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Burkina Faso: Request for a Three-Year Arrangement Under the Extended Credit Facility—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burkina Faso

In the context of the request for a three-year arrangement under the extended credit facility, the following documents have been released and are included in this package:

- The staff report for the Request for a Three-Year Arrangement Under the Extended Credit Facility, prepared by a staff team of the IMF, following discussions that ended on April 9, 2010, with the officials of Burkina Faso on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 1, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff supplement of June 1, 2010 updating information on recent developments.

- A Press Release summarizing the views of the Executive Board as expressed during its June 14, 2010 discussion of the staff report that completed the request and/or review.

- A statement by the Executive Director for Burkina Faso.

The documents listed below have been or will be separately released.

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

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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BURKINA FASO

Request for a Three-Year Arrangement Under the Extended Credit Facility

Prepared by the African Department

Approved by Peter Allum and Thomas Dorsey

June 1, 2010

Discussions. The sixth review and negotiations for a three-year arrangement under the ECF took place in Ouagadougou during March 26–April 9, 2010. The staff team met with the ministers of Economy and Finance, Mining, Commerce, and Civil Service, the National Director of the BCEAO and other senior officials. The staff also held discussions with representatives of civil society organizations, the donor community, and members of parliament. The team comprised Ms. Malangu Kabedi-Mbuyi (head), Messrs. Gudmundsson, Boutin-Dufresne, and El Harrak (all AFR). Ms. Adenauer, the IMF Resident Representative assisted the mission.

Last ECF arrangement. The Executive Board approved a three-year ECF arrangement on April 23, 2007 with an access of 10 percent of quota, augmented twice to help the authorities mitigate the impact of adverse exogenous shocks. The program was instrumental in helping Burkina Faso preserve macroeconomic stability, and secure a higher level of external budgetary support. Because the authorities' request to extend the program period was not submitted to the Board on time, the arrangement was not extended beyond its expiry date of April 22, 2010 to permit completion of the sixth review. This report informs the Executive Board on performance under the former ECF arrangement, including the period covered by the sixth review. It also proposes that access under the successor ECF arrangement be increased from the norm of 75 percent of quota (based on Burkina Faso's outstanding debt to the Fund of 116.9 percent of quota at end-2009), to 76.67 percent of quota. The difference represents an amount equivalent to the disbursement that would have become available on completion of the sixth review.

New ECF arrangement. In the attached Letter of Intent, the authorities are requesting a new three-year ECF arrangement for SDR 46.15 million (76.67 percent of quota) to support their medium-term policy framework and structural reform agenda.

Last Executive Board discussion. On December 14, 2009, the Executive Board concluded the 2009 Article IV consultation and the fifth ECF review, and approved an augmentation of access of 55 percent of quota.

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List of Acronyms

ASYCUDA	Automated system for customs data
BCEAO	Central Bank of West African States
BIC	tax on industrial and commercial profits
CNO	OHADA National Commission
CPIA	Country Policy and Institutional Assessment
FSAP	Financial Sector Assessment Program
IUTS	single progressive tax on wages and salaries
LTO	Large taxpayer office
MCC	Millennium Challenge Corporation
MEFP	Memorandum of Economic and Financial Policies
MTO	Medium taxpayer office
PV	present value
OHADA	Organization for the Harmonization of Business Law in Africa
PC	performance criterion
PFM	public financial management
PRSP	Poverty Reduction Strategy Paper
REER	real effective exchange rate
SCADD	Stratégie pour une Croissance Accélérée et pour le Développement Durable (Strategy for Accelerated Growth and Sustainable Development)
SOFITEX	Société Burkinabè des Fibres Textiles (The largest cotton ginning company)
VAT	value-added tax
WAEMU	West African Economic and Monetary Union

Executive Summary

- **Macroeconomic and financial developments in 2009 were mixed.** Economic activity was subdued because of the impact of adverse exogenous shocks, notably the global economic downturn. Inflation eased, mostly reflecting the decline in global food and fuel prices. The fiscal outturn was better than anticipated with higher revenue, thanks to efficiency gains in tax administration, and lower nonpriority expenditure. Credit to the economy slowed significantly reflecting low economic activity and commercial banks' heightened caution in an uncertain environment. The external position improved, owing to a strong export performance and improved terms of trade.

- **Performance under the last ECF-supported program (2007–09) was broadly satisfactory.** Most quantitative targets were met, and structural reforms progressed, although at a slow pace in some areas. Revenue performance fell short of program goals, mainly because of delays in fiscal reforms. The impact of the 2009 global economic downturn on international cotton prices and demand for textiles eroded somewhat the gains from recent reforms in the cotton sector. In particular, it pointed to the need to set up a sustainable price-smoothing mechanism for ginning companies. The ECF-supported program was instrumental in helping Burkina Faso preserve macroeconomic stability and mobilize budgetary support.

- **The authorities have prepared a medium-term policy framework to consolidate recent progress and enhance growth prospects and poverty reduction efforts, for which they are requesting IMF support under the ECF.** This framework underpins a program that focuses on fiscal consolidation to sustain macroeconomic stability, and on a reform agenda geared to supporting private sector development. Priority structural reforms cover the financial sector, the cotton sector, the business environment, and public financial management.

- **Burkina Faso's risk of debt distress is high.** Results from the Debt Sustainability Analysis show that the threshold for the present value of debt-to-export ratio would be breached starting in 2015, pointing to Burkina Faso's lack of diversification and dependence on cotton. All other indicators are well-below their indicative thresholds. Sensitivity tests show that the debt outlook is vulnerable to persistent large fiscal deficits, which underscores the need for fiscal consolidation and prudent borrowing policies.

- **There are risks to the program, mostly linked to the economy's vulnerability to weather-related and terms of trade shocks**. While it is difficult to mitigate these risks in the short-run, the efficient implementation of reforms envisaged under the program provides a sound basis to contain them in the medium-term. In the short-run, Burkina Faso's strong performance under IMF-supported programs in the last several years augurs well for a successful implementation of the new program.

- **Staff supports the authorities' request for a new ECF arrangement with the access level at 76.67 percent of quota, equivalent to SDR 46.15 million.**

I. RECENT ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

1. **In 2009, economic activity was subdued because of the impact of adverse shocks.** The global economic downturn affected the cotton sector and downstream activities; and unfavorable weather conditions weighed heavily on economic activity and domestic demand. Consequently, real GDP growth slowed to 3.2 percent compared with 5.2 percent in 2008 (Table 1, Figure 1).

2. **Inflation eased, mostly reflecting the decline in global food and fuel prices**. The average inflation rate stood at 2.6 percent, down from 10.7 percent in 2008. This helped the real effective exchange stabilize after a 7 percent appreciation in 2008 (Table 1; Figures 1 and 2).

3. **The external position strengthened in 2009 thanks to higher exports and improved terms of trade.** The increase in exports reflects a strong performance in cotton volume and a surge in gold volume and prices. Imports stagnated because of the low economic activity and the decline in global oil prices[1]. Terms of trade improved by 6 percent. With the large increase in official transfers, the external current account deficit narrowed from 11.7 percent of GDP in 2008 to 6.3 percent of GDP in 2009 (Table 2, Figures 1and 2).

4. **Fiscal performance was consistent with countercyclical policies in response to adverse shocks.** Expenditure increased to 24.2 percent of GDP, from 21.6 percent of GDP in 2008, partly reflecting one-off outlays to mitigate the impact of the global economic downturn on the cotton sector, and emergency spending generated by the September floods in Ouagadougou. For the cotton sector, mitigating measures covered the recapitalization of SOFITEX and the payment of some of its obligations to the banking system (0.7 percent of GDP); transfers to cotton producers' organizations to settle internal cross-arrears; and higher subsidies for cotton fertilizers. Revenue rose by 0.5 percent of GDP to 13.6 percent of GDP, mostly because of measures introduced to strengthen tax administration and combat tax evasion (MEFP ¶ 7). The basic primary budget deficit widened only moderately to 5.2 percent of GDP compared with 4.6 percent of GDP in 2008. The authorities accelerated the settlement of domestic payment arrears, using the BCEAO loan related to the new SDR allocation. Payments amounted to CFAF 16.7 billion. The remaining balance (CFAF 6.2 billion), along with unpaid payment orders for 2009 will be cleared in 2010, using government deposits (Table 3, Figure 1).

5. **Monetary policy, conducted at the regional level, was supportive of economic recovery.** The regional central bank reduced its lending rates and lowered banks' reserve

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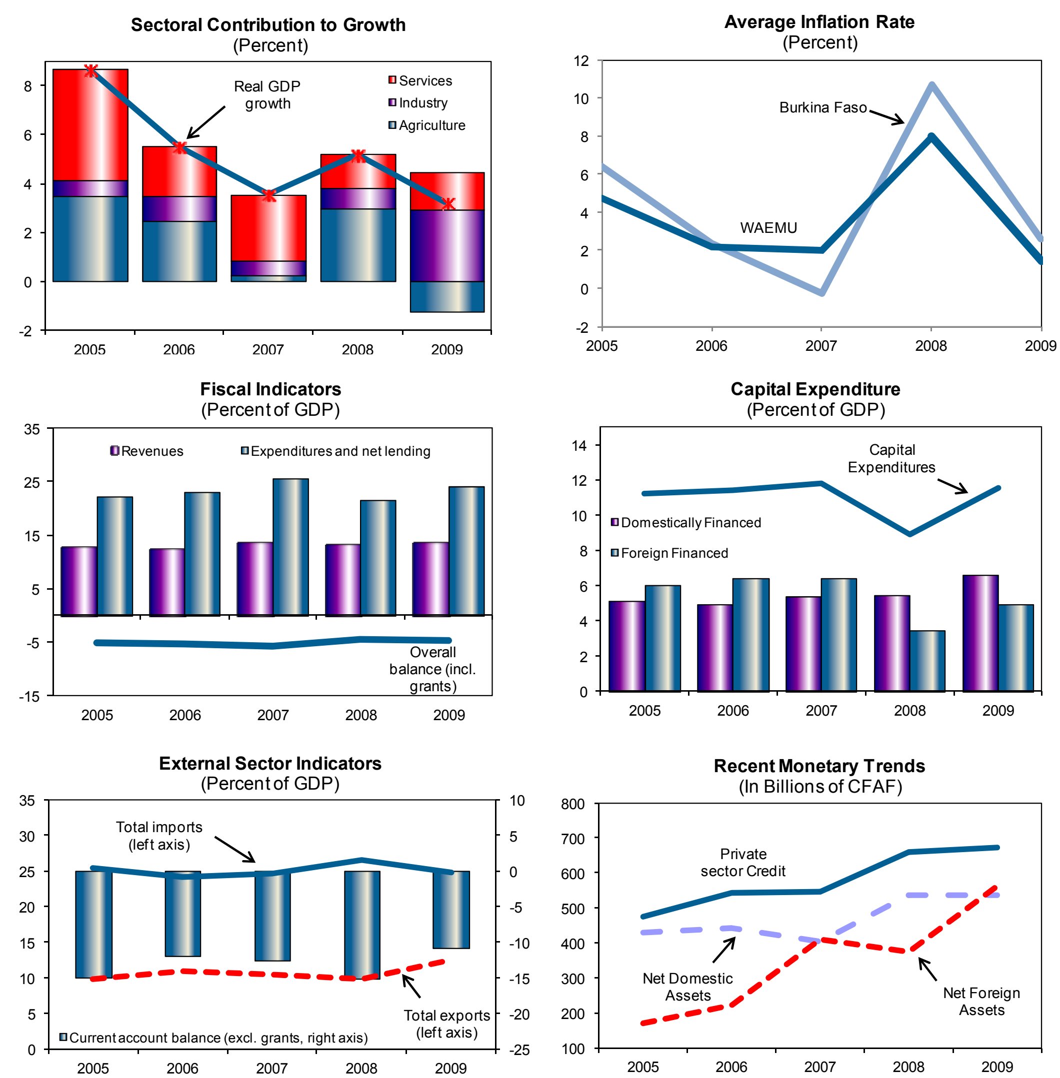
[1] Oil imports account for about 30 percent of Burkina Faso's total imports.

requirement rates. Nonetheless, credit to the economy stagnated as banks remained over cautious in a context of low economic activity and uncertain global environment. They invested heavily in the WAEMU bond market. Net credit to government stabilized, reflecting the repayment of consolidated obligations to the Central Bank and net bond financing. Money supply rose sharply in line with increased net foreign assets (Table 4, Figure 1).

Figure 1. Recent Economic Developments, 2005–09



Sources: Burkinabè authorities and IMF staff estimates.

6. **The financial health of the banking system is broadly satisfactory.** The majority of banks observe regional prudential norms. Overexposure to the cotton sector remains the main vulnerability in the system.

7. **Performance under the ECF-supported program was broadly satisfactory.** All quantitative indicators for end-December 2009 were met. In particular, the performance criterion on the overall budget deficit was met with a wide margin because revenue performance was better than anticipated and expenditure was below target (Text Table 1).

8. **Despite the difficult environment in 2009, the authorities advanced their structural reform agenda.** They adopted a tax reform strategy in early 2010 to streamline tax incentives, simplify income tax legislation and improve indirect tax management. To combat tax evasion, they computerized additional customs posts and electronically connected them to the main customs system. However, for two posts scheduled for December 2009, connection was delayed until May 2010 for technical reasons. On the expenditure side, the authorities have begun to produce quarterly reports on poverty-reducing expenditure. The end-March 2010 report was finalized with a two-month delay and steps are being taken to accelerate the production of future reports (MEFP ¶ ¶ 11, 12; Text Table 2).

Text Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2009
(CFAF billions, cumulative from beginning of year)

	2009											
	Mar.			Jun.			Sep.			Dec.		
	Prog. [5]	Adj. Prog. [7]	Est.	Prog. [6]	Adj. Prog. [7]	Est.	Prog. [5]	Adj. Prog. [7]	Est.	Prog. [6]	Adj. Prog. [7]	Est.
Performance criteria and indicative targets												
Ceiling on the overall fiscal deficit including grants [1]	71.5	96.5	44.0	80.1	105.1	85.9	120.2	125.4	73.4	281.3	306.3	213.9
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Accumulation of external arrears [2]	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Indicative targets												
Government revenue	121.6	…	117.2	274.5	…	264.2	381.1	…	392.1	506.8	…	539.1
Poverty-reducing social expenditures	45.4	…	42.4	106.0	…	104.5	164.4	…	165.8	259.5	…	259.6
Large taxpayer non-filer rate [4]	7.0	…	7.0	7.0	…	7.0	6.0	…	5.0	5.0	…	3.0
Accumulation of domestic arrears	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Maximum upward adjustment of deficit ceiling including grants due to:												
Shortfall in grants relative to program projections	25.0	…	25.0	25.0	…	25.0	25.0	…	0.0	25.0	…	25.0
Excess in concessional loan financing relative to program projections	15.0	…	0.0	15.0	…	0.0	15.0	…	5.2	15.0	…	0.0
Adjustment factors												
Shortfall in grants relative to program projections	0.0	…	33.6	0.0	…	40.0	0.0	…	-6.8	0.0	…	38.7
Excess in concessional loan financing relative to program projections	0.0	…	-19.4	0.0	…	-47.5	0.0	…	5.2	0.0	…	-28.2
Memorandum items:												
Grants	44.0	…	10.4	119.7	…	79.7	165.9	…	172.7	271.1	…	232.4
Concessional loans	36.9	…	17.5	88.6	…	41.1	92.6	…	97.8	152.1	…	123.9

Sources: Burkinabè authorities and IMF staff estimates and projections.
[1] The ceiling on the overall fiscal deficit is to be adjusted in line with the TMU definition.
[2] To be observed continuously.
[3] Excluding treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market. This ceiling excludes supplier credit with a maturity of one year or less.
[4] Applies to average over respective quarter.
[5] Indicative target.
[6] Performance criteria.
[7] Program targets adjusted for shortfalls in grants and excesses in concessional financing.

Text Table 2. Burkina Faso: Structural Conditionality, December 2009 – March 31, 2010

Measure	Due Date	Status
1. Electronically connect five additional border posts and the General Directorate of Customs.	December 31, 2009	Met with delay. May 2010
2. Have the Council of Ministers adopt a comprehensive detailed action plan for strengthening the financial sector, with a timetable for major reforms.	January 31, 2010	Met.
3. Produce on a continuous basis a quarterly report on poverty-reducing expenditure based on the new monitoring system.	March 31, 2010	Met with delay. May 2010
4. Identify and implement key measures from the SOFITEX action plan.	March 31, 2010	Met.

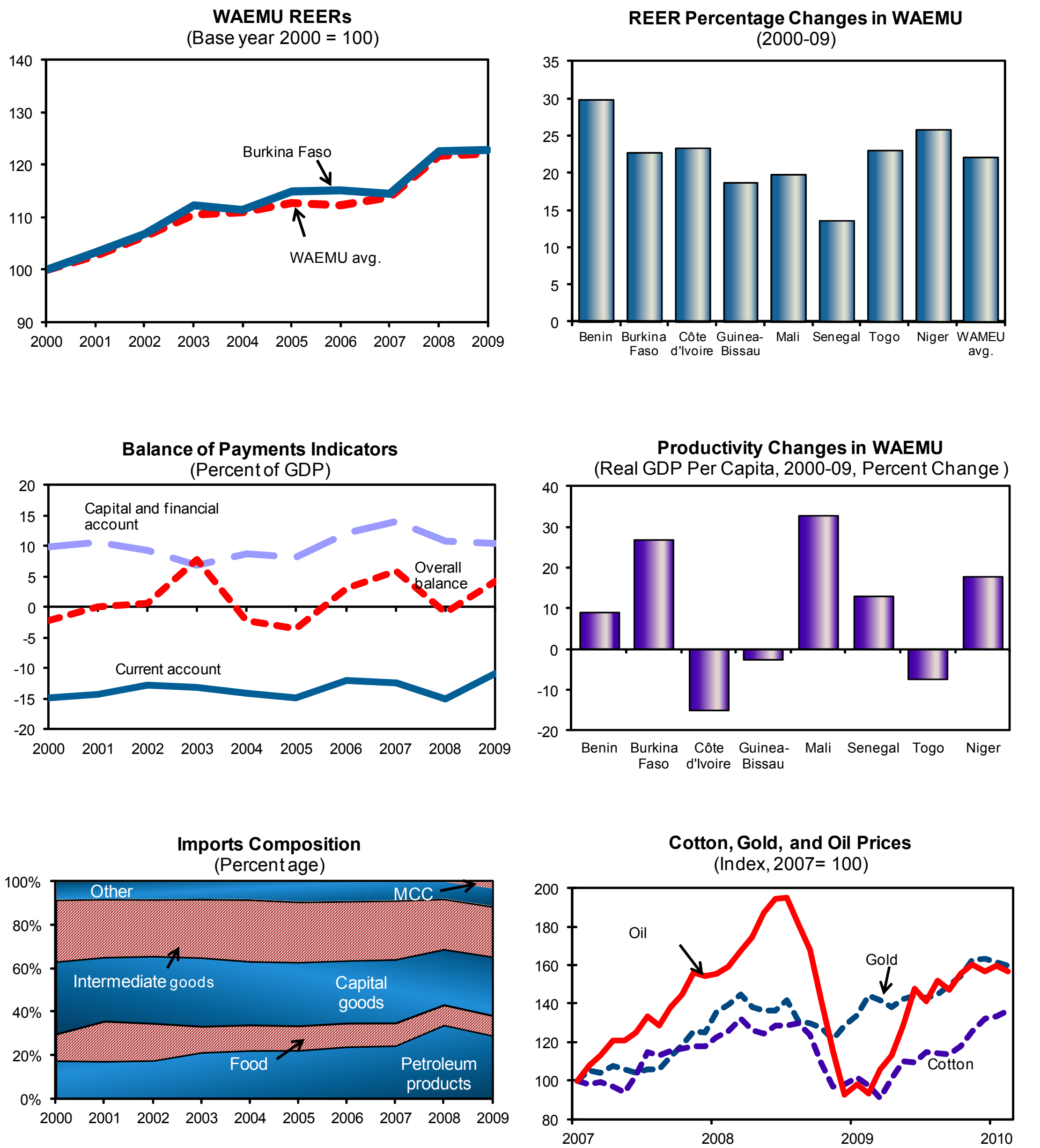
9. **Overall performance under the ECF-supported program (2007–09) was broadly satisfactory.** Although economic growth was below expectations, inflation was generally low**,** and the external current account improved. The fiscal position strengthened as the overall deficit (commitment basis, including grants) was in line with annual fiscal targets (Text Table 3 and Box 1). Nonetheless, revenue was below projections by about 1 percentage point of GDP, because of delays in the implementation of fiscal reforms, notably due to administrative bottlenecks and late provision of needed TA. In the cotton sector, restoring financial viability proved challenging, despite recent progress in structural reforms, in view of the sector's vulnerability to weather conditions, developments in global prices and exchange rates, and low productivity.

Text Table 3. Burkina Faso: Fiscal Operations, 2006–09
(Percent of GDP)

	2006	2007		2008		2009	
	CR 07/153	CR 07/153	Act.	CR 07/153	Act.	CR 07/153	Est.
Revenue	12.4	13.1	13.5	13.6	13.1	14.5	13.6
Grants (without MDRI)	5.6	5.2	6.5	4.7	4.0	4.5	5.9
Expenditure and net lending	22.5	24.4	25.7	23.9	21.6	23.8	24.2
Overall balance (cash basis, without MDRI)	-4.0	-6.6	-5.1	-5.7	-4.0	-4.7	-3.1
Excluding gants	-9.6	-11.8	-11.6	-10.3	-8.0	-9.2	-9.0
Financing	3.9	6.6	5.2	5.6	3.9	4.7	3.2
Foreign	3.9	5.1	3.1	5.4	2.8	5.1	2.8
Domestic	0.0	1.5	2.1	0.2	1.1	0.0	0.4
Memorandum items:							
Overall balance (commitment basis, without MDRI)	-5.2	-6.2	-5.7	-5.7	-4.5	-4.7	-4.7
Excluding grants	-10.8	-11.3	-12.1	-1.0	-8.4	-9.2	-10.6
Nominal GDP (CFAF billion)	3163.0	3451.0	3252.0	3751.0	3689.0	4074.0	3969.0

Sources: Burkinabè authorities and IMF staff estimates.

Figure 2. Burkina Faso: External Sector Indicators, 2000–10



Sources: Burkinabè authorities and IMF staff estimates and projections.

Box 1. Burkina Faso—Performance Under the Last ECF-Supported Program, 2007–09

The program was instrumental in preserving macroeconomic stability in a challenging environment. During the program period, Burkina Faso's economy suffered from several adverse shocks: a drought (2007), the global energy and food crisis (2008), the global economic crisis (2009) and severe floods in the capital city (September 2009). Because of these shocks, economic growth averaged about 4 percent per year during 2007–09, compared with some 6 percent in the previous decade. Inflation remained generally low, except in 2008 when it accelerated to almost 11 percent owing to the sharp increase in global food prices. The external current account improved with the coming on stream of gold exports. The overall health of the financial sector was sound. Banks were generally well capitalized and complied with regional prudential ratios.

Fiscal performance strengthened. Efficiency gains in tax administration, new tax policy measures and actions to combat tax evasion sustained revenue performance during the program. The revenue to GDP ratio increased from 13 percent in 2006 to 13.6 percent in 2009. However, it remained below the programmed targets. Total expenditure increased from 22.9 percent of GDP in 2006 to an average of about 25 percent of GDP in 2007–09 because of higher investment and exceptional spending linked to exogenous shocks. The IMF-supported program played an important role in helping Burkina Faso secure a higher level of budget support. Program grants increased from 1.8 percent of GDP in 2006 to 3.7 percent of GDP in 2009.

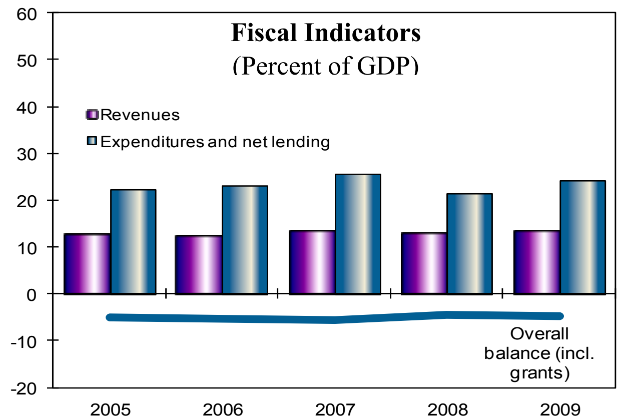
Poverty reduction measures were intensified. In 2007–09, poverty-reducing outlays reached an average of 24 percent of total expenditure, up from 22 percent in 2001–06. Key pro-poor programs included school lunches, financial support to the elderly, and a cash transfer system for the two major cities, implemented in collaboration with Burkina Faso's development partners. In addition, the authorities adopted measures to mitigate the impact of the global food and oil price shocks on the population, including subsidized fertilizers to stimulate food production, temporary suspension of import duties on basic consumer goods, and subsidies on petroleum products.

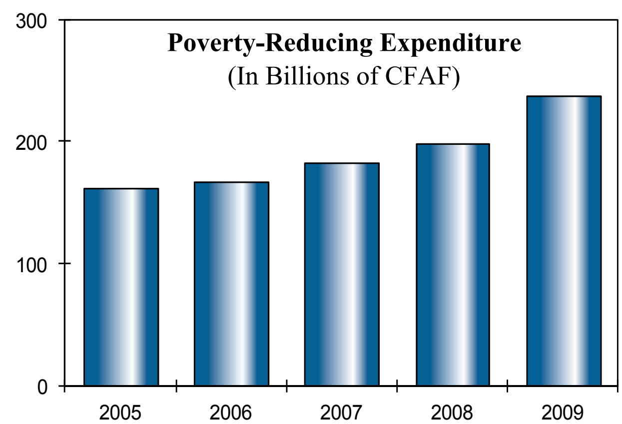
There was progress in structural reform implementation. The authorities generally implemented the programmed measures, although at a slower pace than envisaged, particularly for public financial management (PFM) reforms. Despite progress in cotton sector reforms, recent global developments revealed that the sector remains fragile as ginning companies face unsustainable levels of accumulated losses, with potential risks for the banking system.

Burkina Faso: Selected Macroeconomic Indicators, 2007–09

	2007		2008		2009	
	Prog.[1]	Act.[2]	Prog.[1]	Act.[2]	Prog.[1]	Act.[2]
GDP at constant prices	6.5	3.6	6.3	5.2	6.1	3.2
Consumer prices (annual average)	2.0	-0.2	2.0	10.7	2.0	2.6
Overall fiscal balance[3]	-6.2	-5.7	-5.7	-4.5	-4.7	-4.7
Current account balance[4]	-10.6	-8.2	-10.5	-11.7	-10.0	-6.3
External debt	20.7	18.5	24.4	21.7	27.5	23.8

[1] Based on CR/07/153
[2] Based on CR/10/7
[3] Including grants
[4] Including current official transfers)





Source: Burkinabè authorities and IMF staff estimates.

II. Policy Framework Under the New ECF-Supported Program

10. **Notwithstanding progress in recent years, Burkina Faso continues to face important economic challenges.** The productive base is narrow; revenue performance remains low, which increases aid-dependency given the country's investment needs; and the business climate needs further improvement. Discussions on the new program focused on policies and reforms to address these challenges.

11. **The medium term policy framework and reform agenda aim to promote broad-based growth and poverty reduction.** To support these goals, the program is designed to: (i) consolidate the fiscal position and preserve macroeconomic stability; (ii) safeguard debt sustainability, and (iii) support private sector development. Consequently, structural reforms focus on measures to strengthen revenue collection and public financial management, as well as decisive actions to close the infrastructure gap, improve the business climate, and advance reforms in the cotton and financial sectors.

12. **The key macroeconomic objectives under the new program are to:** (i) raise the real GDP growth above 6 percent by 2013; (ii) contain inflation below 3 percent; and (iii) reduce the external current account deficit further (Text Table 4, Figure 3). These objectives are consistent with the authorities' PRSP goals, and comparable with prospective developments in the WAEMU region, although Burkina Faso compares less favorably for the external sector and debt dynamics (Figure 4).

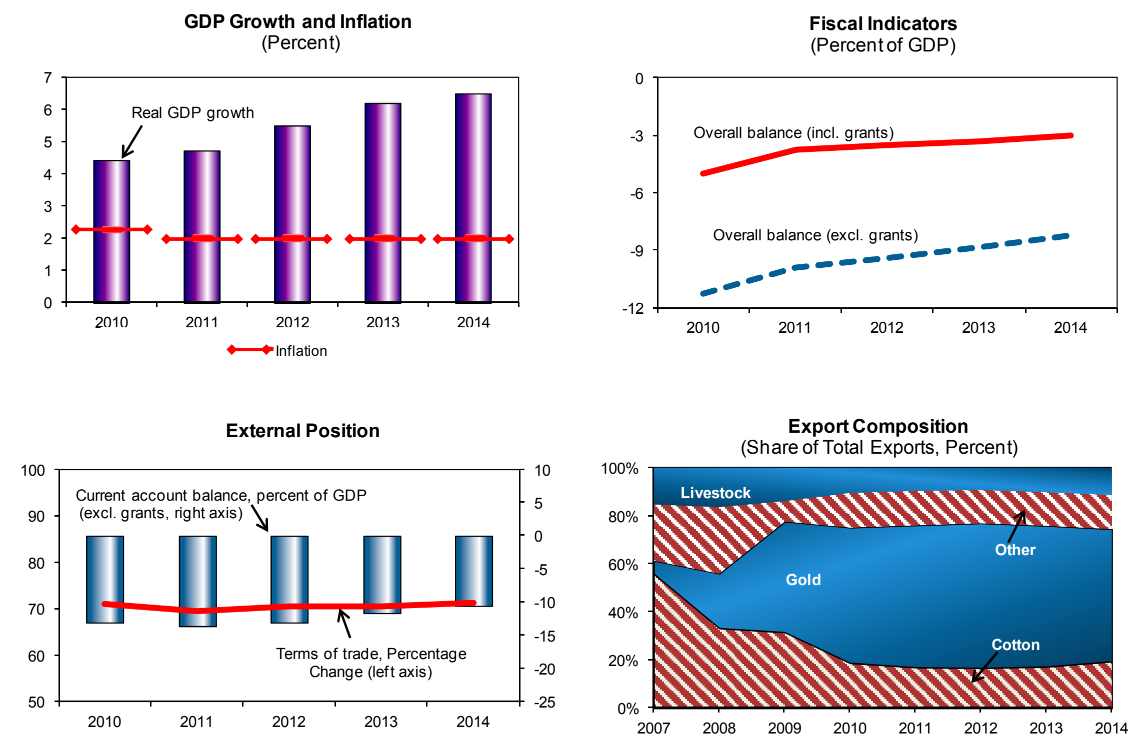
13. **Economic growth is expected to pick up gradually**. It will be driven mostly by the anticipated expansion in agriculture and gold production, and higher and more effective public investment. The expected global economic recovery, and new investment in the mining sector, would also support growth. Moving to a higher growth path will critically depend on the successful implementation of structural reforms to spur private sector investment. The authorities noted that under the new growth strategy *(Stratégie pour une Croissance Accelérée et pour le Développent Durable)* that would replace the PRSP in 2011, economic growth is expected to reach 8 percent by 2013. While agreeing with staff that this target is very ambitious considering the existing impediments to growth, limited absorptive capacity, and financing constraints, the authorities insisted that a higher growth than currently contemplated under the medium-term framework was needed to address the country's developmental challenges, not least because of its high population growth rate.

Text Table 4: Burkina Faso: Macroeconomic Outlook, 2010–14

	2010	2011	2012	2013	2014
	Annual percentage change				
GDP at constant prices	4.4	4.7	5.5	6.2	6.5
Consumer prices (annual average)	2.3	2.0	2.0	2.0	2.0
Terms of trade	-3.1	-2.2	1.6	-0.3	1.1
	In percent of GDP				
Basic primary balance (commitments)	-4.5	-1.1	-0.7	-0.5	-0.9
Overall fiscal balance (including grants)	-5.0	-3.8	-3.5	-3.4	-3.0
Current account balance (including current official transfers	-8.7	-10.0	-9.8	-8.7	-7.3
External debt	26.4	28.9	30.8	32.4	33.5

Sources: Burkinabè authorities and IMF staff projections.

Figure 3. Medium-Term Outlook, 2010–14



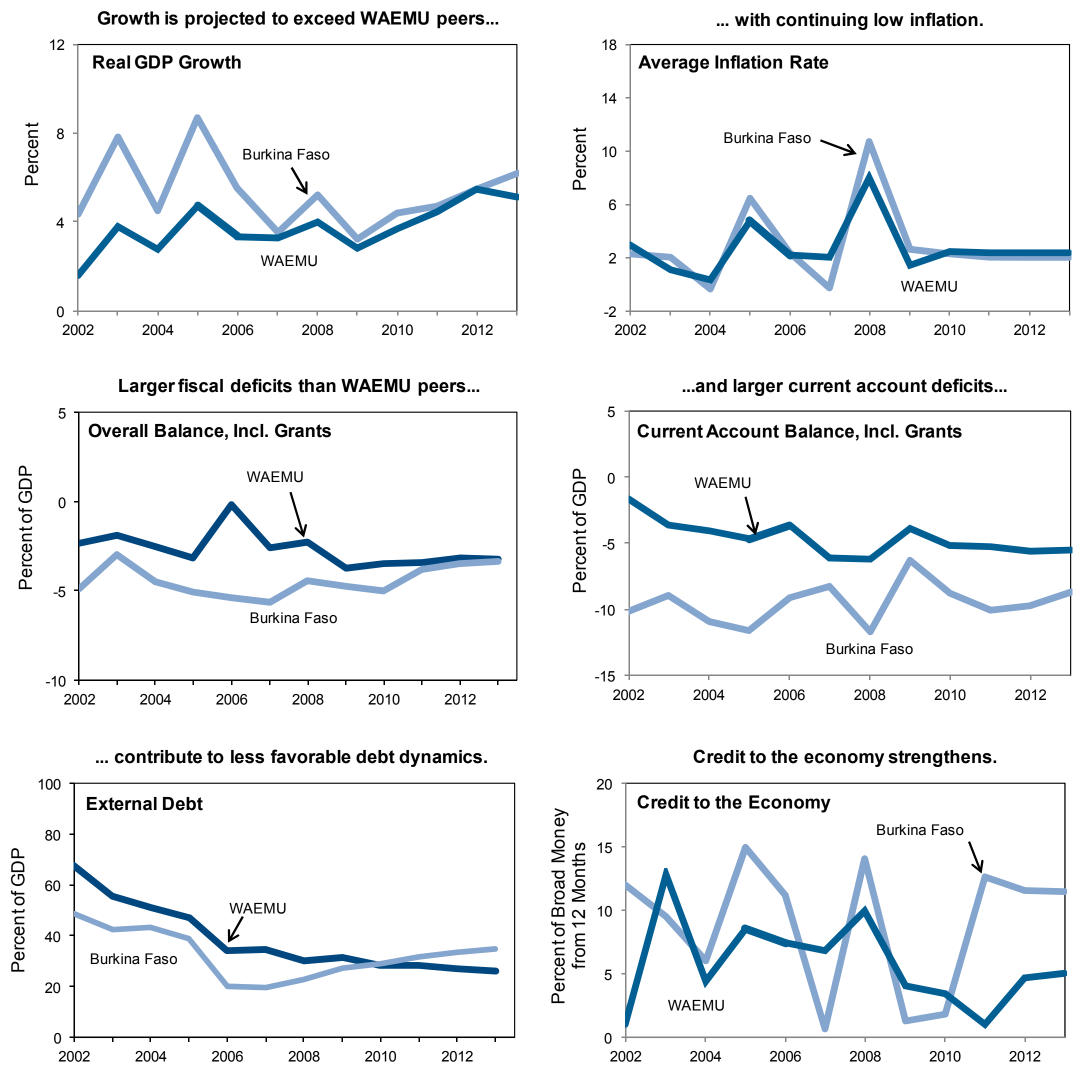
Sources: Burkinabè authorities and IMF staff estimates and projections.

A. Fiscal Policy and Public Financial Management

14. **A sizeable improvement in the fiscal position is needed to achieve the program's medium-term macroeconomic objectives and safeguard long-term debt sustainability.** The basic primary deficit is programmed to narrow from 5.2 percent of GDP in 2009 to 0.5 percent of GDP in 2013, mostly because of stronger revenue performance. The overall budget deficit (commitment basis, including grants) should therefore decline from 4.7 percent of GDP in 2009 to 3.4 percent of GDP in 2013.

- Revenue measures aim to increase efficiency in tax administration, broaden the tax base, and improve controls for transit trade flows to curb fraud (MEFP ¶ ¶ 18, 23, 24, 25). Efficient implementation of these measures, together with higher revenue from the mining sector would raise the revenue to GDP ratio to 15.9 percent by 2013, compared with 13.6 percent of GDP in 2009.

Figure 4. Burkina Faso and WAEMU: Macroeconomic Developments and Prospects, 2002–13



Sources: Burkinabè authorities and IMF staff estimates and projections.

- Expenditure would stabilize at 25 percent of GDP compared with 23.7 percent of GDP on average, during 2007–09. The wage bill will be contained below 6 percent of GDP, with the implementation of the merit-based promotion system; and non-wage non-priority outlays would increase only moderately (MEFP ¶ 18, 21). To improve social indicators and progress toward the Millennium Development Goals, poverty-reducing spending would reach about 30 percent of the budget by 2013. Capital expenditure would be sustained at about 12 percent of GDP, with a strong emphasis on infrastructure to support productivity gains in the private sector. In 2010–11, the government is expected to repay the last maturities on SOFITEX consolidated debt to the commercial banks (0.4 percent of GDP) to prevent a spillover of the company's continued financial difficulties to the banking system.

15. **Financing needs are high in view of the authorities' ambitious investment program.** They total CFAF 609 billion (US$1.3 billion) for 2010–13. For the first year of the program, financing requirements would be filled with grants (3.4 percent of GDP), loans from the African Development Bank (0.2 percent of GDP), and bond issuance in the WAEMU regional market (1 percent of GDP). There is a financing gap of CFAF 24.6 billion (US$50.5 million), expected to be covered with resources from the requested ECF arrangement (US$20.5 million) and the European Union V-Flex mechanism (US$30 million). The authorities agreed to scale back non-priority spending in case of shortfall in revenue collection or expected budget, support to avoid accumulation of domestic payment arrears. Available information indicate that Burkina Faso's development partners could provide about US$167 million in 2011, equivalent to half of programmed budget support. The medium-term fiscal framework assumes a net repayment of government bonds in the WAEMU market. This, together with the need to build government deposits leads to negative domestic financing for 2011–14 (see Table 3). Staff encouraged the authorities to seek additional financing for 2011–13.

16. **PFM and civil service reforms will support fiscal objectives**. They are geared to modernize the expenditure chain, increase efficiency in cash flow projections and management, and improve the quality of expenditure projection tools. Building on technical assistance (TA) recommendations from the Fund and other donors, these reforms would lay the foundation for the adoption of a program budgeting system scheduled for 2015 (MEFP ¶ 26). Civil service reforms will seek to ensure that the wage policy is consistent with long-term fiscal sustainability. In this regard, re-establishing the merit-based promotion system is an important improvement to the old system that led to unfunded promotions in the civil service. It would enhance control over the wage bill expansion, and ensure its close correspondence with fiscal objectives and recruitment needs (MEFP ¶ 27).

B. External Debt Sustainability

17. **Debt sustainability analysis indicates that Burkina Faso's risk of debt distress is high (**Appendix II). The present value of debt-to-exports ratio is projected to be above its indicative threshold starting in 2015, while other DSA indicators are well below their indicative thresholds. Sensitivity tests revealed that the debt outlook is vulnerable to persistent large fiscal deficits. These results point to Burkina Faso's narrow export base, and underscore the importance of fiscal consolidation and prudent borrowing policies. Under the new program, Burkina Faso will continue to seek grants and highly concessional loans to cover financing needs (MEFP ¶ 29).

C. Private Sector Development

18. **Achieving broad-based growth will require decisive actions to support private sector development and economic diversification**. Low access to finance, poor infrastructure, an unskilled labor force, and insufficient and costly energy supply continue to hamper growth. In addition, the productive base remains narrow, relying mostly on cotton and gold, making the economy vulnerable to terms-of-trade shocks and fluctuations in weather conditions. The cotton sector, which plays an important role for growth and poverty reduction, is facing financial difficulties and structural problems exacerbated in 2009 by the global economic downturn. Addressing these impediments to growth will take time, and requires persistent reform efforts and continued support from Burkina Faso's development partners. Program reviews will provide an opportunity to discuss and agree with the authorities on reform measures for 2012 and beyond. For 2010–11, the reform agenda under the program seeks to:

- **Advance financial sector reforms**. Priority measures for 2010–11 intend to improve access to financial services, and strengthen risk management in the financial system (MEFP ¶ 28).

- **Accelerate reforms in the cotton sector**. The restructuring of SOFITEX will continue through cost-cutting measures, preparation of a business plan and strengthened risk management (MEFP ¶ ¶ 31, 32).

- **Improve the business environment**. Competitiveness will benefit from the harmonization of Burkinabè business regulations with regional laws, the opening of a commercial court in the second largest city (MEFP ¶ 33), and fiscal reforms, notably improved payment record to suppliers and adoption of a single tax on wages.

19. **The authorities have prepared a medium-term program to improve infrastructure and provide quality social services.** The program covers the rehabilitation and upgrade of infrastructure destroyed by the September 2009 floods, extension of the road network, and rural electrification. In this context, the authorities intend to take measures to improve absorptive capacity and the investment execution rate

(MEFP ¶ 18). In addition, they plan to increase cost-effective energy supply, mostly through connection to grid lines in some neighboring countries.

20. **Diversification in the agriculture and mining sectors would support the authorities' efforts to reduce the economy's vulnerability to key exogenous shocks.** The authorities are planning to study, in collaboration with SOFITEX, agricultural products with a high potential for export in the region. Other than gold, Burkina Faso has large mineral deposits, including copper, phosphate, zinc, manganese, and iron ore. The authorities have initiated discussions with potential investors for some of these minerals.

III. ACCESS, PROGRAM MONITORING, AND RISKS

21. **The proposed access under the new ECF arrangement is 76.67 percent of quota.** It is consistent with the norm for access under the ECF, given Burkina Faso's debt outstanding to the Fund (116.9 percent of quota at end-2009), and takes into account the country's sound capacity to repay the Fund. It includes the disbursement that would have become available on completion of the sixth review under the previous ECF arrangement (SDR 1.004 million) that expired on April 22, 2010. The arrangement was not extended beyond its expiry date, to permit the completion of the sixth review by the Executive Board, because the authorities' extension request was not submitted to the Board on time.

22. **Burkina Faso faces a protracted balance of payments problem.** Despite the coming on stream of gold export, cotton continues to play an important role for balance of payments needs, and the external position is susceptible to fluctuations in oil prices. The external current account deficit is set to increase from 6.3 percent of GDP in 2009 to 8.7 percent of GDP in 2010, and would average 9.3 percent of GDP during 2010–13. IMF financial support to Burkina Faso would be an important catalyst to other donors. Because Burkina Faso is a member of the CFA Franc currency union, balance of payments support from the IMF would help cover the fiscal financing gap by the same amount. Expected disbursements under the ECF arrangement (SDR 46.15) million would increase Burkina Faso's debt to the IMF to 172.2 percent of quota. It is expected that SDR 7.454 million would become available upon Board approval of the request, and the balance would be disbursed in equal installments of SDR 6.45 million, on satisfactory conclusion of the six ECF reviews (Table 6).

23. **The program includes structural benchmarks and quantitative targets for performance monitoring**, with the same design of quantitative conditionality as in the previous ECF arrangement. It sets quantitative performance criteria for June and December and indicative targets for September. The program will be monitored through semi-annual reviews. The first and second reviews are scheduled for December 2010 and June 2011 respectively (MEFP Tables 1 and 2).

24. **Burkina Faso's strong performance under Fund-supported programs in the last several years augurs well for a successful implementation of the new program.**

Nonetheless, there are important risks to the economic outlook, mostly linked to the economy's vulnerability to weather-related and terms of trade shocks. Other potential risks include a weaker-than-anticipated revenue performance or shortfall in budget support that could lead to excessive borrowing in the regional financial market or require expenditure cuts. Should these risks materialize, there would be limited scope for fiscal support to economic growth, and debt indicators would deteriorate. Finally, SOFITEX's weak financial situation could potentially generate additional costs for the budget. While it is difficult to mitigate these risks in the short run, the efficient implementation of reforms envisaged under the program provides a sound basis to contain them in the medium term as it would improve the business environment, strengthen diversification prospects, and further macroeconomic stability.

25. **An assessment of the most recent safeguards of the BCEAO was completed on March 1, 2010.** The 2010 update found that the BCEAO continues to have controls in place at the operational level. The overall governance framework should nonetheless be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The upcoming implementation (2010) of the Institutional Reform of the WAMU and the BCEAO should help correct that situation. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

IV. Staff Appraisal

26. **The global economic downturn and unfavorable weather conditions affected economic activity and domestic demand in 2009.** The strongest impact was felt through the cotton sector and downstream activities. The authorities' response to mitigate the impact of the shocks was appropriate and timely. In particular, support to the cotton sector prevented a spillover of the sector's difficulties to the banking system.

27. **Performance under the last ECF-supported program was generally satisfactory**. The authorities should be commended for maintaining the momentum of reforms despite a challenging environment in 2007–09, marked by important adverse exogenous shocks. Strong performance under the program was instrumental in preserving macroeconomic stability, and mobilizing needed budget support.

28. **Implementation of the proposed medium-term policy framework and reforms will strengthen the foundation for growth and poverty reduction**. In this regard, fiscal consolidation will be essential. To reach the programmed fiscal objectives, decisive actions to raise revenue and restrain non-priority spending need to be taken. The authorities' efforts to increase efficiency in tax administration in 2009 were successful in improving revenue performance and should be continued. Staff encourages the authorities to take the necessary steps to implement the tax reform strategy adopted in early 2010. On the expenditure side, the merit-based promotion system will be important to enhance the wage policy and motivate performance in the civil service. Staff supports

the authorities' emphasis on investment in infrastructure to enhance productivity gains in the private sector, and urges them to address absorptive capacity constraints.

29. **Structural reforms will be geared to addressing key impediments to growth.** Staff believes that the authorities' intent to give priority to financial sector reforms, rehabilitation of the cotton sector and further improvement in the business environment in their medium-term reform agenda is appropriate.

30. **The risk of debt distress remains high.** Despite an improved external outlook with the coming on stream of gold production, Burkina Faso's export base remains narrow, leading to the projected breach of the indicator on debt-to-exports ratio. The authorities' renewed resolve to study potential for exports diversification, and promote the mining sector is welcome. Staff urges them to maintain prudent borrowing policies.

31. **Staff supports the authorities' request for a new three-year arrangement under the ECF with access at 76.67 percent of quota,** on the strength of the program and Burkina Faso's good track record of policy and reform implementation in areas critical for macroeconomic stability and growth.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2007–14

	2007	2008	2009		2010		2011	2012	2013	2014
	Act.	Act.	Prog.[1]	Est.	CR 10/7	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)									
GDP and prices										
GDP at constant prices	3.6	5.2	3.1	3.2	4.2	4.4	4.7	5.5	6.2	6.5
GDP deflator	-1.0	7.8	2.0	4.2	2.0	2.0	2.0	2.0	2.0	2.0
Consumer prices (annual average)	-0.2	10.7	3.4	2.6	2.3	2.3	2.0	2.0	2.0	2.0
Consumer prices (end of period)	2.3	11.6	2.0	-0.3	2.0	2.0	2.0	2.0	2.0	2.0
Money and credit										
Net domestic assets (banking system) [2]	-5.5	16.5	4.7	0.6	5.3	9.7	12.1	11.1	9.7	9.7
Credit to the government [2]	-9.6	4.7	1.5	0.2	0.1	7.9	-0.4	-0.4	-1.6	-1.6
Credit to the economy [2]	0.6	14.0	3.2	1.3	5.1	1.8	12.5	11.5	11.4	11.3
Broad money (M2)	22.9	12.2	8.3	21.3	6.2	6.5	9.7	7.6	8.3	8.6
Velocity (GDP/M2)	4.0	4.0	3.9	3.6	3.9	3.6	3.5	3.5	3.5	3.5
External sector										
Exports (f.o.b.; valued in CFA francs)	-2.9	3.9	27.4	41.7	12.6	23.4	16.5	17.4	8.4	8.0
Imports (f.o.b.; valued in CFA francs)	4.1	21.8	4.7	0.2	13.1	24.7	13.6	9.7	2.5	2.7
Terms of trade	1.2	-3.2	12.1	6.0	-6.6	-3.1	-2.2	1.6	-0.3	1.1
Real effective exchange rate (– = depreciation)	-0.6	7.1	…	0.1	…	…	…	…	…	…
World cotton price (US$ cents per pound)	63.3	71.4	57.5	62.8	58.0	77.0	78.0	78.0	78.0	78.0
Average petroleum spot price (US$ per barrel)	71.1	97.0	61.5	61.8	76.5	80.0	83.0	84.3	85.0	86.0
	(Percent of GDP, unless otherwise indicated)									
Central government finances										
Current revenue	13.5	13.1	13.2	13.6	13.6	13.9	14.9	15.4	15.9	16.4
Of which: Tax revenue	12.5	12.1	12.1	12.5	12.5	12.8	13.8	14.3	14.7	15.2
Total expenditure	25.7	21.6	27.0	24.2	25.3	25.1	24.9	24.8	24.7	24.6
Of which: Current expenditure	13.8	12.3	13.4	12.6	13.0	12.6	12.5	12.5	12.5	12.5
Overall fiscal balance, excl. grants (commitments)	-12.1	-8.4	-13.8	-10.6	-11.7	-11.3	-9.9	-9.4	-8.9	-8.2
Overall fiscal balance, incl. grants (commitments)	-5.7	-4.5	-6.7	-4.7	-5.4	-5.0	-3.8	-3.5	-3.4	-3.0
Overall fiscal balance, incl. grants (cash basis)	-5.1	-4.0	-7.3	-3.1	-5.4	-7.1	-3.8	-3.5	-3.4	-3.0
Overall fiscal balance, incl. grants (payment orders)	-5.4	-5.5	-6.7	-4.7	-5.4	-5.0	-3.8	-3.5	-3.4	-3.0
Basic primary balance (commitments)	…	-4.6	…	-5.2	…	-4.5	-1.1	-0.7	-0.5	-0.9
Basic primary balance (cash basis)	…	-4.2	…	-3.6	…	-6.6	-1.1	-0.7	-0.5	-0.9
Domestic financing	2.1	1.1	3.1	-0.2	0.5	3.4	-0.7	-0.8	-0.9	-0.8
Savings and investment										
Current account balance (including current official transfers)	-8.2	-11.7	-9.1	-6.3	-10.5	-8.7	-10.0	-9.8	-8.7	-7.3
Current account balance (excluding current official transfers)	-12.5	-15.1	-13.8	-10.8	-14.9	-13.1	-13.7	-13.1	-11.7	-10.7
Gross investment	19.6	20.9	21.1	18.5	21.6	21.2	20.8	21.5	23.0	22.8
Government	9.0	6.4	10.1	8.5	8.8	8.8	8.6	8.6	8.6	8.6
Private	10.6	14.5	11.0	10.0	12.7	12.4	12.2	12.9	14.4	14.2
Gross domestic savings	5.4	4.3	5.9	6.2	5.3	6.8	5.9	7.2	10.2	11.1
Government	0.8	2.3	-0.2	1.6	1.1	1.6	2.8	3.4	3.8	4.3
Private	4.6	2.0	6.1	4.6	4.3	5.1	3.0	3.9	6.4	6.7
Gross national savings	11.3	9.2	12.0	12.1	11.1	12.5	10.8	11.8	14.4	15.5
Government	4.8	5.4	4.2	5.8	5.2	5.6	6.2	6.4	6.5	7.3
Private	6.6	3.8	7.8	6.3	5.9	6.8	4.6	5.4	7.9	8.2
External sector and debt indicators										
Exports of goods and services	10.5	9.8	11.7	12.6	12.3	14.2	15.3	16.6	16.6	16.5
Imports of goods and services	24.7	26.5	27.0	24.8	28.5	28.6	30.3	30.9	29.4	28.2
External debt	18.5	21.7	20.6	23.8	22.2	26.4	28.9	30.8	32.4	33.5
NPV of external debt	12.0	11.6	13.4	15.7	14.9	17.7	19.8	21.4	22.8	23.9
NPV of external debt (percent of exports)	113.2	116.2	113.9	124.6	120.6	124.8	128.9	129.1	137.8	145.2
NPV of external debt (percent of revenues)	88.0	87.3	101.2	115.3	109.4	127.9	132.6	138.8	144.1	145.9
Memorandum item:										
Nominal GDP (CFAF billions)	3,252	3,689	3,836	3,969	4,075	4,225	4,510	4,855	5,258	5,711

Sources: Burkinabè authorities and IMF staff estimates and projections.

[1] IMF Country Report 10/7.

[2] Percent of beginning-of-period broad money.

Table 2. Burkina Faso: Balance of Payments, 2007–14

	2007	2008	2009		2010		2011	2012	2013	2014
	Act.	Act.	Prog.[1]	Est.	CR 10/7	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billions)					
Current account	-268.1	-432.3	-348.0	-251.1	-427.9	-369.4	-452.9	-474.1	-456.2	-418.4
Excluding official transfers	-406.4	-558.5	-528.4	-430.3	-605.6	-552.7	-618.2	-637.9	-617.3	-610.8
Trade balance	-286.6	-402.2	-350.7	-274.1	-398.7	-347.5	-379.1	-367.0	-332.2	-298.9
Exports of goods	298.6	310.4	395.3	439.7	445.1	542.8	632.4	742.2	804.5	868.6
Of which: cotton	166.4	102.8	114.2	121.2	116.8	101.5	106.5	123.0	137.9	167.7
gold	16.1	70.2	161.2	177.0	200.5	304.9	371.9	444.9	469.1	476.0
Imports of goods	-585.1	-712.6	-746.0	-713.8	-843.8	-890.3	-1011.5	-1109.2	-1136.7	-1167.5
Of which: oil	-143.3	-241.8	-179.0	-214.7	-243.7	-305.1	-329.9	-331.1	-347.1	-370.9
Services, net	-173.7	-211.7	-233.2	-212.2	-262.0	-261.8	-294.5	-327.5	-343.4	-371.6
Exports of services	43.5	53.0	55.0	59.3	57.3	56.9	59.6	62.8	66.7	71.1
Imports of services	-217.1	-264.7	-288.2	-271.5	-319.2	-318.7	-354.0	-390.3	-410.1	-442.7
Of which: freight and insurance	-138.7	-182.2	-190.7	-162.2	-215.7	-202.3	-229.8	-256.6	-268.1	-291.5
Income, net	-1.1	-1.6	-2.7	-2.2	-3.6	-6.3	-6.9	-8.9	-10.8	-12.9
Of which: interest on public debt (incl. IMF charges)	-6.9	-8.3	-8.2	-8.7	-8.3	-11.0	-10.8	-13.3	-15.9	-18.9
Current transfers	193.3	183.3	238.6	237.3	236.3	246.1	227.6	229.4	230.1	265.0
Private transfers, net	55.0	57.0	58.2	58.2	58.7	62.8	62.3	65.6	69.0	72.6
Of which: remittances, net	-0.5	0.2	2.9	0.3	13.4	5.3	5.4	5.5	5.6	5.8
Official transfers, net	138.3	126.3	180.4	179.1	177.7	183.2	165.3	163.8	161.1	192.5
Of which: program grants	95.6	88.2	141.3	145.5	137.4	143.6	124.9	122.6	119.1	149.6
Capital account	140.2	85.5	148.9	106.0	142.1	142.1	175.0	186.4	191.8	171.0
Project grants	114.7	58.7	129.9	86.9	121.4	121.4	152.8	163.5	169.5	149.6
Other capital transfers	25.5	26.8	19.1	19.1	20.7	20.7	22.2	22.9	22.3	21.4
Financial account	317.8	311.7	207.0	334.4	252.3	167.2	240.9	233.0	239.7	230.9
Direct investment	164.5	47.5	16.0	41.2	38.1	18.1	4.3	4.7	5.0	5.5
Portfolio investment	3.6	4.1	4.5	7.6	2.4	2.4	2.6	2.7	3.0	3.2
Other investment	149.6	260.2	186.5	285.7	211.8	146.7	234.0	225.6	231.7	222.2
Long-term investment	120.2	259.4	159.1	251.5	191.7	144.9	219.3	213.3	226.0	217.9
Project loans	93.0	69.3	137.5	109.4	148.8	148.8	227.1	235.8	248.0	244.8
Program loans	21.5	45.9	14.6	14.5	22.0	7.4	0.0	0.0	0.0	0.0
Amortization of public loans (excl. IMF)	-15.2	-13.0	-15.4	-14.3	-16.6	-22.6	-22.7	-24.9	-25.5	-26.9
Private investment	20.9	157.1	22.4	141.9	37.5	11.3	15.0	2.4	3.6	0.0
Short-term investment	29.4	0.8	27.4	34.2	20.1	1.8	14.7	12.3	5.6	4.3
Errors and ommisions / gap	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	188.1	-35.1	7.9	189.3	-33.5	-60.2	-37.0	-54.7	-24.7	-16.5
Financing	-188.1	35.1	-32.9	-189.3	-9.7	35.5	27.4	45.1	19.9	16.5
Net foreign assets of the central bank	-151.6	40.0	-32.9	-70.8	-9.7	35.5	27.4	45.1	19.9	16.5
Of which: gross official reserves	-181.7	18.2	-40.4	-149.9	33.3	36.0	29.2	48.6	23.7	21.8
IMF	0.4	8.1	0.0	25.5	-0.5	-0.5	-1.8	-3.5	-3.8	-5.3
Uses of resources	0.4	8.1	0.0	25.5	0.0	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	0.0	0.0	0.0	0.0	-0.5	-0.5	-1.8	-3.5	-3.8	-5.3
Net foreign assets of commercial banks	-36.5	-4.9	0.0	-118.5	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [2]	0.0	0.0	25.0	0.0	43.2	24.6	9.6	9.6	4.8	0.0
					(Percent of GDP, unles otherwise indicated)					
Memorandum items:										
Trade balance (– = deficit)	-8.8	-10.9	-9.1	-6.9	-9.8	-8.2	-8.4	-7.6	-6.3	-5.2
Cotton export volume (thousands of metric tons)	275.6	149.8	187.8	190.8	191.1	161.9	176.2	194.8	218.3	246.0
Current account (– = deficit)	-8.2	-11.7	-9.1	-6.3	-10.5	-8.7	-10.0	-9.8	-8.7	-7.3
Excluding official transfers	-12.5	-15.1	-13.8	-10.8	-14.9	-13.1	-13.7	-13.1	-11.7	-10.7
Overall balance (– = deficit)	5.8	-1.0	0.2	4.8	-0.8	-1.4	-0.8	-1.1	-0.5	-0.3
Gross international reserves										
Gross official reserves (imputed reserves, billions of U.S. dollars) [3]	1.0	0.9	1.0	1.2	0.9	1.1	1.1	1.0	0.9	0.9
(percent of broad money)	56.2	48.1	43.6	53.6	38.1	47.2	40.7	34.3	30.1	26.4
WAEMU gross official reserves (billions of U.S dollars)	10.8	10.7	…	13.6	…	…	…	…	…	…
(percent of broad money)	56.6	55.0	…	58.7	…	…	…	…	…	…
(months of WAEMU imports of GNF	5.4	6.1	…	6.9	…	…	…	…	…	…
GDP at current prices (CFAF billions)	3,252	3,689	3,836	3,969	4,075	4,225	4,510	4,855	5,258	5,711

Sources: Burkinabè authorities and IMF staff estimates and projections.

[1] IMF Country Report 10/7.

[2] To be covered by ECF and other disbursements.

[3] Including the Special Drawing Rights allocation of August 2009.

Table 3. Burkina Faso: Consolidated Operations of the Central Government, 2007–14

	2007	2008	2009		2010					2011	2012	2013	2014
	Act.	Act.	Dec.		Mar.	Jun.	Sep.	Dec.		Proj.	Proj.	Proj.	Proj.
			Prog. [1]	Est.	Proj.	Proj.	Proj.	CR 10/7	Proj.				
	(CFAF billions)												
Total revenue and grants	650.5	630.8	778.0	771.5	193.5	434.5	650.8	812.7	850.2	950.4	1034.9	1122.2	1233.9
Total revenue	440.2	483.8	506.8	539.1	124.4	300.1	438.6	553.8	585.2	672.7	748.7	833.6	934.7
Tax revenue	405.2	444.7	463.1	494.6	118.3	281.4	408.0	509.7	541.6	624.4	694.8	772.9	866.3
Income and profits	98.2	103.5	106.3	106.7	22.2	74.9	100.5	126.1	125.6	167.7	198.1	231.4	271.1
Domestic goods and services	217.3	243.8	257.0	282.9	72.7	154.9	230.3	282.5	308.8	346.0	375.6	415.2	462.6
International trade	78.1	81.8	83.9	89.7	20.8	46.3	69.3	85.0	95.8	97.9	106.2	108.7	111.5
Other	11.6	15.6	15.9	15.2	2.6	5.3	7.9	16.1	11.5	12.8	14.8	17.6	21.0
Nontax revenue	35.0	39.2	43.7	44.5	6.1	18.7	30.7	44.1	43.6	48.3	53.9	60.6	68.4
Grants	210.3	146.9	271.1	232.4	69.1	134.5	212.2	258.8	265.1	277.7	286.1	288.6	299.2
Project	114.7	58.7	129.9	86.9	30.4	60.7	91.1	121.4	121.4	152.8	163.5	169.5	149.6
Program	95.6	88.2	141.3	145.5	38.8	73.7	121.1	137.4	143.6	124.9	122.6	119.1	149.6
Expenditure and net lending [2]	834.8	795.3	1036.3	959.6	263.3	526.5	789.8	1031.0	1061.9	1121.1	1204.8	1299.1	1405.6
Current expenditure	450.3	455.2	514.9	499.1	133.1	266.1	399.2	529.1	532.2	564.1	605.8	659.6	714.6
Wages and salaries	187.6	198.8	229.9	228.4	60.5	121.0	181.5	241.8	242.0	257.1	276.7	299.7	325.5
Goods and services	94.8	95.3	112.2	95.1	26.8	53.5	80.3	107.0	107.0	112.8	121.4	131.4	142.8
Interest payments	13.1	12.7	14.0	16.9	4.6	9.2	13.8	15.4	18.4	18.3	20.8	23.4	26.4
Current transfers	154.8	148.4	158.8	158.6	41.2	82.4	123.6	164.8	164.8	175.9	186.9	205.1	219.9
Investment expenditure	383.3	328.5	526.5	457.4	130.7	261.4	392.1	503.9	522.9	550.3	592.3	641.5	696.8
Domestically financed	175.7	200.4	259.2	261.0	63.2	126.3	189.5	233.6	252.6	170.4	193.0	224.0	302.4
Capital transfers	32.9	6.2	25.5	25.4	2.4	4.7	7.1	9.4	9.4	7.0	7.0	7.0	7.0
Exonerations	18.8	27.1	33.0	36.5	6.3	12.5	18.8	25.0	25.0	20.0	20.0	20.0	20.0
Other investment expenditure	124.0	167.2	200.7	199.2	54.6	109.1	163.7	199.2	218.2	143.4	166.0	197.0	275.4
Externally financed	207.6	128.0	267.3	196.3	67.6	135.1	202.7	270.2	270.2	379.8	399.3	417.4	394.4
Net lending	1.2	11.6	-5.0	3.2	-0.5	-1.0	-1.5	-2.0	6.8	6.8	6.8	-2.0	-5.8
Overall balance (commitment basis)	-184.2	-164.5	-258.4	-188.1	-69.7	-92.0	-139.0	-218.3	-211.6	-170.8	-170.0	-176.9	-171.7
Excluding grants	-394.5	-311.4	-529.5	-420.5	-138.8	-226.4	-351.2	-477.1	-476.7	-448.4	-456.1	-465.5	-470.9
Basic primary balance (commitment basis)	…	-170.7	…	-207.3	-66.7	-82.1	-134.7	…	-188.0	-50.3	-36.0	-24.7	-50.1
Cash basis adjustment	17.2	15.8	-22.9	65.3	-58.5	-86.2	-87.8	0.0	-89.3	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	0.0	-22.9	-16.7	-1.6	-3.1	-4.7	0.0	-6.2	0.0	0.0	0.0	0.0
Expenditures authorized without payment orders	8.8	-36.9	0.0	56.2	-30.0	-56.2	-56.2	0.0	-56.2	0.0	0.0	0.0	0.0
Payment orders not executed	-2.9	1.9	0.0	26.9	-26.9	-26.9	-26.9	0.0	-26.9	0.0	0.0	0.0	0.0
Change in treasury commitments	7.3	50.7	0.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	4.0	0.0	0.0	-5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-167.0	-148.7	-281.3	-122.8	-128.2	-178.2	-226.7	-218.3	-300.9	-170.8	-170.0	-176.9	-171.7
Excluding grants	-377.3	-295.6	-552.4	-355.2	-197.3	-312.6	-438.9	-477.1	-566.0	-448.4	-456.1	-465.5	-470.9
Basic primary balance (cash basis)	-169.7	-154.9	…	-142.0	-125.1	-168.3	-222.4	…	-277.3	-50.3	-36.0	-24.7	-50.1
Errors and omissions	-1.0	5.3	0.0	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	168.0	143.4	256.3	126.7	128.2	172.7	206.9	175.1	276.3	161.1	160.4	172.1	171.7
Foreign financing	99.3	102.3	136.7	109.6	31.6	63.1	102.1	154.2	133.6	204.3	210.9	222.4	217.9
Drawings	114.5	115.3	152.1	123.9	37.2	74.4	119.0	170.8	156.2	227.1	235.8	248.0	244.8
Project loans	93.0	69.3	137.5	109.4	37.2	74.4	111.6	148.8	148.8	227.1	235.8	248.0	244.8
Program loans	21.5	45.9	14.6	14.5	0.0	0.0	7.4	22.0	7.4	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-15.2	-13.0	-15.4	-14.3	-5.6	-11.3	-16.9	-16.6	-22.6	-22.7	-24.9	-25.5	-26.9
Domestic financing	68.7	41.1	119.6	17.2	96.6	109.6	104.8	20.9	142.7	-43.2	-50.5	-50.3	-46.2
Bank financing	-63.9	38.3	22.6	2.1	52.6	36.5	49.7	5.8	87.4	-14.6	-14.6	-27.3	-24.2
Central bank	-70.8	47.3	27.6	-42.8	52.6	36.5	49.7	5.8	87.4	-14.6	-14.6	-27.3	-24.2
Commercial banks	6.9	-9.0	-5.0	44.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank financing	132.6	2.8	97.0	15.1	44.0	73.1	55.1	15.2	55.3	-28.6	-35.8	-23.0	-22.0
Government bonds	-25.2	-12.3	61.8	18.0	11.0	40.1	22.1	15.2	15.2	-28.6	-35.8	-23.0	-22.0
New issues	23.8	30.9	94.5	55.5	18.0	54.0	43.0	43.0	43.0	0.0	0.0	0.0	0.0
Amortization	-49.0	-43.3	-32.7	-37.5	-7.0	-13.9	-20.9	-27.8	-27.8	-28.6	-35.8	-23.0	-22.0
Privatization revenue	139.1	2.9	35.2	30.1	0.0	0.0	0.0	0.0	7.1	0.0	0.0	0.0	0.0
Other nonbank financing	18.7	12.3	0.0	-33.0	33.0	33.0	33.0	0.0	33.0	0.0	0.0	0.0	0.0
Financing gap [3]	0.0	0.0	25.0	0.0	0.0	5.5	19.9	43.2	24.6	9.6	9.6	4.8	0.0
Memorandum items:													
Poverty-reducing expenditure	182.6	198.5	259.5	259.6	60.4	126.3	200.4	274.5	274.5	300.6	349.5	383.8	428.3
Of which: Education	76.6	82.2	98.5	91.4	…	…	…	109.2	109.2	130.1	144.0	158.2	176.5
Health	60.2	60.1	69.8	69.8	…	…	…	83.8	83.8	102.2	113.1	124.2	138.7
Nominal GDP	3,252	3,689	3,836	3,969	…	…	…	4,075	4,225	4,510	4,855	5,258	5,711

(continued)

Table 3. Burkina Faso: Consolidated Operations of the Central Government, 2007–14 (concluded)

	2007	2008	2009		2010		2011	2012	2013	2014
	Act.	Act.	Prog.[1]	Est.	CR 10/7	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)									
Total revenues and grants	20.0	17.1	20.3	19.4	19.9	20.1	21.1	21.3	21.3	21.6
Total revenue	13.5	13.1	13.2	13.6	13.6	13.9	14.9	15.4	15.9	16.4
Tax revenue	12.5	12.1	12.1	12.5	12.5	12.8	13.8	14.3	14.7	15.2
Income and profits	3.0	2.8	2.8	2.7	3.1	3.0	3.7	4.1	4.4	4.7
Domestic goods and services	6.7	6.6	6.7	7.1	6.9	7.3	7.7	7.7	7.9	8.1
International trade	2.4	2.2	2.2	2.3	2.1	2.3	2.2	2.2	2.1	2.0
Other	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.4
Nontax revenue	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.2	1.2
Grants	6.5	4.0	7.1	5.9	6.4	6.3	6.2	5.9	5.5	5.2
Project	3.5	1.6	3.4	2.2	3.0	2.9	3.4	3.4	3.2	2.6
Program	2.9	2.4	3.7	3.7	3.4	3.4	2.8	2.5	2.3	2.6
Expenditure and net lending [2]	25.7	21.6	27.0	24.2	25.3	25.1	24.9	24.8	24.7	24.6
Current expenditure	13.8	12.3	13.4	12.6	13.0	12.6	12.5	12.5	12.5	12.5
Wages and salaries	5.8	5.4	6.0	5.8	5.9	5.7	5.7	5.7	5.7	5.7
Goods and services	2.9	2.6	2.9	2.4	2.6	2.5	2.5	2.5	2.5	2.5
Interest payments	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5
Current transfers	4.8	4.0	4.1	4.0	4.0	3.9	3.9	3.9	3.9	3.9
Investment expenditure	11.8	8.9	13.7	11.5	12.4	12.4	12.2	12.2	12.2	12.2
Domestically financed	5.4	5.4	6.8	6.6	5.7	6.0	3.8	4.0	4.3	5.3
Capital transfers	1.0	0.2	0.7	0.6	0.2	0.2	0.2	0.1	0.1	0.1
Exonerations	0.6	0.7	0.9	0.9	0.6	0.6	0.4	0.4	0.4	0.4
Other investment expenditure	3.8	4.5	5.2	5.0	4.9	5.2	3.2	3.4	3.7	4.8
Externally financed	6.4	3.5	7.0	4.9	6.6	6.4	8.4	8.2	7.9	6.9
Net lending	0.0	0.3	-0.1	0.1	0.0	0.2	0.2	0.1	0.0	-0.1
Overall balance (commitment basis)	-5.7	-4.5	-6.7	-4.7	-5.4	-5.0	-3.8	-3.5	-3.4	-3.0
Excluding grants	-12.1	-8.4	-13.8	-10.6	-11.7	-11.3	-9.9	-9.4	-8.9	-8.2
Basic primary balance (commitment basis)	…	-4.6	…	-5.2	…	-4.5	-1.1	-0.7	-0.5	-0.9
Cash basis adjustment	0.5	0.4	-0.6	1.6	0.0	-2.1	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	0.0	-0.6	-0.4	0.0	-0.1	0.0	0.0	0.0	0.0
Expenditures authorized without payment orders	0.3	-1.0	0.0	1.4	0.0	-1.3	0.0	0.0	0.0	0.0
Payment orders not executed	-0.1	0.1	0.0	0.7	0.0	-0.6	0.0	0.0	0.0	0.0
Change in treasury commitments	0.2	1.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-5.1	-4.0	-7.3	-3.1	-5.4	-7.1	-3.8	-3.5	-3.4	-3.0
Excluding grants	-11.6	-8.0	-14.4	-9.0	-11.7	-13.4	-9.9	-9.4	-8.9	-8.2
Basic primary balance (cash basis)	…	-4.2	…	-3.6	…	-6.6	-1.1	-0.7	-0.5	-0.9
Errors and omissions	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing	5.2	3.9	6.7	3.2	4.3	6.5	3.6	3.3	3.3	3.0
Foreign	3.1	2.8	3.6	2.8	3.8	3.2	4.5	4.3	4.2	3.8
Drawings	3.5	3.1	4.0	3.1	4.2	3.7	5.0	4.9	4.7	4.3
Project loans	2.9	1.9	3.6	2.8	3.7	3.5	5.0	4.9	4.7	4.3
Program loans	0.7	1.2	0.4	0.4	0.5	0.2	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-0.5	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5
Domestic financing	2.1	1.1	3.1	0.4	0.5	3.4	-1.0	-1.0	-1.0	-0.8
Bank financing	-2.0	1.0	0.6	0.1	0.1	2.1	-0.3	-0.3	-0.5	-0.4
Central bank	-2.2	1.3	0.7	-1.1	0.1	2.1	-0.3	-0.3	-0.5	-0.4
Commercial banks	0.2	-0.2	-0.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank financing	4.1	0.1	2.5	0.4	0.4	1.3	-0.6	-0.7	-0.4	-0.4
Government bonds	-0.8	-0.3	1.6	0.5	0.4	0.4	-0.6	-0.7	-0.4	-0.4
New issues	0.7	0.8	2.5	1.4	1.1	1.0	0.0	0.0	0.0	0.0
Amortization	-1.5	-1.2	-0.9	-0.9	-0.7	-0.7	-0.6	-0.7	-0.4	-0.4
Privatization revenue	4.3	0.1	0.9	0.8	0.0	0.2	0.0	0.0	0.0	0.0
Other nonbank financing	0.6	0.3	0.0	-0.8	0.0	0.8	0.0	0.0	0.0	0.0
Financing gap [3]	0.0	0.0	0.7	0.0	1.1	0.6	0.2	0.2	0.1	0.0
Memorandum item:										
Nominal GDP (CFAF billions)	3,252	3,689	3,836	3,969	4,075	4,225	4,510	4,855	5,258	5,711

Sources: Burkinabè authorities and IMF staff estimates.

[1] IMF Country Report 10/7

[2] Commitment ("*engagement*") basis

[3] For 2010–13, the financing gap is expected to be covered by ECF disbursements as other budgetary support are included in program grants and loans.

Table 4. Burkina Faso: Monetary Survey, 2007–2014

	2007	2008	2009		2010	2011	2012	2013	2014
			Prog.[1]	Est.			Proj.		
	(CFAF billions)								
Net foreign assets	409.3	374.2	407.1	563.6	528.0	500.6	455.5	435.6	419.1
Central Bank of West African States (BCEAO)	355.0	315.0	348.0	385.9	350.3	322.9	277.9	258.0	241.5
Assets	457.0	438.7	479.1	588.7	552.6	523.4	474.9	451.1	429.4
Liabilities	102.0	123.7	131.2	202.8	202.3	200.5	197.0	193.2	187.9
Commercial banks	54.3	59.2	59.2	177.7	177.7	177.7	177.7	177.7	177.7
Net domestic assets	403.9	538.4	581.2	543.4	650.5	792.7	936.5	1072.0	1218.5
Net domestic credit	452.6	604.7	643.7	618.3	725.3	867.6	1011.4	1146.9	1293.4
Net credit to government	-94.0	-55.8	-46.5	-53.7	33.7	28.7	23.7	1.2	-23.0
Treasury	-18.0	35.0	-40.1	-3.8	83.7	78.7	73.7	51.2	27.0
BCEAO	-54.7	-3.3	-49.3	-46.9	40.6	35.6	30.6	8.1	-16.1
Commercial banks	36.7	38.3	9.2	43.1	43.1	43.1	43.1	43.1	43.1
Other central government	-76.0	-90.8	-6.3	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0
Credit to the economy	546.6	660.5	690.1	672.0	691.6	838.8	987.6	1145.7	1316.3
Crop credit	18.1	14.1	14.8	19.5	20.1	24.7	29.4	34.3	39.6
Other	528.5	646.4	675.4	652.5	671.5	814.1	958.3	1111.4	1276.7
Other items (net)	-48.7	-66.4	-62.4	-74.9	-74.9	-74.9	-74.9	-74.9	-74.9
Broad money	813.2	912.6	988.4	1106.9	1178.4	1293.3	1392.0	1507.6	1637.6
Of which: private sector deposits in commercial banks	555.7	640.2	693.1	789.0	842.9	928.2	1001.6	1087.4	1184.0
	(Annual changes in percent of broad money from 12 months earlier, unless otherwise indicated)								
Memorandum items:									
Net foreign assets	28.5	-4.3	3.6	20.7	-3.2	-2.3	-3.5	-1.4	-1.1
Net domestic assets	-5.5	16.5	4.7	0.6	9.7	12.1	11.1	9.7	9.7
Net credit to government	-9.6	4.7	1.5	0.2	7.9	-0.4	-0.4	-1.6	-1.6
Credit to the economy	0.6	14.0	3.2	1.3	1.8	12.5	11.5	11.4	11.3
(annual percentage change)	0.8	20.8	4.5	1.7	2.9	21.3	17.7	16.0	14.9
(excluding crop credit)	13.2	22.3	4.5	0.9	2.9	21.2	17.7	16.0	14.9
Money supply	22.9	12.2	8.3	21.3	6.5	9.7	7.6	8.3	8.6
Of which: bank deposits	13.0	10.4	5.8	16.3	18.3	7.2	5.7	6.2	6.4
Currency velocity (GDP/broad money)	4.0	4.0	3.9	3.6	3.6	3.5	3.5	3.5	3.5

Sources: Burkinabè authorities and IMF staff estimates and projections.

[1] IMF Country Report 10/7.

Table 5. Burkina Faso: Indicators of Capacity to Repay the Fund, 2008–15

	2008	2009	2010	2011	2012	2013	2014	2015
	Actual	Est.			Proj.			
Fund obligations based on existing credit								
(SDR millions)								
Principal	0.0	0.0	0.7	2.4	4.7	5.1	7.2	13.4
Charges and interest	0.4	0.2	0.0	0.0	0.2	0.2	0.2	0.1
Fund obligations based on existing and prospective credit								
(SDR millions)								
Principal	0.0	0.0	0.7	2.4	4.7	5.1	7.2	14.1
Charges and interest	0.4	0.2	0.0	0.0	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit								
SDR millions	0.4	0.2	0.7	2.4	5.0	5.4	7.4	14.4
CFAF billions	0.3	0.1	0.5	1.8	3.7	4.0	5.6	10.8
Percent of exports of goods and services	0.1	0.0	0.1	0.3	0.5	0.5	0.6	1.1
Percent of debt service [1]	1.4	0.6	1.6	5.1	8.9	8.9	11.3	18.5
Percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Percent of tax revenue	0.1	0.0	0.1	0.3	0.5	0.5	0.6	1.1
Percent of quota	0.7	0.3	1.2	4.0	8.2	8.9	12.3	23.9
Outstanding Fund credit								
SDR millions	35.3	70.4	83.6	94.1	102.3	103.7	96.5	82.4
CFAF billions	24.8	51.1	61.6	69.9	76.5	77.5	72.2	61.6
Percent of exports of goods and services	6.8	10.2	10.3	10.1	9.5	8.9	7.7	6.3
Percent of debt service [1]	117.8	221.6	186.2	197.7	183.2	171.1	147.1	105.6
Percent of GDP	0.7	1.3	1.5	1.6	1.6	1.5	1.3	1.0
Percent of tax revenue	5.6	10.3	11.4	11.2	11.0	10.0	8.3	6.3
Percent of quota	58.6	116.9	138.9	156.3	169.9	172.2	160.3	136.8
Net use of Fund credit (SDR millions)	11.5	35.1	13.2	10.5	8.2	1.4	-7.2	-14.1
Disbursements	11.5	35.1	13.9	12.9	12.9	6.5	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.7	2.4	4.7	5.1	7.2	14.1
Memorandum items:								
Exports of goods and services (CFAF billions)	363.3	499.1	599.8	692.0	805.0	871.2	939.7	985.0
Debt service (CFAF billions) [1]	21.1	23.1	33.1	35.4	41.8	45.3	49.1	58.3
Nominal GDP (CFAF billions)	3,689	3,969	4,225	4,510	4,855	5,258	5,711	6,201
Tax Revenue (CFAF billions)	444.7	494.6	541.6	624.5	694.7	772.9	866.3	975.3
Quota (SDR millions)	60.2	60.2	60.2	60.2	60.2	60.2	60.2	60.2

Sources: IMF staff estimates and projections.

[1]Total debt service includes IMF repurchases and repayments.

Table 6. Burkina Faso: Schedule of Disbursements Under the ECF Arrangement, 2010–13

Amount	Date Available	Conditions Necessary for Disbursement [1]
SDR 7.454 million	June 14, 2010	Following Executive Board approval of the new ECF arrangement
SDR 6.45 million	December 15, 2010	Observance of the performance criteria for June 30, 2010, and completion of the first review under the arrangement
SDR 6.45 million	June 14, 2011	Observance of the performance criteria for December 31, 2010, and completion of the second review under the arrangement
SDR 6.45 million	December 15, 2011	Observance of the performance criteria for June 30, 2011, and completion of the third review under the arrangement
SDR 6.45 million	June 14, 2012	Observance of the performance criteria for December 31, 2011, and completion of the fourth review under the arrangement
SDR 6.45 million	December 15, 2012	Observance of the performance criteria for June 30, 2012, and completion of the fifth review under the arrangement
SDR 6.45 million	May 31, 2013	Observance of the performance criteria for December 31, 2012, and completion of the sixth review under the arrangement

Source: IMF

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

Table 7. Burkina Faso: Poverty-Reducing Social Expenditures, 2001–10

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
					Actual					Proj.
					(CFAF billions)					
Total poverty-reducing social expenditure	80.4	108.9	116.6	145.0	161.8	167.2	182.6	198.5	259.6	274.5
Total current expenditure	64.9	76.7	83.8	94.0	112.6	121.7	143.1	146.2	172.0	209.8
Total capital expenditure	15.5	32.2	32.8	50.9	49.2	45.5	39.5	52.2	87.6	64.7
Health	27.3	38.5	37.9	48.1	54.2	55.7	60.2	60.1	69.8	83.8
Current expenditure	24.1	31.5	29.9	31.9	39.4	43.6	50.6	49.9	55.4	67.8
Capital expenditure	3.2	6.9	8.0	16.3	14.8	12.1	9.6	10.2	14.5	16.0
Education	35.1	42.7	47.9	56.9	64.5	70.6	76.6	82.2	91.4	109.2
Current expenditure	29.8	30.5	37.6	44.2	53.1	59.5	67.6	72.8	82.7	99.8
Capital expenditure	5.3	12.2	10.3	12.7	11.4	11.1	9.0	9.5	8.8	9.4
Rural roads	1.9	1.8	2.3	3.3	3.7	3.9	2.7	2.3	15.4	4.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Capital expenditure	1.9	1.8	2.3	3.3	3.6	3.7	2.7	2.2	15.3	4.0
Women's welfare and other poverty-reducing social expenditure	16.2	25.9	28.5	36.6	39.4	37.0	43.2	53.8	82.9	77.4
Current expenditure	11.1	14.7	16.3	18.0	20.1	18.5	24.9	23.5	33.9	42.2
Capital expenditure	5.1	11.2	12.2	18.6	19.3	18.6	18.3	30.3	49.0	35.3
					(Percent of GDP)					
Total poverty-reducing social expenditure	3.9	4.9	4.8	5.7	5.6	5.3	5.6	5.4	6.5	6.5
Total current expenditure	3.1	3.4	3.4	3.7	3.9	3.8	4.4	4.0	4.3	5.0
Total capital expenditure	0.7	1.4	1.3	2.0	1.7	1.4	1.2	1.4	2.2	1.5
Health	1.3	1.7	1.6	1.9	1.9	1.8	1.9	1.6	1.8	2.0
Current expenditure	1.2	1.4	1.2	1.2	1.4	1.4	1.6	1.4	1.4	1.6
Capital expenditure	0.2	0.3	0.3	0.6	0.5	0.4	0.3	0.3	0.4	0.4
Education	1.7	1.9	2.0	2.2	2.2	2.2	2.4	2.2	2.3	2.6
Current expenditure	1.4	1.4	1.5	1.7	1.8	1.9	2.1	2.0	2.1	2.4
Capital expenditure	0.3	0.5	0.4	0.5	0.4	0.3	0.3	0.3	0.2	0.2
Rural roads	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1
Women's welfare and other poverty-reducing social expenditure	0.8	1.2	1.2	1.4	1.4	1.2	1.3	1.5	2.1	1.8
Current expenditure	0.5	0.7	0.7	0.7	0.7	0.6	0.8	0.6	0.9	1.0
Capital expenditure	0.2	0.5	0.5	0.7	0.7	0.6	0.6	0.8	1.2	0.8
					(Percent of total expenditure)					
Total poverty-reducing social expenditure	17.5	22.3	20.0	24.9	24.7	22.3	21.9	25.3	27.1	26.0
Total current expenditure	14.1	15.7	14.4	16.1	17.2	16.3	17.2	18.7	18.0	19.9
Total capital expenditure	3.4	6.6	5.6	8.7	7.5	6.1	4.7	6.7	9.2	6.1
Health	5.9	7.9	6.5	8.3	8.3	7.4	7.2	7.7	7.3	7.9
Current expenditure	5.2	6.4	5.1	5.5	6.0	5.8	6.1	6.4	5.8	6.4
Capital expenditure	0.7	1.4	1.4	2.8	2.3	1.6	1.1	1.3	1.5	1.5
Education	7.6	8.7	8.2	9.8	9.8	9.4	9.2	10.5	9.6	10.3
Current expenditure	6.5	6.2	6.5	7.6	8.1	8.0	8.1	9.3	8.6	9.5
Capital expenditure	1.2	2.5	1.8	2.2	1.7	1.5	1.1	1.2	0.9	0.9
Rural roads	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.4
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.4
Women's welfare and other poverty-reducing social expenditure	3.5	5.3	4.9	6.3	6.0	4.9	5.2	6.9	8.7	7.3
Current expenditure	2.4	3.0	2.8	3.1	3.1	2.5	3.0	3.0	3.5	4.0
Capital expenditure	1.1	2.3	2.1	3.2	3.0	2.5	2.2	3.9	5.1	3.3

Sources: Burkinabè authorities.

Table 8. Burkina Faso: Selected Indicators on the Millennium Development Goals, 1990–2008

	1990	1995	2000	2008
Eradicate extreme poverty and hunger	(2015 target: halve 1990 US$ 1 a day poverty and malnutrition rates)			
Income share held by lowest 20 percent	..	5.1	5.9	6.9*
Malnutrition prevalence, weight for age (percent of children under 5)	..	32.7	34.3	37.7*
Poverty gap at $1 a day (PPP, percent) [1]	..	19.5	14.4	7.3*
Poverty headcount ratio at $1 a day (PPP) (percent of population) [1]	..	51.4	44.9	27.2*
Poverty headcount ratio at national poverty line (percent of population)	..	..	54.6	46.4*
Prevalence of undernourishment (percent of population)	21.0	19.0	..	10.0
Achieve universal primary education	(2015 target: net enrollment to 100)			
Literacy rate, youth total (percent of people ages 15-24)	..	..	..	40.0
Persistence to grade 5, total (percent of cohort)	70.0	..	69.0	69.0
Primary completion rate, total (percent of relevant age group)	20.0	20.0	25.0	37.0
School enrollment, primary (percent net)	29.0	..	36.0	59.0
Promote gender equality and empower women	(2015 target: education ratio 100)			
Proportion of seats held by women in national parliament (percent)	..	4.0	8.0	15.0
Ratio of girls to boys in primary education (percent)	61.0	..	70.0	87.0
Ratio of girls to boys in secondary education (percent)	..	..	..	74.0
Share of women employed in the nonagricultural sector (percent of total nonagricultural employment)	12.5	13.0	13.9	14.6**
Reduce child mortality	(2015 target: reduce 1990 under 5 mortality by two-thirds)			
Immunization, measles (percent of children ages 12-23 months)	79.0	43.0	59.0	94.0
Mortality rate, infant (per 1,000 live births)	113.0	107.0	100.0	104.0
Mortality rate, under-5 (per 1,000)	210.0	204.0	196.0	191.0
Improve maternal health	(2015 target: reduce 1990 maternal mortality by three-fourths)			
Births attended by skilled health staff (percent of total)	..	*42.0*	31.0	*54.0*
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	1000.0	700**
Combat HIV/AIDS, malaria, and other diseases	(2015 target: halt, and begin to reverse, AIDS, etc.)			
Contraceptive prevalence (percent of women ages 15-49)	..	*25.0*	12.0	17.0
Incidence of tuberculosis (per 100,000 people)	158.0	155.0	182.0	226.0
Prevalence of HIV, female (percent ages 15-24)	..	..	..	0.9
Prevalence of HIV, total (percent of population ages 15-49)	..	..	..	1.6
Tuberculosis cases detected under DOTS (percent)	..	11.0	17.0	18.0
Ensure environmental sustainability	(2015 target: various)			
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1**
Forest area (percent of land area)	26.0	..	25.0	25**
GDP per unit of energy use (constant 2000 PPP $ per kg of oil equivalent)	..	..	..	..
Improved sanitation facilities (percent of population with access)	7.0	..	..	13.0
Improved water source (percent of population with access)	38.0	..	..	72.0
Nationally protected areas (percent of total land area)	..	..	..	14.0
Develop a global partnership for development	(2015 target: various)			
Aid per capita (current US$)	38.0	50.0	30.0	63.0
Debt service (PPG and IMF only, percent of exports of G&S, excl. workers' remittances)	7.8	14.6	20.3	7.0
Internet users (per 1,000 people)	0.0	0.0	1.0	9.0
Personal computers (per 1,000 people)	0.0	0.0	1.0	2.0*
Total debt service (percent of exports of goods, services and income)	6.8	11.9	14.9	..
Unemployment, youth female (percent of female labor force ages 15-24)	..	..	..	..
Unemployment, youth male (percent of male labor force ages 15-24)	..	..	..	..
Unemployment, youth total (percent of total labor force ages 15-24)	..	..	..	..
Other				
Fertility rate, total (births per woman)	6.9	6.9	6.5	6.0
GNI per capita, Atlas method (current US$)	350.0	240.0	250.0	480.0
GNI, Atlas method (current US$) (billions)	2.9	2.4	2.8	7.3
Gross capital formation (percent of GDP)	18.2	22.8	22.7	18.1
Life expectancy at birth, total (years)	48.0	46.0	47.0	52.0
Literacy rate, adult total (percent of people ages 15 and above)	..	..	..	29.0
Population, total (millions)	8.5	9.8	11.3	15.2
Trade (percent of GDP)	35.4	40.7	34.3	38.3

Note: * refers to 2006 data, ** refers to 2007 data.
[1] $1.25 as of 2008.
Source: World Development Indicators database, 2010.

APPENDIX I - LETTER OF INTENT

Ouagadougou, May 31, 2010

Dominique Strauss-Kahn
Managing Director,
International Monetary Fund
700 19th Street NW
Washington, DC 20431 (USA)

Dear Mr. Strauss-Kahn:

1. The government of Burkina Faso appreciates the swift response by the International Monetary Fund, alongside other development partners, to Burkina Faso's call for increased financing in 2009, to mitigate the impact of adverse exogenous shocks in 2008–09.

2. Program implementation took place in a challenging environment, marked by the fallouts of the global financial crisis, and the impact of heavy floods that required important emergency spending, putting a heavy burden on the government budget. Notwithstanding the adverse environment, we maintained steadfast efforts in policy and reform implementation, which led to an overall satisfactory performance under the program.

3. The government remains committed to the achievement of medium-term macroeconomic objectives set up in its poverty reduction strategy. We, therefore, have prepared a medium-term policy framework and structural reforms that would help consolidate recent progress in macroeconomic stabilization, enhance growth prospects and intensify the fight against poverty. Under this framework, the government intends to maintain the focus of fiscal consolidation and private sector development. Therefore, revenue-enhancing measures, and more broadly, fiscal reforms will be the center of our efforts. Regarding structural reforms, the government intends to give priority to financial sector reforms, rehabilitation of the cotton sector, and improvement in the business climate, to support competitiveness gains for the productive sector.

4. To support the implementation of policies and reforms under its medium-term program, the government of Burkina Faso requests IMF financial support under the Extended Credit Facility (ECF) in the amount of SDR 46.15 million, equivalent to 76.67 percent of quota; with the first disbursement totaling SDR 7.454 million, available upon the program's approval by the IMF Executive Board.

5. The government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) will allow the achievement of economic and social objectives under our program. Nonetheless, we stand ready to take any additional measures

that may be necessary to achieve the objectives. We will consult with the IMF before adopting such measures, and before any revision to policies outlined in the MEFP, in accordance with the Fund's policies on such consultation. In addition, we will provide the IMF with information on policy implementation and progress under the program, as agreed upon under the attached Technical Memorandum of Understanding, or on request.

6. The government authorizes the IMF to publish this Letter of Intent and its attachments, as well as the staff report, upon the Executive Board's approval of the requested new three-year program under the ECF.

Sincerely yours,

/s/

Lucien Marie Noël BEMBAMBA
Minister of Economy and Finance
Officier de l'Ordre National

Attachments: Memorandum on Economic and Financial Policies, 2010-13
Technical Memorandum of Understanding

APPENDIX I—ATTACHMENT 1

MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES FOR 2010–13

I. INTRODUCTION

1. Policy and reform implementation in 2009 took place in a very difficult environment, because of the impact of the global financial crisis, and heavy floods in September 2009 that caused loss of human lives and severe destruction to physical infrastructure. Nonetheless, the government maintained the momentum in sound financial and economic policies, and reform implementation, to address the country's challenges, notably enhanced growth and poverty reduction.

2. To consolidate past progress and maintain Burkina Faso on a path compatible with sustainable growth and poverty reduction, the government has prepared a medium-term economic program for 2010–13, with support from IMF staff. The program aims to consolidate macroeconomic stability, improve the business environment, and strengthen social policies. The government is confident that the effective implementation of this program will contribute to the attainment of key objectives under its Poverty Reduction Strategy Paper (PRSP).

II. RECENT ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

A. Recent Economic Developments

3. Macroeconomic developments in 2009 were marked by the impact of the global economic and financial crisis that began in 2008. Like many countries in the sub-region, Burkina Faso felt the impact of the crisis in 2009. Low rainfalls in some parts of the country, and the September floods in Ouagadougou adversely affected agriculture production. In particular, cereal production fell by 10 percent. In addition, cotton production declined by 17 percent. As a result, growth in the primary sector declined by 3.3 percent in 2009 following an expansion of 8.6 percent in 2008. Nonetheless, economic growth was supported by an expansion in the mining sector, and a vital telecommunications sector. Gold production doubled in 2009 reaching 12.1 tons as the forth mine began operating. Real GDP growth is estimated to have reached 3.2 percent in 2009. This growth rate, the lowest since 2007 reflects the impact of exogenous shocks, and important challenges that Burkina Faso faces to keep its economy on a sustainable growth path, given the high population growth rate, estimated to be above 3 percent based on the results of the 2006 general population and housing census. Inflation receded significantly in 2009, with the average rate at 2.6 percent compared with 10.7 percent in 2008.

4. The overall external position improved in 2009. The current account balance (including transfers) reached 6.3 percent of GDP, compared 11.7 percent in 2008, thanks to the increase in gold and cotton exports and to the decline in oil imports. Official transfers

increased significantly in 2009, and the capital and financial account improved, leading to a substantial improvement in the overall balance.

5. Broad money rose by 21.3 percent reflecting the increase in net foreign assets. The latter was mainly due to the significant increase in exports and commercial banks' purchase of government bonds in the WAEMU regional market. Credit to the economy stagnated mainly because of lower economic activity, and heightened caution in banks' lending practices. Net credit to the government declined slightly in view of the repayment of scheduled obligations to the BCEAO and increased reliance on financing from the regional bond market.

6. In 2009, fiscal policy supported economic recovery and addressed the impact of exogenous shocks, including the global economic downturn and the September floods. Expenditure rose from 21.6 percent of GDP in 2008 to 24.2 percent of GDP, mostly because of additional and emergency spending triggered by the abovementioned shocks. Budget revenue rose to 13.6 percent of GDP compared to 13.1 percent in 2008 and was above the program target, thanks to measures taken by the government to improve efficiency in tax administration. The overall deficit (commitment basis, including grants) reached 4.7 percent of GDP compared with 4.5 percent of GDP in 2008.

7. Measures implemented in 2009 were expected to boost revenue collection by improving efficiency in the collection process. Actions were taken to make collection units more accountable. The monitoring of large and medium-sized taxpayers was enhanced, along with the quality of information in their respective database. Additional revenue-enhancing measures included: (i) improved use of the SINTAX computer system for tax payment; (ii) better controls for the VAT; (iii) better cross-check of information between the tax and customs departments; (iv) the setting up of a joint control unit between the tax and customs departments; and (v) increased information cross-check with the social security administration, and NGOs databases for better collection of the single tax on salary (IUTS) and tax for professional training (TPA). Thanks to these measures, revenue rose by 11.4 percent in 2009 to CFAF 539.1 billion, with tax revenue totaling CFAF 494.6 billion, about 6.4 percent above the program target. Indirect taxes also increased, while corporate tax underperformed because of the impact of the energy and food crisis on private sector activity in 2008.

8. Expenditure increased significantly in 2009, reaching 24.2 percent of GDP, as the government took measures to boost economic activity and mitigate the impact of adverse exogenous shocks. Non-wage current expenditure rose by 5.6 percent, including transfers to the cotton sector for CFAF 11.5 billion, which covered higher subsidies for cotton inputs for CFAF 7.1 billion, assistance to cotton producers' associations for the clearance of internal arrears for CFAF 4.4 billion, and payment of SOFITEX's obligation to the commercial banks for CFAF 8.8 billion. The wage bill increased by 14.9 percent because of the 4 percent salary increase granted in late 2008, and adjustments related to unpaid past promotions, which

totaled CFAF 18.5 billion. Capital outlays rose to 11.5 percent of GDP, up from 8.9 percent of GDP in 2008. This also reflects execution of emergency projects linked to mitigating measures against adverse shocks, including the recapitalization of SOFITEX to the tune of CFAF 16.4 billion. In 2009, emergency expenditure totaled CFAF 50.2 billion, some of which were executed through exceptional budgetary procedures, and regularized at end-March 2010. No domestic payment arrears were accumulated in the process.

9. Taking advantage of the new SDR allocation from the IMF, and in an effort to support economic activity, the authorities decided to clear the stock of audited domestic payments arrears at end-2008 using the counterpart loan granted by the regional central bank, in accordance with a decision by the WAEMU Council of Ministers. Total payment amounted to CFAF 16.7 billion. At end-2009, prior verification was ongoing of the remaining balance of CFAF 6.2 billion expected to be cleared in 2010.

10. The overall deficit was financed through external sources for CFAF 109.6 billion (3.2 percent of GDP), including program loans for about 0.4 percent of GDP, and by CFAF 55.5 billion from bond issuance in the WAEMU regional market, by the BCEAO loan equivalent to the SDR allocation for CFAF 38.9 billion. IMF financing under the Extended Credit Facility was increased by 55 percent of Burkina Faso's quota, bringing it to CFAF 25.5 billion in 2009.

B. Performance Under the Program

11. The government's commitment to sound policies and reforms was evident in 2009, because, despite a difficult environment marked by the impact of various adverse shocks, program implementation was in line with objectives. All quantitative benchmarks, notably the performance criterion on the overall budget deficit of CFAF 281.3 billion at end-December 2009 were met. In addition, the indicative floor target on total revenue of CFAF 506.8 billion was exceeded, and priority spending was on target. Structural reform measures were put in place as programmed, except for two measures for which there were delays. In January 2010, the government adopted the financial sector development strategy and its actions plan, and parliament approved the fiscal strategy finalized in October 2009. The electronic connection of customs posts, programmed for end-December 2009 was partially completed. Delays were caused by the need to finalize housing requirements for staff, and to set up telephone lines for two posts. Consequently, three border posts out of the five targeted were electronically connected to the main customs system, bringing to 20 the number of major border posts connected. Work is underway for the remaining posts. The production of the report on the execution of pro-poor spending at end-December 2009 was also delayed from March to May 2010. In the cotton sector, the SOFITEX executive Board adopted a restructuring action plan, with key measures taking effect in 2010.

12. Other structural reforms also progressed in 2009. In the fiscal area, the committee tasked with preparatory work for the adoption of program budgeting was put in place, and its

members were appointed. The authorities also set up a National Committee for the monitoring of the financial system, which will follow up on the implementation of the financial sector strategy.

13. Despite the difficult environment in 2009, economic and financial policies remained sound and focused on supporting economic recovery and growth, and alleviating poverty. Therefore, they were consistent with the PRSP objectives. In particular, the government reinvigorated its social programs to dampen the impact of the food and oil price shocks on the most vulnerable segments of the population, and to protect cotton farmers' income against the impact of the global economic downturn. Poverty-reducing expenditure reached almost 6.5 of GDP in 2009, compared with 5.4 percent of GDP in 2008.

III. Medium-Term Macroeconomic Framework for Growth and Poverty Reduction

14. Enhancing growth prospects and reducing poverty are at the center of the government's developmental policies. To this end, the government has initiated the preparation of a new Strategy for Faster Growth and Sustainable Development (*Stratégie de Croissance Accélérée et de Développement Durable—SCADD*). The new strategy is scheduled to be completed in early 2011. In the meantime, the economic program for 2010-13 builds on the objectives of the current PRSP which has the following key pillars: (i) enhanced growth, macroeconomic stability, and increased competitiveness; (ii) improve access to basic social services for the poor and enhanced social protection through, access to education and health services, nutrition programs, HIV/AIDS treatment, and safe water; (iii) enhance job-creating and income-generating activities for the poor; and (iv) promote good governance.

15. The government's program for 2010–13 aims to consolidate past progress in macroeconomic stability, while strengthening social policies and accelerating structural reforms, particularly those needed to support private sector development. The government, therefore, will take appropriate measures to improve the business environment, restructure the cotton sector, strengthen the financial sector, and advance civil service reforms to strengthen the wage policy and improve public service delivery. In the social sector, the government will strengthen current social programs, through extended school lunch programs, support reduced-price sale of basic consumer goods in areas affected by food insecurity, reduced cost for maternal care for pregnant women, and promote youth employment. In addition, the authorities have initiated the preparation of a broader social protection system, in collaboration with the World Bank and other development partners. A nation-wide workshop on social protection will be held before the end of the year.

16. Economic growth is expected to rise to 6.2 percent by 2013, supported by an increase in public and private investment. Although efforts to diversify the productive base will be intensified, agriculture, mining and services are expected to remain the key sectors driving

economic growth. Inflation is expected to remain below 3 percent, in accordance with the regional convergence criteria. In the external sector Burkina Faso's main exports products, (gold and cotton) would expand substantially. Therefore, despite the expected rise in imports linked to higher domestic demand, the external current account deficit would not deteriorate in the medium-term.

17. To meet these macroeconomic objectives, the authorities will maintain fiscal consolidation efforts, and reinvigorate fiscal reforms. The overall deficit is projected to decline from 4.7 percent of GDP in 2009 to 3.4 percent of GDP in 2013, due to the expected increase in revenue to 15.9 percent of GDP by 2013, and a stabilization of expenditure at around 25 percent of GDP.

18. The government is confident that the revenue target can be achieved thanks to the following measures: (i) the introduction of a corporate income tax and the streamlining of tax exemptions under the investment code, two important measures that became effective in 2010 with the adoption of the tax reform strategy by parliament; (ii) higher revenue from gold production, calculated at 3 percent of the export value; and (iii) continued efforts to combat fraud, eliminate tax evasion, and improve efficiency in tax administration. Expenditure is expected to increase to 25.1 percent of GDP in 2010, and stabilize to around 25 percent of GDP through 2013. Current expenditure would decline from 12.6 percent of GDP in 2009 to 12.5 percent of GDP in 2013, reflecting a prudent wage policy and a return to past trends in subsidies, notably to the cotton sector. Despite this trajectory, poverty-reducing social expenditure will increase from 6.5 percent of GDP in 2009 to 7.3 percent of GDP in 2013. Capital expenditure will stabilize around 12 percent of GDP. The authorities plan to give priority to infrastructure and provision of quality social services. They intend to increase efficiency in the investment program as well as absorptive capacity to support economic growth, through the following measures: (i) streamlined expenditure management processes with the elimination of redundant controls; (ii) reduction in the number of required documents for expenditure processing; (iii) increased accountability for expenditure managers, and (iv) enhanced ex-post expenditure execution controls, which are expected to replace the current ex-ante documentation control system. Conclusions from studies carried out in these areas in 2009, as well as guidelines for implementation of the 2010 budget would contribute to the achievement of the intended goals. Preparatory work for the implementation of a program budgeting system by 2015 will be accelerated in 2010.

19. The government is aware that prudent borrowing policies are needed to support external debt sustainability. Consequently, they will continue to rely mostly on grants and concessional loans for government budget financing needs, and coverage of the public investment budget. Similarly, they plan to be selective on investment projects, giving priority to those with the highest impact on growth, based on reliable feasibility studies.

IV. Economic and Financial Policies for 2010–11

20. During the first program year (2010), real growth should accelerate to 4.4 percent, with inflation below 3 percent. The current account deficit would slightly widen to 8.7 percent of GDP and the overall budget deficit (including grants) would reach 5.0 percent of GDP.

A. Government Finance

21. In order to strengthen the fiscal situation, the government intends to intensify measures linked to revenue collection and expenditure management. The overall deficit (commitments basis, including grants) will stabilize at around 5 percent of GDP in 2010. Revenue should increase by about 6 percent to CFAF 585.2 billion or 13.9 percent of GDP, thanks to the continuation of administrative measures initiated in 2009 to enhance efficiency in revenue collecting agencies and combat fraud, and the expected economic recovery. Total expenditure is expected to reach 25.1 percent of GDP in 2010, including poverty-reducing social expenditure for 6.5 percent of GDP. The wage bill will be maintained at 5.7 percent of GDP while investment expenditure would reach 12.4 percent of GDP.

22. The financing of the 2010 budget deficit is estimated at CFAF 276.3 billion and will be covered by budget support from Burkina Faso's development partners. Identified financing total CFAF 251.6 billion. The balance (CFAF 24.6 billion) would be financed with resources the authorities are requesting from the IMF under the ECF arrangement, and from the European Union under the V-Flex mechanism. Under the financing plan for 2010, the authorities plan to issue bonds on the regional market for CFAF 43 billion. They are ready to scale back non-priority spending to cover any shortfall in expected external budget support or projected revenue, to prevent any accumulation of domestic payment arrears.

23. The Government intends to intensify the implementation of fiscal reforms. Regarding revenue, the government will implement measures that were included in the fiscal reform strategy adopted by Parliament in January that touches upon three key aspects of the tax system: the VAT, incentives under the investment code, and corporate tax. The key features of the reform are: (i) the introduction of amendments to the investment code that will limit incentives mainly to VAT and tariff exemptions while eliminating other incentives. Moreover, eligibility for benefits under the investment code will change from CFAF 20 million and the creation of three jobs to at least CFAF 100 million and the creation of 30 jobs. Up to 50 percent of the investment amount will be deductible from taxes on profits if it does not exceed 50 percent of taxable profits; (ii) the introduction of a corporate income tax with a reduced rate of 25 percent in replacement of the current scheduler system; and (iii) the change in the VAT application, deductibility, and refund system. Legal amendments for the implementation of the reform will be adopted by the government by end-June 2010 **(Structural Benchmark)**. This includes the decree of application of the legislation related to the new investment code and the decree on VAT refund modalities. The

authorities intend to take advantage of the current environment in the international oil market to improve the petroleum products pricing mechanism and taxation. A study covering both areas will be finalized by December 2010 **(Structural Benchmark),** and a new pricing mechanism and a new taxation system for petroleum products would be finalized in early 2011. The authorities will also introduce a new single tax, with a flat rate on wages in order to simplify the calculation of income taxes for corporations. In order to better assess the impact of these reforms and strengthen analytical skills in the tax department, the authorities have set up a fiscal policy division, which will become active at end-June 2010 when the relevant decree is signed.

24. To increase the efficiency in revenue collecting agencies, the following measures are planned at the Tax Department, in the context of its reform plan:

- Efficient use of information from other sources
- Regular updates of the taxpayers database
- Capacity building for the SME division
- Faster decisions on follow up with delinquent taxpayers
- Strengthening of controls and stronger recovery actions for unpaid taxes
- Surveillance and supervision of services
- Dissemination of information and communication campaign on fiscal civism

25. At Customs, reform measures will focus on the intensification of the fight against fraud and the pursuit of actions linked to the reinforcement of the follow-up systems of transit trade. The government plans to connect the Bingo and Cinkansé custom offices to the central custom server before the end-December 2010 **(Structural Benchmark)**. Cinkansé will be connected at the opening of the WAEMU control office at the border to be shared with a neighboring country. This will increase the number of computerized and connected customs offices to 24, which represents about 95 percent of the country's total custom revenue.

26. Progress in public financial management reforms will contribute to the achievement of fiscal objectives under the program. The authorities intend to focus on strengthening expenditure and treasury cash flow management, improving budget processes and pressing on with preparatory measures for the implementation of a program budgeting system, which requires reliable management tools and procedures. Reform actions will target the following areas: (i) the expenditure chain; (ii) expenditure projection tools; (iii) the legal framework; (iv) cash flow management tools; and (v) accounting procedures. The following measures are planned for 2010–11. Some of them will be implemented on a continuous basis.

- **Improve the quality of the global Medium Term Expenditure Framework (MTEF)**. The global MTEF, which is the main instrument that allows for the strategic allocation of resources in line with poverty reduction priorities, still suffers from low quality for revenue projections. Therefore, strengthening revenue forecast would improve quality and reliability of the global MTEF. This objective will be met with assistance from the fiscal policy division, and with the strengthening of the revenue-forecasting model.

- **Prepare a guide for sectoral policy design.** Burkina Faso made important efforts in the preparation of sectoral policies, which included operational action plans. On the other hand, those policies are not designed following a program architecture approach, which constrains the effective implementation of budgets based on common norms. To address this issue and normalize sectoral policies across line ministries, the government will produce a sectoral policy elaboration guide before end-September 2010.

- **Apply the Regional legal framework for public finance.** In June 2009, the WAEMU adopted a legal framework for public finance. To insure its implementation in Burkina Faso, the government will harmonize its national legal framework to that of the WAEMU before the end-2010.

- **Reduce payment delays.** The monitoring committee for payment delays, which includes all actors in the government's spending chain has focused on reducing delays in expenditure payment since it was set up in 2002, by; (i) lightening the documentation needed to justify each expenditure; (ii) determining the nature of each document required; (iii) defining the various control levels needed to justify expenses and; (iv) enhancing controls at various expenditure steps.

- **Improve internal audit.** Reinforce the coordination of internal inspections at the Ministry of Economy and Finance with technical inspections of ministries and the High Authority for State Oversight.

- **Improve the treasury cash flow management capacity**. The government has adopted an action plan to improve aid efficiency and will pursue its coordination efforts with technical and financial partners to increase predictability of disbursements for project and budgetary grants. In this context, a new presentation of the treasury cash flow plan will be implemented by end-September 2010 **(Structural Benchmark)**. The new presentation will distinguish between budgetary and treasury operations, thus improving identification of financing needs. This will make the Treasury Cash Flow Plan an effective tool for budget execution, especially with regard to bonds issuance in the regional WAEMU market.

- **Close balances on temporary Treasury accounts.** To reinforce the quality of the Treasury's general accounts, all accounts predating 2007 will be reviewed to clear unjustified balances. In addition, the systematic control of temporary accounts will be carried out to ensure that the 90-day limit to close temporary accounts is respected.

- **Enhance monitoring for poverty-reducing expenditure**. The authorities will prepare a quarterly report on poverty reducing spending, using the new system adopted in October 2009. They also intend to refine the system to improve the assessment of these expenditures, and to prepare the report on a continuous basis (**Structural Benchmark**).

Civil Service Reform

27. Civil service reforms seek to improve human resources management in the civil service, improve the quality of public service, and enhance the wage policy. The main actions planned for 2010–11 are: (i) full implementation of the new merit-based promotion system **(Structural Benchmark**) by end-December 2010, which will help the authorities improve controls over the wage bill, and ensure that future wage increases are linked mostly to performance, paid timely, and compatible with fiscal targets; (ii) completion of the social audit of the civil service by end-September 2010 (**Structural Benchmark)** to update the civil service roster and improve the assessment of recruitment needs **;** (iii) completion of a 10-year strategic plan to modernize the civil service.

Financial Sector Reforms

28. The financial sector strategy adopted by the government in early 2010 aims to reinforce the stability and depth of the financial sector to increase competition among financial institutions, improve access to financial services in rural areas and for small- and medium-sized enterprises, and facilitate access to housing finance. To implement the strategy, the government set up a monitoring committee for the financial system. The 2010-11 plan focuses on the following measures:

- Carry out annual stress tests for commercial banks;

- Implementation of the divesture strategy, which calls for the reduction of the State's stake in banks where it holds more than 25 percent of equity. The government will restructure its holding in the *Banque Commerciale du Burkina* by end-December 2010 **(Structural Benchmark)** in preparation of the bank's privatization. The restructuring will focus on recapitalization of the bank in partnership with the other shareholders. Regarding to the *Banque de l'Habitat du Burkina Faso*, the government will prepare a new partial privatization strategy by end-June 2011.

- Adoption of the new microfinance strategy, covering 2011–15, and the relating action plan, by the Council of Ministers by end-June 2011 **(Structural Benchmark)**. To prepare this strategy, the government is evaluating the current plan. Sectoral stakeholders will validate the results of this evaluation by end-June 2010. This will lead to the development of terms of reference for the preparation of a new strategy and that of its associated action plan.

- The preparation of a study and policy note on the privatization of postal financial services. The results of the study will be submitted to the Council of Ministers by end-December 2010.

- Evaluation of the overdue payments to the pension fund.

B. External Debt Policy and Debt Management Issues

29. The government intends to maintain a prudent borrowing policy to safeguard external debt sustainability. Therefore, it will refrain from contracting or guaranteeing non-concessional loans under the terms defined in the attached technical memorandum of Understanding (TMU).

30. To improve debt management capacities, the government plans to strengthen the National Committee on Public Debt through the following actions: (i) provision of adequate equipment to improve forecasting abilities; (ii) personnel training to build debt management and forecasting skills; (iii) capacity building to carry out cost and risk analysis of loans, in addition to the calculation of the grant element; (iv) preparation of a procedures manual on borrowing practices and debt management by end-September 2010 (**Structural Benchmark**). The government plans to request technical assistance from Burkina Faso's development partners for the implementation of these reforms.

C. The Cotton Sector

31. The cotton sector remains vulnerable to price and weather-related shocks, and exchange rate fluctuations. It also faces significant difficulties linked to the decline in production of cottonseed, marketing, and low transformation rate for ginned cotton. The 2009 global crisis showed that reform efforts needed to continue to rehabilitate the sector, help ginning companies return to a solid financial position, reduce the sector's weight on public finance, and protect farmers' income. Reforms in the cotton sector are also important because of its role for the economy, and for poverty reduction efforts. The following reform measures are contemplated for 2010–11:

- Improvement of risk management mechanisms by ginning companies.

- Completion of ongoing studies for a new price-smoothing mechanism, a cotton input fund, and a new producer price system.

- Restructuring of SOFITEX with the following measures: (a) implementation of new cost-cutting measures by end-September 2010 (**Structural Benchmark**); (b) adoption of a new internal audit structure; (c) preparation of a new risk management system; (d) preparation of a business plan; and (e) adoption of a procedures manual.

32. The authorities are also hopeful that the increased use of genetically modified cottonseeds will boost productivity and improve the sector's prospects.

D. Promoting Private Sector Development

33. Burkina Faso has made progress in recent years in improving the business environment as shown by its favorable ranking on several of the World Bank *Doing Business* indicators. Nonetheless, the government is aware that further progress is needed to support private sector development, stimulate diversification, and support competitiveness. It will therefore continue to work toward creating a business-friendly environment. In this context, following the opening of a commercial court in Ouagadougou in 2009, another court will become operational in Bobo Dioulasso in 2010–11; and by end-2010, the business law will be harmonized with the regional regulations by the Organization for the Harmonization of Business Law in Africa (OHADA). Private sector activity will also benefit from increased investment in infrastructure planned for 2010.

34. Burkina Faso became a candidate for Extractive Industries Transparency Initiative (EITI) in March 2009. The authorities are working on meeting the compliance due date set at April 2011. Ongoing actions cover data collection, communication, and consultations with stakeholders.

E. Statistics

35. The authorities intend to continue improving the statistical base as well as the quality and timeliness of macroeconomic data, to strengthen policy design and implementation tools. Consequently, they plan to follow up on recommendations from the IMF and other development partners on statistics. To strengthen administrative capacity, Burkina Faso will greatly benefit from technical assistance in the following areas: (i) monitoring of financial sector issues for the unit in charge of financial sector developments in the Ministry of Economy and Finance; (ii) public financial management and expenditure policy (iii) revenue administration and tax policy; (iv) debt management; and (v) national accounts and prices.

F. Program Monitoring

36. Performance under the new ECF-supported program will be monitored using the quarterly quantitative benchmarks and the semi-annual quantitative performance criteria presented in Table 1, as well as the structural benchmarks presented in Table 2. The attached

TMU provides the definitions of quantitative performance criteria and structural benchmarks, as well as data to be communicated to the IMF for program monitoring purposes. During the program period, the government will not introduce restrictions on payments and transfers on current international transactions, or tighten any such restrictions without prior consultation with the IMF; introduce or modify multiple currency practices; conclude bilateral payment agreements not compatible with Article VIII of the IMF Articles of Agreement; or introduce restrictions on imports for balance of payments purposes. Completion of the first and second reviews under the program is expected by December 30, 2010, and June 2011 respectively.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2010

(CFAF billions, cumulative from beginning of year)

	2009	2010			
		Mar. [5]	Jun. [6]	Sep. [5]	Dec. [6]
	Est.	Prog.			
Performance criteria and benchmarks					
Ceiling on the overall fiscal deficit including grants [1]	213.9	71.3	95.1	143.6	217.8
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0
Accumulation of external arrears [2]	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Government revenue	539.1	124.4	300.1	438.6	585.2
Poverty-reducing social expenditures	259.6	60.4	126.3	200.4	274.5
Large taxpayer non-filer rate [4]	3.0	5.0	5.0	5.0	5.0
Accumulation of domestic arrears	0.0	0.0	0.0	0.0	0.0
Maximum upward adjustment of deficit ceiling including grants due to:					
Shortfall in grants relative to program projections	25.0	25.0	25.0	25.0	25.0
Excess in concessional loan financing relative to program projections	0.0	15.0	15.0	15.0	15.0
Adjustment factors					
Shortfall in grants relative to program projections	38.7	0.0	0.0	0.0	0.0
Excess in concessional loan financing relative to program projections	-28.2	0.0	0.0	0.0	0.0
Memorandum items:					
Basic primary balance (cash basis)	…	-125.1	-168.3	-222.4	-277.3
Grants	232.4	69.1	134.5	212.2	265.1
Concessional loans	123.9	37.2	74.4	119.0	156.2

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

[1] The ceiling on the overall fiscal deficit is to be adjusted in line with the TMU definition. It is calculated on a commitment basis.

[2] To be observed continuously.

[3] Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market. This ceiling excludes supplier credit with a maturity of one year or less.

[4] Applies to average over respective quarter.

[5] Indicative target.

[6] Performance criteria.

Table 2: Burkina Faso—Structural Benchmarks for 2010–11

Measures	Date	Rationale
Public Financial Management		
Produce a quarterly report on poverty-reducing expenditure, on a continuous basis, using the new tracking system adopted in October 2009, starting from June 2010.	end-June 2010 (first review)	Enhance the monitoring of poverty reduction efforts.
Adopt legal documents that implement the new fiscal reform strategy approved by parliament in January 2010.	end-June 2010 (first review)	Strengthen revenue collection.
Prepare a new Treasury Cash Flow plan table.	end-Sep. 2010 (second review)	Improve Treasury cash flow management.
Electronically connect two additional customs posts to the main Customs system.	end-Dec. 2010 (second review)	Strengthen revenue collection.
Prepare a study on the taxation of petroleum products and on a new pricing system.	end-Dec. 2010 (second review)	Reduce subsidies on petroleum products.
Public Debt Management		
Finalize the procedure manual on external debt management.	end-Sep. 2010 (second review)	Improve external debt management.
Civil Service		
Finalize the social audit of the public service.	end-Sep. 2010 (second review)	Enhance the civil service roster and improve the assessment of recruitment needs.
Implement the merit-based promotion system.	end-Dec. 2010 (second review)	Improve wage policy and efficiency in the civil service.
Financial Sector		
Finalize the restructuring of the *Banque du Commerce du Burkina*	end-Dec. 2010 (second review)	Increase access to financial services.
Adopt and implement the strategy for microfinance development.	end-June 2011 (third review)	Increase access to financial services.
Cotton Sector		
Strengthen SOFITEX's financial performance and risk management by (i) setting up an internal audit system, (ii) developing a risk management chart and (iii) developing a business plan (end-December 2010).	end-Sep. 2010 (second review)	Strengthen the financial health of SOFITEX.

Appendix I—Attachment II

Technical Memorandum of Understanding

Ouagadougou, May 31, 2010

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative targets, as well as structural benchmarks to assess performance under the program supported by the Extended Credit Facility (ECF). It also sets deadlines for data reporting.

I. Definitions

Unless otherwise indicated, "government" is understood to mean the central administration of Burkina Faso and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).

2. The definitions of "debt" and "concessional borrowing" for the purposes of this memorandum of understanding are as set out in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009:

(a) debt is understood to mean a direct, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

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

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

(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 title to the property. For the purpose of this guideline, 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; and

(iv) Treasury bills and bonds issued in CFA francs on the West African Economic and Monetary Union (WAEMU) regional market, which are included in domestic debt for the purpose of this Memorandum.

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

(b) A loan is considered concessional if, on the date on which the contract was signed, the ratio of the present value of the loan, based on the reference interest rates, to the nominal value of the loan is less than 65 percent (i.e., the grant element of the loan is more than 35 percent of its nominal value). The present value of the loan will be calculated by discounting future payments of interest and principal using the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). Specifically, the 10-year average of CIRRs reported by the OECD will be used for loans with maturities longer than 15 years while the six-month average of CIRRs will be used for loans with shorter maturities. To both the 10-year and six-month averages of the reference rate, the margin for different repayment periods will be added, as established by the OECD (0.75 percent for repayment periods of less than 15 years; 1 percent for repayment periods of 15–19 years; 1.15 percent for repayment periods of 20–29 years; and 1.25 percent for repayment periods of 30 years or more).

(c) "domestic debt" is defined as debt denominated in CFA francs, while "foreign debt" is defined as debt denominated in any currency other than the CFA franc.

II. Quantitative Performance Criteria

3. Quantitative performance criteria are proposed for June and December 2010 for the overall deficit including grants, and the accumulation of domestic payment arrears of government; programmed amounts for September 2010 are benchmarks. The following performance criteria will be monitored on a continuous basis: (i) the contracting or guaranteeing of new nonconcessional external debt by the government, public enterprises and other official sector entities unless excluded in Table 1 of the Memorandum of Economic and Financial Policies (MEFP), as well as private debt for which official guarantees have been extended and which, therefore constitute a contingent liability of the government; (ii) the contracting or guaranteeing of new short-term external debt; and (iii) the external debt-service payments arrears of the government.

A. Overall Deficit Including Grants

Definition

4. For the program, the overall deficit including grants is valued on a commitment basis *(base engagement)*. It is defined as the sum of foreign and domestic financing (net) of the government measured from the financing side plus cash basis adjustment. Net foreign financing is the sum of foreign borrowing minus amortization. Net domestic financing is the sum of (i) net bank credit to the government, including both net bank credit to the treasury as defined below and other government claims on and debts to national banking institutions; (ii) unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. Net bank credit to the treasury is the balance of the treasury's claims and debts vis-à-vis national banking institutions. Treasury claims include the cash holdings of the Burkinabè Treasury, deposits with the central bank, deposits with commercial banks, secured obligations, and government deposits with the postal system (CCP). Treasury debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and CNE *(Caisse Nationale d'Épargne Postale)*/CCP securitized deposits. Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose figures are recognized as valid for program purposes. The stock of treasury bills and other government debt, as well as net foreign financing, is calculated by the Ministry of Finance. Cash basis adjustment is the sum of (i) expenditure commitments not paid *(engagées non-payées)*; and (ii) change in treasury deposits.

5. All these items are valued according to the statement of government budgetary execution established monthly in the central government's financial operations table. This is prepared by the Permanent Secretariat for the Monitoring of Financial Policies and Programs (SP-PPF), in collaboration with the other departments of the Ministry of Economy and Finance.

Adjustment

6. The overall deficit including grants is adjusted upward by the amount that grants fall short of what is programmed up to a maximum (see the MEFP Table 1). It will not be adjusted if grants are higher than programmed.

7. The overall deficit including grants will also be adjusted upward by the amount that concessional loans exceed what is programmed up to a maximum (see the MEFP Table 1).

Reporting deadlines

8. The Ministry of Economy and Finance will forward data to the IMF on the overall

deficit excluding grants within six weeks after the end of each quarter.

B. Nonaccumulation of External Arrears

Performance criterion

9. The government's external debt is the stock of debt owed or guaranteed by the government. External arrears are external payments due but not paid on the due date. Under the program, the government undertakes not to accumulate arrears on its external debt, except those arising from government debt that is being renegotiated with creditors, including non-Paris Club bilateral creditors. Nonaccumulation of external arrears is a performance criterion, to be observed continuously.

Reporting deadlines

10. Data on outstanding balances, accumulation, and repayment of external arrears will be forwarded within six weeks after the end of each month.

C. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

11. The government undertakes not to contract or guarantee any external debt maturing in one year or more that has a grant element of less than 35 percent (calculated using the interest reference rate for borrowed foreign currencies provided by the IMF) beyond the ceiling indicated in the MEFP (Table 1). This performance criterion applies not only to debt as defined in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009, but also to commitments contracted or guaranteed (including lease-purchase contracts) for which no value have been received. This criterion also applies to the guaranteeing of private sector debt by the government, which consequently constitutes a contingent liability of the government, as defined in section I of this memorandum. In addition, this criterion applies to public enterprises and other official entities unless excluded in the MEFP (Table 1). External debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market. This performance criterion is to be observed continuously.

Reporting deadlines

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

D. Government Short-Term External Debt

13. The definitions in paragraph 11 also apply to this performance criterion. Short-term external debt is debt with a contractual term of less than one year. Import- and export-related loans, Treasury bills issued in CFA francs on the WAEMU regional market, normal short-term supplier credits, and debt relief operations are not covered by this performance criterion.

Performance criterion

14. In the context of the program, the government undertakes not to contract or guarantee short-term nonconcessional external debt. The definition of nonconcessional in paragraph 3b applies here. The government also undertakes not to contract or guarantee any short-term external debt without having first determined its concessionality with IMF staff. This performance criterion is to be observed continuously. As of April 1, 2010, the government of Burkina Faso had no short-term external debt.

III. Other Quantitative Indicative Targets

15. The program also includes indicative targets on total government revenue, poverty-reducing social expenditures, nonaccumulation of domestic arrears, and large taxpayer non-filer rates.

A. Total Government Revenue

Definition

16. Total government revenue is valued on a cash basis. It includes all tax and nontax revenue collected by the Directorate General of Taxation, the Directorate General of Customs, the Burkinabè Treasury, and revenue collection units at ministries and institutions. It also includes revenue from treasury checks.

Reporting deadlines

17. Details on total revenue will be sent to IMF staff by the SP-PPF of the Ministry of Finance and Budget within six weeks after the end of each month.

B. Poverty-Reducing Social Expenditures

Definition

18. Poverty-reducing social expenditures are defined by the PRSP priority sector programs designed to accelerate the reduction of poverty. They cover all spending categories for the following ministries: Primary Education and Literacy; Health; Social Action and National Solidarity; Promotion of Women; Labor and Social Security; Employment and Youth; Agriculture, Water and Fishing Resources; Animal Resources; and Environment and Living Conditions. They also cover rural roads and HIPC resources (Category 5) for

infrastructure spending and HIPC expenditures only for the Justice Ministry and the Ministry of Economy and Development. These expenditures are monitored directly through the budget.

Reporting deadlines

19. The government will report within six weeks after the end of each month the monthly data on poverty-reducing social expenditures.

C. Nonaccumulation of Domestic Arrears

Definition

20. The government will not accumulate any arrears on domestic government obligations during the program period. This is a benchmark to be observed continuously.

Reporting deadlines

21. Data on balances, accumulation, and repayment of arrears on domestic government obligations will be reported within four weeks after the end of each month.

D. Large Taxpayer Nonfiler Rate

Definition

22. The large taxpayer nonfiler rate is defined as the ratio of late and nonfilers in the Large Taxpayer Office (LTO) relative to the total number of taxpayers obligated to file in LTO. A late filer is anyone who files a tax return after the deadline. A nonfiler is anyone in the database who did not file taxes. The main tax categories are the VAT *(TVA)*, the corporate income tax *(BIC)*, and the tax on wage income (IUTS). Filing deadlines for the main tax categories are set in the tax code.

Reporting deadlines

23. The government will report within two weeks after the end of each quarter the total number of late and nonfilers as well as the total number of taxpayers obligated to file in LTO for the main tax categories.

IV. Structural Benchmarks

24. The program incorporates structural benchmarks (see the MEFP, Table 2).

V. Additional Program Monitoring Information

A. Public Finance

25. The government will report the following to Fund staff:

- The monthly government flow-of-funds table (TOFE) and the customary appendix tables, to be forwarded within six weeks after the end of each month; if data on actual investment financed by external grants and loans are not available in time, a linear implementation estimate based on the annual projections will be used.

- Complete monthly data on domestic budgetary financing (net bank credit to the government and stock of unredeemed treasury bonds and bills), to be provided within six weeks after the end of each month.

- Quarterly data on implementation of the public investment program, including details on financing sources, to be sent within six weeks after the end of each quarter.

- Quarterly data on external debt stock, external debt service, signing of external loans, and disbursements of external loans, to be sent within six weeks after the end of each quarter.

- Monthly data in the table on the monitoring of poverty-reducing expenditures that will be submitted with the same transmission delay as for the above-defined TOFE table.

- Monthly data on prices and taxation of petroleum products, including

  (i) prices prevailing during the month; (ii) detailed calculation of the price structure, from the f.o.b.-MED price to the retail price; (iii) volumes purchased and made available for consumption by the petroleum distributor (SONABHY); and (iv) a breakdown of receipts from the taxation of petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT)—and of subsidies, to be provided within four weeks after the end of each month.

- A monthly statement of the status of accounts with the treasury, classified by major category (administrative services, state enterprises, mixed enterprises, public administrative enterprises, international organizations, private depositors, and others), to be provided within six weeks after the end of each month.

- Quarterly data for the large taxpayer office on (for *TVA, BIC, IUTS*) the numbers of:

  registered taxpayers

  declarations received on time

  reminder letters sent to late and nonfilers.

- These quarterly statistics are to be provided within two weeks after the end of each quarter. Similarly, quarterly data on the following are to be sent within 2 weeks of the end of the quarter:

  total number of customs declarations

  number of declarations selected by channel

  number of declarations by channel subject to non-standard treatment.

B. Monetary Sector

26. The government will provide the following information within six weeks after the end of each month:

- The consolidated balance sheet of monetary institutions
- Provisional data on the monetary survey provided six weeks after the end of each month (with final data provided ten weeks after the end of each month)
- Borrowing and lending interest rates
- Customary banking supervision indicators for bank and nonbank financial institutions, if necessary.

C. Balance of Payments

27. The government will report the following to Fund staff:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions), as they occur
- Foreign trade statistics compiled by the National Statistics Institute, within three months after the end of the month concerned

- Preliminary annual balance of payments data within nine months after the end of the year concerned.

D. Real Sector

28. The government will report the following to Fund staff:

- Disaggregated monthly consumer price indices, within two weeks after the end of each month
- Provisional national accounts
- Any revision of the national accounts.

E. Structural Reforms and Other Data

29. The government will also report the following:

- Any study or official report on Burkina Faso’s economy, within two weeks after its publication
- Any decision, order, law, decree, ordinance, or circular that has economic or financial implications as soon as it is published or at the latest when it enters into force.

INTERNATIONAL MONETARY FUND

BURKINA FASO

Request for a Three-Year Arrangement Under the Extended Credit Facility—Informational Annex

Prepared by the African Department
(In collaboration with other departments)

Approved by Peter Allum and Thomas Dorsey

June 1, 2010

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 70.38 million (116.9 percent of quota) at end-April 2010.

- **JMAP Implementation.** Describes Bank-Fund collaboration.

- **Statistical Issues.** Assesses the quality of statistical data. Weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

Contents Page

I. Relations with the Fund

(As at April 30, 2010)

I. Membership Status: Joined: May 2, 1963		Article VIII
II. General Resources Account:	**SDR Million**	**%Quota**
Quota	60.20	100.00
Fund holdings of currency	52.76	87.64
Reserve Tranche Position	7.44	12.36
Lending to the Fund		
Notes Issuance		
Holdings Exchange Rate		
III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	57.58	100.00
Holdings	48.08	83.50
IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	70.38	116.90

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF [1/]	Apr 23, 2007	Apr 22, 2010	48.16	47.16
ECF [1/]	Jun 11, 2003	Sep 30, 2006	30.10	30.10
ECF [1/]	Sep 10, 1999	Dec 09, 2002	39.12	39.12

[1/] Formerly PRGF.

VI. Projected Payments to Fund[2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2010	2011	2012	2013	2014
Principal	0.69	2.41	4.69	5.10	7.15
Charges/Interest	0.03	0.03	0.19	0.18	0.16
Total	0.71	2.43	4.88	5.27	7.31

[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Sep 1997	Jul 2000	
Assistance committed			
by all creditors (US$ Million)[1/]	229.00	324.15	
Of which: IMF assistance (US$ million)	21.70	35.88	

(SDR equivalent in millions)	16.30	27.67	
Completion point date	Jul 2000	Apr 2002	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	16.30	27.67	43.97
Interim assistance	--	4.15	4.15
Completion point balance	16.30	23.52	39.82
Additional disbursement of interest income [2/]	--	2.01	2.01
Total disbursements	16.30	29.68	45.98

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	62.12
Financed by: MDRI Trust	57.06
Remaining HIPC resources	5.06

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	62.12	62.12

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework should nonetheless be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The upcoming implementation (2010) of the Institutional Reform of the WAMU and the BCEAO should help correct that situation. Efforts to implement fully the International Financial

Reporting Standards reporting framework should also be pursued.

X. Exchange Rate Arrangement:

Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU) and has no separate legal tender. The union’s common currency, the CFA franc, is pegged to the euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. On April 30, 2010, the rate of the CFA franc in terms of SDR was CFAF 744.45 = SDR 1.0. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its member. The exchange system is free of restrictions on the making of payments and transfers on current international transactions.

XI. Article IV Consultations:

The periodicity of Burkina Faso’s Article IV consultation is set in accordance with the July 15, 2002 Executive Board Decision on consultation cycles. Discussions on the 2007 Article IV consultation and first review under the Poverty Reduction and Growth Facility (PRGF) were held during the period September 19–October 4, 2007 in Ouagadougou. The staff report and the Selected Issues and Informational Annex were considered by the Executive Board on December 14th, 2009. The next article IV consultation is scheduled for September 2011.

XII. ROSC/AAP:

An FAD mission visited Ouagadougou during May 7–18, 2001 to assist the authorities undertake a draft fiscal module of a Report on the Observance of Standards and Codes (ROSC). The final report, which was issued in July 2002, found that Burkina Faso was making good progress in a number of areas to increase the transparency and accountability of government. Additional efforts are needed to bring a number of improvements to the point of implementation, particularly with regard to expenditure tracking at the local level and external audit functions. Initial discussions indicated that the authorities broadly concurred with the mission assessment. On July 31, 2002, the authorities formally adopted an action plan based on the recommendations of the final ROSC.

An STA mission during May 8–21, 2003 assisted the authorities in preparing a data ROSC. The report was published in March 2004. The mission found that most of the methodologies used in the compilation of macroeconomic statistics are in broad conformity with internationally accepted guidelines. However, most datasets are affected by limited or impaired source data arising from irregularity in the conduct of surveys (national accounts), use of outdated weights (CPI), or low response rate to surveys (balance of payments). For CPI and government finance statistics, data dissemination meets the SDDS requirement, but for other macroeconomic datasets, timeliness falls short of GDDS recommendations. The authorities broadly concurred with the main findings of the mission as well as the recommendations made to address them.

The team, jointly with World Bank staff, also discussed a HIPC Initiative Assessment and Action Plan (AAP) with the authorities. The aim was to assess the capacity of the public expenditure management system to track poverty-reducing public expenditures under the HIPC Initiative and the need for technical assistance to enhance that capacity. The mission secured the officials' approval of the jointly prepared preliminary assessment; identified the main needs for technical assistance on upgrading the capacity to track such expenditures; and drew up a draft outline action plan. This plan identifies the main needs for further technical assistance to improve tracking of poverty-reducing expenditures. The AAP has been endorsed by the authorities.

XIII. Technical Assistance:

Significant technical assistance has been provided since 1989, more recently especially in the fiscal area:

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Tax Advisor	February 7–11, 2005	Review the progress made on: (1) the setup of the Large Taxpayer Unit and the Medium Taxpayers Office; (2) the steps to strengthen the fiscal control; and (3) the corporate registry reform.
AFRITAC	Customs Advisor	February 14–18, 2005	Provide assistance to control transit merchandises in the country and travelers at Ouagadougou airport.
AFRITAC	Customs, short-term Expert	February 14–23, 2005	Implement customs valuation code and establish a database for indicative import prices.
AFRITAC	Microfinance Advisor	March 21–25, 2005	Assess the TA need of the Cellule responsible of the supervision of microfinance institutions and prepare a capacity-building program.
AFRITAC	Short-term Expert	April 18–29, 2005	Training of auditors of the Tax administration.
AFRITAC	PEM Advisor	June 27, July 1, 2005	Review of the public finance directives of WAEMU.
AFRITAC	STA Advisor and Short-term Expert	June 27–July 5, 2005	Assist in setting up database for the TOFE (first or two scheduled missions) and expand further the scope of the TOFE (last of three scheduled missions).
AFRITAC	Customs Advisor visits	July 10–16, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	Tax Advisor	August 8–12, 2005	(1) Review the status of implementation of the 2003 FAD mission's recommendations; (2) update the tax directorate's action plan; and (3) asses the DGI

Department	Type of Assistance	Time of Delivery	Purpose
			TA's needs.
AFRITAC	STA Short-term Expert	August 22–26, 2005	Assist with putting in place the database of public finances.
AFRITAC	Customs Advisor	August 28–September 1, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	STA Short-term Expert	August 29–September 2, 2005	Assist and set up database for the TOFE (last of the two scheduled missions).
AFRITAC	Microfinance Advisor	September 19–23, 2005	Strengthen operational systems for the surveillance of microfinance institutions.
AFRITAC	STA Short-term Expert	September 19–23, 2005	Assist and setting up database for the TOFE (additional mission).
AFRITAC	PEM Advisor	October 10–14, 2005	Review the status of implementation the January 2004 mission recommendations and assess the technical assistance needs.
AFRITAC	Microfinance Advisor and Short-term Expert	November 21–December 16, 2005	Coach in microfinance inspections.
AFRITAC	STA Advisor	December 6–15, 2005	Review the WAEMU directives on budgetary nomenclature.
AFRITAC	Customs Advisor	January 23–25, 2006	Strengthen the dialogue between the customs administration and the private sector (regional workshop).
AFRITAC	STA Advisor	March 11–25, 2006	Review the directive on the TOFE.
AFRITAC	PEM Advisor	March 13–17, 2006	Review the directive on the TOFE.
AFRITAC	Tax administration; Short term Expert	March 14–28, 2006	Assist in strengthening (1) operations of the LTU; and (2) tax auditing.
AFRITAC	Customs Advisor	March 14–28, 2006	Assist in defining an action plan to improve revenue mobilization.

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Revenue administration mission	March 14–28, 2006	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
AFRITAC	Custom Advisor	April 4–14, 2006	Strengthen the control of goods valuation.
AFRITAC	Tax administration; Short term Expert	April 17–28, 2006	Strengthen the management of the most important taxpayers.
AFRITAC	Tax Advisor	July 24–28, 2006	Follow up the implementation of the recommendations by the FAD mission in March 2006.
AFRITAC	Microfinance Advisor	July 31–August 4, 2006	Identify the follow-up indicators from a distance.
AFRITAC	Real statistic sector Advisor	September 11–20, 2006	Take stock of the implementation of the recommendations by the ROSC mission in March 2004.
AFRITAC	Microfinance, Short term Expert	September 28–October 20, 2006	Accompany the agents of the Cell S-IFD.
AFRITAC	Public expenditure Advisors	October 2–12, 2006	Review and follow up the implementation of the priority action plan in the PF strengthening strategy.
AFRITAC	Microfinance; Short term Expert	October 2–20, 2006	Develop agent's abilities in inspection and accompany them in the field.
AFRITAC	Customs administration, Short-term Expert	November 20–December 1, 2006	Assess the implementation of preview recommendations relating to the control of goods valuation in the customs.
AFRITAC	Tax Advisor	November 20–December 1, 2006	Strengthen capacities of the tax administration to fight tax evasion.
AFRITAC	Macroeconomic statistics	March 5–9, 2007	Training in Government Statistics Manual 2001.

Department	Type of Assistance	Time of Delivery	Purpose
	Advisor		
AFRITAC	Debt Advisor	March 5–16, 2007	Study the situation of the administrative management of the internal and external debts.
AFRITAC	Customs Advisor	March 12–23, 2007	Follow up the implementation of the recommendations by the FAD mission in March 2006, and assess the implementation of the goods valuation control in the customs.
AFRITAC	Macroeconomic statistics Advisor	March 19–23, 2007	Training in Government finance statistics framework.
AFRITAC	Tax Advisor	March 26–30, 2007	Assist in the implementation of the tax administration strengthening and modernization measures.
AFRITAC	Tax Advisor	May 22–June 4, 2007	Follow up on fiscal administration.
AFRITAC	Custom Advisor	July 16–27, 2007	Computerization of customs procedures.
MCM	Bank supervision	July 23–27, 2007	Technical assistance needs assessment and evaluation on bank supervision.
FAD	Budget management	June 26–July 9, 2007	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
STA	Macroeconomic statistics	November 26–December 7, 2007	Support in setting up fiscal accounts for the Treasury.
FAD	Tax policy reform	November 27–December 12, 2007	Review and simplification of tax system.
FAD/ AFRITAC	Public financial management		Assist in the implementation of the authorities' reform agenda in public

Department	Type of Assistance	Time of Delivery	Purpose
			financial management.
AFRITAC	Debt Sustainability Workshop	January 28–February 1, 2008	To assist the authorities in the implementation of the Debt sustainability Analysis framework.
AFRITAC	Revenue administration	February 11–22, 2008	Segmentation of taxpayers, functionality of Syntax system and its implementation in the medium taxpayer Office.
AFRITAC	Micro finance supervision	February 11–15, 2008	Support personnel of microfinance supervision.
STA/PEM	UEMOA Directives	February 25–29, 2008	Support the preparation of the revision of UEMOA directives.
STA	National Accounts	April 14–25, 2008	Train staff in national accounts software and improved compilation techniques and tabulation procedures.
FAD	Tax and Customs Administration reforms	June 1, 2008–April 2009	Advise on tax and customs administration reform strategy.
FAD	Modernization of revenue administration	May 1, 2008	Advise on the modernization of revenue administration.
STA	Real Sector Statistics Advisor	December 26, 2007–December 31, 2008	Advise on the compilation of real sector statistics.
FAD	Public Financial Management	April 29–May 11, 2009	Advise on elaborating a strategy to operationalize program budgeting.
FAD	Tax Policy	April 21–May 05, 2009	Review and simplification of tax system.
AFRITAC	Financial Supervision	April 20–24, 2009	Improve the supervision of microfinance institutions.

Department	Type of Assistance	Time of Delivery	Purpose
MCM	Sovereign Asset and Liability Management	April 28–May 5, 2009	Reinforcement of the capacity of the national debt committee.
AFRITAC	Public Expenditure Management	April 28–May 5, 2009	Advise on public financial management and public financial statistics
STA	Statistics	December 7–14, 2009	Assist in extending global Financial statistics coverage
FAD	Tax Policy	January 18–22, 2010	Technical assistance in fiscal policy
MCM	Debt management	February 8–12, 2010	TA Needs Assessment & Evaluation of public debt management capacity
MCM	Debt Management	March 15–19, 2010	Improve public debt management capacity
FAD	Public financial management	March 15–26, 2010	Improve treasury cash management
FAD	Program budgeting	March 31–April 15, 2010	Improve program budgeting capacity
STA	Statistics	April 26–30, 2010	Assist with WAEMU directives implementation
FAD	Public Financial Management	April 26–May 13, 2010	Follow-up mission on program budgeting and expenditure

XIV. Resident Representative:
Ms. Isabell Adenauer took up the post of Resident Representative in June 2008.

II. Joint Management Action Plan (JMAP) Implementation

IMF and World Bank
Joint Management Action Plan (Update)

Title	Products	Provisional timing of missions	Expected delivery date
A. Mutual information on relevant work programs			
Bank work program in next 12 months	• Country Economic Memorandum	Dissemination ongoing	End-November 2009
	• Programmatic Public Expenditure Review		
	First phase: health, education, agriculture and decentralization	Dissemination done (March 2010)	End-November 2009 (first phase)
	• Second phase: transport and energy		Second phase January 2011
	• Poverty Reduction Support Grant (PRSG 10)	February 2010, April 2010 (reversed mission)	June 2010
	• Poverty Assessment		March 2011
	• Mining sector EITI and study		August 2010
	Technical Assistance		
	• Support to the AICB to develop a weather risk management strategy	July 2010	May 2011
	• Road map for decentralization (TA)		Intermediate: December 2010 Final: June 2011
	• Support on risk based auditing to the ASCE and pilot ministries in health, education and infrastructure	3-4 June 2010 (High level seminar)	July 2010 to Jan 2011: TA
	• Global Legal Information Network membership feasibility study		June 2010

IMF work program in next 12 months	**IMF-supported program:**		
	• Sixth ECF review and new arrangement under the ECF	March 2010	June 2010
	• First review under the new ECF	September/October 2010	December 2010
	• Second ECF review	March 2011	June 2010
	Technical Assistance		
	• TA support to follow-up on customs and tax policy administration, PFM, microfinance supervision, and national accounts statistics		November 2009–April 2010
	• TA on tax policy (follow-up, resources permitting)		November 2009–10
	• TA on debt management		
Fund request to Bank	• Periodic update on progress with PRSC • PER to provide quantitative inputs for fiscal consolidation		
Bank request to Fund	• Regular updates of medium-term macro projections • Fund Relation Note (for budget support operations)		
C. Agreement on joint products and missions			
Joint products in next 12 months	• FSAP-follow-up to help authorities set-up action plan		January 2011
	• DSA	March /April 2011	June 2011
	• Growth and Investment Analysis	September 2010	December 2010

III. Statistical Issues

Burkina Faso—Statistical Issues Appendix

As of April 30, 2010

I. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance. The most affected areas are: national accounts and price statistics. Burkina Faso has received technical assistance (TA) from the IMF; the TA has been partially financed by Japan.
National accounts: Annual GDP estimates are compiled by economic activity, by institutional sector accounts and by expenditure categories at current and constant prices (1985=100). The quality of the national accounts estimates is affected by the scarcity of suitable data sources and by deficiencies in statistical practices. The informal sector is not properly captured—estimates are derived from limited surveys of the informal sector conducted in 1989 and 1996. Most medium and small enterprises in the "modern sector" fall short of submitting accounting statements or tax declarations. Private household consumption is estimated as the residual and is not adequately validated with supply-use tables.
Price statistics: The CPI (1996=100) only covers households living in the capital; it excludes non-African households, various types of purchased goods and services, and services of owner-occupied dwellings. Compared to neighboring countries, the weight for "food, beverages, and tobacco" is very low. The prices of unavailable products are presumed unchanged for a period of up to three months—best practice would impute a price change for these items based on the recorded prices changes for closely related products. The software package used for calculating the CPI needs to be improved. The producer price index and the wholesale price index are not compiled and the development of these indices is not envisaged.
Government finance statistics: Compilation is constrained by a lack of coordination among fiscal agencies. The data areas for improvement are the production of functional and ministerial breakdowns of expenditure, the extension of coverage of the TOFE to the general government, and basing the compilation on the Treasury ledger.
Monetary finance statistics: Most of the problems in monetary statistics are not specific to Burkina Faso but affect all member countries of the WAEMU. The BCEAO has encountered difficulties in estimating currency in circulation in each WAEMU member country due to large backlogs of unsorted banknotes held by the central bank in its various national agencies.
Balance of payments (BOP): The coverage of informal trade is incomplete. Improvements in the coverage of services and transfers (especially workers' remittances) depend on the intensification of contacts with reporting bodies. The 2003 data ROSC mission found that the response rate for the survey among industrial and commercial enterprises was only 40 percent. Annual surveys, reporting foreign direct investment transactions, are at a preliminary stage. To improve the quality of the BOP reports, the BCEAO authorities plan to integrate two additional data sources: the regional stock exchange transactions and the firms'

<table>
<tr><td colspan="2">balance sheet database. The BCEAO authorities have indicated that quarterly data, derived from banking settlement reports, will be used to assess the existing BOP reports. BOP compilers receive payment statements every ten days; however, the information is not used in the compilation of the annual BOP statements, but rather to support data quality controls and to provide early information to the BCEAO authorities.</td></tr>
<tr><th colspan="2">II. Data Standards and Quality</th></tr>
<tr><td>Burkina Faso participates in the General Data Dissemination Standard since December 28, 2001.</td><td>A data ROSC mission visited Burkina Faso during May 8–21, 2003.</td></tr>
<tr><th colspan="2">III. Reporting to STA (Optional)</th></tr>
<tr><td colspan="2">In October 2009, annual data and quarterly data for 2006-2008 covering budgetary central government were reported to STA for publication in International Financial Statistics and the Government Finance Statistics yearbook. The BCEAO reports monetary data to STA with a lag of at most three months. Despite requests, BOP and IIP data have not been reported to STA for publication in IFS and the BOPSY since 2001.</td></tr>
</table>

Burkina Faso: Table of Common Indicators Required for Surveillance (April 2010)

	Date of latest observation (For all dates in table, please use format dd/mm/yy)	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]	Memo Items:[8]	
						Data Quality – Methodological soundness[9]	Data Quality – Accuracy and reliability[10]
Exchange Rates	Current	Current	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	09/2009	9/2009	M	M	M		
Reserve/Base Money	08/2009	11/2009	M	M	M		
Broad Money	08/2009	11/2009	M	M	M		
Central Bank Balance Sheet	12/2009	11/2009	M	M	M	LO, LO, LNO, O	LO, O, O, O, O
Consolidated Balance Sheet of the Banking System	12/2009	11/2009	M	M	M		
Interest Rates[2]	10/2009	11/2009	M	M	M		
Consumer Price Index	9/2009	10/2009	M	M	M	O, LNO, O, O	LNO, O, O, O, NA
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	12/2009	4/2009	I	I	I		
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	12/2009	4/2009	M	M	M	O, LO, O, O	O, LO, O, O, LNO
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/2009	9/2009	A	A	A		
External Current Account Balance	2008	9/2009	A	A	A		
Exports and Imports of Goods and Services	2008	9/2009	A	A	A	O, O, O, O	LO, O, LO, O, O
GDP/GNP	2008	9/2009	A	A	A	LO, LNO, LNO, LO	LNO, LNO, LO, LO, LNO
Gross External Debt	12/2009	9/2009	A	A	A		
International Investment Position[6]	12/2009	9/2009	A	A	A		

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[8] These columns should only be included for countries for which Data ROSC (or a Substantive Update) has been published.

[9] Reflects the assessment provided in the data ROSC or the Substantive Update (published on March 10, 2004, and based on the findings of the mission that took place during May 8-21, 2003) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording, respectively, are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).

[10] Same as footnote 9, except referring to international standards concerning, respectively, source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

BURKINA FASO

Joint IMF/World Bank Debt Sustainability Analysis 2010 [1]

Prepared by the staffs of the International Monetary Fund
and the International Development Association

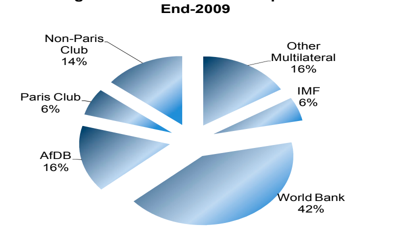
Approved by Michael Atingi-Ego and Thomas Dorsey (IMF)
and Sudarshan Gooptu and Sudhir Shetty (IDA)

June 1, 2010

The results of this debt sustainability analysis (DSA) are consistent with those from the previous DSA. Burkina Faso is classified as a medium performer[2] *and its risk of debt distress is high, because under the baseline scenario, the present value (PV) of debt-to-exports ratio is breached starting in 2015. All other indicators remain below their indicative thresholds. Under a less favorable scenario, with higher fiscal deficits and lower growth, there would be a significant deterioration in the PV of debt-to-GDP and PV of debt-to-revenue ratios. An alternative scenario assuming scaled-up aid shows a significant improvement in debt indicators, reducing the risk of debt distress from high to moderate. Fiscal consolidation and export diversification are critical to support long-term debt sustainability.*

I. Background

Figure 1: External Debt Composition End-2009



1. **The analysis presented in this document is based on Burkina Faso's stock of debt at end-2009.** Financing from multilateral creditors account for about

[1] Prepared by the IMF and World Bank staff, in collaboration with the Burkinabè authorities and staff of the African Development Bank. The previous joint DSA, carried out in June 2009 (IMF Country Report No. 09/222, IDA Report No.48468-BF (Ninth Poverty Reduction Support Grant to Burkina Faso) was updated by IMF staff in November 2009 (IMF Country Report No.10/7).

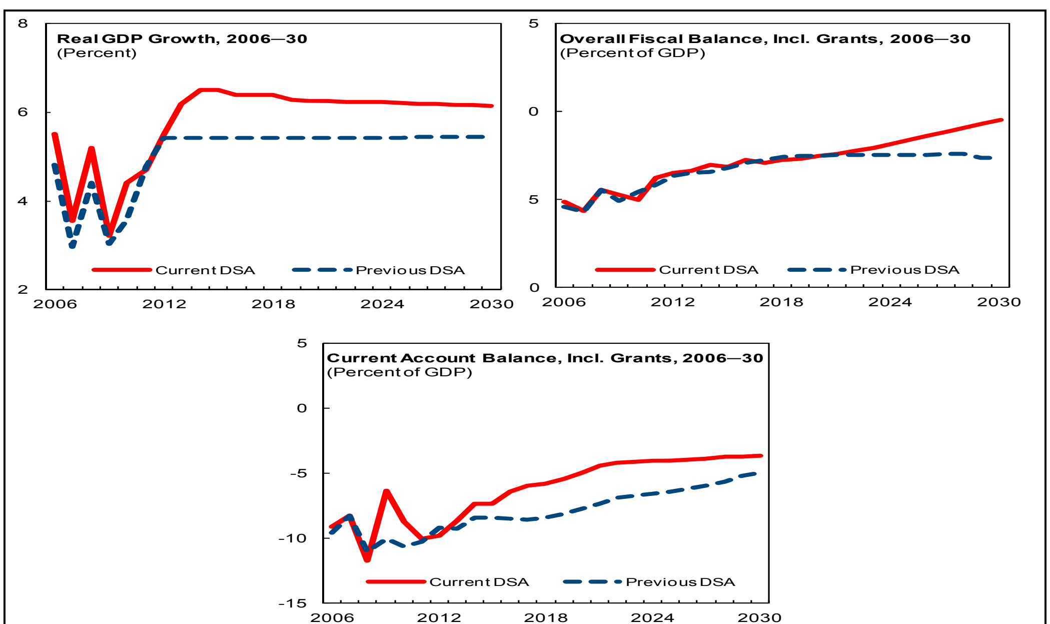
[2] With a three-year backward moving average CPIA (Country Policy and Institutional Assessment) for 2006-2008 of 3.71 that is below the 3.75 benchmark for strong performers. The threshold of the PV of debt-to-exports ratio is 150 percent for medium performers and 200 percent for strong performers.

80 percent of the stock of debt outstanding at end-2009. Burkina Faso's loans have long maturities, with an overall grant element of about 40 percent. Furthermore, grants amounted to 64 percent of financing in 2009.

2. **The government has consistently demonstrated its commitment to stay current on its external payment obligations,** including during the pre-HIPC period, when the PV of debt-to-exports ratio was well above 200 percent, and the debt-service-to-exports ratio close to 25 percent. The 35 percent grant element is strictly enforced for all central-government foreign-currency borrowings, and projects are consistently scrutinized by a National Public Debt Committee before negotiations are concluded.

3. **The assumptions used for this analysis are broadly comparable to those of the previous joint DSA.** They are outlined in Box 2 below. Compared to the macroeconomic assumptions described in the June 2009 document, the main changes relate to: (i) a more positive growth and export outlook; and (ii) stronger fiscal consolidation. The stronger growth and export outlook is driven by the sharp increase in gold mining activities in the near term and, in the medium and long term, by the authorities' accelerated growth strategy, which will notably focus on infrastructure investments and faster diversification of agricultural output. Stronger fiscal consolidation will stem from the stabilization of expenditures and, on the revenue side, from: (i) the implementation of the recently adopted tax reform strategy; (ii) greater efficiency in revenue collection from the Tax and Customs Directorates; and (iii) continued efforts to enlarge the tax base through census activities that will help reduce the size of the informal sector. Taken together, these changes lead to a moderate improvement in Burkina Faso's debt indicators over the long run.

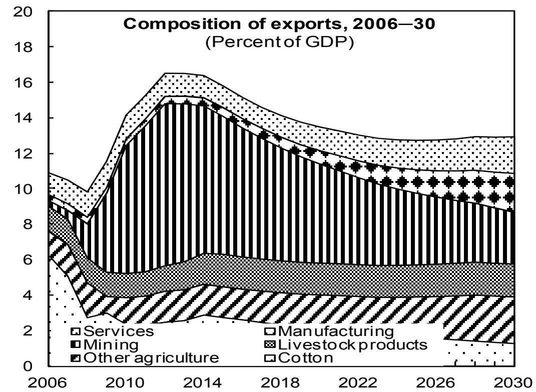
Box 1. Changes from the June 2009 Joint DSA



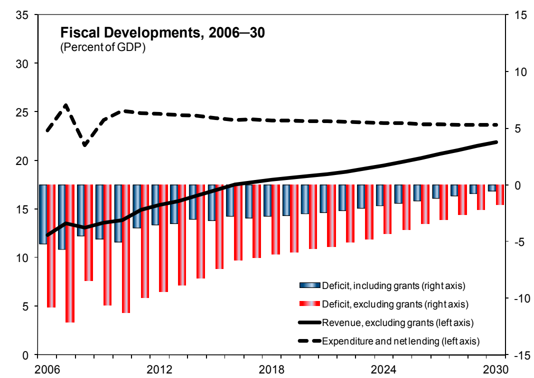
Source: Country authorities; and staff estimates and projections.

Box 2. Underlying Macroeconomic Assumptions

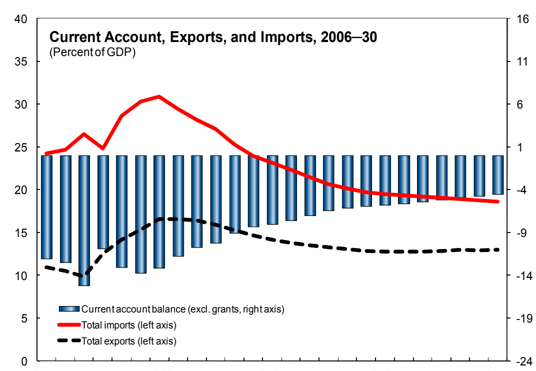
The outlook for growth assumes a return to pre-crisis trends in the medium-term and a clear upward trend for the long term. Because of recent shocks, including drought, higher prices for imported commodities, reduced global demand for cotton, and the 2009 floods, real GDP growth has been lackluster since 2007, averaging about 4 percent annually during the last three years. Projections for the medium-term point to a gradual return to the annual average of 6 percent observed between 1997 and 2006 and an increase to 6.5 percent by 2014. This outlook is supported by the expected increase in mining activities, higher agricultural production, an increase in public investment from 2009 onwards, and further improvement in the business environment. Inflation should remain below 3 during the projection period.



Fiscal developments over the medium term reflect the authorities' commitment to a prudent fiscal policy and macroeconomic stability. Following an increase in expenditure in 2009 and 2010 to cope with the impact of external shocks and support economic recovery, the authorities plan to gradually withdraw the fiscal stimulus and consolidate the fiscal position through revenue-enhancing measures and expenditure restraint. They intend to boost revenue performance through administrative measures that would generate efficiency gains and implementation of the newly adopted tax strategy. Tax revenue is expected to increase from 12.5 percent of GDP in 2009 to 17.0 percent by 2020, and 20.2 percent by 2030. Total expenditure would stabilize around 24 percent of GDP over the long run thanks to a prudent wage policy, a better targeting of investment spending, and enhanced control of non-priority spending.



The current account deficit is expected to narrow in the medium and long run. Export growth is driven by the projected increase in gold exports from 2010 onwards and, in the long- term by efforts to diversify away from cotton. The authorities have pointed to prospects for exports to neighboring countries for fruits, vegetables, and cereals. The current account deficit (excluding grants) is projected to narrow from about 13 percent of GDP in 2010 to 7 percent in 2020, and 4.5 percent in 2030. A more pronounced improvement in Burkina Faso's external position could result from faster realization of the country's mining potential. Exploration activities are under way for zinc and manganese in particular. To maintain prudent assumptions, the potential output from prospective mining activities have not been incorporated into the DSA projections.



Sources: Country authorities and staff estimates and projections.

II. External Debt Sustainability Analysis

4. **Under the baseline scenario, all but one of the external debt and debt service ratios remain below the policy-dependent thresholds throughout the projection period** (Figure 3). The PV of debt-to-exports ratio breaches the indicative threshold of 150 percent for medium performers, elevating the risk of debt distress for Burkina Faso. The ratio increases over the medium term mainly because of the sustained level of the public investment program, and the decline in the share of grant financing with the final grant disbursement under the Millennium Challenge Account in 2013. It reaches 154 percent in 2015 and peaks at 180 percent in 2022, before declining to 135 percent in 2030 as the improvement in the fiscal position and export diversification efforts start to affect the debt dynamics. Other debt indicators deteriorate in the short and medium term, but stay comfortably below their indicative thresholds.

5. **The rate of external debt accumulation under the baseline scenario declines steadily over time, in line with fiscal consolidation.** [4] While the PV of public external debt increases in the short term, it stabilizes at about 24 percent of GDP in 2015 and declines thereafter, reaching about 17 percent of GDP at the end of the projection period.

6. **Stress tests and alternative scenarios show that Burkina Faso's debt outlook is vulnerable to a large shock to exports and to less favorable financing terms.** The main vulnerabilities are linked to: (i) lower exports; (ii) a combination of lower GDP growth and lower net non-debt-creating flows; and (iii) a lower share of grants in external financing. In particular, the PV of debt-to-exports ratio deteriorates significantly if exports growth stays low and below historical levels (Table 2).

7. **Because Burkina Faso's risk of debt distress is high, and because of weaknesses in debt management capacity, the country does not qualify for nonconcessional borrowing in the context of the new debt limits policy.** Consequently, under the new ECF-supported program, the authorities have agreed to refrain from contracting or guaranteeing any loan with a grant element lower than 35percent, and to improve debt management capacity, in the context of a national plan to strengthen public debt management capacity published in September 2009. To support the implementation of this plan, Burkina Faso would benefit from TA from AFRITAC in 2010-11 and from UNCTAD in 2010–14. The authorities also indicated that they plan to request an update of the 2008 World Bank Debt Management Performance Assessment (DeMPA) to assess progress in strengthening debt management capacity and identify priority areas for further improvement.

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[4] Projections assume that 50 percent of overall financing needs are met through grants. The remaining 50 percent is met through loans that incorporate a grant element of at least 35 percent, growing over time as the relative share of multilateral creditors in the overall stock of outstanding debt increases.

8. **The authorities noted the importance of stabilizing and reducing the stock of external debt, while underscoring that this should not come at the expense of the country's accelerated growth objectives.** They wished to emphasize that what mattered most from their perspective was the efficient use of external financial support for essential infrastructure investments, as these could play a key role in generating faster GDP growth and raising per capita income. In addition, they insisted on the importance of ensuring the predictability of donor disbursements, and of budgetary support in particular, because unexpected shortfalls could lead to the costlier domestic financing of priority expenditures.

9. **A country-specific scenario assuming a scaled-up aid points to a significant improvement in Burkina Faso's debt outlook.**[5] In particular, the medium performer threshold for the PV of debt-to-exports ratio is no longer breached, as its maximum value in 2020 reaches 146 percent, bringing Burkina Faso's risk of debt distress to a moderate level (Figure 4). The Burkinabè authorities welcomed the inclusion of this scenario, while underscoring their commitment to achieve debt sustainability through policy-driven factors. They indicated that despite worrisome signals concerning a possible reduction in official development assistance, they would continue to make efforts to secure a higher share of grant financing, including for much-needed infrastructure investments.

10. **A continued improvement in policies and strengthening of institutions that would lead to a higher CPIA rating would also move Burkina Faso to a lower risk of debt distress.** This would come because of Burkina Faso being considered as a strong performer, with the corresponding threshold for the PV of debt-to-exports ratio increasing to 200 percent. If such a scenario were to materialize in 2012, it is worth emphasizing that IDA and AfDB allocation volumes would only be reduced by 10 percent, rather than 20 percent, as is currently the case.

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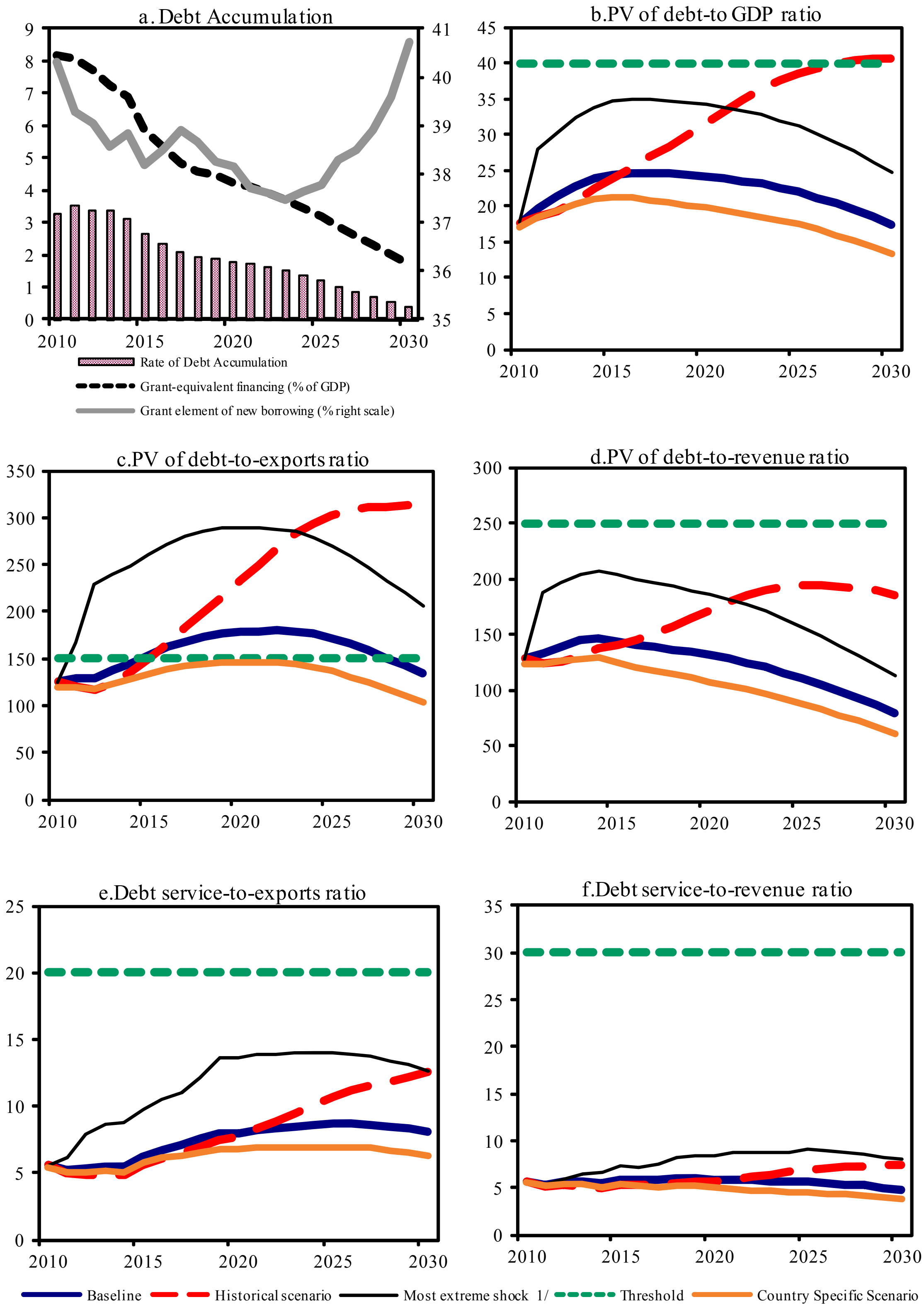
[5] The scenario assumes that 60 percent of financing needs are met through grants, which is lower than the 65 percent observed in 2009. Such a level of grant financing still implies that aid per capita for Burkina Faso would remain significantly below the level required to meet Gleneagles commitments. In 2009, aid per capita amounted to US$30.5 in real terms compared with the 2005 target of US$85 by 2010.

Figure 2. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

a Country Specific Scenario shock; in c. to a Country Specific Scenario shock; in d. to a Country Specific Scenario shock; in e. to a Country Specific Scenario shock and in figure f. to a Country Specific Scenario shock

III. Public Sector Debt Sustainability Analysis

11. **The results for the fiscal DSA are similar to those for the external DSA. Notwithstanding an increase in 2009, domestic debt remains low,** amounting to approximately 4 percent of GDP at end-2009. Moreover, it is assumed to decline rapidly over the projection period as the authorities seek to contain financing from the regional bond market because of its high cost (Table 3). As a result, public debt dynamics are largely determined by changes in the external debt.

12. **Public debt indicators would considerably worsen in the absence of fiscal consolidation and prudent borrowing policies.** The standard sensitivity tests show that public debt outlook is particularly vulnerable to persistent large primary deficits, leading to a significant deterioration in the PV of debt-to-GDP and the PV of debt-to-revenue ratios (Table 4, scenario A2, and Figure 4). Thus, failure to reduce the current level of budget deficits would lead to ever-increasing debt indicators. In this regard, the authorities' commitment to unwind the fiscal stimulus provided in 2009 and 2010 will contribute to debt sustainability from 2011 onward.

IV. Conclusion

13. **Burkina Faso's risk of debt distress is high because of its narrow export base, which leads to a breach of the PV of debt-to-exports ratio.** All other debt indicators remain well-below their policy-dependent thresholds in the baseline scenario. The high risk of distress underscores the importance of limiting external borrowing to highly concessional loans, maintaining a prudent fiscal policy to limit the accumulation of new debt, including by sustaining the ongoing tax reforms, and making continued efforts to diversify and increase exports. Efforts to secure a higher share of grant financing to reach the same level as in 2009 would lower the risk of debt distress.

Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average	0 Standard Deviation	Projections									
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average	2020	2030	2016-2030 Average
External debt (nominal) 1/	**18.5**	**21.7**	**23.8**			**26.4**	**28.9**	**30.8**	**32.4**	**33.5**	**34.5**		**34.3**	**24.7**	
o/w public and publicly guaranteed (PPG)	18.5	21.7	23.8			26.4	28.9	30.8	32.4	33.5	34.5		34.3	24.7	
Change in external debt	-0.5	3.2	2.1			2.6	2.5	1.9	1.6	1.1	0.9		-0.3	-1.5	
Identified net debt-creating flows	1.2	7.1	5.8			7.3	8.8	8.2	6.8	5.3	5.2		2.8	2.1	
Non-interest current account deficit	**8.0**	**11.5**	**6.1**	**9.8**	**1.8**	**8.5**	**9.8**	**9.5**	**8.3**	**6.9**	**6.9**		**4.5**	**3.3**	4.1
Deficit in balance of goods and services	14.2	16.6	12.3			14.4	14.9	14.3	12.8	11.7	11.2		7.9	5.6	
Exports	10.5	9.8	12.6			14.2	15.3	16.6	16.6	16.5	15.9		13.5	13.0	
Imports	24.7	26.5	24.8			28.6	30.3	30.9	29.4	28.2	27.0		21.5	18.6	
Net current transfers (negative = inflow)	-5.9	-5.0	-6.0	-4.7	0.7	-5.8	-5.0	-4.7	-4.4	-4.6	-4.1		-3.3	-2.3	-3.0
o/w official	-4.3	-3.4	-4.5			-4.3	-3.7	-3.4	-3.1	-3.4	-2.8		-2.1	-0.9	
Other current account flows (negative = net inflow)	-0.2	-0.2	-0.2			-0.1	-0.1	-0.1	-0.1	-0.2	-0.2		-0.1	0.0	
Net FDI (negative = inflow)	**-5.1**	**-1.3**	**-1.0**	**-1.1**	**1.4**	**-0.4**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**		**-0.1**	**-0.1**	-0.1
Endogenous debt dynamics 2/	**-1.8**	**-3.1**	**0.8**			**-0.7**	**-0.9**	**-1.2**	**-1.4**	**-1.6**	**-1.6**		**-1.6**	**-1.1**	
Contribution from nominal interest rate	0.2	0.2	0.3			0.3	0.2	0.3	0.3	0.4	0.4		0.4	0.3	
Contribution from real GDP growth	-0.6	-0.8	-0.7			-1.0	-1.2	-1.5	-1.8	-1.9	-2.0		-2.0	-1.5	
Contribution from price and exchange rate changes	-1.4	-2.6	1.2			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-1.7**	**-3.8**	**-3.8**			**-4.8**	**-6.3**	**-6.3**	**-5.2**	**-4.2**	**-4.3**		**-3.2**	**-3.6**	
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	15.7			17.7	19.8	21.4	22.8	23.9	24.4		24.1	17.4	
In percent of exports	...	...	124.6			124.8	128.9	129.1	137.8	145.2	153.8		178.1	134.1	
PV of PPG external debt	**...**	**...**	**15.7**			**17.7**	**19.8**	**21.4**	**22.8**	**23.9**	**24.4**		**24.1**	**17.4**	
In percent of exports	**...**	**...**	**124.6**			**124.8**	**128.9**	**129.1**	**137.8**	**145.2**	**153.8**		**178.1**	**134.1**	
In percent of government revenues	**...**	**...**	**115.3**			**127.9**	**132.6**	**138.8**	**144.1**	**145.9**	**143.9**		**130.9**	**79.4**	
Debt service-to-exports ratio (in percent)	**6.4**	**5.8**	**4.8**			**5.6**	**5.2**	**5.3**	**5.4**	**5.5**	**6.2**		**8.0**	**8.1**	
PPG debt service-to-exports ratio (in percent)	**6.4**	**5.8**	**4.8**			**5.6**	**5.2**	**5.3**	**5.4**	**5.5**	**6.2**		**8.0**	**8.1**	
PPG debt service-to-revenue ratio (in percent)	**5.0**	**4.3**	**4.5**			**5.7**	**5.3**	**5.7**	**5.7**	**5.5**	**5.8**		**5.9**	**4.8**	
Total gross financing need (Billions of U.S. dollars)	0.2	0.9	0.5			0.8	1.0	1.0	1.0	0.9	1.0		1.1	1.8	
Non-interest current account deficit that stabilizes debt ratio	8.6	8.3	4.0			5.9	7.3	7.6	6.7	5.8	6.0		4.8	4.8	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.6	5.2	3.2	5.2	1.9	4.4	4.7	5.5	6.2	6.5	6.5	5.6	6.3	6.1	6.2
GDP deflator in US dollar terms (change in percent)	8.0	16.0	-5.3	5.5	10.2	2.4	2.4	2.5	2.0	2.0	2.0	2.2	2.0	2.0	2.0
Effective interest rate (percent) 5/	1.2	1.4	1.1	0.9	0.3	1.2	1.0	1.1	1.2	1.3	1.4	1.2	1.4	1.4	1.4
Growth of exports of G&S (US dollar terms, in percent)	7.6	14.3	24.7	14.8	18.0	20.7	15.9	16.8	8.2	7.9	4.8	12.4	6.1	8.4	6.9
Growth of imports of G&S (US dollar terms, in percent)	13.9	31.1	-8.4	11.6	15.2	23.2	13.4	10.3	3.1	4.1	4.2	9.7	4.3	7.4	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	40.3	39.3	39.0	38.6	38.8	38.2	39.0	38.1	40.7	38.5
Government revenues (excluding grants, in percent of GDP)	13.5	13.1	13.6			13.9	14.9	15.4	15.9	16.4	17.0		18.4	21.9	19.4
Aid flows (in Billions of US dollars) 7/	114.9	115.6	124.4			0.8	0.8	0.8	0.8	0.9	0.8		0.9	0.8	
o/w Grants	0.4	0.3	0.5			0.5	0.6	0.6	0.6	0.6	0.5		0.6	0.5	
o/w Concessional loans	114.5	115.3	123.9			0.2	0.2	0.2	0.2	0.2	0.2		0.3	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.2	8.1	7.7	7.3	6.9	5.9		4.2	1.7	3.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			74.4	73.2	73.1	72.1	72.8	69.5		69.5	70.8	69.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	6.8	8.3	8.1			8.7	9.3	10.0	10.9	11.8	12.8		19.3	42.8	
Nominal dollar GDP growth	11.9	22.1	-2.3			6.9	7.2	8.1	8.3	8.6	8.6	8.0	8.4	8.3	8.4
PV of PPG external debt (in Billions of US dollars)			1.3			1.5	1.8	2.2	2.5	2.8	3.1		4.7	7.5	
(PVt-PVt-1)/GDPt-1 (in percent)						3.3	3.5	3.4	3.3	3.1	2.6	3.2	1.8	0.4	1.4
Gross remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.1	0.3	
PV of PPG external debt (in percent of GDP + remittances)	...	...	15.7			17.7	19.8	21.4	22.8	23.9	24.4		24.0	17.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	124.5			123.7	127.9	128.2	137.0	144.3	152.9		174.4	127.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.8			5.5	5.1	5.3	5.4	5.5	6.2		7.9	7.7	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections, capital transfers are included--in particular project grants and private, non debt-creating capital inflows. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ 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).

Table 2.Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	**2020**	2030
PV of debt-to GDP ratio								
Baseline	18	20	21	23	24	24	**24**	17
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	18	19	19	21	22	24	**31**	41
A2. New public sector loans on less favorable terms in 2010-2030 2	18	21	24	27	29	31	**34**	29
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	18	20	22	24	25	25	**25**	18
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	18	21	26	27	28	29	**27**	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	18	21	25	26	28	28	**28**	20
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	18	21	23	24	25	26	**25**	18
B5. Combination of B1-B4 using one-half standard deviation shocks	18	21	26	27	28	29	**28**	19
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	18	28	30	32	34	35	**34**	25
PV of debt-to-exports ratio								
Baseline	125	129	129	138	145	154	**178**	134
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	125	121	116	124	137	150	**233**	314
A2. New public sector loans on less favorable terms in 2010-2030 2	125	138	146	162	176	193	**249**	221
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	125	129	129	138	145	154	**178**	134
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	125	167	229	240	248	260	**289**	207
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	125	129	129	138	145	154	**178**	134
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	125	135	139	147	154	163	**186**	137
B5. Combination of B1-B4 using one-half standard deviation shocks	125	150	179	189	197	207	**233**	169
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	125	129	129	138	145	154	**178**	134
PV of debt-to-revenue ratio								
Baseline	128	133	139	144	146	144	**131**	79
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	128	124	125	130	137	140	**171**	186
A2. New public sector loans on less favorable terms in 2010-2030 2	128	142	157	170	177	180	**183**	131
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	128	135	144	149	151	149	**136**	82
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	128	144	170	173	173	169	**147**	85
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	128	143	161	167	169	167	**152**	92
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	128	139	149	154	155	152	**136**	81
B5. Combination of B1-B4 using one-half standard deviation shocks	128	144	169	173	173	169	**150**	88
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	128	188	197	204	207	204	**186**	113

Table 2.Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030 (continued)

(In percent)

	Debt service-to-exports ratio							
Baseline	6	5	5	5	5	6	**8**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	6	5	5	5	5	6	**8**	13
A2. New public sector loans on less favorable terms in 2010-2030 2	6	5	6	6	7	8	**11**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	6	5	5	5	5	6	**8**	8
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	6	6	8	9	9	10	**14**	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	6	5	5	5	5	6	**8**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	6	5	5	6	6	6	**8**	8
B5. Combination of B1-B4 using one-half standard deviation shocks	6	6	7	7	7	8	**11**	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	6	5	5	5	5	6	**8**	8
	Debt service-to-revenue ratio							
Baseline	6	5	6	6	6	6	**6**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	6	5	5	5	5	5	**6**	7
A2. New public sector loans on less favorable terms in 2010-2030 2	6	5	6	6	7	7	**8**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	6	5	6	6	6	6	**6**	5
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	6	5	6	6	6	6	**7**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	6	6	7	7	6	7	**7**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	6	5	6	6	6	6	**6**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	6	5	6	6	6	6	**7**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	6	8	8	8	8	8	**8**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	36	36	36	36	36	36	**36**	36

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitl an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3.Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	21.9	24.4	27.9			29.7	31.3	32.5	33.6	34.2	34.8		34.3	24.7	
o/w foreign-currency denominated	18.5	21.7	23.8			26.4	28.9	30.8	32.4	33.5	34.5		34.3	24.7	
Change in public sector debt	0.3	2.4	3.5			1.8	1.7	1.1	1.1	0.6	0.6		-0.3	-1.5	
Identified debt-creating flows	-0.9	3.3	2.2			3.1	1.8	1.2	0.9	0.3	0.4		-0.1	-1.5	
Primary deficit	5.3	4.1	4.3	1.9	6.5	4.5	3.4	3.1	2.9	2.5	2.7	3.2	2.1	0.2	1.5
Revenue and grants	20.0	17.1	19.4			20.1	21.1	21.3	21.3	21.6	21.2		21.5	23.2	
of which: grants	6.5	4.0	5.9			6.3	6.2	5.9	5.5	5.2	4.3		3.1	1.2	
Primary (noninterest) expenditure	25.3	21.2	23.7			24.7	24.4	24.4	24.3	24.2	23.9		23.6	23.3	
Automatic debt dynamics	-1.9	-0.7	-1.4			-1.3	-1.5	-1.9	-2.0	-2.2	-2.2		-2.2	-1.7	
Contribution from interest rate/growth differential	-0.1	-2.3	-1.3			-1.2	-1.4	-1.8	-2.0	-2.2	-2.2		-2.2	-1.7	
of which: contribution from average real interest rate	0.6	-1.2	-0.5			0.0	-0.1	-0.1	-0.1	-0.2	-0.2		-0.2	-0.1	
of which: contribution from real GDP growth	-0.7	-1.1	-0.8			-1.2	-1.3	-1.6	-1.9	-2.0	-2.1		-2.0	-1.5	
Contribution from real exchange rate depreciation	-1.8	1.5	-0.1			-0.1	-0.1	-0.1	0.0	0.0	0.0		...	...	
Other identified debt-creating flows	-4.3	-0.1	-0.8			-0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-4.3	-0.1	-0.8			-0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			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 (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.2	-0.9	1.3			-1.3	-0.1	0.0	0.2	0.3	0.2		-0.2	0.0	
Other Sustainability Indicators															
PV of public sector debt	3.4	2.6	19.7			21.0	22.2	23.1	24.0	24.5	24.8		24.1	17.4	
o/w foreign-currency denominated	0.0	0.0	15.7			17.7	19.8	21.4	22.8	23.9	24.4		24.1	17.4	
o/w external	...	...	15.7			17.7	19.8	21.4	22.8	23.9	24.4		24.1	17.4	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	6.4	5.0	5.3			6.1	5.0	4.7	4.4	4.0	4.0		3.2	1.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	17.2	15.4	101.6			104.4	105.5	108.3	112.3	113.5	116.6		112.2	75.1	
PV of public sector debt-to-revenue ratio (in percent)	25.3	20.1	145.4			151.7	149.0	149.7	151.2	149.9	146.0		130.9	79.4	
o/w external 3/	…	…	115.3			127.9	132.6	138.8	144.1	145.9	143.9		130.9	79.4	
Debt service-to-revenue and grants ratio (in percent) 4/	5.5	5.4	5.4			8.0	7.7	7.9	7.1	6.6	6.3		5.1	4.5	
Debt service-to-revenue ratio (in percent) 4/	8.1	7.0	7.7			11.6	10.9	10.9	9.5	8.8	7.8		5.9	4.8	
Primary deficit that stabilizes the debt-to-GDP ratio	5.0	1.7	0.8			2.7	1.7	1.9	1.8	1.9	2.0		2.4	1.7	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.6	5.2	3.2	5.2	1.9	4.4	4.7	5.5	6.2	6.5	6.5	5.6	6.3	6.1	6.2
Average nominal interest rate on forex debt (in percent)	1.2	1.4	1.1	0.9	0.3	1.2	1.0	1.1	1.2	1.3	1.4	1.2	1.4	1.4	1.4
Average real interest rate on domestic debt (in percent)	8.8	-3.5	4.3	2.9	3.9	3.7	3.9	4.5	4.8	4.9	5.1	4.5	...	...	546.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.4	9.1	-0.5	-2.4	10.5	-0.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-1.0	7.8	4.2	2.7	2.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.2	-0.1	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	40.3	39.3	39.0	38.6	38.8	38.2	39.0	38.1	40.7	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ 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.

3/ Revenues excluding grants.

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

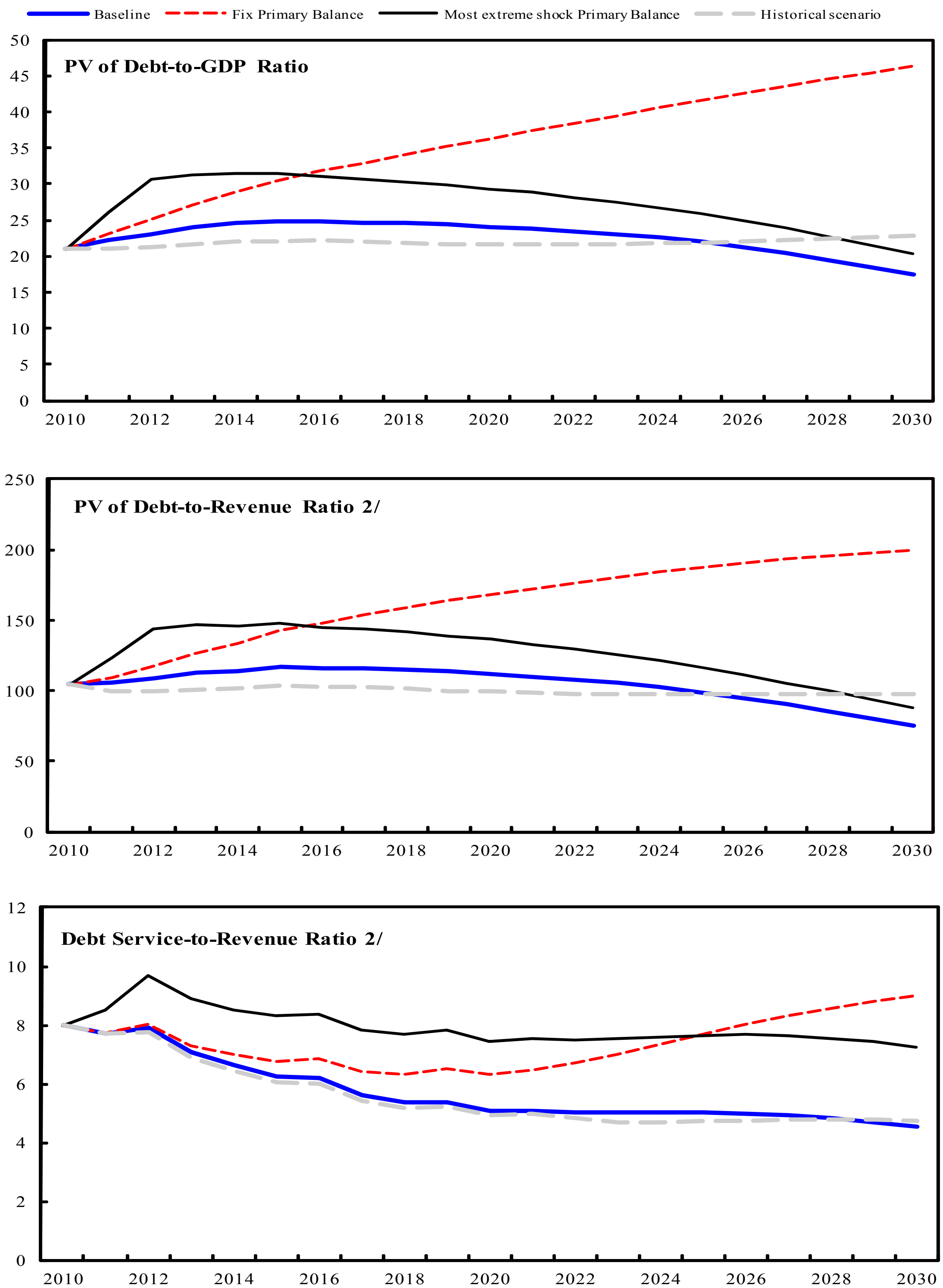
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4.Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt 2010-2030

		Projections							
		2010	2011	2012	2013	2014	2015	2020	2030
PV of Debt-to-GDP Ratio									
Baseline		21	22	23	24	25	25	24	17
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages		21	21	21	22	22	22	22	23
A2. Primary balance is unchanged from 2010		21	23	25	27	29	30	36	46
A3. Permanently lower GDP growth 1/		21	22	23	25	25	26	28	29
	0	21	22	24	26	29	30	32	24
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012		21	23	24	26	27	27	28	24
B2. Primary balance is at historical average minus one standard deviations in 2011-2012		21	26	31	31	31	31	29	20
B3. Combination of B1-B2 using one half standard deviation shocks		21	24	26	27	28	28	28	22
B4. One-time 30 percent real depreciation in 2011		21	29	29	29	29	28	26	18
B5. 10 percent of GDP increase in other debt-creating flows in 2011		21	30	30	31	31	31	29	20
PV of Debt-to-Revenue Ratio 2/									
Baseline		104	105	108	112	114	117	112	75
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages		104	100	99	101	102	103	99	98
A2. Primary balance is unchanged from 2010		104	110	118	127	134	143	169	200
A3. Permanently lower GDP growth 1/		104	106	110	115	117	122	128	124
	0	104	108	116	123	132	134	139	94
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012		104	107	114	120	123	128	132	106
B2. Primary balance is at historical average minus one standard deviations in 2011-2012		104	123	144	147	146	148	136	88
B3. Combination of B1-B2 using one half standard deviation shocks		104	112	123	127	129	132	129	93
B4. One-time 30 percent real depreciation in 2011		104	137	136	136	134	134	119	78
B5. 10 percent of GDP increase in other debt-creating flows in 2011		104	141	142	144	144	146	135	87
Debt Service-to-Revenue Ratio 2/									
Baseline		8	8	8	7	7	6	5	5
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages		8	8	8	7	6	6	5	5
A2. Primary balance is unchanged from 2010		8	8	8	7	7	7	6	9
A3. Permanently lower GDP growth 1/		8	8	8	7	7	6	5	6
	0	8	8	8	7	6	6	4	4
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012		8	8	8	7	7	7	6	6
B2. Primary balance is at historical average minus one standard deviations in 2011-2012		8	8	8	8	8	7	6	6
B3. Combination of B1-B2 using one half standard deviation shocks		8	8	8	7	7	7	5	5
B4. One-time 30 percent real depreciation in 2011		8	9	10	9	8	8	7	7
B5. 10 percent of GDP increase in other debt-creating flows in 2011		8	8	9	8	7	7	6	6

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

Figure 3.Burkina Faso: Indicators of Public Debt Under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2020.
2/ Revenues are defined inclusive of grants.

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FOR IMMEDIATE RELEASE
June 14, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves New US$67.7 Million ECF Arrangement for Burkina Faso

The Executive Board of the International Monetary Fund (IMF) today approved a new three-year arrangement under the Extended Credit Facility (ECF) for a total amount equivalent to SDR 46.154 million (about US$67.7 million) for Burkina Faso. The approval will enable the first disbursement of an amount equivalent to SDR7.454 million (about US$10.9 million).

The new arrangement is designed to support the authorities' program to consolidate recent progress and enhance growth prospects and poverty reduction efforts. The program will focus on fiscal consolidation to sustain macroeconomic stability, and on a reform agenda geared to supporting private sector development.

At the conclusion of the Executive Board discussion on Burkina Faso, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"The Burkinabè authorities are to be commended for maintaining sound economic policies and the momentum of structural reforms in the last three years, despite a challenging environment marked by several exogenous shocks. Good policy performance contributed to macroeconomic stability, supported poverty reduction efforts, and helped mobilize needed budget support. The authorities' timely response mitigated the impact of the global economic downturn and unfavorable weather conditions in 2009 on the cotton sector and the poorest segments of the population.

"The authorities' medium-term policy and reform framework, which is supported by a new three-year arrangement under the Extended Credit Facility, seeks to enhance growth prospects and further reduce poverty. A stronger budget position will be essential to support macroeconomic stability and debt sustainability. Priority will be given to further improving revenue performance, including by implementing the tax reform strategy adopted in early 2010. Steps will also be taken to restrain nonpriority spending, to create fiscal space for pro-poor outlays and investment. Prudent borrowing policies and economic diversification will also be critical for long-term debt sustainability.

"The structural reform agenda gives priority to promoting private sector development through financial sector reforms, rehabilitation of the cotton sector, and further improvements in the business environment. Continued support from Burkina Faso's development partners remains important for the program's success in accelerating growth and achieving a sustained reduction in poverty," Mr. Portugal added.

ANNEX

Recent Economic Developments

In 2009, economic activity was negatively affected by the impact of adverse shocks. The global economic crisis affected the cotton sector; and unfavorable weather conditions weighed heavily on economic activity and domestic demand. Real GDP growth slowed to 3.2 percent compared with 5.2 percent in 2008. The CPI stood at 2.6 percent, down from 10.7 percent in 2008, mostly reflecting the decline in global food and fuel prices. Meanwhile, the external position strengthened in 2009 thanks to higher exports and improved terms of trade. The increase in exports reflects a strong performance in cotton volume and a surge in gold volume and prices. Imports stagnated because of the low economic activity and the decline in global oil prices. With the large increase in official transfers, the external current account deficit narrowed from 11.7 percent of GDP in 2008 to 6.3 percent of GDP in 2009.

Fiscal performance was consistent with countercyclical policies in response to adverse shocks. Expenditure increased to 24.2 percent of GDP, from 21.6 percent of GDP in 2008, partly reflecting one-off outlays to mitigate the impact of the global economic downturn on the cotton sector, and emergency spending generated by the September floods in Ouagadougou. Revenue rose by 0.5 percent of GDP to 13.6 percent of GDP, mostly because of measures introduced to strengthen tax administration and combat tax evasion. The basic primary budget deficit widened only moderately to 5.2 percent of GDP compared with 4.6 percent of GDP in 2008.

The medium-term outlook remains favorable. Economic growth is expected to pick up gradually. It will be driven mostly by the anticipated expansion in agriculture and gold production, and higher and more effective public investment. The expected global economic recovery, and new investment in the mining sector will also support growth.

Program Summary

Under the new ECF-supported program, the government aims to (i) consolidate the fiscal position and preserve macroeconomic stability; (ii) safeguard debt sustainability, and (iii) support private sector development. The macroeconomic objectives of the government's program are:

• Raise the real GDP growth above 6 percent by 2013;
• Contain inflation below 3 percent;
• Reduce the external current account deficit to 8.7 percent of GDP by 2013 from 10 percent in 2011;
• Reduce the overall budget deficit from 5 percent of GDP in 2010 to 3.4 percent of GDP in 2013.

The structural reforms will focus on:

•Intensifying measures linked to revenue collection and expenditure management and the implementation of fiscal reforms.
• Restructuring of the state-owned cotton ginning company SOFITEX (Societe des fibres textiles), through the implementation of new cost-cutting measures; the adoption of a new internal audit structure; the preparation of a new risk management system, and a business plan; and the adoption of a procedures manual.
• Advancing reforms in the financial sector.
• Continuing to work toward creating a business-friendly environment, notably through the harmonization of business law with the regional regulations by the Organization for the Harmonization of Business Law in Africa (OHADA).

Burkina Faso: Selected Economic and Financial Indicators, 2007–14

	2007	2008	2009		2010		2011	2012	2013	2014
	Act.	Act.	Prog.[1]	Est.	CR 10/7	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)									
GDP and prices										
GDP at constant prices	3.6	5.2	3.1	3.2	4.2	4.4	4.7	5.5	6.2	6.5
GDP deflator	-1.0	7.8	2.0	4.2	2.0	2.0	2.0	2.0	2.0	2.0
Consumer prices (annual average)	-0.2	10.7	3.4	2.6	2.3	2.3	2.0	2.0	2.0	2.0
Consumer prices (end of period)	2.3	11.6	2.0	-0.3	2.0	2.0	2.0	2.0	2.0	2.0
Money and credit										
Net domestic assets (banking system) [2]	-5.5	16.5	4.7	0.6	5.3	9.7	12.1	11.1	9.7	9.7
Credit to the government [2]	-9.6	4.7	1.5	0.2	0.1	7.9	-0.4	-0.4	-1.6	-1.6
Credit to the economy [2]	0.6	14.0	3.2	1.3	5.1	1.8	12.5	11.5	11.4	11.3
Broad money (M2)	22.9	12.2	8.3	21.3	6.2	6.5	9.7	7.6	8.3	8.6
Velocity (GDP/M2)	4.0	4.0	3.9	3.6	3.9	3.6	3.5	3.5	3.5	3.5
External sector										
Exports (f.o.b.; valued in CFA francs)	-2.9	3.9	27.4	41.7	12.6	23.4	16.5	17.4	8.4	8.0
Imports (f.o.b.; valued in CFA francs)	4.1	21.8	4.7	0.2	13.1	24.7	13.6	9.7	2.5	2.7
Terms of trade	1.2	-3.2	12.1	6.0	-6.6	-3.1	-2.2	1.6	-0.3	1.1
Real effective exchange rate (– = depreciation)	-0.6	7.1	...	0.1	...	...	...	...	...	...
World cotton price (US$ cents per pound)	63.3	71.4	57.5	62.8	58.0	77.0	78.0	78.0	78.0	78.0
Average petroleum spot price (US$ per barrel)	71.1	97.0	61.5	61.8	76.5	80.0	83.0	84.3	85.0	86.0
	(Percent of GDP, unless otherwise indicated)									
Central government finances										
Current revenue	13.5	13.1	13.2	13.6	13.6	13.9	14.9	15.4	15.9	16.4
Of which: Tax revenue	12.5	12.1	12.1	12.5	12.5	12.8	13.8	14.3	14.7	15.2
Total expenditure	25.7	21.6	27.0	24.2	25.3	25.1	24.9	24.8	24.7	24.6
Of which: Current expenditure	13.8	12.3	13.4	12.6	13.0	12.6	12.5	12.5	12.5	12.5
Overall fiscal balance, excl. grants (commitments)	-12.1	-8.4	-13.8	-10.6	-11.7	-11.3	-9.9	-9.4	-8.9	-8.2
Overall fiscal balance, incl. grants (commitments)	-5.7	-4.5	-6.7	-4.7	-5.4	-5.0	-3.8	-3.5	-3.4	-3.0
Overall fiscal balance, incl. grants (cash basis)	-5.1	-4.0	-7.3	-3.1	-5.4	-7.1	-3.8	-3.5	-3.4	-3.0
Overall fiscal balance, incl. grants (payment orders)	-5.4	-5.5	-6.7	-4.7	-5.4	-5.0	-3.8	-3.5	-3.4	-3.0
Basic primary balance (commitments)	…	-4.6	…	-5.2	…	-4.5	-1.1	-0.7	-0.5	-0.9
Basic primary balance (cash basis)	…	-4.2	…	-3.6	…	-6.6	-1.1	-0.7	-0.5	-0.9
Domestic financing	2.1	1.1	3.1	-0.2	0.5	3.4	-0.7	-0.8	-0.9	-0.8
Savings and investment										
Current account balance (including current official transfers)	-8.2	-11.7	-9.1	-6.3	-10.5	-8.7	-10.0	-9.8	-8.7	-7.3
Current account balance (excluding current official transfers)	-12.5	-15.1	-13.8	-10.8	-14.9	-13.1	-13.7	-13.1	-11.7	-10.7
Gross investment	19.6	20.9	21.1	18.5	21.6	21.2	20.8	21.5	23.0	22.8
Government	9.0	6.4	10.1	8.5	8.8	8.8	8.6	8.6	8.6	8.6
Private	10.6	14.5	11.0	10.0	12.7	12.4	12.2	12.9	14.4	14.2
Gross domestic savings	5.4	4.3	5.9	6.2	5.3	6.8	5.9	7.2	10.2	11.1
Government	0.8	2.3	-0.2	1.6	1.1	1.6	2.8	3.4	3.8	4.3
Private	4.6	2.0	6.1	4.6	4.3	5.1	3.0	3.9	6.4	6.7
Gross national savings	11.3	9.2	12.0	12.1	11.1	12.5	10.8	11.8	14.4	15.5
Government	4.8	5.4	4.2	5.8	5.2	5.6	6.2	6.4	6.5	7.3
Private	6.6	3.8	7.8	6.3	5.9	6.8	4.6	5.4	7.9	8.2
External sector and debt indicators										
Exports of goods and services	10.5	9.8	11.7	12.6	12.3	14.2	15.3	16.6	16.6	16.5
Imports of goods and services	24.7	26.5	27.0	24.8	28.5	28.6	30.3	30.9	29.4	28.2
External debt	18.5	21.7	20.6	23.8	22.2	26.4	28.9	30.8	32.4	33.5
NPV of external debt	12.0	11.6	13.4	15.7	14.9	17.7	19.8	21.4	22.8	23.9
NPV of external debt (percent of exports)	113.2	116.2	113.9	124.6	120.6	124.8	128.9	129.1	137.8	145.2
NPV of external debt (percent of revenues)	88.0	87.3	101.2	115.3	109.4	127.9	132.6	138.8	144.1	145.9
Memorandum item:										
Nominal GDP (CFAF billions)	3,252	3,689	3,836	3,969	4,075	4,225	4,510	4,855	5,258	5,711

Sources: Burkinabè authorities and IMF staff estimates and projections.
1 IMF Country Report 10/7.
2 Percent of beginning-of-period broad money.

Statement by Laurean W. Rutayisire, Executive Director for Burkina Faso
June 14, 2010

We would like to thank staff for the report on Burkina Faso's request for an arrangement under the Extended Credit Facility (ECF) and the constructive policy dialogue with the authorities during the consultations. We would also like to express Burkina Faso's authorities' appreciation for the continued support of Management and the Executive Board.

Since the last review, Burkina Faso experienced significant shocks, including the impact of the ongoing global economic and financial crisis on the cotton sector, unfavorable weather conditions, and damages from major flooding. Faced with this challenging economic environment, my authorities steadfastly implemented the ECF arrangement with the view to preserving macroeconomic stability, and achieving gains in poverty reduction and growth. They met all program performance criteria, and as recognized by staff, overall performance under the ECF was satisfactory.

Notwithstanding the significant progress achieved so far, Burkina Faso continues to face daunting economic challenges and acute poverty reduction needs. Notably, the authorities face a narrow productive base, high poverty levels, significant investments needs with constrained availability in concessional financing, and vulnerability to weather related shocks as well as commodities prices fluctuations. Major flooding, which affected particularly Ouagadougou, caused losses of lives and severe infrastructure destructions. Moreover, low rainfalls in parts of the country depressed agriculture production, with cereals production dropping by 10 percent. The cotton sector, which represents the main source of income for a significant share of households, and is of systemic importance to poverty reduction efforts, saw a 17 percent decline in production reflecting a lower demand due to the global economic crisis. As a result, real GDP growth declined to 3.2 percent, the lowest performance since 2007 when the country experienced a severe drought. The shocks also put a significant strain on public finance, as higher spending was required to address humanitarian and emergency needs.

In order to support their efforts aimed at promoting growth, and realizing further gains towards reaching the Millennium Development Goals while consolidating macroeconomic stability, the authorities are requesting a new ECF arrangement.

POLICY AND REFORM AGENDA FOR 2010 ONWARDS

The authorities' policies going forward will build on the considerable progress achieved so far to further enhance growth prospects and reduce poverty. Their actions under the proposed arrangement will be guided by priorities defined in the Poverty Reduction Strategy Paper (PRSP) and its successor, the Strategy for Accelerated Growth and Sustainable Development (SCADD) which is expected to be completed early 2011. Within this framework, the requested ECF arrangement will aim at i) consolidating the fiscal position and preserving macroeconomic stability, ii) safeguarding debt sustainability and iii) supporting private sector development.

Fiscal Policy

Fiscal reforms will continue to aim at creating the fiscal space required to increase the economy's resilience to shocks, promote growth and poverty reduction while consolidating macroeconomic stability. To that regard, the authorities are committed to further improve revenue collection, including through the implementation of the recently adopted tax reform strategy which broadens the tax base and streamlines tax incentives, and the realization of additional efficiency gains in tax and customs administration. On spending, my authorities will seek to reallocate expenditure towards priority sectors such as infrastructure and poverty reducing social expenditure. They will also aim at enhancing spending efficiency, including through reforms aimed at streamlining their expenditure processes, and implementing by 2015 a program budgeting system.

On debt sustainability, the authorities are committed to implementing prudent debt policies and plan to intensify their efforts to diversify exports and promote growth in line with priorities identified in the PRSP and SCADD. The authorities are hopeful that a greater recognition in the Debt Sustainability Framework of the role of public investment in promoting growth would help in the mobilization of additional resources in support of their export diversification and growth promotion strategy. They are also committed to strengthening further their well established track record in selecting high-return public investment projects, and managing non-concessional borrowing, a record which, as the staff report recognizes, pre-dates the HIPC or MDRI debt relief initiatives.

Financial Sector Policies

As regards the financial sector, the authorities plan to focus on promoting its development and stability. To that effect, they will implement the recently adopted financial sector strategy, and will adopt a new microfinance strategy. The measures envisioned include the promotion of increased competition in the banking sector, facilitation of access to financial intermediation by small and medium sized enterprises, and an implementation of annual stress tests for commercial banks.

Structural Reforms

The authorities' structural reforms agenda will focus on promoting a broad-based private sector-led growth. To achieve this objective they plan to remove critical infrastructure bottlenecks, and to implement reforms aimed at improving the economy's competitiveness and the business climate. They will also adhere to international best practices in the management of natural resources, including compliance with the EITI requirements, in order to make the most of their endowment in mineral resources.

Regarding the cotton sector, my authorities' actions will seek to increase productivity in the sector and to improve the balance sheets of the cotton ginning companies. Key measures planned include the restructuration of the main cotton ginning company SOFITEX, which will entail new cost cutting measures, and an overhaul of the price-smoothing mechanism.

CONCLUSION

My Burkina Faso authorities have continued to maintain a track record of strong program implementation in the context of a difficult external environment. In light of the authorities strong program performance, and their commitment to implement sound policies going forward, I call on Directors to support the request for a new ECF arrangement.