAO), and the international music and dance festival Les Nuits Atypiques de Koudougou (NAK). The performance will also be attributable to the recovery of production at the mines operated by SOMISA (Sanbrado), WAHGNION GOLD OPERATION (Niankorodougou), SEMAFO BOUNGOU (Boungou), RIVERSTONE KARMA (Karma), and BISSA GOLD SA (Bissa), and the start of production at the NORD GOLD YIMIOUGOU SA mine (Yimiougou). Another driver of economic performance is expected to be the growth of cash crop farming with the production of seed cotton.

41. Average annual inflation is projected at 1.4 percent in 2023, boosted by the favorable 2022-2023 harvest and assuming continuation of the government's measures to mitigate the high cost of living.

42. Burkina Faso's external economic transactions in 2023 should be marked by a reduction of average international oil prices and an increase in the price of gold relative to 2022. In that context, trade with the rest of the world will result in a current account deficit in 2023, albeit mitigated with respect to 2022. The current account will post a deficit of 4.7 percent of GDP in 2023 compared to -6.2 percent in 2022, a development linked to performance of the goods account, driven by exports. The goods balance is expected to post a surplus equivalent to 0.9 percent of GDP.

43. Mobilization of own revenue (net of VAT refunds) is projected at CFAF 2,374.3 billion at end-December 2023, or 19.0 percent of GDP, while grants are projected at CFAF 244.0 billion (1.9 percent of GDP). Relative to 2022 levels, budget resources will increase by 3.8 percent, driven by tax revenue (+2.2 percent) and nontax revenue (+17.8 percent).

44. Expenditure, on the other hand, is projected at CFAF 3,445 billion, representing 27.5 percent of GDP. Expenditure would decrease by 9.4 percent compared to 2022, primarily due to the reduction of current expenditure (-14.3 percent), with capital expenditure decreasing by only 0.5 percent. The fiscal balance will post a deficit of 6.6 percent of GDP, an improvement of 4 percentage points relative to 2022.

45. The authorized CAST account to pay refunds of VAT credits is up to CFAF 100 billion for the year 2023, given by the CAST account ceiling. In addition, discussions with the legislature are planned to find appropriate solutions to improve the VAT refund process and thereby improve VAT performance and avoid accumulating arrears or borrowing to refund VAT credits.

46. Regarding petroleum prices for the remainder of 2023, efforts will continue to contain losses on fuel sales to a maximum of CFAF 65.4 billion, or less than 15 percent of the accumulated losses at December 31, 2022. Continued communication and outreach to the populations should lead to better appropriation of the fuel price adjustment mechanism, to gradually attain meaningful control of the amount of government subsidies on petroleum product sales. Discussions under way as to the sustainability of Burkina Faso's petroleum sourcing plan are expected to lead to a review of energy subsidies and an assessment of the price-setting mechanism's effectiveness to focus on reducing subsidies over the program period (**structural benchmark**).

47. In the context of improving implementation of PPP projects, the government will undertake several actions, including

- continued implementation of the new legal and institutional PPP framework, through the drafting and adoption of implementing regulations and tools, in particular: (i) the decision on the authorities, composition, and functioning of the committee charged with selecting private partners to implement PPP projects, (ii) the decree establishing the terms and conditions applicable to subnational governments in implementing PPPs, (iii) the decree on national firms' participation in PPP projects, and (iv) the charter on responsibilities of PPP stakeholders;
- the functioning of the PPP Committee operations through regular meetings held to validate the portfolio of projects to be implemented as PPPs (known as the PPP Program) and take all necessary measures to ensure the readiness and sound planning of projects to be implemented as PPPs;
- the institution of procedures to ensure that all projects to be implemented as PPPs undergo fiscal sustainability analyses (**structural benchmark**).

48. With respect to **public debt management**, through the implementation of the 2023-2025 MTDS and 2023 financing plan, the government intends to maintain the country's debt at sustainable levels despite the difficult security and humanitarian context. The strategy envisions: (i) continuing with the use of concessional resources, (ii) extending the maturities of instruments issued on the domestic market, and (iii) borrowing by means of domestic and/or external instruments to

restructure the domestic debt to improve the average maturity of the debt portfolio based on a cost-risk analysis.

49. The total stock of public debt (central government, subnational governments (*collectivités territoriales*), and public institutions) is projected at CFAF 7,700 billion (61.5 percent of nominal GDP) at end-December 2023 compared to CFAF 6,872 billion at end-December 2022, or an 11 percent increase. Domestic debt would account for CFAF 4,558 billion and external debt would total CFAF 3,142 billion, representing 59.2 percent and 40.8 percent of the total stock, respectively.

50. The public debt service would stand at CFAF 1,216.9 billion at end-December 2023 compared to CFAF 709.3 billion one year earlier, or an increase of CFAF 507.6 billion. The total would consist of 83.7 percent domestic debt and 16.3 percent external debt.

IV. ECONOMIC AND FINANCIAL PROGRAM SUPPORTED BY THE ECF

OBJECTIVES OF THE NEW ECF-SUPPORTED PROGRAM

To ensure the success of the present 2023-2027 program, the government undertakes to implement reforms to achieve the following objectives: (i) create fiscal headroom for priority expenditures, (ii) strengthen resilience to shocks while reducing poverty and inequalities, and (iii) strengthen governance and actions against money laundering and terrorism financing.

A. MACROECONOMIC AND FISCAL FRAMEWORK

51. Assuming satisfactory improvements in the security situation and favorable precipitation, the government projects that the real GDP growth rate in 2022 will average about 4.4 percent, with the secondary sector leading at 5.0 percent, followed by the tertiary sector at 4.3 percent, and the primary sector at 2.4 percent. During the remainder of the program period from 2024 to 2027, growth is expected to average 5.8 percent, driven by the recovery of production at existing mines and the commissioning of new mines. Assuming favorable harvests and stable international commodity prices, average annual inflation is projected to stabilize slightly above 2 percent over the 2024-2027 period.

52. External trade over the 2024-2027 period is expected to post a surplus, improving the current account balance] to an average of -2.8 percent of GDP over the period. This trend would be supported by that of the trade balance, which would post an average surplus of 2.0 percent of GDP in line with strong performance of extractive activities. Exports of non-monetary gold, estimated at 77.6 tons in 2024, are expected to reach about 86.5 tons by 2027. Foreign direct investment would see a nearly stable evolution in comparison with 2023 levels, to stand at -0.6 percent of GDP. The overall balance of external payments would post a deficit and represent -0.4 percent of GDP on average over the same period.

53. The fiscal policy over the program period will continue to be based on the 2024-2026 multiyear fiscal and economic program document (DPBEP).

54. In fiscal affairs, the strategy choices will continue to be based on covering an increasing portion of budget expenses with own revenue and on the use of other forms of assistance, in particular external financing in the form of budgetary support, the subregional financial market, and PPPs.

55. The mobilization of own resources will be based on continued modernization of procedures at the revenue-collecting agencies and optimizing tax performance as well as the completion of reforms aimed at substantially expanding the tax base. We will implement the following tax policy and administration measures over the program period:

- **Vehicle tax (reducing exemptions):** motor vehicle tax already applies to vehicles in circulation on national territory. However, certain vehicles, those with two (2), three (3) wheels and quadricycles, were exempt. Extending the tax to these types of vehicles restores tax fairness and provides additional revenue to local authorities.
- **Establishment of an obligation to withhold VAT at source:** in cases of non-compliance it may be the case that the reimbursement of VAT to a company is issued before the tax authorities have successfully collected it, which can have a detrimental impact on the state's treasury (e.g., suppliers who have charged VAT on exporting companies). To address this concern and enhance the traceability of transactions, the concept of VAT tax withholding has been introduced.
- **Establishment of a regime called "non-determined regime":** in accordance with the provisions of articles 527 and 540 of the CGI, taxpayers are classified in regimes according to the turnover they achieve. This classification does not consider entities which, with regard to their status, cannot fall under one of the tax regimes referred to (CME, RSI, RNI). The reform aims to establish this specific regime and a withholding tax on the sums received by these entities in return for the sale of goods and/or provision of services.
- **Increase in the rate of the tax on beverages** to disincentive certain types of beverages harmful to the population's health, taxation could minimize this phenomenon and constitute a lever for the mobilization of tax revenues. Tax rates on beer will increase from 15 percent to 30 percent if the alcohol content of less than 8° and to 40 percent above that threshold; tax rates on wine from 35 percent to 70 percent, other alcoholic beverages with an alcohol content of less than 35° from 35 to 50 percent; and non-alcoholic energy drinks from 15 to 50 percent.
- **Increase in the tax rate on tobacco, cigars, cigarettes, and cigarillos** to harmonize the laws of the Member States with regard to excise duties applicable to tobacco, tobacco products and similar products.
- **Control of tax arrears (RAR) and clearance actions:** the authorities will establish a tax arrears clearance committee and strengthen the processing and targeting of RARs to optimize collection and service supervision.
- **Development of the e-CME module:** this is a computer module already developed to allow DGI agents in the field to interact remotely with the DGI's data center. This reform will allow better monitoring to add an average of 1,000 micro-enterprises per year to contribute to the formal regime of real simplified taxation (RSI).

- **Other measures will contribute to securing revenue by combating fraud and counterfeiting** through the interoperability of DGI systems, such as the digitalization of the contract registration procedure (platform to allow taxpayers awarded public or private contracts and contracts to be able to interact remotely with the tax administration and obtain the registration formality through the same means), a platform allowing the recovery of source data for tax purposes, and the use of certified electronic invoicing.

56. The financing requirement in proportion to GDP would show continued improvement throughout the period, decreasing from 5.6 percent in 2024 to 3.0 percent in 2027. The narrowing of the deficit would be made possible by revenue growth (average annual rate of 10.0 percent) well above that of expenditure (5.7 percent per year on average). As a percentage of GDP, revenue would represent 20.9 percent in 2024, 21.3 percent in 2025, 21.7 percent in 2026, and 22.2 percent in 2027. The progressive improvement in revenue would result from both the continued modernization of tax and customs administration procedures to optimize tax efficiency and the completion of reforms aimed at substantially expanding the tax base.

57. Over the 2024-2027 period, budget receipts would increase by an annual average of 10.1 percent, driven by ordinary revenue (+10.4 percent) and extraordinary revenue, which would also rise over the period (5.2 percent). The performance of ordinary revenue would reflect both tax and nontax revenue, which would increase by an annual average of +10.6 percent and +8.5 percent over the period, respectively.

58. At the same time, expenditure as a proportion of GDP would steadily decrease, from 26.5 percent in 2024 to 26 percent in 2025, 25.6 percent in 2026, and 25.2 percent in 2027 in response to the optimized allocation of resources as well as the quality of budgeting for effective budget execution. Efforts would be deployed for the priority sectors to ensure the production of sufficient quantities and quality of basic goods and services for the populations in general and the most disadvantaged in particular. Specifically, emphasis will be given to the defense and security sectors to provide the resources necessary to address the security crisis. The government is nonetheless committed to appropriately balancing security-related, development, and social expenditures over the program period, including spending on areas related to the expansion of social protections, gender, children's rights, and climate change.

59. Regarding the modernization of public expenditure procedures, the government will complete the program budget reforms, accelerate the digitization of the public expenditure cycle, and rationalize expenditure.

Debt Policy

60. The government plans to define a new national policy on public borrowing and public debt management. To this end, the current policy is being evaluated to identify weaknesses with a view to defining the new policy. The government also intends to continue optimizing public debt management over the program period by (i) developing and implementing a 2024-2026 borrowing strategy, (ii) instituting the use of tools (new debt sustainability framework, new model MTDS, etc.),

and (iii) strengthening stakeholders' capacities regarding developments in the international financial environment to better assess new financing opportunities. These actions will assist in meeting the government's financing needs while maintaining the risk of debt distress at an acceptable level.

61. The stock of public debt is projected to increase by 9 percent, to stand at CFAF 8.470 billion in 2024, or 61.6 percent of GDP. Domestic debt is expected to represent 60 percent of the total stock. During 2025 and 2026, the increasing trend of the total stock seen in previous years would continue. Accordingly, the stock of debt is projected at CFAF 9.185 billion in 2025 and CFAF 9.799 billion in 2026. The debt ratios for 2025 and 2026 would be 61.8 percent and 61.2 percent, respectively, in compliance with the community maximum of 70 percent.

62. The public debt service would rise over the 2024-2025 period and would be largely dominated by the domestic component.

B. OBJECTIVES OF THE NEW ECF-SUPPORTED PROGRAM

1. Creation of Fiscal Space for Priority Spending

63. Reforms in three areas will be essential to reduce debt vulnerabilities and create the fiscal headroom necessary for priority spending:

1.1 Revenue Mobilization

64. The net collection objectives during the program period stand at CFAF 2,490 billion (19.9 percent of GDP), CFAF 2,802 billion (20.4 percent of GDP), CFAF 3,163 billion (21.3 percent of GDP), CFAF 3,479,4 billion (21,7 percent of GDP), and CFAF 3,817,4 billion (22.2 percent of GDP) for 2023, 2024, 2025, 2026, and 2027, respectively. To achieve these objectives, the following measures are planned (in addition to the measures included in paragraph 55):

Rationalization of Tax Expenditures

65. The government will deepen the analysis and rationalization of tax expenditures. To this end, measures will be taken to produce a report evaluating the impact of tax expenditures on the Burkinabè economy for the period 2018-2021 (**structural benchmark**). The purpose of the study is to analyze the impact of tax incentive expenditures on the economy, particularly investment, but also in terms of job creation, business performance, and exports. Specifically, the study will present a direct comparison of the costs and benefits associated with tax expenditures to assess their efficiencies and potentially prepare a plan for rationalization, which would result in improved fiscal headroom.

Strengthening of the Mining Tax

66. In the context of improving the mining tax, the government is committed to accelerate the process of revising the texts applicable to the mining sector, specifically the decree on mining

subsidies and taxes, to improve the government's cash flow (adjustment of tranches used to determine subsidies and reduction of payment times).

Improvement of the Land Tax

67. In the context of improving the land tax, the government will digitize the workflow (SYC@D and e-cadastre) of processing cadastral, land, and public property transactions that have eluded digitization efforts until now. In addition, a cadastral database will be created to improve the efficiency of real property taxes and secure property ownership ahead of implementation of the real property information system.

Improving the Process of Refunding VAT Credits

68. To reform the VAT credit refund system, the process will be streamlined, and processing times reduced to gradually align them on good practices in this area. The government will also ask the legislature to raise the ceiling on the VAT credit refunds from the CAST account to at least CFAF 125 billion to avoid the accumulation of arrears by end-June 2024 (**structural benchmark**). Moreover, ex post VAT audits will be systematized, and the processing cycle will be automated.

Digitization of Tax and Customs Procedures

69. The government will continue to strengthen its fiscal reforms to increase own revenue mobilization by (i) implementing the eDouane platform, (ii) continuing efforts to interconnect the Burkinabè customs information system with those of neighboring countries, (iii) developing the interface between the virtual link for import and export operations (SYLVIE) and ASYCUDA, (iv) establishing a customs valuation system for goods, (v) developing the e-CME module, (vi) instituting electronic certified invoicing, (vii) automating the customs revenue collection systems, and (viii) improving the interconnection of customs and tax information systems, etc.

The Wage Bill

70. The government is committed to reduce the wage bill to less than 45 percent of tax revenue by 2027 (**structural benchmark**). The achievement of this objective calls for the following measures:

- Refrain from concluding new accords other than in the security sector that could impact the wage bill path to increase it to more than 45 percent of tax revenue in 2027 (**continuous structural benchmark**).
- Control the growth of personnel expenditures and reduce the average annual pace of growth of the total 2024-2027 wage bill to the proportions agreed under the program 6.2 percent; to this end, the government undertakes to implement the reforms necessary to achieve this objective.
- Present alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the

Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector), **(Structural benchmark)**.

- Audit the SIGASPE payroll component to identify problems and consider other tools that could effectively contribute to improved human resources management.
- Conduct a full census of civil service employees and publish a report of the results **(structural benchmark)**.

71. The government also agrees to consult IMF staff if, at the end of each quarter of the program period, the observed annual increase in the wage bill is greater than the rate of increase projected for each year of the program macroeconomic framework (see paragraph 29 and Table 2 of the technical memorandum of understanding). During the consultations, the government agrees to explain the causes of the difference between the observed wage bill increase and the growth rate provided in the macroeconomic framework, as well as to discuss the corrective measures that will be implemented.

Improving Efficiency in the Energy Sector

72. In regard to fuel prices and for the rest of 2023, efforts will continue to contain losses on fuel sales to a maximum of CFAF 65.5 billion, or less than 1/5 of the level as of December 31, 2022. The continuation of communication and outreach actions vis-à-vis the populations is expected to strengthen appropriation of the fuel price adjustment mechanism to gradually move toward veritable control of government subsidies on the sale of petroleum products. Discussions under way on the sustainability of Burkina Faso's petroleum sourcing plan are expected to generate lasting solutions to better organize and restore financial balance in the subsector. The communication and outreach activities will be reinforced by publications in the media and the organization of specific workshops to strengthen the adoption of the fuel price adjustment mechanism, particularly on the part of consumer associations. These actions are expected to considerably reduce the amount of subsidies on hydrocarbon sales while at the same time increasing budget resources available to strengthen social protection.

73. Burkina Faso's electrical system faces rapid growth of demand on the order of 13 percent per year. One of the solutions to mitigate the shortfall in supply is to promote solar generation for large-scale electricity production. The government intends to prepare multiyear performance contracts with SOHNABY and SONABEL by the end of 2023. The following reforms will allow the energy challenge to be met:

- Conduct a review of energy subsidies and an assessment of the price-setting mechanism's effectiveness in order to focus on reducing subsidies over the program period in 2024 **(structural benchmark)**;

- Sign multiyear performance contracts (“Contracts-Plans”) with SONABHY and SONABEL and a tripartite contract between the government and SONABHY and SONABEL (**structural benchmark**);
- Adopt a plan to reform SONABEL tariffs by end-2024: the plan will serve as the basis for a multiyear electricity tariff schedule, with periodic adjustments to reflect variable costs such as the exchange rate, inflation, fuel prices, etc., based on a clear and transparent pricing methodology;
- Accelerate the commissioning of solar plants: the solar plant projects under development by the government and independent energy producers will provide additional exploitable power of 186 MW in 2024 to total 455 MW in 2027. The accelerated commissioning of solar plants will contribute to the development of energy storage projects, improvement of the energy mix, a relative reduction of the government fuel subsidy, and potentially lower electricity costs. However, the impact of the development of solar plants and the subsidy continues to be unclear due to rising demand;
- Conduct an organizational, operational, financial, and accounting audit of SONABEL and SONABHY no later than end-December 2023, which will enrich the discussions of reforms to implement at each level and suggest points of improvement.

Strengthening Resilience to Shocks while Reducing Poverty and Inequalities

74. To resolve the security crisis, promote social cohesion, and strengthen resilience to climate shocks, the government is committed to attacking the principal vulnerabilities.

75. In the area of social protection and resilience to shocks, four priority reforms will be implemented, in particular: (i) continued work on the creation of a single social register (RSU) of vulnerable individuals, (ii) revision of the National Social Protection Policy, (iii) introduction of the national response program to address the needs of vulnerable persons, and (iv) measures to improve resilience through digitization and actions to address climate change.

Security

76. The government plans to pursue the national security network to address the country's rampant security crisis and the strengthening of local governance in the context of decentralization. In the security domain, to improve the protection of persons and property, reforms will consist of improving the legal and organizational framework through (i) the institution of a system to support the families of defense and security forces victimized by terrorism, and the development of a system of social safety nets appropriate to the defense and security sector, (ii) the adoption of a law on the general organization of national security, (iii) the development of the national domestic security strategy, and (iv) the implementation of the national anti-terrorism strategy, including measures to block sources of terrorism financing.

Strengthen Resilience to Climate-Related Shocks

77. Considering that social protection dynamics in Burkina Faso are also affected by climate shocks impacting households and poor farmers, the 2025 budget will include an annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology (indicative **structural benchmark**). Our aim is that the 2026 budget preparations include an ex-post assessment on the use of the climate budget tagging methodology in the 2025 budget year.

Extension of Social Protection to the Most Vulnerable

78. The efforts deployed to create a well targeted cash transfer system for the most vulnerable households, including the creation of a RSU database of vulnerable persons to identify the beneficiaries of cash transfers, have been decisive in facing the current food emergency. These efforts will be documented by the publication of semi-annual reports and audits of the implementation of cash transfer programs and all food emergency expenditures on the Ministry of Finance's website (**structural benchmark**). The audits will be conducted by the National Government Oversight and Anticorruption Authority (ASCE-LC) and will include a review of procedures and protocols guaranteeing that payments are received by the appropriate beneficiaries. Beneficial ownership information on entities that have been awarded government contracts to alleviate food insecurity will also be published on the Ministry of Economy, Finance and Perspective's website on a quarterly basis the quarter after the contract is awarded (**continuous structural benchmark**).

79. The creation of a single register of poor and vulnerable households and individuals aims to provide stakeholders with a data-collection application based on the harmonized tool for data collection on poor and vulnerable households and individuals and a space to store the data, including tools for real-time collaboration. For purposes of creating the RSU, a household whose annual consumption expenditure is below the absolute monetary poverty line (CFAF 194,629 per year per adult) defined by the National Statistics and Demographics Institute (INSD) is considered to be poor.

80. For the update of tools to select poor and vulnerable persons and households, an updated study was conducted of the profile of poor and vulnerable households in Burkina Faso, including the harmonized data collection tool for poor and vulnerable households and persons. An automated information and management system (SIG-RSU) has been implemented to manage the data platform. A pilot phase of targeting and collecting data on at least 120,000 persons on households living in poverty and vulnerability is being conducted and is expected to be completed by end-August 2023. The RSU will be deployed in 11 provinces in 2023 in addition to the seven provinces of the pilot phase conducted in the *Centre-Ouest* and *Centre-Est* regions. The nationwide deployment will take place in the second half of 2023 and is planned to be completed in 2025. The RSU will be deployed in 12 provinces in 2024 and in 15 provinces in 2025. The government will provide a status report on the implementation of the RSU to IMF staff by end-June 2025 (**indicative structural benchmark**).

81. We expect to begin expansion of the national cash transfer program in 2023, with the objective of covering 180,000 of the poorest households by end-December 2025 (**indicative structural benchmark**), in addition to the coverage to be provided by donors through 2025.

2. Strengthening governance and combating money laundering and terrorism financing

82. In its continued efforts to improve governance, the government will take action to improve cash management and fiscal transparency, including the publication of reports, to strengthen the independence of audit institutions, reduce corruption, and meet the critical anti-money laundering and terrorism financing (AML/TF) challenges.

83. To improve public financial management to strengthen budget discipline and further improve governance, our program of reforms includes the following actions:

- Submit to Parliament the revised 2023 budget in accordance with program objectives (**prior action**);
- Formally direct the ASCE-LC to conduct an audit of all government arrears and floating debt (**prior action**);
- Publish the audit of all government arrears and floating debt on the Ministry of Economy, Finance and Perspective's website (**structural benchmark**);
- Prepare and implement a strategy to clear government arrears (**structural benchmark**);
- Include a "CAST - Patriotic support fund (FSP)" account in the 2024 budget (budget program); the 2024 budget should also include an annex detailing the arrangements for FSP financing (**structural benchmark**);
- Conduct and publish on the Ministry of Economy, Finance and Perspective's website a governance diagnostic, with IMF support, by end-December 2025 (**indicative structural benchmark**). This assessment report will provide a list of prioritized policy recommendations to address existing vulnerabilities and risks, providing the basis to develop and implement an action plan (**indicative structural benchmark**);
- Optimize the authorities' available cash and liquid assets and thereby minimize borrowing needs while improving the accuracy and reliability of budget projections, execution, and reports (quarterly and year-end reports on budget execution, annual reports on program managers' performance, accounting officers' revenue and expenditure reports, government financial statements (**continuous structural benchmark**);
- Improve the predictability of cash flow requirements and commitment control plans by reducing deviations between actual and projected expenditures and results;

- Improve the production times and reliability of annual financial statements and begin publishing regular interim financial statements;
- Improve the accounting function and practices by the revenue-collecting authorities (customs, tax, and Treasury) and transition to accrual accounting;
- Publish an evaluation report on tax expenditures for the period 2017-2021, including an analysis of the economic and social impact of tax expenditures, by end-December 2024 (**structural benchmark**).

84. In the fight against corruption, the outlook will be determined by broader coverage of the public sector audit universe, effective control of public officials' financial disclosures, and intensified inquiries and investigations for the purpose of prosecuting all cases of corruption and similar offenses before the competent judicial bodies. The ASCE-LC will organize corruption-prevention activities, outreach campaigns (educational talks in schools, the graduate schools that train civil servants, the police academy, etc.) and information campaigns to ensure broad dissemination of the anti-corruption law and promote knowledge of the pernicious effects of corruption. In addition, the government plans to prepare a national anti-corruption strategy that will consider the results of the 2012-2016 national policy as well as the conclusions of thematic studies conducted by that ASCE-LC in the following sectors faced with the highest, and most systemic corruption risks: police, education, sanitation, health, transport, customs, taxes, and government contracting.

85. The following measures are planned in the short and medium term to improve governance and strengthen anti-corruption actions:

- Publish on the Ministry of Economy, Finance and Perspective's website annual (and to the extent possible, quarterly) reports on budget execution, which will also include information on the use of funds disbursed in the context of the Food Shock Window (FSW) (**continuous structural benchmark**);
- Publish statistics on corruption and embezzlement cases that have been investigated and punished;
- In the implementation of the Treasury single account, we undertake to implement the conclusions of the study on the impact of closing public accounts as well as the recommendations of the Council of Ministers on centralization of public funds (**indicative structural benchmark**);
- Improve the evaluation, quantification, and monitoring of fiscal risks on a regular basis, focusing not only on PPPs but also on traditional (non-PPP) investment projects and continue implementing the recommendations of the PIMA (**indicative structural benchmark**). To further improve practices in the areas of public investment and contract award, we will institute fiscal sustainability analyses of PPPs and a secure database for monitoring PPP contracts. We will also develop a standard financial model, a PPP guide, and a procedures manual for the PPP Unit. We

will conduct cost-benefit analyses of public investment projects and will provide the authorities responsible for awarding contracts with access to information on beneficial owners and create databases on guarantees.

- Establish a register of beneficial owners that is directly and freely accessible to the competent government authorities (including financial oversight authorities, tax authorities, public contracting authorities, and mining authorities) and to financial institutions subject to obligations of vigilance in respect of their customers (**indicative structural benchmark**);
- Publish information on the beneficial owners of entities to which government contracts have been awarded to combat food insecurity, improve drinking water supplies, or supply agricultural inputs or foodstuffs intended to be sold at subsidized prices (**indicative structural benchmark**);
- Regarding money laundering and terrorism financing, measures were adopted to remove Burkina Faso from the Financial Action Task Force (FATF) list of countries under increased monitoring, and a timetable for implementation of those measures was defined.
- For the implementation of the action plan to exit the FATF grey list and the 2020-2024 action plan under the national AML/TF strategy, the technical staff of the Ministry of Economy, Finance and Perspective plan, in the short term, to: (i) conduct exchanges with Burkina Faso's technical and financial partners, particularly those diplomatic missions disposed to provide financial support to the country; and (ii) issue communications to the national parties concerned by the aforementioned actions.

V. RISKS TO THE PROGRAM AND MITIGATING MEASURES

86. Insofar as the growth outlook is based on assumptions, they risk analysis is in order to take measures to address the uncertainties surrounding both global and national economic activities. The risks identified can be grouped in three categories: (i) macroeconomic risks, (ii) risks relating to public debt, and (iii) other risks.

Macroeconomic Risks

87. Macroeconomic risks can be subdivided into two types of risks, domestic risks and external risks. Domestic risks primarily concern continuation of the security crisis, poor rainfall, and invasive pests that threaten crops. External risks concern volatility of the exchange rate and global commodity prices, the occurrence of pandemics, and the uncertainty of external financing.

Risks Relating to Public Debt

88. The different risks identified follow from the 2023-2025 medium-term debt strategy (MTDS) prepared by the technical unit on borrowing. Regarding the pace of the growth of public debt, a number of risks weigh on the country's future capacity to meet its obligations. They are essentially: (i) refinancing risk, (ii) exchange rate risk, and (iii) interest rate risk.

Other Risks

89. Other risks relate to PPPs and the operations of government instrumentalities. In view of contractual provisions, PPPs could create financial and/or fiscal liabilities for the government. The potential impact of those risks would generate payment arrears and, consequently, an increase in the public debt and government budget expenditures.

90. Risks relating to government instrumentalities (state owned corporations, national funds, social security agencies and subnational governments) rise in particular from their inability to honor their commitments. The risks take the form of budget transfers that are required to avoid payment delays or default in the event of liquidity or solvency problems.

Measures to Mitigate Risks

91. To minimize the impact of these risks on expected economic and financial results, the following mitigation measures have been identified:

- diversify sources of fuel supply, select competitive prices, and institute forward purchases;
- strengthen political governance and institutional reforms. Of particular importance is an emphasis on mobilizing internal resources by accelerating the modernization of collection procedures and continued action against fraud, forgery, and corruption;
- focus on strengthening the operational capacities of the defense and security forces, social cohesion, good governance, increased citizen participation, and strengthened regional and international cooperation in fighting terrorism and securing the major production areas (agricultural, mining, etc.);
- continue actions to modernize agriculture, inter alia by constructing water storage facilities to support irrigation, increased support and advisory services, training arrangements, and strengthened research and development in the agriculture sector;
- give preference to lands denominated in fixed-parity currencies and use concessional resources to finance the needs of the economy.

VI. PROGRAM MODALITIES

92. The new ECF-supported program will cover the next four years with semiannual reviews. The first two reviews will take place no earlier than March 15, 2024, and September 15, 2024. The program will be evaluated based on Tables 1 and 2 in accordance with the technical memorandum of understanding, which defines the quantitative performance criteria, prior actions and structural benchmarks as well as requirements in terms of information reporting to IMF staff.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets Under the ECF Arrangement

	2023		2024	
	Dec.	Mars 1/	Juin	Sept. 1/
	Prog.	Prog.	Prog.	Prog.
Quantitative Performance Criteria				
Ceiling on net domestic financing of the government 2/ 3/ 4/	739.9	143.1	286.3	429.4
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 5/ 6/ 7/	410.0	410.0	410.0	410.0
Ceiling on the accumulation of external payment arrears by the government 8/	-	-	-	-
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	-	-	-	-
Ceiling on government guarantees of new bank pre-financing for public investments 8/	-	-	-	-
Ceiling on the primary fiscal deficit including grants 2/	560.0	104.7	209.5	314.2
Indicative Targets				
Ceiling on the accumulation of domestic arrears by the government 8/	-	-	-	-
Floor on government revenue 2/	2,374.3	657.1	1,314.3	1,971.4
Floor on poverty-reducing current social expenditures 2/	296.2	75.9	151.7	227.6
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40.0	40.0	40.0	40.0
Ceiling on primary current expenditure 2/ 9/	1,906.5	503.9	1,007.8	1,511.7
Ceiling on the value of PPPs contracted 2/	200.0	200.0	200.0	200.0

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

1/ March (and September) figures are indicative targets, except for continuous performance criteria. June and December figures are performance criteria.

2/ Cumulative from beginning of the year.

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

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of unpaid VAT refunds by end-December 2023, up to a maximum of CFAP 85 billion, as specified in the TMU.

5/ The ceiling on the amount of external debt contracted or guaranteed by the government (in PV terms) will be adjusted upward by the present value of the full amount of loans used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

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

8/ To be observed continuously.

9/ Primary current expenditure includes spending on the wage bill, goods and services, energy subsidies and excludes interest payments.

Table 2. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027

Benchmarks	Objective	Completion Date
Submit to Parliament the revised 2023 budget in line with program objectives.	Reduce fiscal risks.	Prior action.
Formally instruct ASCE-LC to launch an audit of all the government's arrears and floating debts.	Improve fiscal transparency and governance.	Prior action.
Do not grant any new wage agreement (except for the security sector) that could impact the wage bill trajectory and push it beyond 45% of tax revenues by 2027.	Wage bill control.	Continuous structural benchmark.
Publish information on the beneficial owners of entities awarded public procurement contracts to address food insecurity on the Ministry of the Economy, Finance and Perspective's website on a quarterly basis the quarter after the contract is awarded.	Improve fiscal transparency and governance.	Continuous structural benchmark.
Publish on the Ministry of the Economy, Finance and Perspective's website annual (and to the extent possible, quarterly) budget execution reports which will also include information on the use of funds disbursed under the FSW	Improve fiscal transparency and governance.	Continuous structural benchmark.

Table 2. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (continued)

Benchmarks	Objective	Completion Date
First Review		
Submit draft 2024 budget, which must include a "CAST-Patriotic Support Fund (PSF)"; the budget must also include an appendix detailing the funding arrangement for the PSF.	Reduce fiscal risks.	End-December 2023
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 52.3 percent.	Wage bill control.	End-December 2023
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2023
Publish audits of the implementation of cash transfer programs and all emergency food expenditure on the Ministry of Economy, Finance and Perspective's website.	Improve fiscal transparency and governance.	End-December 2023
Adopt performance contracts with SONABHY and SONABEL, as well as the tripartite contract between the government, SONABHY and SONABEL.	Improve efficiency in the energy sector.	End-December 2023.
Second Review		
Conduct a review of energy subsidies and an assessment of the application of the price-setting mechanism, to move towards a reduction in subsidies over the program period	Improve efficiency in the energy sector.	End-June 2024.
Prepare and implement a strategy for clearing government's arrears.	Improve fiscal transparency and governance.	End-June 2024
Raise the ceiling on VAT credit reimbursements to the CAST account to level consistent to avoid accumulation of arrears.	Reduce fiscal risks.	End-June 2024
Third Review (indicative)		
Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology..	Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology..	Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology..

Table 2. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (continued)

Benchmarks	Objective	Completion Date
Adopt a new strategic plan for revenue mobilization for the period 2024-27, based on the 2021 self-assessment.	Adopt a new strategic plan for revenue mobilization for the period 2024-27, based on the 2021 self-assessment.	Adopt a new strategic plan for revenue mobilization for the period 2024-27, based on the 2021 self-assessment.
Publish an audit of all the government's arrears and floating spending on the Ministry of Economy, Finance and Perspective's website.	Publish an audit of all the government's arrears and floating spending on the Ministry of Economy, Finance and Perspective's website.	Publish an audit of all the government's arrears and floating spending on the Ministry of Economy, Finance and Perspective's website.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.	Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.	Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).
Fourth Review (indicative)		
Put in place a beneficial ownership registry accessible to government authorities and financial institutions with customer due diligence obligations.	Improve governance and the fight against money laundering and terrorism financing.	End-June 2025.
Submit a progress report on the implementation of the Unique Social Registry.	Extend social protection.	End-June 2025.
Publish a report assessing the impact of tax expenditure on the Burkina Faso economy over the period 2018-2021.	Improve management of fiscal risks.	End-June 2025.

Table 2. Burkina Faso: Prior Actions and Structural Benchmarks, 2023-2027 (concluded)

Benchmarks	Objective	Completion Date
Fifth Review (indicative)		
Prepare and publish a report on the governance diagnostic on the Ministry of Economy, Finance and Perspective's website.	Improve governance and fiscal transparency.	End-December 2025.
Ensure that cash transfers from the Social Safety Net Program (PFS) cover at least 180,000 of the poorest households, in addition to what covered by donors.	Extend social protection.	End-December 2025.
Conduct a complete census of the civil service workforce and publish a report on the results.	Wage bill control.	End-December 2025.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 49.5 percent.	Wage bill control.	End-December 2025.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2025.
Sixth Review (indicative)		
Publish a governance action plan to be implemented over the remaining program period.	Improve governance and fiscal discipline.	End-June 2026.
To improve public investment efficiency, prepare a roadmap to strengthen the assessment, quantification and monitoring of public investment budgetary risks on a regular basis, focusing not only on PPPs but also on traditional (non-PPP) investment projects, ensure that all PPP projects undergo fiscal sustainability analysis, and continue to fully implement the PIMA recommendations.	Reduce fiscal risks.	End-June 2026.
To continue implementing the Treasury Single Account, implement the conclusions of the study on the impact of the closure of public accounts, as well as the recommendations of the Council of Ministers on the centralization of public funds.	Reduce fiscal risks	End-June 2026.
Seventh Review (indicative)		
Strengthen the capacity to revenue authorities to collect mining revenues.	Improve domestic revenues mobilization.	End-December 2026.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 47.1 percent.	Wage bill control.	End-December 2026.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2026.

Attachment II. Technical Memorandum of Understanding

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

CONDITIONALITY

2. The quantitative performance criteria and indicative targets are shown in Table 1 of the MEFP. The program structural benchmarks are presented in Tables 2 of the MEFP.

DEFINITIONS

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

4. **Definition of debt.** For program purposes, the definition of debt is consistent with paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No.16919-(20/103), adopted October 28, 2020, as below. The term “debt” will be understood to mean all current, i.e., not contingent, liabilities created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, which require the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take various forms, the primary ones being as follows:

- (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds (including Treasury bills), debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
- (ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and
- (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of these guidelines the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

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

7. **Debt concessionality.** A debt is considered concessional if it includes a grant element of at least 35 percent.¹ The present value (PV) of debt at the time it is contracted is calculated by discounting the borrower's future debt service payments on the debt.² The discount rate used is 5 percent.

8. **External debt.** External debt is defined as debt contracted or serviced in a currency other than the CFA franc.

QUANTITATIVE PERFORMANCE CRITERIA

9. The quantitative performance criteria are as follows:

- (i) a ceiling on net domestic financing of the government;
- (ii) a ceiling on the PV of external debt contracted or guaranteed by the government;
- (iii) a ceiling on external debt service payments arrears;
- (iv) a ceiling on guaranteed domestic loans to suppliers or contractors;
- (v) a ceiling on government guarantees of bank pre-financing of public investments; and
- (vi) a ceiling on the primary fiscal deficit (commitment basis), including grants.

A. Net Domestic Financing of the Government

Definition

10. Net domestic financing of the government is defined as the sum of (i) net bank credit to the government, including net bank credit to the government as defined below vis-à-vis the national banking institutions; (ii) the stock of unredeemed Treasury bills and bonds (including syndicated issuances) held outside national commercial banks; (iii) privatization receipts and other government claims and debts vis-à-vis national non-bank institutions; (iv) securitized debt; (v) VAT refunds; (vi)

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

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

any other arrears and floating debt. Net bank credit to the government is the balance of the government's claims and debts vis-à-vis national banking institutions. Government claims include the cash holdings of the Burkinabè government, deposits with the central bank, deposits with commercial banks, customs duty bills, and government deposits in postal checking accounts (CCP). Government debt to the banking system includes central bank financing (including statutory advances, consolidated advances, and refinancing of customs duty bills), government securities held by the central bank, and funding from commercial banks (including government securities held by commercial banks). Net bank credit to the government is calculated based on data contained in the TOFE. The foregoing items are calculated based on the government budget execution report presented each month in the government fiscal reporting table (TOFE) prepared by the Ministry of Economy, Finance and Planning.

Adjustor

11. The cumulative ceiling on net domestic financing will be adjusted upward in the amount by which actual external program support falls short of the projected amount, in the event external program assistance is lower than programmed, up to a maximum of CFAF 75 billion. The shortfall will be calculated in relation to the projections in Table 1 below. The ceiling will not be adjusted downward in the event external program assistance is higher than programmed. In addition, the cumulative ceiling on net domestic financing by end-December 2023 will be adjusted upward in the amount by which VAT refunds in arrears are securitized, up to CFAF 85 billion.

	End-December 2023	End-June 2024
Program grants and loans	0	56.3
(of which: program grants)	0	0

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

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

13. This performance criterion applies to external debt as defined in paragraph 4 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 7 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent liability as defined in paragraphs 4 to 7 of this memorandum. For the purpose of this performance criterion, "government" shall include the central government of Burkina Faso, public enterprises that receive government transfers, local

governments, and other public sector entities (including public administrative, professional, scientific and technical agencies). However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to normal import-related commercial debts with a term of less than one year, or to IMF loans. It is measured on a cumulative basis from the date of the IMF Executive Board's approval of the ECF arrangement, and no adjustor will apply.

14. For 2023 and 2024, the government undertakes not to contract or guarantee external debt (concessional or non-concessional) with a total PV in excess of the ceiling indicated in Table 1 of the MEFP, measured on a cumulative basis from the start of the year (i.e., January 1 of each year). In case of a (concessional or non-concessional) loan for debt reprofiling, the ceiling may be raised by the PV of the full amount of the loan if such debt reprofiling operation constitutes an improvement in the overall debt profile as determined by IMF staff. The authorities will consult with IMF staff in advance in the event of such a debt reprofiling operation. All other provisions and definitions in paragraph 13 will continue to apply.

Reporting deadlines

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

C. Non-Accumulation of New External Debt Service Payments Arrears by the Government

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

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

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

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

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

F. Basic Primary Fiscal Deficit, Including Grants

Definition

19. For program purposes, the domestic primary fiscal balance is calculated on a commitment basis. It is defined as the difference between domestic revenues (including grants) and public expenditures, less interest payments and externally financed capital expenditures. Arrears' payments are not included in the calculation of the primary domestic balance.

Adjustor

20. The ceiling on the primary fiscal balance will be adjusted upward by an amount equivalent to the difference between actual program external grants and their projected amount, up to CFAF 75f billion. This difference will be calculated vis-à-vis the projections (see Table 1). The ceiling will not be adjusted downward in the event that actual program external grants are higher than the projected amount.

QUANTITATIVE INDICATIVE TARGETS

21. The program also includes the following quantitative indicative targets:

- (i) a ceiling on the accumulation of domestic arrears;
- (ii) a floor for total government revenues;
- (iii) a floor for poverty-reducing current social expenditures;
- (iv) a ceiling on the stock of VAT refunds that have been certified and not paid for more than 30 days;

(v) a ceiling on current primary expenditure;

(vi) a ceiling on public-private partnerships.

G. Amounts Payable, Including Government Domestic Payments Arrears

22. “Amounts payable” (or “outstanding balances”) include domestic arrears and the floating debt and represent overdue obligations of the government. They are defined as expenditures accepted by the public accountant but not yet paid. For program purposes, these obligations include (i) public and private nonfinancial enterprise invoices due and unpaid, including VAT refunds and (ii) domestic debt service.

23. For program purposes, domestic payment arrears are outstanding balances to suppliers and domestic debt service. Arrears to suppliers are defined as overdue obligations of the government to public and private nonfinancial enterprises that are more than the regulatory 90 days overdue; arrears on the domestic debt service refer to debt service obligations that are more than 30 days past the due date stipulated in the agreements, including any applicable grace period.

24. The floating debt corresponds to amounts that are unpaid for less than the regulatory period (90 days for debt to nonfinancial corporations and 30 days for debt service).

25. For program purposes, the ceiling on the accumulation of new domestic payments arrears is zero. This indicative target will be subject to continuous monitoring by the authorities and any breach will be immediately reported to IMF staff.

H. Government Revenues

Definition

26. Government revenues are calculated on a cash basis. They include all tax revenues collected by the General Directorate of Taxation, the General Directorate of Customs, the Burkinabè Treasury, and other revenue collection units. They also include revenues from Treasury checks.

I. Poverty-Reducing Current Social Spending

Definition

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

J. Certified VAT Refunds More than 30 Days Overdue

Definition

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

K. Current Primary Expenditure

Definition

29. For program purposes, current primary expenditure is defined as the sum of wage bill expenditure, expenditure on goods and services, and current transfers, net of interest payments.

Consultation clause on the wage bill

30. If, at the end of each quarter (i.e., March 31, June 30, September 30 and December 31) during the program period, observed annual growth of the wage bill (measured as a 12-month sliding growth rate) exceeds the wage bill growth rate projected for each year of the program macroeconomic framework (see Table 2 below), the authorities must consult with IMF staff. During this consultation, the authorities must explain the reasons for the discrepancy between the observed wage bill growth rate and the growth rate projected in the macroeconomic framework, and the corrective measures that they intend to implement.

2023	2024	2025	2026	2027
8.7	9.6	6.0	5.3	4.3

L. Public-Private Partnerships

Definition

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

Additional information for program monitoring

To enable IMF staff to assess program performance, the authorities agree to submit the following data to them, in hard copy and/or MS Excel electronic files, with the frequencies and deadlines specified below.

Table 3. Burkina Faso: Summary of Data Reporting Requirements

Information	Responsible Institution	Data Frequency	Reporting Frequency
Government finances			
The government's fiscal reporting table (TOFE) and the customary annexed tables (if data on actual investment financed by external grants and loans are not available in time, a linear estimate of execution based on annual projections will be used).	Ministry of Economy, Finance and Forecasting (MEFP/DGTCP)	Monthly	6 weeks
Domestic financing of the budget (net bank credit to the government and stock of unredeemed Treasury bonds and bills).	MEFP/DGTCP and BCEAO	Monthly	6 weeks
Monthly data on custom post performance relative to monthly forecasts.	MEFP/DGD	Monthly	6 weeks
Quarterly report on performance and actions taken to improve the supervision and audit of taxpayers using the single taxpayer identification number to cross-check information between DGI and DGD, starting with large taxpayers.	MEFP/DGI	Quarterly	6 weeks
Data on implementation of the public investment program, including details on financing sources.	MEFP/DGEP	Weekly	6 weeks
Stock of external debt, external debt service, contracted external debt, and external debt repayment.	MEFP/DGTCP	Quarterly	6 weeks
Poverty-reducing social spending in table format.	MEFP/DGB	Monthly	6 weeks
Petroleum product prices, consumption and taxes, including: (i) the price structure for the month concerned; (ii) detailed calculation of the price structure, from the f.o.b. price to the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY), with a distinction	CIDPH, MEFP/DGD/DGTCP, SONABHY	Monthly	4 weeks

Table 3. Burkina Faso: Summary of Data Reporting Requirements (continued)

Information	Responsible Institution	Data Frequency	Reporting Frequency
made between retail and industry sales; and (iv) a breakdown of tax revenue from petroleum products—customs duties, tax on petroleum products (TPP) and value-added tax (VAT)—and subsidies payable.			
Quarterly report, including monthly data, on SONABHY's accounts including gains/losses from the purchase and sale of hydrocarbon products by type of product, cash flow statements and income statements, taking account of all received subsidies and government securities issued or sold to the banking system or other.	SONABHY/	Quarterly	6 weeks
Quarterly report, including monthly data, on SONABEL's accounts including its cash flow and income statements and taking into account all received subsidies and project grants and loans from the technical and financial partners.	SONABEL/	Quarterly	6 weeks
Monthly statement of accounts with the Treasury, broken down by major category (administrative services, government enterprises, semi-public enterprises, administrative public establishments (EPAs), international organizations, private depositors, and other).	MEFP/DGTCP	Monthly	6 weeks
Quarterly activity report from the Investigation and Intelligence Directorate including taxpayer audits across DGI and DGD using the single taxpayer identification number, beginning with large taxpayers.	MEFP/DGI/DGD	Quarterly	6 weeks
Monthly projections of annual customs revenues by customs post, and report on monthly performance compared to projections.	MEFP/DGD	Monthly	6 weeks

Table 3. Burkina Faso: Summary of Data Reporting Requirements (continued)

Information	Responsible Institution	Data Frequency	Reporting Frequency
"Field 44" enabled for input of references from inspection notices for all customs declarations.	MEFP/DGD	Monthly	Continuous
Monthly DGI revenue projections (on an annualized basis) by type, and report on monthly performance compared to projections.	MEFP/DGI	Monthly	3 months
Monthly DGTCP revenue projections (on an annualized basis) by type, and report on monthly performance compared to projections.	MEFP/DGTCP	Monthly	3 months
Quarterly report on VAT refunds, including transfers received from ACCT, the cumulative amount paid since the beginning of the current year, the stock of certified refund claims (imprest administrators) and total VAT refund claims handled (DGE, DLC).	MEFP/DGI	Quarterly	3 months
Monthly update of the PPP and sovereign guarantee databases.	MEFP/UPPP	Monthly	4 weeks
Monthly statement of the implicit pump price subsidy.	CIDPH	Monthly	4 weeks
Monthly data on new domestic debt contracted and amortized (including bank credit, all sovereign debt issuances and securitizations).	MEFP/DGTCP	Monthly	6 weeks
Consolidated balance sheet of monetary institutions			
Consolidated balance sheet of monetary institutions.	BCEAO National Directors	Monthly	6 weeks
Monetary survey: provisional data.	BCEAO	Monthly	6 weeks
Monetary survey: final data.	BCEAO	Monthly	6 weeks
Lending and borrowing interest rates.	BCEAO	Monthly	6 weeks
Standard bank supervision indicators for banks and non-bank financial institutions.	BCEAO	Monthly	6 weeks

Table 3. Burkina Faso: Summary of Data Reporting Requirements (concluded)

Information	Responsible Institution	Data Frequency	Reporting Frequency
Balance of payments			
Preliminary annual balance of payments data.	BCEAO	Annual	9 months
Foreign trade statistics.	MEFP/INSD	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions).	BCEAO	When revised	2 weeks
Real sector			
Provisional national accounts and any revisions.	MEFP/INSD	Annual	6 months
Quarterly national accounts and any revisions.	MEFP/INSD	Quarterly	3 months
Monthly disaggregated consumer price indices.	MEFP/INSD	Monthly	4 weeks
Monthly performance and projections through end-December 2023 of mining and ore production and exports (volume and value); statement of mines and mines under construction.	MEFP/DGD and MEMC/DGMG/D GESS	Monthly	3 months
Structural reforms and other data			
Any study or official report on Burkina Faso's economy.	MEFP/DGEP		On date published or date of entry into force
Any decision, order, law, decree, ordinance or circular having economic or financial implications.	MEFP/SG		On date published or date of entry into force
Any study or official report on measures taken to combat corruption.	ASCE-LC		On date published or date of entry into force
Annex to the 2025 budget detailing plans to combat climate change (including resource allocations and assessment of the fiscal latitude for climate friendly infrastructure).	MEFP/DG		On date published or date of entry into force



BURKINA FASO

September 7, 2023

REQUEST FOR A FOUR-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS¹

Approved by
Annalisa Fedelino
and **Bergljot Barkbu**
(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
Application of judgement	Yes: risk of external 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 March 2023 Debt Sustainability Analysis. 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. The risk of overall debt distress in Burkina Faso therefore remains moderate, with some, but limited, space to absorb shocks on external debt. The key vulnerabilities to debt sustainability include: (i) expenditures required to

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 April 2023 WEO and the 2021 CPIA released, corresponding to the medium debt-carrying capacity.

address food insecurity and the humanitarian crisis; (ii) expenditures required to contain the security crisis; (iii) increased refinancing risks arising due to limited support from donors, a large proportion of the debt portfolio having relatively short maturities; (iv) increased reliance on the expensive WAEMU regional bond market; and (v) an undiversified export base with high vulnerability to external price shocks.

PUBLIC DEBT COVERAGE

1. **The country’s coverage of public debt includes central government debt, guarantees, local government debt, and non-guaranteed SOE debt (Text Table 1).** With the support of the World Bank’s Sustainable Development Finance Policy (SDFP), 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.

3. **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 less than 5 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.

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

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%.

BACKGROUND ON DEBT

4. **Public debt levels have increased in the last few years following large fiscal deficits and a shift from concessional external borrowing towards domestic borrowing with higher financing cost** (Text Tables 3 and 4). The nominal stock of public debt as of end-2022 is estimated at 58.3 percent of GDP and is expected to increase to 60.9 percent of GDP in 2023. The composition of debt has shifted towards expensive domestic debt, financed through the WAEMU regional bond market,⁴ as budget support from donors is currently suspended. External debt is estimated to comprise 44.5 percent of the total debt stock at end-2022, down by over 10 percentage points since 2018.

Text Table 3. Burkina Faso: Public Debt Stock, 2018-23

	(Percent of GDP)					
	2018	2019	2020	2021	2022	2023
	Est.					
Public Debt	38.2	41.5	43.3	55.4	58.3	60.9
External Debt	21.7	23.1	21.4	25.6	25.9	24.5
<i>(share of total debt, percentage)</i>	56.8	55.6	49.3	46.2	44.5	40.3
Domestic Debt	16.5	18.4	22.0	29.8	32.4	36.4
<i>(share of total debt, percentage)</i>	43.2	44.4	50.7	53.8	55.5	59.7
Memorandum Items						
Overall fiscal balance	-4.3%	-3.1%	-5.1%	-7.5%	-10.6%	-6.6%
GDP growth	6.6%	5.7%	1.9%	6.9%	1.5%	4.4%

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

5. **From January 2018 to July 2023, the government issued Treasury bills and government debt securities for a cumulative amount of about CFAF 4,660 billion.** The share of bond issuance in total issuance was 69 percent, while the remaining 31 percent consisted of Treasury bills (T-bills) issuance. Specifically, during January 2018-July 2023, Burkina Faso raised a cumulative amount of CFAF 1,426 billion in Treasury Bills, most with a 12-month maturity. As regards bonds, between January 2018 and July 2023 the government issued a cumulative amount of CFAF 3,236 billion (see Text Figure 1), with maturities ranging between 3 and 10 years.

⁴ Domestic debt is defined as debt denominated in the regional currency, the CFAF. 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) is denominated in local currency though classified as external debt as per the residency definition criteria.

6. Over time, the government has been increasingly relying on the regional bond market to finance its deficit. Issuance of medium- and long-term government debt securities grew through time and contributed to extend the long end of the yield curve (see Text Figure 2). In 2022, following bouts of political instability, total issuance declined compared to 2021, but remained elevated at CFAF 773 billion. Issuance on the regional market has been key for Burkina Faso to finance its budget deficit: average annual issuance during 2018-2022 was 7.8 percent of GDP, which compares with an average budget deficit of 6 percent of GDP during the same period.

Text Table 4. Burkina Faso: Creditor Composition of Public Debt Stock (2022)

	Debt Stock (2022 end of period)			Debt Service					
	In CFAF bn	Percentage of Total		In CFAF bn			Percent GDP		
		Debt	Percentage of GDP	2022	2023	2024	2022	2023	2024
Total	6827.8	100%	58%	1054.0	1119.4	923.3	8.9%	8.9%	6.7%
External	3017.5	44%	26%	137.6	179.6	195.2	1.2%	1.4%	1.4%
Multilateral	2721.0	40%	23%	106.7	142.9	158.4	0.9%	1.1%	1.2%
IMF: International Monetary Fund	184.7	3%	2%	15.5	11.6	13.8	0.1%	0.1%	0.1%
WB: International Development Association	1347.4	20%	11%	27.2	33.8	40.8	0.2%	0.3%	0.3%
Other Multilaterals	1189.0	17%	10%	63.9	97.5	103.8	0.5%	0.8%	0.8%
BID: Islamic Development Bank	308.1	5%	3%						
FAD: African Development Bank / African Development Fund	363.7	5%	3%						
Bilateral	296.5	4%	3%	31.0	36.8	36.8	0.3%	0.3%	0.3%
<i>Paris Club</i>	169.2	2%	1%	12.4	17.3	17.8	0.1%	0.1%	0.1%
AFD: France (French Development Agency)	127.1	2%	1%						
FSD: Saudi Arabia (Saudi Fund for Development)	25.3	0%	0%						
<i>Non Paris Club</i>	127.3	2%	1%	18.6	19.5	19.0	0.2%	0.2%	0.1%
Kuwait Fund for Arab Economic Development	30.5	0%	0%						
China	18.5	0%	0%						
Domestic	3817.3	56%	32%	912.9	944.0	730.9	7.7%	7.5%	5.3%

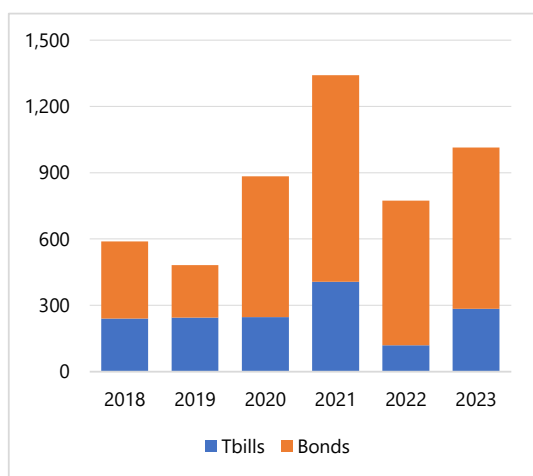
Sources: Burkinabè authorities; and IMF staff estimates and projections.

7. The yield curve has started shifting upwards since February 2023, with interest rates in the short end of the curve higher than 8 percent since May 2023. Between September 30, 2022, and February 14, 2023, Burkina Faso did not issue any security in the regional bond market, in part reflecting high interest rates. On February 15, the country accessed again the regional bond market, issuing (mostly) government bonds (Text Figure 1). As a result, the yield curve progressively shifted up and became inverted, as one-year interest rates breached the 8 percent threshold (Text Figure 2). In May 2023, the authorities raised CFAF 60 billion on the regional market, followed by CFAF 204 billion in June 2023, and CFAF 28 billion in July 2023. The authorities are also planning to increase syndicated bond issuances, in an attempt to raise larger volumes of capital at longer maturities compared to what is available in the regional sovereign bond market.⁵ Syndicated bonds are mainly held by WAEMU regional banks.

8. The increased reliance on borrowing in the domestic market has increased debt service costs. Debt service payments at the end of December 2022 amounted to more than CFAF 1,100 billion, with CFAF 965 billion (86.9 percent of total debt service) to domestic creditors. Around 80 percent was used for principal payments, with around half used to amortize Treasury Bills.

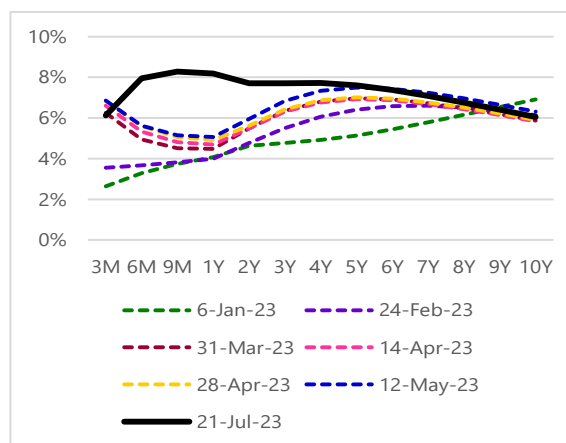
⁵ According to the most recently available information, the interest rate on a 12-year bond issued by syndication is 6.40 percent.

Text Figure 1. Burkina Faso: T-Bills and Government Bonds Issuance
(CFAF Billions)



Sources: BCEAO; and IMF staff calculations.

Text Figure 2. Burkina Faso: Yield Curve
(In percentage)



Sources: UMOA Titres; and IMF staff calculations

BACKGROUND ON MACRO FORECASTS

9. The baseline macro-fiscal scenario has worsened since March. Text Table 5 summarizes the main differences in macroeconomic assumptions between the previous DSA (corresponding to the Staff Report for disbursement under the Food Shock Window of the Rapid Credit Facility in March 2023,⁶ henceforth FSW) and the current DSA. While the growth rate in real GDP and in the deflator were earlier projected at 2.5 percent and 8.6 percent respectively for 2022, recent national data releases revealed an economic slowdown. In the current framework, the growth rate in real GDP and in the deflator in 2022 have dropped to 1.5 percent and 6.1 percent respectively. As a result of a stronger slowdown in 2022 and 2023 than earlier anticipated, staff estimates that the economy will rebound faster in 2024 and 2025, supported by an improved security situation, increased investment, and a strengthened social safety net. The current account deficit is expected to moderate to 4.9 percent of GDP in 2023, compared to 5.2 percent of GDP in the previous vintage, largely supported by high gold prices. However, risks are tilted to the downside, as several gold mines remain closed.

10. 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 likely exacerbate food insecurity and increase internal displacement; it could

⁶ IMF Country Report No. 2023/149

seriously hamper the baseline macroeconomic projections (including growth and inflation, as well as external accounts), both in the near and medium terms; and it could also continue to affect donor sentiment, implying even greater reliance on the regional bond market, all of which would impact debt sustainability.

11. This DSA update is consistent with the macroeconomic framework underlying access to the Extended Credit Facility (ECF) (Box 1). As a result of the uncertain economic and security situation, the macroeconomic framework projects overall GDP growth in 2022 moderating to 1.5 percent, from 6.9 percent in 2021. Burkina Faso has requested a Four-Year Arrangement at 190 percent of quota under the Extended Credit Facility (ECF). The proposed arrangement would be articulated around three main pillars: (1) creating fiscal space for priority spending; (2) strengthening resilience to shocks and reducing poverty and inequality; and (3) reinforcing fiscal discipline, transparency, and governance. The fiscal anchor of the program is centered around key WAEMU convergence criteria, including reducing the deficit-to-GDP ratio to 3 percent by 2027; significantly reducing the wage-bill-to-revenues ratio to 45 percent by 2027 (compared to over 50 percent currently); raising the tax revenue-to-GDP ratio by 1.5 percentage points relative to a baseline without reforms; and undertaking energy sector reforms, including limiting subsidies. The projected increase in tax revenues reflects not only tax and customs administration gains, but also a broadening of the tax base via reductions in exemptions for VAT and vehicle tax and incorporating firms that were previously outside the tax code. Key measures to control wage bill growth include annual reconciliations between personnel and payroll registries and limiting new recruitment to essential service needs. Finally, measures to improve energy sector efficiency include reviewing fuel and electricity subsidies and adopting performance-based contracts with state-owned firms operating in the energy sector.

Text Table 5. Burkina Faso: Changes in DSA Assumptions for Compared with March 2023 DSA

		2021	2022	2023	2024	2025	2026	2027	2028
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gold Price (USD/ounce)	Current Forecast	1799.8	1801.5	1955.1	2056.1	2147.2	2187.3	2225.5	2258.2
	Mar 2023 DSA	1799.8	1801.5	1879.6	1972.6	2060.7	2097.3	2132.0	2161.3
Cotton Price (USD cts/lb)	Current Forecast	101.2	130.1	94.6	91.3	88.0	88.0	88.0	88.0
	Mar 2023 DSA	101.2	130.1	97.9	96.7	93.8	93.8	93.8	93.8
Real GDP Growth (%)	Current Forecast	6.9	1.5	4.4	6.4	6.0	5.6	5.3	5.3
	Mar 2023 DSA	6.9	2.5	4.9	5.9	5.8	5.3	5.2	5.2
Current Account (% of GDP)	Current Forecast	0.4	-6.2	-4.9	-4.3	-4.2	-4.4	-4.3	-2.9
	Mar 2023 DSA	-0.4	-5.2	-5.2	-4.4	-3.8	-4.1	-4.0	-3.7
Overall Fiscal Balance (% of GDP)	Current Forecast	-7.5	-10.6	-6.6	-5.6	-4.7	-3.8	-3.0	-3.0
	Mar 2023 DSA	-7.5	-10.3	-7.8	-6.7	-5.5	-4.2	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections

12. 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).

- 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, 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.
- Figure 4 shows the country's planned fiscal adjustment for the next three years at around 1.5 percent of GDP. Estimated economic growth of 4.4 percent in 2023 is within the range of possible growth paths suggested by plausible fiscal multipliers (0.2 to 0.8 percent). The estimated economic growth in 2024, at 6.4 percent, is substantially higher than the level suggested by plausible multipliers. This estimate relies on an improvement in the security situation, as well as reprioritization of expenditures, which are expected to support economic activity. 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 slightly.

Box 1. Macroeconomic Assumptions Underlying this DSA Vintage

Real GDP in 2023 is estimated to grow by 4.4 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 5.3 percent in the medium term.

After peaking at 14.1 percent in 2022, the annual average inflation rate is forecasted to slow down sharply to 1.4 percent in 2023, and recover to 3 percent in 2024, within the WAEMU inflation target range.

The fiscal deficit rose to 10.6 percent of GDP in 2022. The ECF program will be anchored by a gradual decline of the fiscal deficit, in line with WAEMU criteria, to ensure debt sustainability and remain at a moderate risk of debt distress while limiting the growth impact. A deficit reduction of 7.7 percent of GDP during 2023-2027 to reach the WAEMU target of 3 percent of GDP would be achieved by a mix of revenue and expenditure measures and more favorable financing.

Debt levels are projected to rise to 60.9 percent of GDP in 2023, compared to 58.3 percent of GDP in 2022. Under the program, debt levels rise slightly till 2025, and then decline to 60.2 percent of GDP in 2027, remaining throughout at a moderate risk of debt distress. In the short term (for 2023 and 2024), interest rates have been revised in line with recent developments in the regional bond market (see Text Figure 2). We assume an average interest rate of 8.5 percent for T-bills (previously 5.4 percent), 8.5 percent for bonds up to 3 years (previously 6.7 percent), 8 percent for 3 to 7-year bonds (previously 7.7 percent) and 7.7 percent for long-term bonds (as earlier). In the medium term, we assume that interest rates return to their historical averages. The composition of domestic financing is assumed to be comparable to the previous DSA with about 45 percent in T-bills, 30 percent in 3 to 7-year bonds, and 25 percent in 8-year bonds.

Box 1. Macroeconomic Assumptions Underlying this DSA Vintage (concluded)

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 assumes that IDA-20 financing from the World Bank will resume in 2024 and is projected to average about US\$370 million per year over the medium term.

Supported by high gold prices, the current account deficit is expected to decline to 4.9 percent of GDP in 2023, from 6.2 percent in 2022, and further improve thereafter, reaching 4.3 percent of GDP in 2025. However, recent mine closures continue to impact gold exports, and in the absence of a credible policy framework and improved security conditions, the deficit will likely remain substantial. In addition, the uncertain political environment discourages private capital flows, contributing to a BoP financing gap of CFAF 69 billion in 2023, expanding to CFAF 82 billion in 2024 and narrowing thereafter to around CFAF 80 billion in 2027.

13. 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 35 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

14. 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 April 2023 WEO and the 2022 CPIA is 2.93, 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

15. Besides the standardized stress tests and contingent liability test (see Text Table 3), 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

16. 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 16 percent over the projection horizon. The ratio decreases from 17.3 percent in 2023 to 12.0 percent in 2033. The PV of external debt-to-exports ratio is projected to decline gradually from 62.3 percent in 2022 to 50.9 percent in 2033, 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 5 percent for the next 10 years, while the debt service-to-revenue ratio (excluding grants) peaks at 7.4 percent in 2023, and then decreases to 4.4 percent in 2033.

17. 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).

B. Other Factors To Account For (application of judgement)

18. 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 March 2023. All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2023–43) 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. While the ECF program mitigates these risks, and is also expected to catalyze donor support, if such a scenario were to materialize, the authorities may increase reliance on expensive domestic financing.

C. Public Sector Debt Sustainability Analysis

19. The baseline scenario projects an increase of PPG public debt reaching a peak of 61.2 percent of GDP projected for end 2025 (Table 2 and Figure 2). Over the medium term, the planned fiscal adjustment allows the debt ratio to be under control, with public debt reaching 53.3 percent of GDP in 2033.

20. Under the baseline scenario, the PV of public debt-to-GDP ratio remains below the 55 percent benchmark. It declines from 53.5 percent of GDP in 2023 to 51.6 percent of GDP in 2027. The PV of debt-to-revenue and grants ratio is expected to peak in 2023 at 256.5 percent and then gradually decrease to 191.0 percent by 2033. The PV of debt service-to-revenue and grants ratio escalates rapidly from 42.8 percent in 2023 to 74.4 percent by 2026, 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.

21. Under the most extreme shock $\frac{3}{4}$ a shock to commodity prices $\frac{3}{4}$ the PV of public debt-to-GDP ratio remains above the benchmark through the projection period. (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. 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.

RISKS AND VULNERABILITIES

22. A meaningful response to the food and security crises entails increased public expenditure. Domestically, more security disruptions may lead to further political uncertainty, food insecurity, internal displacement, and lower economic activity. Difficulties in revenue mobilization and increased spending pressures could further deteriorate the fiscal balance. The overarching objectives of the proposed ECF program are to create fiscal space for priority needs and to increase resilience while reducing poverty and strengthening fiscal discipline and governance. In the absence of the policy framework under the program, the deficit would likely increase, and debt would likely become unsustainable.

23. Burkina Faso's debt portfolio has 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. Lower than expected concessional financing, in

conjunction with the large volume of debt maturing in the short term exposes the portfolio to rollover and liquidity risks, with implications for debt sustainability.

24. 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. The vulnerability of primary exports and imports (oil) to external developments and unanticipated price shocks remain a structural concern.

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 the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.93	Medium 2.97	Medium 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 percent)	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 Classification

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

CONCLUSIONS

25. 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 suggests that there is some, but limited, space to absorb shocks on external and public debt.

26. While Burkina Faso's debt remains sustainable over the medium term, this is contingent on substantial fiscal consolidation as well as donor support. To avoid a deterioration of the debt 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 is expected to mitigate uncertainties regarding the authorities' policy direction, and therefore catalyze donor finance.

27. The granularity assessment indicates that Burkina Faso has some space to absorb shocks, but it remains limited (Figure 5). Under the module, which allows qualifying the moderate risk of debt-distress, Burkina Faso is assessed as having some space to absorb shocks, but it remains limited; while none of the indicators breach the threshold under a median observed shock scenario, the evolution of the debt service to exports ratio and the service to revenue ratio increases in the short term, somewhat reducing the substantial space, but not resulting in a downgrade to high risk.

Authorities' Views

28. The authorities share the conclusions of this DSA. Aware of the vulnerabilities facing the country's economy and its debt management, they have decided, through the implementation of a medium-term debt management strategy, to pursue prudent management of the public debt in the momentum that has been in place for a few years now. Efforts will be stepped up on the domestic debt component, with a view to extending its maturity.

Table 2. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2020–2043
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Historical	Projections
External Debt (Nominal) 1/	21.4	25.6	25.9	24.5	23.9	23.6	23.4	23.2	22.7	19.0	12.1	22.4	22.2	22.4	22.2	22.4	22.2
<i>of which: public and publicly guaranteed (PPG)</i>	21.4	25.6	25.9	24.5	23.9	23.6	23.4	23.2	22.7	19.0	12.1	22.4	22.2	22.4	22.2	22.4	22.2
Change in external debt	-1.7	4.2	0.4	-1.4	-0.6	-0.3	-0.2	-0.2	-0.5	-0.9	-1.4	4.8	2.0	4.3	2.8	4.6	3.0
Identified net debt-creating flows	-6.9	-2.5	7.5	3.9	2.9	2.7	2.7	2.6	2.1	0.8	0.7	4.8	2.0	4.3	2.8	4.6	3.0
Non-interest Current Account Deficit	-4.3	-0.6	5.9	4.3	3.8	3.7	3.6	3.4	2.9	1.5	1.3	4.3	2.8	4.3	2.8	4.6	3.0
Deficit in balance of goods and services	-3.2	-2.0	4.4	3.4	3.0	3.1	3.3	3.2	2.9	2.9	2.7	4.3	2.8	4.3	2.8	4.6	3.0
Exports	29.9	31.6	29.2	27.8	27.3	26.7	25.9	25.6	25.6	23.6	20.3	4.3	2.8	4.3	2.8	4.6	3.0
Imports	26.6	29.6	33.6	31.3	30.4	29.7	29.2	28.8	28.5	26.5	23.0	4.3	2.8	4.3	2.8	4.6	3.0
Net current transfers (negative = inflow)	-4.0	-3.0	-2.3	-1.8	-1.7	-1.7	-1.6	-1.5	-1.5	-2.2	-1.5	4.3	2.8	4.3	2.8	4.6	3.0
<i>of which: official</i>	-1.5	-0.7	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	-0.8	4.3	2.8	4.3	2.8	4.6	3.0
Other current account flows (negative = net inflow)	2.9	4.5	3.8	2.6	2.5	2.3	1.9	1.8	1.6	0.8	0.1	4.3	2.8	4.3	2.8	4.6	3.0
Net FDI (negative = inflow)	-0.5	-0.2	0.2	0.2	0.1	0.0	0.1	0.1	0.1	0.0	0.0	4.3	2.8	4.3	2.8	4.6	3.0
Endogenous Debt Dynamics 2/	-2.1	-1.7	1.3	-0.6	-1.1	-1.0	-0.9	-0.9	-0.9	-0.8	-0.5	4.3	2.8	4.3	2.8	4.6	3.0
Contribution from nominal interest rate	0.2	0.2	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.1	4.3	2.8	4.3	2.8	4.6	3.0
Contribution from real GDP growth	-0.4	-1.3	-0.4	-1.0	-1.4	-1.3	-1.2	-1.2	-1.1	-1.0	-0.7	4.3	2.8	4.3	2.8	4.6	3.0
Contribution from price and exchange rate changes	-1.9	-0.6	1.5	...	...	...	...	...	...	...	...	4.3	2.8	4.3	2.8	4.6	3.0
Residual 3/	5.3	6.7	-7.1	-5.3	-3.4	-3.0	-2.9	-2.9	-2.6	-1.7	-2.1	4.3	2.8	4.3	2.8	4.6	3.0
<i>of which: exceptional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.3	2.8	4.3	2.8	4.6	3.0
Sustainability Indicators																	
PV of PPG External Debt-to-GDP Ratio	...	...	18.4	17.3	16.4	15.8	15.3	15.0	14.5	12.0	8.0	4.3	2.8	4.3	2.8	4.6	3.0
PV of PPG External Debt-to-exports Ratio	...	...	63.0	62.3	60.0	59.4	59.2	58.5	56.7	50.8	39.3	4.3	2.8	4.3	2.8	4.6	3.0
PPG Debt Service-to-exports Ratio	2.9	3.1	4.0	5.0	5.0	5.1	5.4	4.9	4.3	4.1	2.8	4.3	2.8	4.3	2.8	4.6	3.0
PPG Debt Service-to-revenue Ratio	5.4	5.4	6.0	7.4	7.2	7.0	7.0	6.1	5.3	4.4	2.5	4.3	2.8	4.3	2.8	4.6	3.0
Gross external financing need (Billion of U.S. dollars)	-0.7	0.0	1.4	1.2	1.2	1.3	1.4	1.4	1.3	1.1	1.7	4.3	2.8	4.3	2.8	4.6	3.0
Key Macroeconomic Assumptions																	
Real GDP growth (in percent)	1.9	6.9	1.5	4.4	6.4	6.0	5.6	5.3	5.3	5.4	5.3	4.9	5.4	4.9	5.4	4.9	5.4
GDP deflator in US dollar terms (change in percent)	8.9	2.9	-5.5	5.7	4.3	2.4	2.2	1.6	1.6	2.0	2.0	-0.4	2.5	-0.4	2.5	-0.4	2.5
Effective interest rate (percent) 4/	0.9	1.1	0.9	1.6	1.5	1.4	1.3	1.2	1.2	1.1	1.1	0.9	1.2	0.9	1.2	0.9	1.2
Growth of exports of G&S (US dollar terms, in percent)	20.0	16.3	-11.3	5.0	9.1	5.9	4.9	5.8	6.9	5.7	5.9	6.1	6.0	6.1	6.0	6.1	6.0
Growth of imports of G&S (US dollar terms, in percent)	-4.7	22.0	9.1	2.5	7.8	6.4	6.0	5.5	5.8	5.7	5.9	5.8	5.8	5.8	5.8	5.8	5.8
Grant element of new public sector borrowing (in percent)	...	...	...	43.3	48.1	48.1	48.2	46.3	49.7	47.4	...	...	47.3	...	47.3	...	47.3
Government revenues (excluding grants, in percent of GDP)	16.1	17.8	19.4	19.0	19.1	19.6	20.0	20.5	20.9	21.7	23.3	16.9	20.5	16.9	20.5	16.9	20.5
Aid flows (in Billion of US dollars) 5/	214.3	337.8	252.0	0.4	0.8	0.9	1.0	0.9	1.0	1.6	1.9	16.9	20.5	16.9	20.5	16.9	20.5
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.9	2.6	3.0	3.0	2.8	2.7	3.2	...	...	3.0	...	3.0	...	3.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	60.1	64.7	68.5	68.7	69.4	74.0	82.6	...	...	73.7	...	73.7	...	73.7
Nominal GDP (Billion of US dollars)	18	20	19	21	23	25	27	29	31	44	91	4.3	2.8	4.3	2.8	4.6	3.0
Nominal dollar GDP growth	11.0	10.0	-4.1	10.3	11.0	8.5	8.0	6.9	7.0	7.5	7.5	4.5	8.1	4.5	8.1	4.5	8.1
Memorandum items:																	
PV of external debt 7/	...	...	18.4	17.3	16.4	15.8	15.3	15.0	14.5	12.0	8.0	4.3	2.8	4.3	2.8	4.6	3.0
In percent of exports	...	...	63.0	62.3	60.0	59.4	59.2	58.5	56.7	50.8	39.3	4.3	2.8	4.3	2.8	4.6	3.0
Total External Debt Service-to-exports Ratio	2.9	3.1	4.0	5.0	5.0	5.1	5.4	4.9	4.3	4.1	2.8	4.3	2.8	4.3	2.8	4.6	3.0
PV of PPG external debt (in Billion of US dollars)	...	...	3.5	3.6	3.8	4.0	4.2	4.4	4.5	5.3	7.3	4.3	2.8	4.3	2.8	4.6	3.0
(PV1-PVt-1)/GDPt-1 (in percent)	...	...	0.7	0.9	0.8	0.7	0.7	0.6	0.6	0.3	-0.2	4.3	2.8	4.3	2.8	4.6	3.0
Non-interest current account deficit that stabilizes debt ratio	-2.6	-4.8	5.6	5.7	4.4	4.0	3.8	3.7	3.5	2.4	2.6	4.3	2.8	4.3	2.8	4.6	3.0

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g)] / (1+g+p+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and p = 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.

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

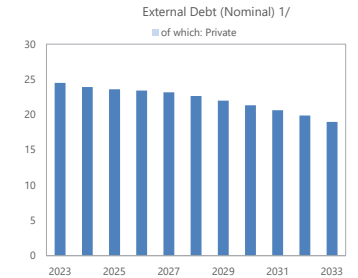
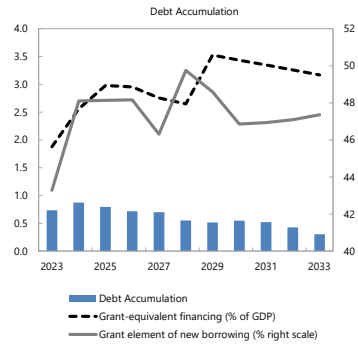


Table 3. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public Sector Debt 1/	43.3	55.4	58.3	60.9	61.0	61.2	60.7	59.7	58.5	53.3	46.9	38.7	58.0
of which: external debt	21.4	25.6	25.9	24.5	23.9	23.6	23.4	23.2	22.7	19.0	12.1	22.4	22.2
Change in Public Sector Debt	1.8	12.0	2.9	2.6	0.1	0.2	-0.5	-0.9	-1.2	-0.9	-1.5		
Identified Debt-creating Flows	-0.4	6.2	8.1	2.6	0.3	0.1	-0.6	-1.1	-1.1	-0.4	-0.3	2.7	-0.2
Primary deficit	3.8	5.7	8.7	4.5	3.0	2.0	1.2	0.4	0.4	0.6	0.3	3.7	1.3
Revenue and grants	19.1	20.3	21.7	19.9	20.4	21.3	21.7	22.2	22.6	24.3	25.4	19.8	22.6
of which: grants	3.1	2.5	2.2	0.9	1.3	1.7	1.7	1.7	1.7	2.6	2.1		
Primary (noninterest) expenditure	22.9	26.0	30.4	24.3	23.4	23.3	23.0	22.6	23.0	24.8	25.7	23.5	23.8
Automatic debt dynamics	-4.2	0.4	-0.6	-1.9	-2.8	-1.9	-1.8	-1.5	-1.5	-0.9	-0.6		
Contribution from interest rate/growth differential	-1.1	-2.2	-2.4	-1.9	-2.8	-1.9	-1.8	-1.5	-1.5	-0.9	-0.6		
of which: contribution from average real interest rate	-0.4	0.6	-1.6	0.6	0.9	1.5	1.5	1.5	1.4	1.8	1.9		
of which: contribution from real GDP growth	-0.8	-2.8	-0.8	-2.4	-3.7	-3.4	-3.3	-3.0	-3.0	-2.8	-2.5		
Contribution from real exchange rate depreciation	-3.0	2.6	1.8	--	--	--	--	--	--	--	--		
Other identified debt-creating flows	0.0	0.1	-0.1	0.0	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)	0.0	0.1	-0.1	0.0	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	2.3	5.8	-5.1	0.0	-0.2	0.1	0.1	0.2	-0.1	-0.6	-1.3	0.6	-0.2
Sustainability Indicators													
PV of Public Debt-to-GDP Ratio 2/	...	...	50.7	53.5	53.4	53.3	52.6	51.6	50.4	46.3	42.8		
PV of Public Debt-to-revenue and Grants Ratio	...	...	234.1	269.2	261.9	250.5	241.9	232.0	223.2	191.0	168.4		
Debt Service-to-revenue and Grants Ratio 3/	38.8	41.0	41.2	44.9	61.1	68.2	74.4	73.0	71.0	60.2	48.1		
Gross financing need 4/	8.4	9.7	11.3	13.4	15.5	16.5	17.4	16.6	16.5	15.2	12.5		
Key Macroeconomic and Fiscal Assumptions													
Real GDP growth (in percent)	1.9	6.9	1.5	4.4	6.4	6.0	5.6	5.3	5.3	5.4	5.3	4.9	5.4
Average nominal interest rate on external debt (in percent)	0.9	1.0	1.0	1.6	1.5	1.4	1.3	1.2	1.2	1.1	1.1	0.9	1.2
Average real interest rate on domestic debt (in percent)	-1.4	6.3	-0.6	3.9	3.6	5.0	4.7	4.7	4.7	4.9	5.3	3.7	4.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-13.4	13.4	7.7	--	--	--	--	--	--	--	--	3.7	--
Inflation rate (GDP deflator, in percent)	6.8	-0.8	6.1	1.9	3.0	2.0	2.0	2.0	2.0	2.0	2.0	1.4	2.1
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.4	14.3	13.4	23.5	-17.3	3.5	5.3	4.2	3.7	6.0	5.7	9.1	5.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.9	-6.4	5.8	1.9	3.0	1.8	1.7	1.3	1.6	1.5	1.8	0.4	1.7
PV of Contingent Liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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 (i.e., a primary surplus), which would stabilize 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.

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

Public Sector Debt 1/

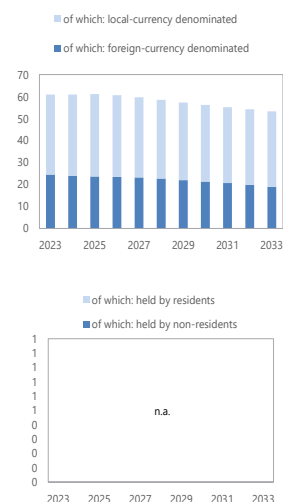
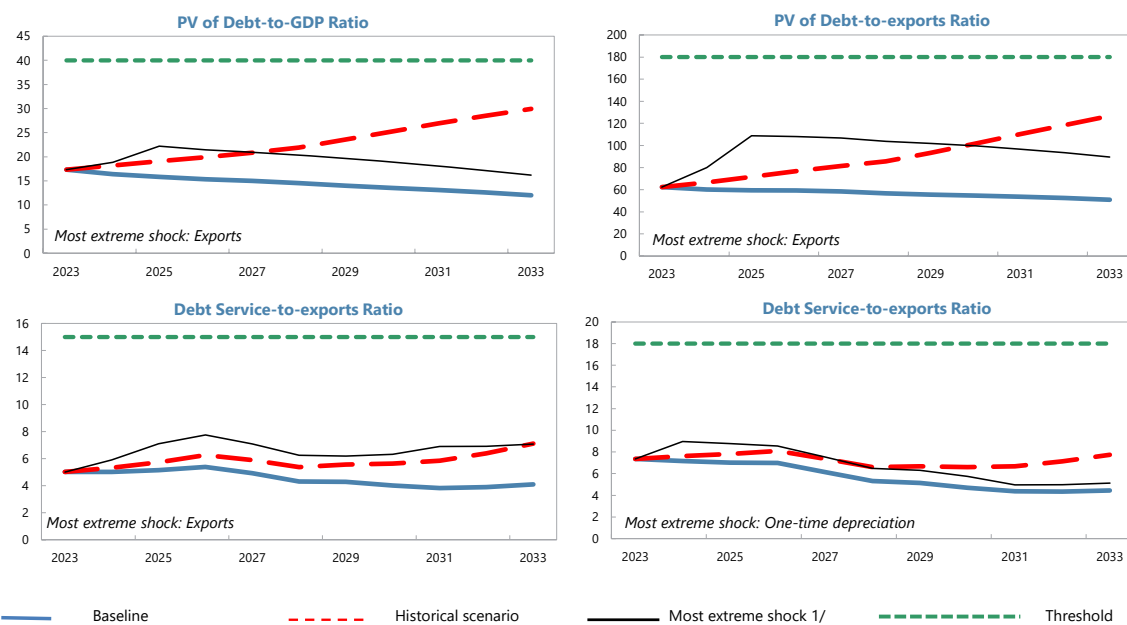


Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–2033



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.

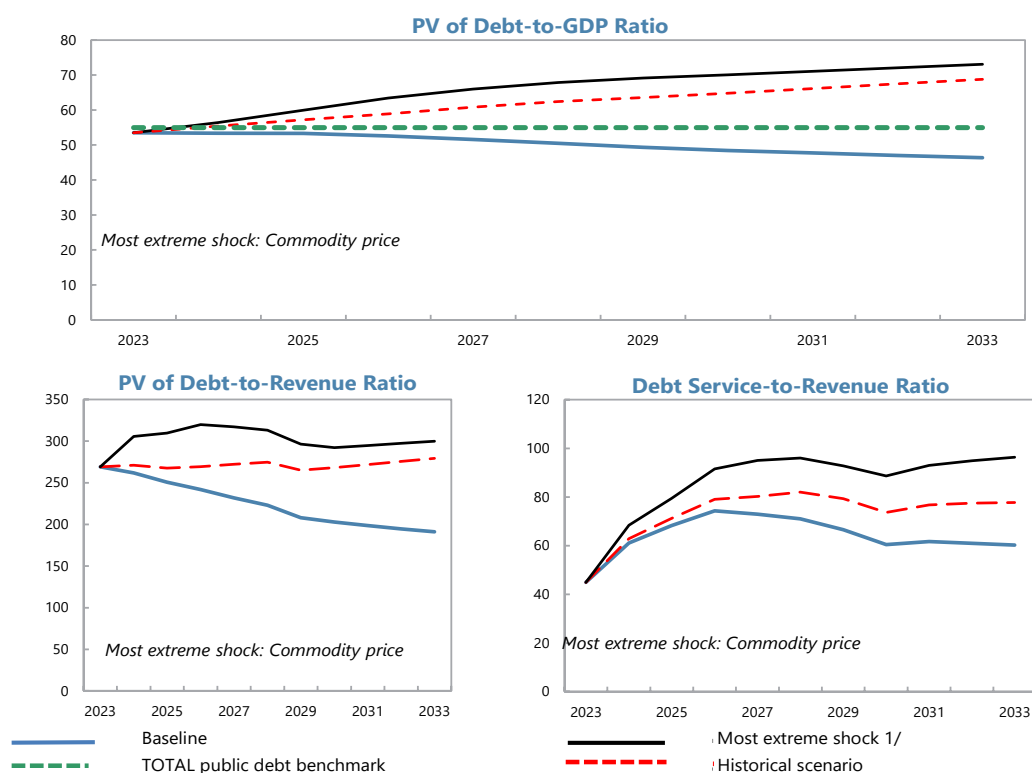
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	33	33
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 2033. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Burkina Faso: Indicators of Public Debt under Alternative Scenarios, 2023–2033



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	1.0%	1.0%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.4%	5.4%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	3.9%	3.9%

* 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 2033. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023-2033 (percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	17	16	16	15	15	15	14	14	13	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	17	18	19	20	21	22	24	25	27	28	30
B. Bound Tests											
B1. Real GDP growth	17	17	18	17	17	16	15	15	14	14	13
B2. Primary balance	17	17	17	16	16	16	15	15	15	14	14
B3. Exports	17	19	22	21	21	20	20	19	18	17	16
B4. Other flows 3/	17	18	19	18	18	17	17	16	15	15	14
B5. Depreciation	17	21	18	17	17	16	16	15	15	14	14
B6. Combination of B1-B5	17	20	20	20	19	19	18	17	17	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	17	17	17	16	16	16	15	15	15	14	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	18	18	18	18	17	17	16	15	14	14
C4. Market Financing	17										
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-exports Ratio											
Baseline	62	60	59	59	58	57	56	55	54	52	51
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	62	67	72	77	81	85	93	102	110	119	127
B. Bound Tests											
B1. Real GDP growth	62	60	59	59	58	57	56	55	54	52	51
B2. Primary balance	62	61	63	64	63	62	61	61	60	59	58
B3. Exports	62	80	109	108	107	104	102	100	97	93	90
B4. Other flows 3/	62	66	71	70	69	67	66	65	63	61	59
B5. Depreciation	62	60	54	53	53	51	50	49	49	48	46
B6. Combination of B1-B5	62	75	68	79	78	76	74	73	71	69	66
C. Tailored Tests											
C1. Combined contingent liabilities	62	62	62	63	63	61	61	61	60	59	58
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	62	69	73	72	71	68	66	65	63	60	58
C4. Market Financing	62										
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-exports Ratio											
Baseline	5	5	5	5	5	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	5	5	6	6	6	5	6	6	6	6	7
B. Bound Tests											
B1. Real GDP growth	5	5	5	5	5	4	4	4	4	4	4
B2. Primary balance	5	5	5	6	5	5	4	4	4	4	4
B3. Exports	5	6	7	8	7	6	6	6	7	7	7
B4. Other flows 3/	5	5	5	6	5	4	4	4	5	5	5
B5. Depreciation	5	5	5	5	5	4	4	4	3	4	4
B6. Combination of B1-B5	5	6	6	6	6	5	5	5	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	5	5	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	5	5	6	6	5	5	5	5	5	5	5
C4. Market Financing	5										
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-revenue Ratio											
Baseline	7	7	7	7	6	5	5	5	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	7	8	8	8	7	7	7	7	7	7	8
B. Bound Tests											
B1. Real GDP growth	7	8	8	8	7	6	6	5	5	5	5
B2. Primary balance	7	7	7	7	6	6	5	5	5	5	5
B3. Exports	7	7	7	8	7	6	6	6	6	6	6
B4. Other flows 3/	7	7	7	7	6	6	5	5	5	5	5
B5. Depreciation	7	9	9	9	8	6	6	6	5	5	5
B6. Combination of B1-B5	7	8	8	8	7	6	6	6	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	7	7	7	7	6	5	5	5	4	4	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	7	8	8	8	7	6	6	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

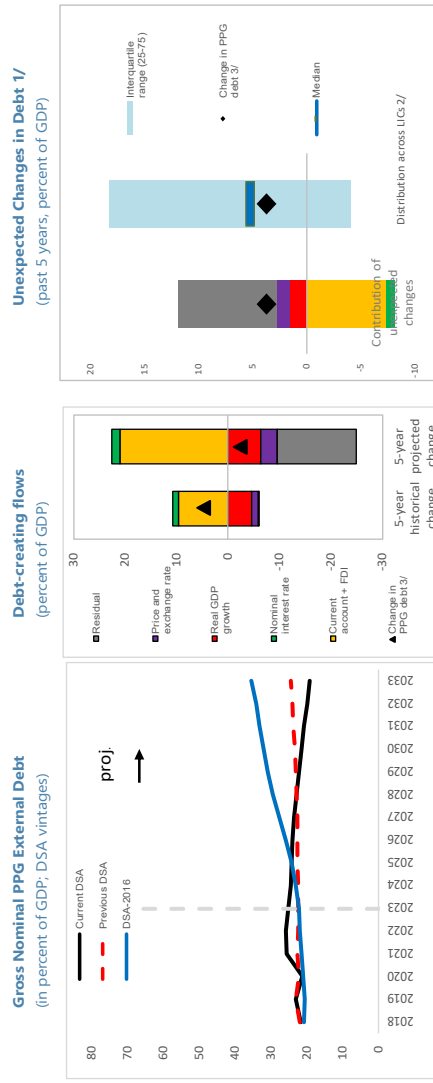
3/ Includes official and private transfers and FDI.

Table 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2023–2033 (percent)

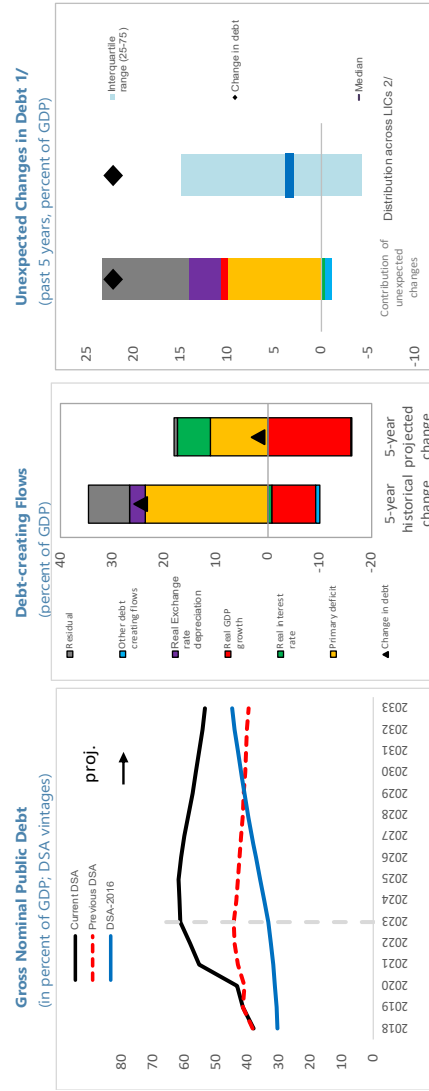
	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	54	53	53	53	52	50	49	48	48	47	46
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	54	55	57	59	61	62	64	65	66	67	69
B. Bound Tests											
B1. Real GDP growth	54	57	62	63	64	64	65	66	67	68	69
B2. Primary balance	54	56	61	60	58	57	56	55	54	53	52
B3. Exports	54	56	59	58	57	56	54	53	52	51	50
B4. Other flows 3/	54	55	56	55	54	53	52	51	50	49	48
B5. Depreciation	54	55	52	50	48	46	44	43	41	40	38
B6. Combination of B1-B5	54	53	57	57	56	55	54	53	52	51	50
C. Tailored Tests											
C1. Combined contingent liabilities	54	61	61	60	59	58	56	55	54	53	52
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	54	56	60	63	66	68	69	70	71	72	73
C4. Market Financing	54										
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	269	262	251	242	232	223	208	203	199	195	191
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	269	271	268	270	272	275	265	268	272	276	279
B. Bound Tests											
B1. Real GDP growth	269	280	288	287	284	283	271	273	275	278	280
B2. Primary balance	269	276	284	274	263	253	236	230	224	220	215
B3. Exports	269	273	277	267	256	246	229	223	217	212	206
B4. Other flows 3/	269	269	265	255	245	235	219	213	208	204	199
B5. Depreciation	269	269	247	234	219	206	188	180	172	165	159
B6. Combination of B1-B5	269	262	269	260	250	242	226	220	216	212	208
C. Tailored Tests											
C1. Combined contingent liabilities	269	301	287	276	265	255	237	231	226	221	216
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	269	306	310	320	317	313	297	292	295	297	300
C4. Market Financing	269										
Debt Service-to-Revenue Ratio											
Baseline	45	61	68	74	73	71	67	60	62	61	60
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	45	63	71	79	80	82	79	74	77	78	78
B. Bound Tests											
B1. Real GDP growth	45	64	77	87	88	89	86	83	87	88	90
B2. Primary balance	45	61	74	87	83	82	77	71	71	70	69
B3. Exports	45	61	68	75	73	71	67	61	63	62	61
B4. Other flows 3/	45	61	68	75	73	71	67	61	62	62	61
B5. Depreciation	45	58	66	69	69	67	63	57	58	57	56
B6. Combination of B1-B5	45	60	69	81	79	77	72	67	67	66	65
C. Tailored Tests											
C1. Combined contingent liabilities	45	61	84	86	85	83	79	71	71	70	69
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	68	79	92	95	96	93	89	93	95	96
C4. Market Financing											

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

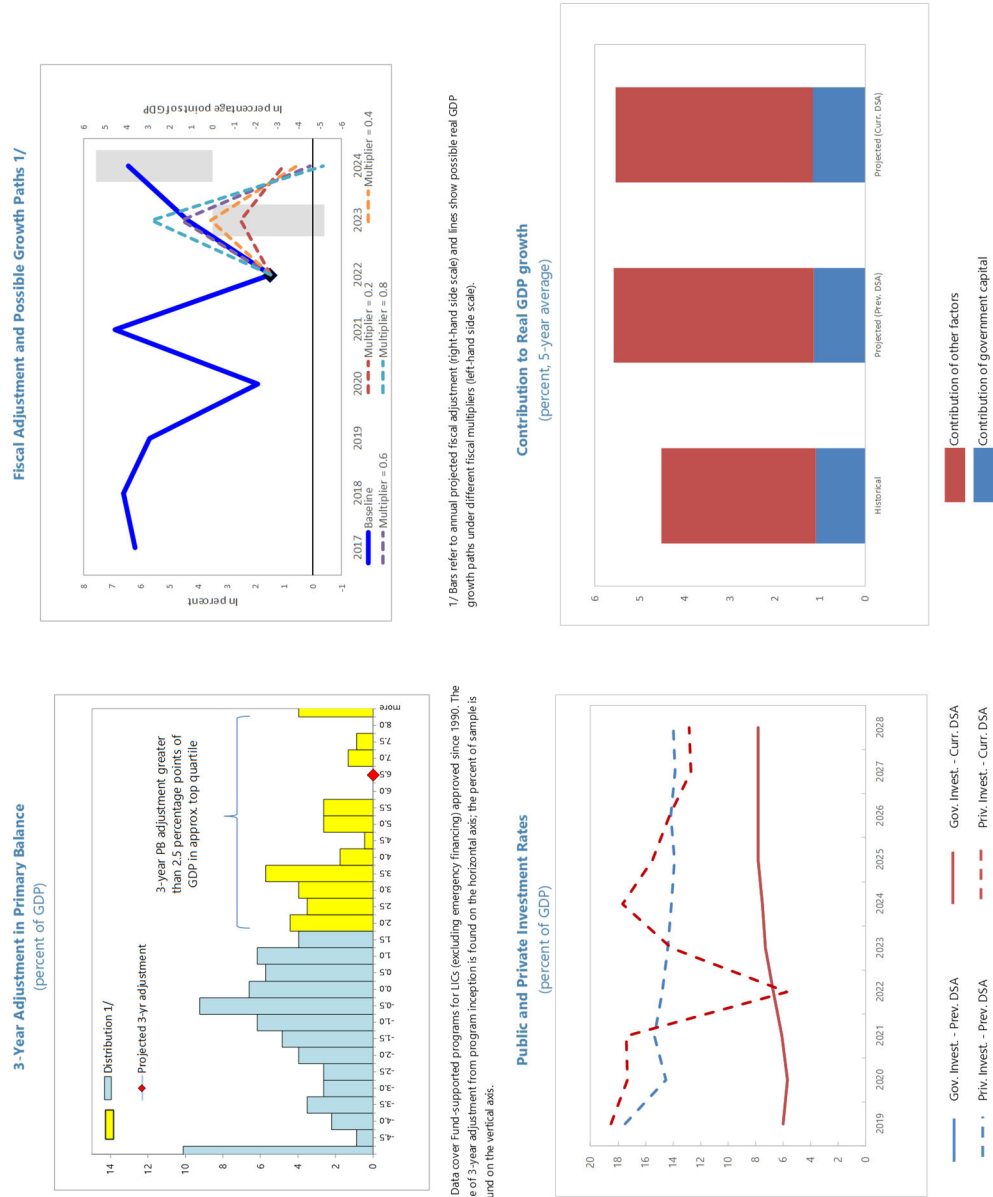


Public Debt



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.

Figure 4. Burkina Faso: Realism Tools



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).

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.

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 A FOUR-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—SUPPLEMENTARY INFORMATION

September 15, 2023

Prepared By

The African Department

1. This supplement provides updates of the authorities' implementation of the food emergency response, on the latest macroeconomic data releases and on the Prior Actions. It does not alter the staff's assessment of policy issues and recommendations contained in the staff report.

2. In response to an acute food insecurity crisis, the authorities have developed the *Response and Support Plan for Vulnerable Populations (RSPVP)* at an estimated cost of US\$114 million (CFAF 69 bn, 0.5 percent of GDP). Measures to alleviate immediate and urgent needs include facilitating food access to the most vulnerable; efforts alleviating malnutrition among children, pregnant and lactating women; and protecting food-insecure households. More structural measures include improved access to clean water and fertilizers as well as support to livestock farming (e.g., vaccinations). The authorities have provided an interim update.

3. Emergency financing under the Food Shock Window (SDR 60.2 million, US\$81 million, CFAF 49 billion) helped meet BOP needs caused by the food insecurity crisis and was disbursed on March 29, 2023. The authorities committed to various safeguards, including semi-annual reports and a one-year audit of the cash transfer programs and emergency food expenditures (the audit is also a structural benchmark under the proposed ECF-supported program).

4. Efforts to address the food insecurity crisis continue. The authorities have provided an implementation update (Table 1). As of August 31, total expenditure on the RSPVP amounted to US\$50 million (CFAF 30 billion), equivalent to about 44 percent of the currently budgeted amount and about 61 percent of FSW emergency financing, such as the distribution of free food and subsidized sales of cereals, have been fully implemented. Measures with more medium-term impact, such as the improvement of supply and distribution of clean water and support of livestock farming, are being implemented more gradually, at about 58 percent of budget allocations on average so

far. In part reflecting difficult security conditions, the authorities are proceeding more cautiously on the provision of cash transfers (about 17 percent of budgeted amounts) to minimize misuse. Over time, it is expected that the emphasis will shift to more structural measures while expanding cash transfer systems, in line with measures under the proposed ECF-supported program.

Table 1. Burkina Faso: Implementation of RSPVP (as of August 31, 2023)

Measure	Budgeted (In CFAF billion)	Actual	Execution rate In percent
Distribution of free food	7.2	7.2	100.0
Cash transfers	15.6	2.7	17.4
Sales of cereals at subsidized prices	7.7	7.7	100.0
Improvement of water supply/distribution	34.1	8.4	24.6
Distribution/sale of agricultural inputs (incl. fertilizers, seeds) at subsidized prices	2.9	2.9	100.0
Support to livestock farming	1.4	1.3	92.4
Total	68.8	30.2	43.8

Source: Burkinabè Authorities

5. Nevertheless, food insecurity remains high. According to the World Food Program and other humanitarian organizations, at present about 3.5 million people are in conditions of acute food insecurity. Of these, about 650,000 people, mainly concentrated in the country's Sahel region, are facing extreme hunger conditions.

6. Macroeconomic indicators remain broadly in line with those projected by staff.

Updated inflation data through August 2023 suggest that the decline in inflation may proceed slightly faster than expected. Staff for now maintains the current projected path of inflation but will monitor developments and adjust as warranted. No other macroeconomic data have been released since the issuance of the staff report.

7. The authorities have submitted documents which attest their compliance with the program's two Prior Actions. First, the authorities have submitted to Parliament the revised 2023 budget, which staff assesses to be consistent with program objectives (Table 2). In particular, the authorities foresee a lower deficit in 2023 reflecting more ambitious revenue projections than envisaged under the program. Expenditures are higher than under the program due to higher budgeted externally financed investment spending, which however would only be realized if the respective external financing (particularly project grants) materializes; consequently, program targets are not at risk. Other expenditures, including social protection programs and domestically financed

public investment, are in line with those in the program. Second, the authorities have formally instructed the state anti-corruption authority (ASCE-LC) to launch an audit of all government's arrears and floating debts. ASCE-LC is an independent agency from the government. The audit will be published by December 2024.

Table 2. Burkina Faso: Program versus Initial and Revised Budgets, 2023 (CFAF billion)

	Program (proj.)	Initial Budget	Revised Budget	Revised Budget versus Program
Total revenue and grants	2,490.0	2,631.3	2,718.9	228.8
Total revenue	2,374.3	2,347.8	2,479.3	105.0
Tax revenue	2,096.6	2,107.3	2,204.8	108.2
Nontax revenue	277.7	240.5	274.5	-3.2
Grants	115.8	283.5	239.6	123.8
Project	115.8	239.6	239.6	123.8
Program	-	43.9	-	-
Total Expenditure	3,321.2	3,235.9	3,382.7	61.4
Current expenditure	2,177.6	2,074.6	2,115.8	-61.8
Wages and salaries	1,097.2	1,097.2	1,097.2	0.0
Goods and services	226.1	209.0	213.0	-13.1
Interest payments	271.1	234.2	234.2	-37.0
Current transfers	583.2	534.3	571.5	-11.7
Investment expenditure	1,143.6	1,161.3	1,266.8	123.2
Domestically financed	820.8	706.0	811.5	-9.3
Externally financed	322.8	455.3	455.3	132.5
Overall balance 1/	-831.2	-604.7	-663.8	167.4

Sources: Staff and Burkinabè Authorities
1/ Commitment ("engagement") basis

**Statement by Mr. Sylla, Executive Director for Burkina Faso,
Mr. Matungulu, Alternate Executive Director,
and Mr. Tall, Advisor to the Executive Director
September 21, 2023**

On behalf of my Burkina Faso's authorities, I would like to express our appreciation to Management and Executive Directors for the Fund's support to Burkina Faso at this critical juncture for the country. The authorities appreciated the candid and constructive policy dialogue with Staff during the program discussions held in Ouagadougou this past June.

Burkina Faso's authorities are facing a challenging domestic and external environment. On the domestic front, they are confronted with an existential threat from a jihadist insurgency, which now contests their control on large part of the national territory. The military conflict and deteriorating security situation have caused a massive exodus of civilians, with more than 2 million displaced population. Compounding the humanitarian crisis, supply chain disruptions in the wake of the covid-19 pandemic and the war in Ukraine, a succession of coups d'états, the Sahel region's political and security instability, and the global financial tightening have exacerbated longstanding structural vulnerabilities and macroeconomic imbalances. The ensuing food crisis left more than 16 percent of the population in acute food insecurity conditions. The instability is also generating significant adverse spillovers in neighboring countries.

The authorities have devised an ambitious strategy to address the multiple challenges Burkina Faso is facing. To reflect the evolving needs of the country, they adopted a revised national development policy, the Action Plan for Stabilization and Development. On security, they are pursuing regional and international support in the fight against terrorism and for the restoration of territorial integrity. On the economic front, policy priorities will focus on preserving macroeconomic stability and hard-achieved poverty reduction gains, while addressing the country's immediate security and humanitarian needs.

The Government is appreciative of the Fund's contribution towards addressing the food insecurity crisis, with the emergency disbursement under the Food Shock Window (FSW). The authorities are using the FSW resources as intended to support vulnerable households, including through food and water distribution, cash transfers to eligible households, and targeted support to agriculture production. As of end-August 2023, five months after the

FSW disbursement, the overall execution rate of spending was 60.34 percent, with a 100 percent execution rate for components related to the distribution of food and subsidized agricultural inputs. Components of the emergency response plan related to cash transfers saw an execution rate of 17.45 percent due to the reforms underway to strengthen controls and expand the social registry. As committed and announced, the authorities will share a detailed report on the use of the funds received by September 30, 2023, and have already started publishing on the Ministry of Finance's website the information on the entities which were awarded tenders related to the FSW disbursement.

In support of their medium-term reform agenda, the authorities are requesting a 48-month ECF arrangement with the Fund. The program will also help catalyze much-needed additional concessional financing.

The authorities' commitment and strong program ownership is buttressed by their long track record of effective Fund programs implementation, the prior actions taken, and the country's commendable use of Fund resources under the Food Shock Window.

Recent Economic Developments and Outlook

After a solid post-covid recovery, with a 6.9 percent real GDP growth rate in 2021, the pace of economic activity slowed sharply to 1.5 percent in 2022, mostly reflecting the impact of the deteriorating security environment and two military coups. While the secondary sector contracted substantially due to the closures of large mining projects, the primary and services sectors grew strongly.

Headline inflation peaked in 2022 at 18 percent and annual average inflation was 14.1 percent, fueled by the combined effects of a meager harvest, security related disruptions, and high food, fuel, and fertilizer import prices in the wake of the war in Ukraine.

The authorities implemented an ambitious reforms agenda. Notably, on fiscal policy, they sought to strengthen revenue collections and enhance spending controls, amidst rising spending pressures. As a result, Burkina Faso is now on track to reach the 20 percent revenue to GDP performance milestone this year. On spending, efforts were directed towards cleaning up the payroll and better targeting subsidies as fuel and food prices increased. The authorities also adopted a Medium-Term Debt Strategy to improve debt management and advance debt sustainability.

The reform efforts are bearing fruit. Growth is expected to rebound in 2023, and gradually move towards the steady-state rate of 3 percent as security conditions improve and investor confidence is rebuilt, facilitating the normalization of mining and agriculture activities as internally displaced persons return home. Against this more favorable background, inflation should decelerate, eased notably by the expected decline in commodities prices and increased domestic food production.

Significant downside risks remain, however, including those related to domestic security conditions and the potential for spillovers of regional crises. External risks pertain to

disruptions from an escalation of geopolitical tensions, and the impact of the tightening global financial conditions.

The new ECF arrangement

Reflecting the priorities of the national development policy, as operationalized in the Action Plan for Stabilization and Development, the new ECF arrangement objectives are centered on three main axes: i) creating fiscal space for priority spending and reducing debt vulnerabilities, ii) strengthening the country's resilience to shocks while reducing poverty and fostering social cohesion, and iii) strengthening fiscal discipline, transparency, and governance.

Creating fiscal space for priority spending and reducing debt vulnerability

The authorities are committed to stronger and determined efforts to create adequate fiscal space for priority security and development spending. To that end, they plan to manage the budget with the view to gradually reduce the fiscal deficit from 7 percent to within the 3 percent regional target during the program period.

On revenue, the authorities will intensify the implementation of their medium-term strategy aimed at increasing revenue to a targeted 20 percent of GDP in 2023, and 22.2 percent by the 2027 horizon of the program. Importantly, the revenue agencies are on track to overperform their ambitious yearly goals, and the authorities plan to deepen further related reforms in train. Key areas of focus include measures to broaden the tax base through digitalization of tax and customs procedures, close tax loopholes, improve the tax yield of sectors such as real estate, and step up the enforcement of tax laws.

Consistent with their growth-friendly fiscal consolidation program, the authorities are determined to improve the composition of spending. In this context, they will step up control of the wage bill, which is projected to decline from 65 percent of revenue in recent years to below 47.1 percent over the program period. To that end, they will slow the pace of hiring in non-priority sectors, step up controls to remove “ghost” workers and clean up the payroll, and phase-in over a longer duration any accrued new benefits.

Expenditure policy will prioritize security and social outlays, while supporting growth. Efforts will be made to improve spending efficiency as well, including by better targeting subsidies and social outlays. In this context, the authorities have already started reducing blanket subsidies in the energy sector, reallocating these mostly to the neediest.

With the view to improving the efficiency of the systemic state-owned enterprises involved in the electricity and fuel import sectors, the authorities plan to issue performance contracts for SONABEL and SONABHY. They are also reforming the fuel pricing mechanism with the twin goals of controlling risks to the budget, while targeting subsidies towards vulnerable households. On the latter, efforts are planned to finalize the country's single social registry and expand and strengthen the social safety net with the support of the World Bank.

The authorities are committed to adhering to prudent debt policies, with the view to ensuring debt sustainability. They will do their utmost to contain the risks of debt distress, including by converging towards the regional fiscal deficit target, and relying on grants and concessional financing to the extent possible. The authorities are also stepping up efforts to engage Burkina's technical and financial partners to secure further concessional budget support and to strengthen further the government's debt management capabilities. They look forward to IMF technical assistance in the implementation of their structural fiscal reforms and debt policy.

Strengthening the country's resilience to shocks while reducing poverty and fostering social cohesion.

The authorities highly welcomed the discussion with Staff on the root causes of fragility in Burkina as documented in the Country Engagement Strategy.

Amongst the shocks, extreme climate events have regularly affected Burkina Faso, along with countries in the Sahara region, with a significant impact on the key agriculture sector as well as on social cohesion- as entire communities are displaced following recurring episodes of drought or flooding, or the advancing desertification. To address these challenges, the authorities are committed to building resilience to climate change through adaptation and mitigation efforts.

On poverty reduction, the authorities will advance their ambitious poverty reduction and inclusive growth agenda, despite the prevailing difficult security situation and tight funding availability. Under the ECF arrangement, they intend to deploy a determined pro-poor growth agenda. Key components include the strengthening of community-based partnerships to foster entrepreneurship and employment for women and the youth; as well as the reinsertion of internally displaced populations into productive activities such as agriculture and livestock production, as more security gains are made.

Strengthening fiscal discipline, transparency, and governance

Enforcing enhanced transparency and governance standards has been a priority for the transition government. To that effect, budget execution reports are going to be published more frequently, on a quarterly basis, as well as information on the use of the Fund's Food Shock Windows disbursement and the beneficial owners of entities awarded public tenders to address food insecurity. In the same vein, the authorities will publish the audit reports of the implementation of their cash transfer and all other emergency spending programs. As advised by Staff, the authorities agreed to integrate the Patriotic Support Fund into the Budget Law to increase transparency; they also incorporated solid safeguards to contain contingent risks to the budget. These safeguards include processes to ensure that expenses are fully funded, and strictly ring-fenced.

In the area of governance, the authorities plan to prepare a comprehensive governance diagnostic and an action plan to address prevailing weaknesses in an orderly and effective manner. They are committed to close engagement with Fund staff in this exercise. Plans are

also in train to strengthen controls of spending in the security sector, which have expanded due to the sector challenges the country faces. In addition, the authorities will conduct an audit of government arrears and floating debts, and they will also explore with IMF staff the timing and scope of a Fiscal Safeguards Review (FSR), which could take place before the first program review.

Conclusion

Considering the authorities' strong commitment to reforms, robust program ownership as evidenced by the implementation of courageous prior actions, as well as their long-standing track record of satisfactory program performance, including under the Fund's Food Shock Window, we call for and would greatly appreciate the Executive Board's positive consideration of Burkina Faso's request for an ECF arrangement.