INTERNATIONAL MONETARY FUND

IMF Country Report No. 16/173

BURKINA FASO

June 2016

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURKINA FASO

In the context of the fourth and fifth reviews under the Extended Credit Facility and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 10, 2016 following discussions that ended on April 8, 2016, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 26, 2016.
- An **Informational Annex** prepared by the IMF staff.
- 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 IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Press Release No. 16/278
FOR IMMEDIATE RELEASE
June 13, 2016

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth and Fifth ECF Reviews for Burkina Faso and Approves US$26.2 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fourth and fifth reviews of Burkina Faso's economic performance under an economic program supported by an Extended Credit Facility (ECF) arrangement.[1] The decision enables the disbursement of SDR18.57 million (about US$26.2 million), bringing total disbursements under the arrangement to the equivalent of SDR46.70 million (about US$65.9 million).

In completing the reviews, the Executive Board also approved the authorities' requests for the modification of performance criteria. The 36-month ECF arrangement was approved by the Executive Board on December 27, 2013 (see Press Release 13/542) for the equivalent of SDR 27.09 million (about US$38.2 million, or 45 percent of Burkina Faso's quota). An augmentation of access of 40 percent of quota was approved in June 2015 by the Executive Board, bring total access to SDR 51.17 million (about US$72.2 million).

Following the Executive Board's discussion today, Mr. Min Zhu, Deputy Managing Director and Acting Chair issued the following statement:

"Despite challenging internal and external circumstances, Burkina Faso's performance under the Fund-supported program has remained satisfactory. Although the terrorist attacks posed some setback to economic recovery, growth should regain momentum in 2016-17, underpinned by robust mining activity, improved energy supply and enhanced public investment execution. The main risks to this favorable outlook relate to the fragile security situation, the challenges of meeting pent-up social and investment demands, and the impact of further declines in commodity prices.

[1] The ECF is a lending facility that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

"The authorities' main objective for 2016 is to create adequate fiscal space for priority social and infrastructure spending, including implementation of their new development plan. To this effect, they are undertaking a broad package of tax and customs administration measures aimed at regaining the ground lost in domestic revenue mobilization. Continued efforts to contain recurrent spending, including the public wage bill and to address bottlenecks in project execution will be needed to allow public investment to recover quickly toward pre-crisis levels.

"The authorities are also seizing the opportunity of the oil price decline to address longstanding structural deficiencies in the energy sector. Full implementation of these measures will contribute to reducing state subsidies and contingent liabilities to the sector and support higher investments in electricity production. Going forward, it will also be important to take action to diversify the agriculture sector and provide a supportive environment to boost credit for the private sector."

INTERNATIONAL MONETARY FUND

BURKINA FASO

May 26, 2016

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Growth is projected to increase moderately from 4 percent in 2014-15 to 5.2 percent in 2016, as the broad-based recovery anticipated in the wake of the November elections has been dampened by the January terrorist attacks. Following almost two years of political crisis and transition, the central policy challenge facing the authorities is to create the necessary fiscal space to deliver tangible improvements in the quality of life of the Burkinabè people.

Risks. Domestic risks stem from looming security threats and social demands on the budget. While Burkina Faso has benefitted from the fall in oil prices and favorable euro/U.S. dollar developments, depressed external demand and lower prices for its main export commodities, particularly cotton, could put pressure on the external position and have large social repercussions.

Policy recommendations:

- Implement tax and customs administration reforms to effectively enhance controls and curb fraud, so as to increase revenue.
- Continue with efforts to rebalance spending towards priority investments. Resist pressures to further increase the public wage bill and other recurrent spending. Address contingent liabilities in the cotton sector.
- Given limited resources, carefully prioritize new investments in line with the government's development strategy, while addressing remaining bottlenecks to project execution.
- Capture the oil price windfall to address longstanding issues in the energy sector and support higher investment in electricity production.

Program performance. Program implementation has remained satisfactory despite the challenging backdrop. Other than the non-observance of the indicative target on domestic revenues at end-June and end-December 2015, all other quantitative targets and most structural benchmarks have been met.

Program status. The 2nd/3rd ECF reviews were approved on June 5, 2015, and access was augmented by 40 percent of quota (pre-14th general review). The current ECF arrangement expires on December 26, 2016.

Approved By
Abebe Aemro Selassie and Peter Allum

Discussions were held in Ouagadougou during March 29-April 8, 2016. The staff team comprised Corinne Deléchat (head), Liam O'Sullivan, Ahmat Jidoud (all AFR), José Luis Diaz Sanchez (FAD), aided by Jean-Baptiste Le Hen (Resident Representative) and Bamory Ouattara. Mr. Diakité (OED) accompanied the mission. HQ assistance was provided by Nadia Margevich. The mission met with Prime Minister Thieba, Economy, Finance and Development Minister Coulibaly Sori, Mining and Energy Minister Dissa, and Mr. Ki-Zerbo, National Director of the Central Bank of West African States, as well as other senior officials, private sector representatives, and development partners.

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Glossary

AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Centers
BCEAO	Central Bank of West African States
CIPDH	*Comité interministériel de détermination des prix des hydrocarbures* (inter-ministerial committee in charge of setting hydrocarbon prices)
DGI	*Direction Générale des Impôts* (internal revenue service)
DGD	*Direction Générale des Douanes* (customs)
DSA	Debt Sustainability Analysis
INSD	*L'Institut national de la statistique et de la démographie (*Statistical Agency)
MDGs	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policies
MW	Megawatts
SCADD	Stratégie pour une Croissance Accélérée et pour le Développement Durable (Strategy for Accelerated Growth and Sustainable Development)
SONABEL	Société Nationale d'électricité du Burkina Faso (state-owned electricity provider)
SONABHY	Société Nationale des Hydrocarbures (public oil importing company)
SONAPOST	*Société Nationale des Postes du Burkina Faso* (state-owned postal company)
WAEMU	West African Economic and Monetary Union
WEO	World Economic Outlook

BACKGROUND AND RECENT DEVELOPMENTS

A. A Challenging Start for the New Government

1. **Following two years of political turmoil, the new government faces a number of key challenges.**

- *Economic activity has weakened and fiscal space is constrained.* Following the 2014 insurrection, the transition authorities managed to maintain macroeconomic stability, and the November 2015 election was widely recognized as transparent and fair. Nonetheless, the political uncertainty led to reduced investment and growth. Revenue collection has declined by 2 percentage points of GDP since 2013 owing to rising tax evasion, lapses in revenue administration, and the decline in retail fuel prices and gold prices. Public investment was halved, from 14.2 percent of GDP in 2013 to 7.7 percent in 2015, while the wage bill rose by 1.3 percent of GDP.
- *The popular insurrection has raised expectations regarding the pace of the country's development.* As a result, the authorities are facing significant pressures to improve social and human development outcomes quickly. Burkina Faso has a remarkably young population—almost 65 percent of which is under 25, and the young emerged as a driving force for change in the process that led to the popular uprising. The authorities recognize these challenges and are addressing them by adopting urgent social measures in the 2016 budget. Youth employment is a key priority in the new National Economic and Social Development Plan (PNDES), following on from the previous poverty reduction strategy (SCADD) in 2015 (Box 1 and **MEFP ¶7-12**).
- *The threat to security from terrorism also needs addressing.* The political and security situation has remained generally calm following the January terrorist attacks, but concerns remain in rural and border areas. Following the dismantlement of the elite presidential guard in 2015, the government's challenge is to rebuild a functional security apparatus, which adds to already high demands on the budget. Mining companies in particular note that they have had to step up security measures as they cannot fully rely on the police or army.

2. **Economic activity remained sluggish over the course of 2015 and in early 2016, amidst political uncertainty and weather shocks (MEFP ¶2).** Real GDP growth is estimated to have remained below trend at 4 percent in 2015, as in 2014. After the expected rebound in the first quarter (relative to a difficult first quarter in 2014), economic activity slowed again (Figure 1). The coup attempt in September 2015 mostly impacted the services and manufacturing sectors while erratic rains adversely affected cereal production (-6.3 percent) and cash crops (-11 percent). Headline inflation remained subdued at 0.9 percent in December 2015 and 1 percent in March 2016 (y/y), reflecting subsidized food prices and the impact of reductions in domestic fuel prices.

Box 1. Burkina Faso: Poverty Reduction Strategy Implementation

The Strategy for Accelerated Growth and Sustained Development (SCADD) for 2011-15 sets out economic and social objectives to support broad-based growth, sustained poverty reduction and progress towards the MDGs. The strategy comprises four main pillars: development of accelerated growth poles, consolidation of human capital and promotion of social protection, strengthening of governance, and crosscutting priorities in development policies. The overall cost of implementation of the strategy was estimated at CFAF 7,496.2 billion of which 34.5 percent was financed by external resources.

The implementation of the strategy took place in a difficult political environment, marked by several political crises. As a result, overall performance under the strategy has been somewhat unsatisfactory. Growth did not accelerate as projected and remained on average at 5.5 percent over 2011-2015, well below the anticipated 10 percent. However, despite the volatile environment, a number of actions have been initiated, including the development of the Bagré growth pole, along with other initiatives to promote pro-poor growth through the development of value chains in agriculture as well as the implementation of a plan to strengthen resilience and support vulnerable populations. Despite the lower-than-envisaged growth rates, poverty declined from 47 percent in 2009 to 40 percent in 2014, and the Gini coefficient was reduced from 0.4 to 0.35 in the same period.

There has been good progress in human capital development and social protection. Most importantly, the government implemented a number of programs to support employment creation and vocational training, including through the provision of technical and financial support to young entrepreneurs, the implementation of high labor intensity projects, and the financing of income generating activities for young people and women. Other noteworthy actions include (i) the improvement of education infrastructure and an increase in teaching staff at all levels of education, (ii) the building of additional health facilities (iii) the training of health personnel and free provision of certain medications and care, and (iv) improved access to water and sanitation facilities.

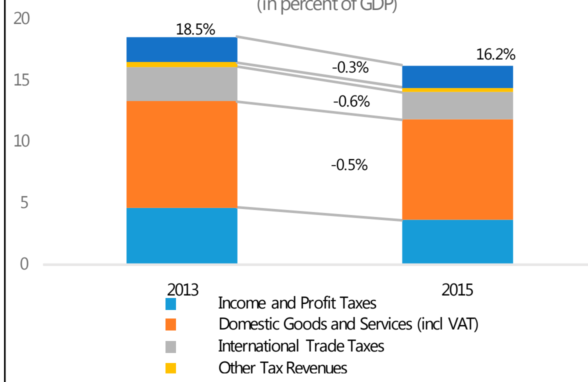
Institutions and governance for faster economic and social development were strengthened. Importantly, a new mining code has been adopted to regulate the sector and to provide strong incentives for exploration while securing resources for economic and social development. Progress has also been made under the remaining pillars of the strategy (strengthening governance and crosscutting priorities in development policies) including the multisectoral survey on poverty, and the implementation of the anti-corruption law.

In January 2016, the government decided to develop a 2016-2020 National Economic and Social Development Plan (PNDES) to replace the SCADD. The PNDES focuses on the three main pillars of the government's program, namely (i) economic governance; (ii) human capital development; and (iii) structural transformation of the economy and private sector development. Youth employment is the main transversal theme. The authorities aim to finalize the PNDES by May 2016 and to present subsequently it to development partners at the occasion of a donor round table.

3. **The overall fiscal deficit increased by 0.3 percentage points of GDP compared with 2014, as the sharp decline in revenues was offset by expenditure compression (MEFP ¶4).** Total revenues (excluding grants) decreased by 1.2 percent of GDP relative to 2014, due largely to a contraction of VAT revenues and corporate taxes. Current spending declined somewhat from 14. 4 percent of GDP in 2014 to 14.2 percent of GDP in 2015, but public investment declined from 9 percent of GDP to 7.7 percent of GDP. The overall fiscal deficit rose to 3.4 percent of GDP on a cash basis due to the payment of commitments carried over from 2014 (Text Figures 1-2, Table 2b and Figure 3).

Text Figure 1: Government Revenues

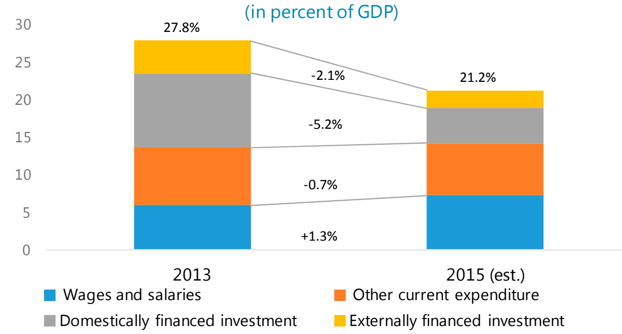
(in percent of GDP)



Sources: Burkinabè authorities and IMF staff estimates.

Text Figure 2. Government Expenditure

(in percent of GDP)



Sources: Burkinabe authorities and IMF staff estimates.

4. **The current account deficit is estimated to have declined from 8 percent of GDP in 2014 to 6.4 percent of GDP in 2015 driven by an improved trade balance and a recovery in current transfers** (Table 4 and Figure 2). Exports increased by 3.1 percent owing to the impact of the stronger dollar on gold prices. Imports increased by 5.4 percent in volume terms after remaining flat in 2014. However, with the oil import bill improving by CFAF 120 billion (1.8 percent of GDP), total imports value increased by only 2 percent. Current transfers were boosted by a sharp increase in official grants compared with 2014.

5. **Private sector credit declined sharply last year** (Table 3). Despite increasing deposits, private sector credit growth reached only 7 percent at end-December 2015 (y/y) largely reflecting the underlying political uncertainty, compared with 18.9 percent in 2014 and an average of about 21 percent in 2011-14. Instead, commercial banks accumulated foreign assets in the regional bond market. These developments persisted into early 2016 as credit to the economy expanded by only 4.8 percent (y/y) at end-March.

B. Program Performance: Staying the Course Amidst Political Turmoil

6. **Program implementation has remained satisfactory under the challenging circumstances.** All quantitative performance criteria for end-June and end-December 2015 were met. All indicative targets were also met, except the floor on revenue collection, which was missed by 0.5 percent of GDP in June and by 1.4 percent of GDP at end-December 2015 (**MEFP ¶5**, Appendix Table 1).

7. **Most structural benchmarks were implemented, albeit some with delays** (**MEFP ¶6**, Appendix Table 2).

- *Seven out of 11 structural benchmarks planned for 2015 were met and significant progress is being made on most others*. The virtual liaison system for imports and exports operations (SYLVIE) was launched in February 2016 while all customs scanners have been installed. However the invoicing based on delivery prices for fuel transport has not been implemented due to strong push-back from transporters: this measure will be replaced by an alternative approach based on a sealed valve and tagging system for fuel delivery trucks.
- *Out of the five reforms that were planned for January-May 2016*, one has been implemented ahead of schedule (establishment of a controls and investigations unit at the tax administration), the annual audit of pending payments is expected to be finalized by end-May, while the finalization of the study on the viability of production and energy import options by SONABEL and the SONAPOST feasibility study on provision of decentralized financial services are ongoing but delayed. The standardized VAT invoicing for both large and medium-sized enterprises will become effective at end-June 2016, as part of the 6^{th} ECF review structural benchmarks.

POLICY DISCUSSIONS

A. Outlook and Risks

8. **Growth is projected to gradually recover in 2016, albeit at a slower rate than anticipated at the time of the 2^{nd}/3^{rd} ECF reviews** (Text Table 1, **MEFP ¶13**). Real GDP growth is forecast to reach 5.2 percent in 2016, compared with 6 percent at the time of the 2^{nd}/3^{rd} ECF review, as the recovery in industry and services associated with the successful political transition gains traction and two new gold mines start production. This rebound is, however, likely to be dampened by the impact of the January terrorist attacks on the investment climate, together with delays in the establishment of the new government and approval of the revised budget in April.

9. **The medium-term outlook is supported by new mining production and an upturn in public investment.** Growth is expected to reach about 6 percent on average in 2017-19 as overall mining activity is ramped up, supported by continued expansion of gold production and the expected onset of production at the Tambao manganese mine. Successful rebalancing of government spending towards investment, together with implementation of the new development strategy, would also boost growth. This baseline is more conservative than envisaged at the time of the 2^{nd}/3^{rd} ECF reviews, in line with the more subdued global and regional growth prospects.

10. **Risks to the outlook stem from domestic sources as well as the worsening global economic environment** (Table 5). On the domestic side, delays in public investment implementation could lead to lower growth, perceptions that the government is slow in addressing social demands could trigger further unrest, and a worsening of the regional security situation could discourage investment. Over the medium term, exploitation of the Tambao manganese mine could increase GDP by up to 20 percent when operating at full capacity, but there is considerable uncertainty with regard to the timing of the related infrastructure investment. Although they have thus far been mitigated by

favorable exchange rate developments, further declines in cotton and gold prices would put pressure on the current account and could depress investment in these sectors. This would have large social repercussions in the case of the cotton sector and points to the urgent need for a strategy of agricultural diversification towards higher value-added products.

Text Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2013–19

	2013	2014	2015		2016		2017	2018	2019
		Est.	2nd/3rd Rev	Proj.	2nd/3rd Rev	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
GDP at constant prices	6.6	4.0	5.0	4.0	6.0	5.2	5.9	6.1	6.2
Consumer prices (annual average)	0.5	-0.3	0.7	0.9	1.8	1.6	2.0	2.0	2.0
Credit to the private sector	26.3	18.9	15.1	7.0	16.8	9.9	12.0	15.3	15.8
Terms of trade	-12.8	-5.5	-3.4	4.1	-3.3	8.2	-2.9	-1.6	-0.4
	(Percent of GDP, unless otherwise indicated)								
Current Account	-11.0	-8.0	-7.6	-6.4	-7.8	-5.9	-5.3	-5.7	-6.0
Overall fiscal balance, incl. grants (commitments)	-3.5	-1.8	-2.5	-2.1	-3.0	-3.1	-3.0	-3.0	-3.0
Total public debt	29.6	28.1	33.1	32.1	32.4	36.3	36.2	36.5	36.4

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

B. Fiscal Policy Challenges: Creating Space for Public Investment

The 2016 Budget

11. **Fiscal policy in 2016 will remain prudent and anchored by the WAEMU convergence criterion (MEFP ¶15-16).** The overall cash deficit will only decline marginally compared with 2015, from 3.4 to 3.1 percent of GDP, but a recovery in revenue and foreign project financing will allow expenditure to increase from compressed levels. The 2016 revised budget was approved by the National Assembly in April 2016 and reflects the new government's focus on health, education and infrastructure (Text Table 2, Box 2).

Text Table 2. Burkina Faso: Fiscal Framework

	2015	2016	
	Outturn	Budget	Prog.
Total revenue and grants	19.6	21.8	21.1
Total revenue	16.1	17.9	17.3
Tax revenue	14.3	16.0	15.6
Grants	3.5	4.0	3.8
Expenditure and net lending	21.7	25.1	24.2
Current expenditure	14.2	14.7	14.6
Wages and salaries	7.2	7.2	7.2
Goods and services	1.7	2.0	2.0
Current transfers	4.6	4.7	4.7
Investment expenditure	7.7	10.5	9.6
Domestically financed	5.4	5.5	5.5
Externally financed	2.3	5.1	4.1
Net lending	-0.2	0.0	0.0
Overall balance (commitment basis)	-2.1	-3.3	-3.1
Overall balance (cash basis)	-3.4	-3.3	-3.1
Financing	3.4	3.0	2.8
Foreign financing	1.4	2.2	1.4
Domestic financing	2.0	0.9	1.4
Financing gap	0.0	0.3	0.3

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

Regaining Lost Ground in Domestic Revenue Mobilization

12. **The authorities are prioritizing measures to boost domestic revenue mobilization (MEFP ¶18)**. Completion of ongoing reforms and new measures to strengthen tax and customs

administration, including enhanced controls and fraud prevention, as well as systematic cross-checking of tax and customs declarations are projected to increase revenue by 1.2 percent of GDP relative to last year (Text Table 3, Appendix Table 3). The 2016 budget envisages a larger revenue increase of 0.6 percent of GDP compared with the agreed program framework, based on more optimistic expectations regarding the impact of the revenue measures and of the new mining code. To mitigate risks associated with these additional revenues, the authorities agreed to identify and withhold a corresponding amount of non-priority spending **(MEFP ¶19).** With Q1 2016 tax collection 6 percent above budget, however, staff agreed that the authorities' target could be within reach provided this performance is sustained.

Text Table 3. Burkina Faso: Projected Yield of Revenue Measures
(in percent of GDP)

Standardized invoicing for large and medium firms and establishment of the Tax Investigations and Intelligence Directorate	0.24
Exhaustive survey of medium-sized enterprises and firms segmentation	0.19
Activation of input crosschecks for customs declarations	0.13
Estimated increase in mining revenues compared to 2015	0.10
New policy measures: *(i)* reduction in certain tax exemptions; *(ii)* new stamp duties; *(iii)* increased tax rate for certain alcoholic beverages and tobacco	0.19
Supervision of taxpayers using the single taxpayer identification number to cross-check information between tax offices	0.09
Recovery of unpaid 2015 taxes	0.07
Virtual Liaison System for Import and Export operations (SYLVIE)	0.07
Addressing fraud in the market for motorcycles imports	0.04
GPS tracking system and customs scanners	0.03
Additional revenues from tolls	0.004
Total	**1.2**

Sources: Burkinabè authorities and IMF staff estimates.

Box 2. Burkina Faso: Key Measures in the 2016 Budget

The 2016 revised budget incorporates a number of new spending measures aligned with the government's focus on health, education, infrastructure and security.

- *Health*. The budget includes the exemption of health care costs for mothers and children under five, as well as the hiring of 16,000 community health care agents (0.25 percent of GDP).
- *Education*. The budget envisages the hiring of up to 4,200 young graduates together with the building of new education infrastructure (0.04 percent of GDP).
- *Infrastructure*. High-labor intensity public work projects could temporarily employ up to 9,500 young people. The rental of additional thermal generators during the peak season would help avoid frequent power cuts (0.2 percent of GDP).
- *Security*. A new intelligence agency is being created in addition to other security expenses.

The budget also incorporates a number of commitments by the transition authorities regarding the public wage bill, and resources for the cotton sector.

- The revision of the employment statutes of civil servants ("Law 081) will increase public employees' salaries to the (higher) level of contractual employees, and salary increases have also been awarded to specific categories of civil servants (including judges). The total budgetary impact of these measures will be CFAF 40 billion or 0.6 percent of GDP over three years, but the authorities plan for a gradual implementation with only 0.3percent of GDP included in the 2016 budget.
- An amount of 0.3 percent of GDP would cover the cost of previously unpaid subsidies to the cotton sector.

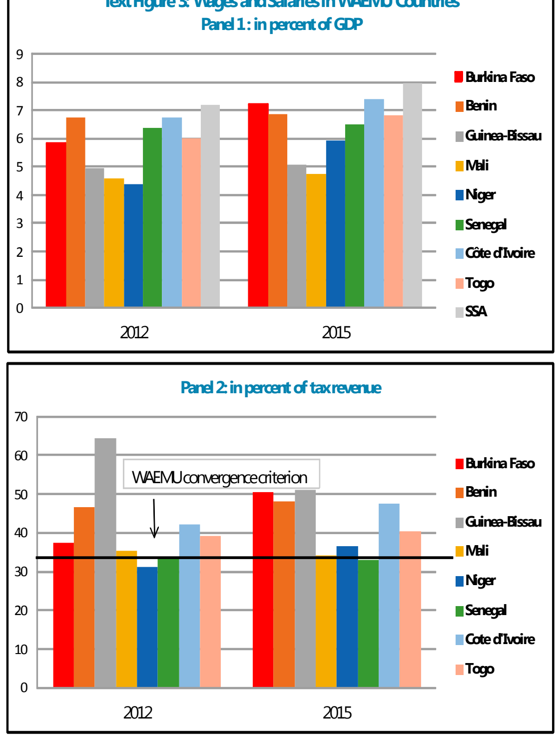
13. **The revised mining taxation code approved a the end of 2015 is not expected to yield significant additional revenue in the short term**. The new mining code, which benefited from technical advice from the Fund and the World Bank, is broadly comparable to the mining codes of

peer countries and mainly differs from the 2003 code by specifying that the corporate tax rate applicable to the sector will be the standard 27.5 percent (compared to the preferential rate of 17.5 percent payable under the 2003 mining code). However, the authorities and staff agreed that, pending a review of individual contracts, most of which include fiscal stability clauses, existing mining operations would likely remain taxable under the previous code's conditions. The new mining code also specifies that 35 percent of royalties (about CFAF 14 billion in 2015) have to be allocated to the financing of local development funds. Staff pointed out that this provision could undermine budget transparency and introduce spending rigidities. The authorities agreed that the full amount of royalties would still be reflected in the budget, together with the transfers to the development funds, but indicated that further revisions to the code were not currently envisaged.

Containing Recurrent Expenditure and Boosting Public Investment

14. **The authorities and staff agreed on the importance of continuing with efforts to contain the wage bill (MEFP ¶21).** The public wage bill is projected to increase by around CFAF 39 billion in 2016 (0.6 percent of GDP), in large part due to the new salary measures included in the revised budget (Box 2). Staff pointed out that the wage bill was already one of the highest in the region (Figure 3 and Text Figure 3) and encouraged the authorities to either reconsider the blanket increase in civil servants' salaries or to limit the wage increases to a relatively small number of civil servants based on evidence of relevant competencies and qualifications. The authorities should also strive to contain the medium-term impact of these measures and to identify options to gradually reduce the public wage bill in line with the WAEMU convergence criterion. The authorities agreed and expressed interest in receiving further Fund advice in this area.

Text Figure 3: Wages and Salaries in WAEMU Countries



Sources: WAEMU country authorities and IMF Staff estimates.

15. **The recurrent nature of some of the new social measures in the budget could also lead to further increases in the wage bill**. Staff noted that, while some of the new health, education and labor-intensive infrastructure measures would also provide a temporary boost to youth employment, they could prove difficult to unwind over time and lead to permanent increases in the public wage bill. Staff emphasized that the private sector should play a leading role in new employment creation, while the role of the state should be to ensure that the legal and regulatory environment was favorable to job creation.

16. **Staff welcomed the authorities' efforts to accelerate the execution and improve the efficiency of public investment.** The reduction in public investment over the past two years stems

mainly from a low capacity to absorb available external financing, together with reduced fiscal space for domestically-financed investment. The authorities pointed out that recent measures to accelerate the approval of foreign loans, streamline procurement procedures and allow dedicated partner agencies to oversee project implementation should help improve investment execution rates. Given limited resources available, the new investments identified as part of the governments' development plan will have to be carefully prioritized. The authorities welcomed the prospects of conducting a Public Investment Management Assessment (PIMA) in the first half of 2016 to identify remaining bottlenecks.

Implementing Realistic Financing Plans

17. **External financing would remain stable in real terms in 2016, as the decline in budget support would be compensated by higher project financing.** Budget support is projected to decline sharply to 1.4 percent of GDP, from the exceptionally high levels of 2015 (Text Table 4). While the budget envisages that project grants and loans would more than double in real terms, the program fiscal framework includes staff's more conservative projection of external financing, justified by remaining absorption difficulties and poor investment spending execution in the first quarter partly as a result of delays in finalizing the revised budget.

Text Table 4. 2015/16 Budget Support
(CFAF Billions)

	2015	2016
Budget Support	**200.5**	**104.6**
World Bank	88.5	50.9
EU	56.7	37.7
AfDB	33.3	0
Others	22.0	16.0

Sources: Burkinabè authorities and donor agencies.

18. **Although the government has ready access to domestic and regional financing, plans for local issuances should be better aligned with actual financing needs to avoid a suboptimal accumulation of deposits and unnecessarily large amortization payments.** For 2016, the authorities' Treasury Plan anticipates gross T-Bill and T-bond issuances reaching 6.9 percent of GDP, compared with a 1.4 percent of GDP net domestic financing need. Moreover, the longer maturity on the T-Bills to be issued in 2016 would imply significant amortization payments in 2017-18. The authorities clarified that, for the year as a whole, issuances would remain limited to actual financing needs but that they would prefer to keep some intra-year liquidity buffer to ensure smooth budget execution **(MEFP ¶23).** For program monitoring, they agreed that the ceiling on net domestic financing would be set in line with the actual fiscal financing need.

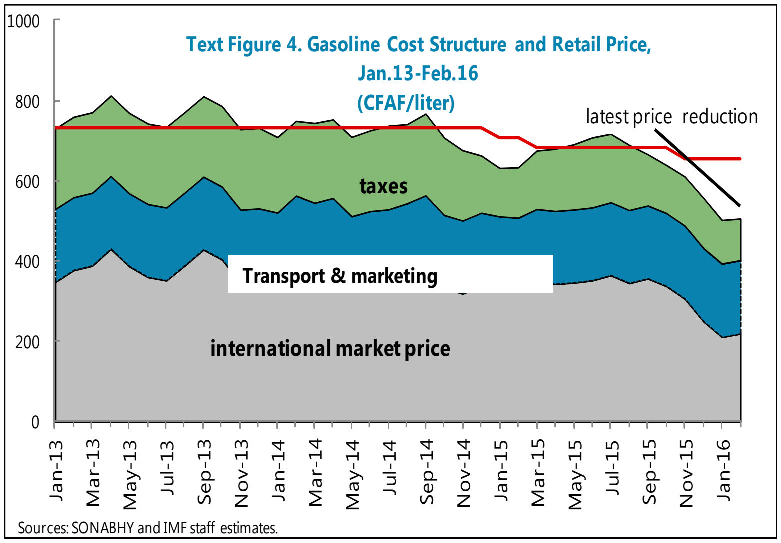
Strengthening Cash Management and Treasury Single Account Implementation

19. **Efforts to strengthen cash management to avoid the recurrence of domestic payment arrears and to effectively move to a Treasury Single Account are ongoing.** An FAD mission had identified that up to 0.9 percent of GDP in domestic arrears had accumulated by March 2015, due in part to unpaid VAT reimbursements. As a result, the authorities agreed to prepare regular reports on the status of pending payments at the Treasury, and to conduct a full audit of central and general government pending payments. The reports received so far indicate that arrears had fallen to CFAF 4 billion by end-December 2015 **(MEFP ¶27)**, and the full audit of central government pending payments should be finalized in May 2016. Staff reminded the authorities of the importance of

carrying out an inventory of pending payments outside the Treasury, as various suppliers and companies had raised concerns regarding unpaid bills.

C. Capturing the Oil Price Windfall to Boost Electricity Supply

20. **Staff and the authorities agreed that the recent dramatic drop in international fuel prices represents a clear opportunity to address some of the underlying imbalances in the energy sector (MEFP¶ 29,** Annex I). The drop in oil prices since 2014 has resulted in a windfall gain in terms of lower fuel import bill of CFAF 120 billion in 2015 (1.8 percent of GDP), and could lead to a further windfall of almost CFAF 100 billion (1.5 percent of GDP) to the country in 2016 based on current WEO projections (Text Table 5 and Text Figure 4). Under current policies, 21 percent of the windfall has accrued to SONABHY (the state-owned hydrocarbon importer), with 37.5 percent benefiting consumers as a result of the various pump price reductions agreed in 2015 and in May 2016.



21. **The reforms proposed by the authorities will result in a much more even distribution of the windfall across the energy sector** (Text Table 5). First, a new, flexible price structure for the sale of fuel from SONABHY to SONABEL (the state-owned electricity company) has become effective as of May 1st, 2016. The new price structure is based on actual fuel import prices and will be adjusted on a monthly basis. At current oil prices, this will much reduce the need for state subsidies and will allow SONABEL to benefit from the oil price decline and make a profit. Should oil prices reach high levels again, the price structure also incorporates a breakeven fuel purchase price which would automatically result in a proportional state subsidy **(MEFP ¶34)**. The impact of the price change is expected to generate savings of around CFAF 20 billion for the electricity company in 2016. Second, the authorities have

Text Table 5. Oil Price Windfall in 2015-16
(CFAF billions)

	Central Government	SONABHY	Retail Consumers	SONABEL	Total
A. Reduction in import bill	**0.0**	**213.9**	**0.0**	**0.0**	**213.9**
B. Reduction in retail fuel prices	-17.3	-46.3	63.6	0.0	0.0
- *of which: change in VAT and DD Revenue*	-17.3	0.0	17.3	0.0	0.0
- *of which: change in SONABHY Profit*	0.0	-46.3	46.3	0.0	0.0
C. Reduction in sale price to SONABEL	*0.0*	*-20.0*	*0.0*	*20.0*	*0.0*
D. Arrears clearance for SONABEL	0.0	-40.0	0.0	40.0	0.0
E. Reduction in subsidies/increase in dividend	40.0	-40.0	0.0	0.0	0.0
Total change vs 2014. (A+B+C)	**22.7**	**67.6**	**63.6**	**60.0**	**213.9**

Source: IMF staff estimates, based on SONABHY data.

agreed that a portion of SONABEL's arrears to SONABHY will be cleared via the payment of an extraordinary dividend of CFAF 40 billion from the oil company's windfall profits in 2015-16 (**MEFP ¶33).** Staff welcomed these reforms which, along with the authorities' intention to gradually increase the share of (cheaper) solar power and imported electricity in the country's energy mix, ought to put SONABEL on a stronger financial footing and enable it to pursue much-needed investments in the sector.

22. **The authorities and the management of both energy companies are also committed to implement the recommendations of the 2014 audits of SONABHY and SONABEL.** A technical memorandum between SONABHY, SONABEL and the state covering financial and logistical operations between the two companies, including outstanding liabilities and establishing rules covering the supply, payment and subsidization of delivered goods has been finalized, as recommended by the audits. The authorities also agreed on a much closer monitoring of the accounts of the two state enterprises, and regular financial reports will be made available **(MEFP ¶35).** At the same time, the two companies will follow up on the 2014 audit recommendations regarding enhanced management and accounting practices and start implementing their performance contracts, including the identification of pertinent performance indicators and appointment of monitoring committees **(MEFP ¶30-32)**.

23. **Over the medium term, the authorities agreed that the gradual introduction of more flexible domestic fuel prices and a review of the electricity tariff structure would be desirable.** The difficult budget situation might not warrant further domestic fuel prices reductions at the moment, but the eventual re-introduction of the automatic price adjustment mechanism would help put SONABHY on a more sustainable financial footing and remove the state's own obligation to pay subsidies to cover losses arising from selling below market price. Once the financial situation of SONABEL has stabilized and energy supply improved, the government could consider reviewing the electricity tariff structure to allow for cost recovery while continuing to protect poorer consumers.

D. Other Policy Discussions

24. **Staff and the authorities discussed implementation of the Fund's new debt limit policy (MEFP ¶24-26).** Staff's debt sustainability analysis (DSA) update suggests that Burkina Faso remains at moderate risk of debt distress (Annex II). Given Burkina Faso's low debt-monitoring capacity, the new policy calls for a performance criterion (ceiling) on new non-concessional borrowing and a memorandum item on concessional borrowing, as of end June 2016.[1] With non-concessional borrowing at CFAF 159.9 billion in December 2015, the authorities are requesting a moderate increase in the existing PC from CFAF 200 billion to CFAF 230 billion to accommodate an additional CFAF 63.7 billion in non-concessional borrowing to finance priority infrastructure projects. The authorities have also indicated that concessional borrowing could amount to CFAF 256.4 billion for

[1] Burkina Faso owes a small amount of pre-HIPC Initiative arrears to non-Paris Club creditors which continue to be deemed away under the revised arrears policy for official creditors, as the underlying Paris Club agreement was adequately representative and the authorities make best efforts to resolve the arrears.

2016 (MEFP Table 1). Finally, the authorities would welcome technical assistance to improve the quality of their debt management strategy by linking it more closely to the macro program and integrating both domestic and external borrowing. Planned capacity building activities include enhanced risk management, improved technical management of new issuances and training in financial programming.

25. **Financial indicators suggest that the banking sector remains sound but the persistent decline in private sector credit is a concern** (Text Table 6). Burkina Faso's commercial banks exhibit the lowest nonperforming loans ratio in the WAEMU region at 9.5 percent at end-June 2015 but with the second highest concentration ratio, reflecting banks' selectivity in favor of a limited number of highly solvent clients. Although impacted by the increase in the regulatory capital requirement from CFAF 5 to CFAF 10 billion, the regulated risk-weighted ratio is consistent with the regional average. Given already-low access to credit compared with the region, the recent sharp decline in private sector credit growth is a concern. The share of the population above 15 with an account at a financial institution was only 13.4 percent at end-2014 (11.8 percent for women and 15.1 percent for men), well below the sub-Saharan Africa average of 28.9 percent. The authorities shared staff's view and noted that a task force chaired by the Prime Minister was looking into measures to improve the business environment and access to credit, including improved incentives for banks to increase agency coverage in remote areas, increased use of microcredit institutions and the adoption of mobile banking technologies using telecommunications networks.

26. **The 2013 safeguards assessment of the WAEMU regional central bank, the BCEAO, found a continuing strong control environment.** All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY 2015–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of IFRS starting with the financial year 2015.

Text Table 6. Selected Financial Soundness Indicators

	Dec-11	Dec-12	Dec-13	Dec-14	Mar-15	Jun-15
			Burkina Faso			
Reg. capital to risk-weighted assets	11.7	12.4	10.2	11.4	11.2	11.2
Gross NPLs / Total loans	13.5	10.3	9.9	8.6	9.0	9.5
5 largest clients / equity	103.0	157.9	108.4	158.4	169.5	178.5
Liquid assets / total assets	33.9	34.8	34.7	34.8	35.3	32.5
			WAEMU			
Reg. capital to risk-weighted assets	12.5	12.8	12.9	12.7	12.3	11.6
Gross NPLs / Total loans	15.9	16.0	15.3	14.9	15.5	15.3
5 largest clients / equity	92.9	92.3	75.1	88.6	86.1	94.2
Liquid assets / total assets	33.6	32.5	32.2	30.9	30.7	30.2

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

27. **A strategy to reduce the reliance on state subsidies for the cotton sector in the context of persistently falling prices is urgently needed.** With a balance of CFAF 4.5 billion, the cotton stabilization fund resources are drying up and need to be replenished, in spite of repeated resort to state subsidies and advances (about CFAF 15 billion in 2014-15)**(MEFP ¶36)**. More importantly, following a disappointing 2014-15 campaign, additional resources will be needed in the second half of the year to support the 2016-17 season through a CFAF 31.5 billion subsidy (0.4 percent of GDP). Staff recommended that this be financed by a combination of deferred non-priority spending and additional budget support within the supplemental budget being envisaged in the Summer-early Fall. Going forward, the authorities agreed on the necessity to devise a strategy aiming at minimizing calls on future state support in the context of the trend decline in cotton prices.

28. **Work on updating the base year for the national accounts has been interrupted by the political upheaval but the statistical agency has begun to publish quarterly national account data (MEFP ¶37).** These data will form the basis for the new annual GDP series at constant prices. The series will also be rebased from 1999 to 2008, pending the finalization of a survey of the informal sector, including in mining, which should be completed in the next year. This important project is supported by technical assistance from AFRITAC West.

PROGRAM MONITORING AND RISKS

29. **Staff supports the authorities' requests for modifications of program targets to accommodate the significantly altered macro-fiscal outlook since the 2nd/3rd ECF reviews.**

- The ceiling for net domestic financing will be raised by CFAF 15 billion to CFAF 111 billion in part to accommodate higher financing needs of the government and also to close a 2016 financing gap that had been identified at the time of the 2nd/3rd reviews. The PC on non-concessional debt will be raised modestly by CFAF 30 billion to accommodate new infrastructure projects and related risks of exchange rate fluctuations.
- Indicative revenue targets for end-June are reduced by CFAF 20 billion to take into account the weak revenue performance over the past two years. The authorities' projection for poverty-reducing social spending over the whole year remains in line with previous commitments, but the end-June target for such spending is reduced by about CFAF 40 billion to reflect low investment budget execution in the first quarter relating to the delayed establishment of the new government,
- Proposed structural benchmarks for the 6th and final ECF review support policies agreed in the MEFP. Given the delay in program implementation, 4th and 5th ECF reviews SBs include measures initially programmed up to May 2016.

30. **Staff and the authorities agreed that closer monitoring of the PC on net domestic financing of the government was warranted.** Difficulties in attributing financing between banks and nonbanks have complicated the reconciliation of the monetary and Treasury data on the net government position vis-à-vis commercial banks. The end-December net domestic financing PC was almost compromised by the unexpected sale by SONABHY of a government bond that had been

transferred to SONABHY's accounts to cover operational losses in 2012. The authorities have agreed to provide quarterly reports reconciling monetary data with government financial statistics in order to better track these liabilities.

31. **The ECF-supported program is fully financed**. Based on identified budget support commitments, the projected ECF disbursements would close the remaining financing gap of 0.3 percent of GDP. Completion of the 4th/5th ECF review would unlock a disbursement equivalent to SDR 18.57 million, including the remainder of the 40 percent of quota augmentation of access approved at the time of the 2nd/3rd ECF reviews. Total outstanding Fund credit currently amounts to 120 percent of quota, well below the (revised) cumulative access limit of 225 percent of quota and Burkina Faso's capacity to repay the Fund remains adequate.

32. **Program risks have receded with the appeased political environment.** Nonetheless, there are fiscal risks associated with the ambitious revenue projections, social pressures to increase the public wage bill and other recurrent spending, and additional investment needs arising from the revised national development plan. The strategy adopted by the authorities to address revenue shortfalls is appropriate, and they intend to conduct a thorough mid-year review of budget execution to prevent expenditure overruns. The authorities are taking advantage of the favorable conditions in the domestic and regional markets and increasing their reliance on bank financing, but would there are vulnerabilities arising from a future tightening of regional monetary conditions.

STAFF APPRAISAL

33. **The growth outlook is improving even though output remains below potential.** Following two difficult years, the return to political stability ought to be accompanied by a broad-based recovery.The delay in the establishment of the new government and the impact of the January terrorist attacks have weakened prospects for 2016, but growth should nonetheless gradually accelerate towards 6 percent and beyond over the medium term supported by the increase in mining output, potential gains in energy supply and improved investment budget execution. This favorable outcome is however predicated on the authorities' ability to address looming security threats, and to build fiscal space by curbing the growth in recurrent spending while boosting revenue mobilization.

34. **The authorities' commitment to the program's objectives has remained exemplary under difficult circumstances.** All continuous and end-June and end-December 2015 quantitative targets have been met, with the exception of the indicative target on the revenue floor, and structural reforms have continued to advance, albeit with some delays.

35. **The authorities are taking steps to ensure that domestic revenue mobilization quickly makes up the ground lost in the past two years.** Falling commodity prices and sociopolitical instability both contributed largely to the decline in revenue performance but the reversal of these trends represents a clear opportunity for the authorities to move forward with important reforms which could yield significant gains in the course of the year. The package of measures already in place appears to be bearing fruit and, assuming resolute implementation of remaining reforms, staff considers that the ambitious targets set by the authorities could be within reach.

36. **Dealing with pent up social and political pressures to increase recurrent spending at the expense of investment will be a major challenge for the government.** The 2016 budget is fully financed but there is little space to accommodate further pressures, particularly as the public wage bill remains high and new measures to boost youth employment will further inflate recurrent spending. Staff strongly encourages the authorities to minimize the future budgetary impact of the revised status of public servants, and to resist further pressures to increase the public wage bill including by setting very clear expectations regarding temporary hiring measures. Reducing contingent liabilities from the cotton sector by implementing a medium-term agriculture diversification strategy will also be necessary given the long-term trend of declining prices. Strengthened cash management practices will contribute to avoiding the accumulation of any new arrears.

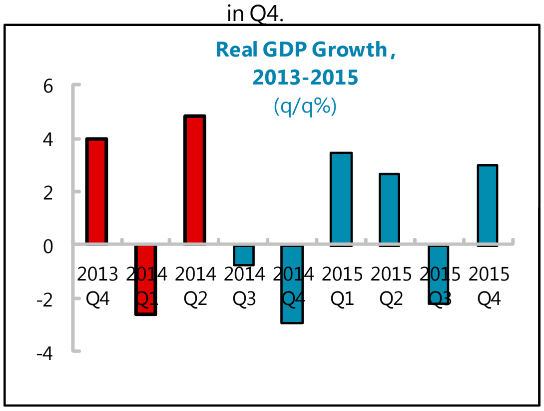
37. **Additional spending commitments stemming from the new development strategy would have to be carefully prioritized and sequenced, given the limited short term fiscal space.** While acknowledging the vast social and infrastructure needs, staff encourages the authorities to target high-impact projects in key sectors among the broad pillars of their development strategy. At the same time, urgent efforts are needed to enhance the quality and execution of investment spending. The planned PIMA will help address remaining bottlenecks.

38. **The significant oil price windfall represents a unique opportunity to address longstanding structural deficiencies in the energy sector.** Staff congratulates the authorities for the important reforms addressing the financial instability issues which have plagued the power sector over the past decade. By removing the financial constraints, these measures will pave the way for a significant improvement in electricity supply over the medium term.

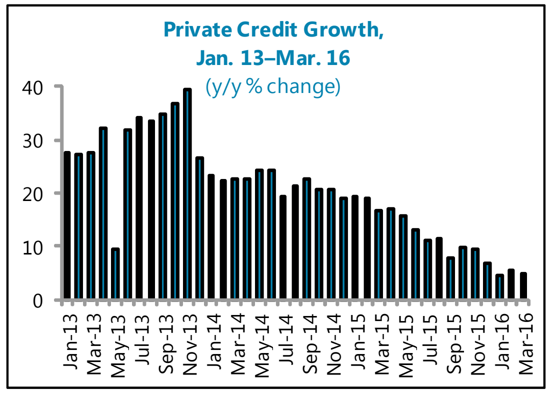
39. **Based on the strength of the authorities' policy commitments, staff supports completion of the 4th and 5th reviews under the ECF arrangement and the authorities' requests for modification of performance criteria.** The final program review is scheduled for December 2016 and will be combined with the next Article IV consultation.

Figure 1. Burkina Faso: Recent Economic Developments

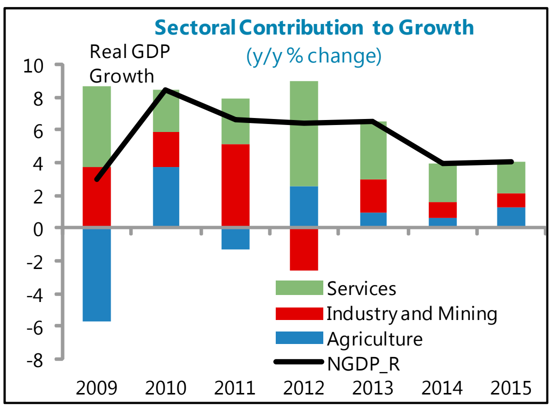
After rebounding in 2015Q1 and Q2, economic activity weakened in Q3 but picked up somewhat in Q4.



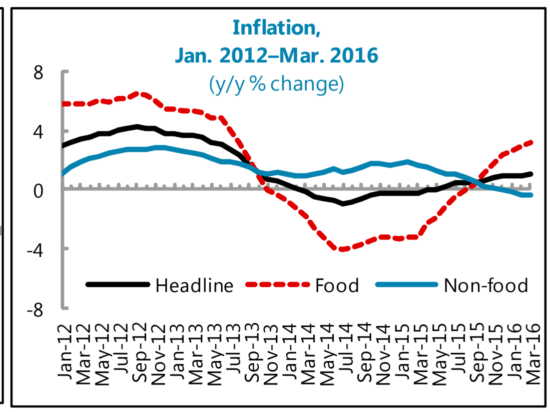
Private credit growth slowed to levels unseen since 2010.



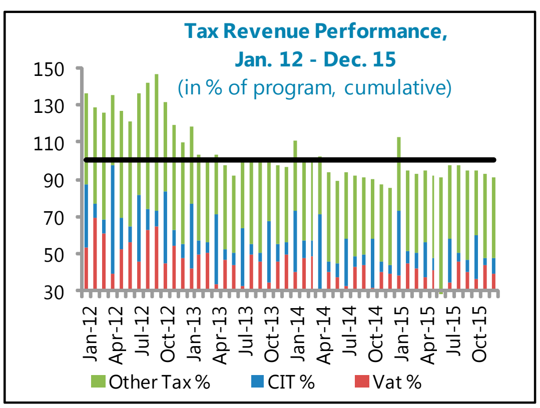
The slowdown affected all sectors of the economy.



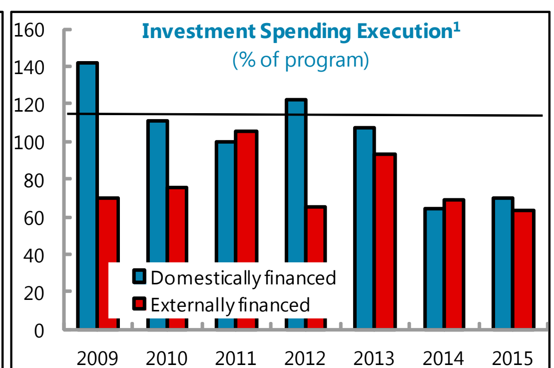
Inflation remained subdued in 2015 but started rising in 2016 owing to higher food prices.



Taxes revenues continued to fall short of expectations…



….constraining public investment.

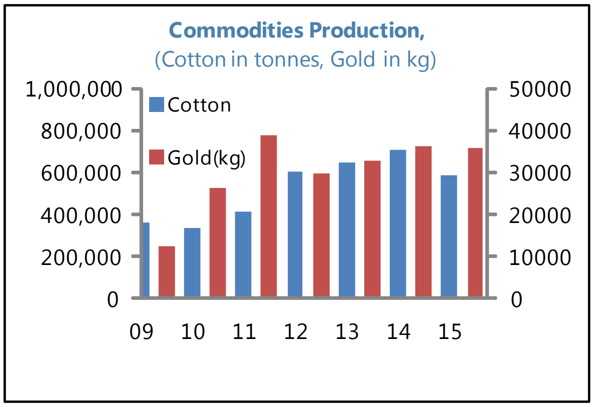


[1] Excluding capital transfer in 2013

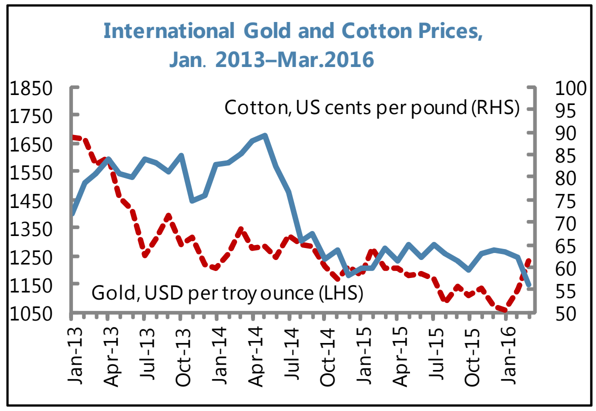
Source: Burkinabè authorities and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments, 2009–15

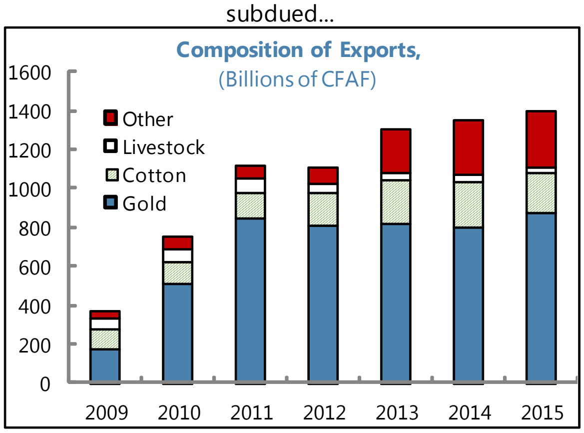
Cotton production dropped due to erratic rainfall while gold output remained robust…



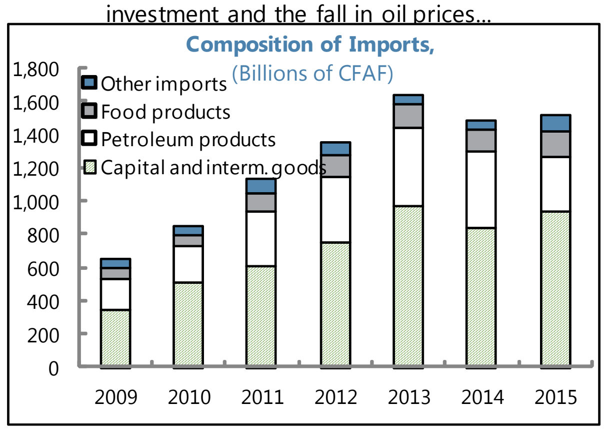
…amidst plummeting prices.



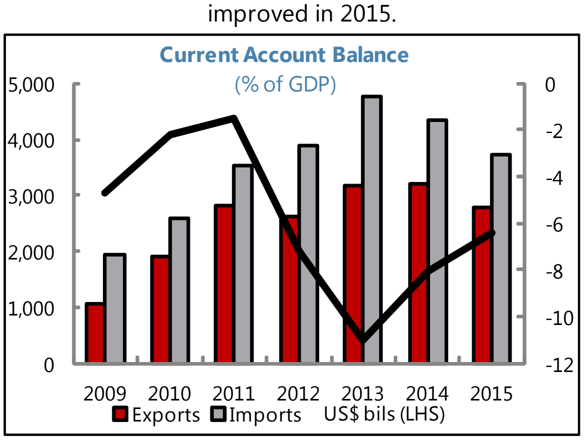
As a result gold and cotton exports remained subdued…



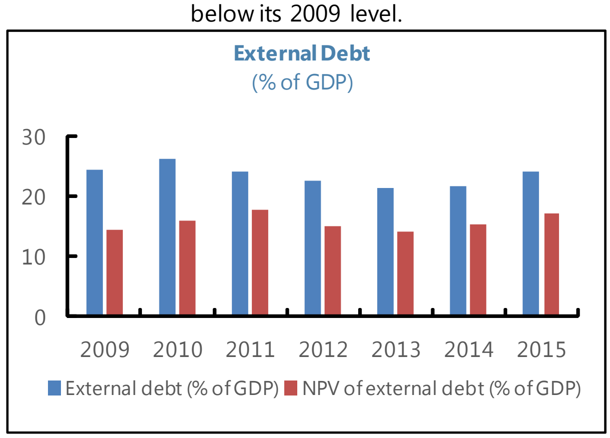
…while imports dropped due to compression of investment and the fall in oil prices…



and the current account balance is estimated to have improved in 2015.



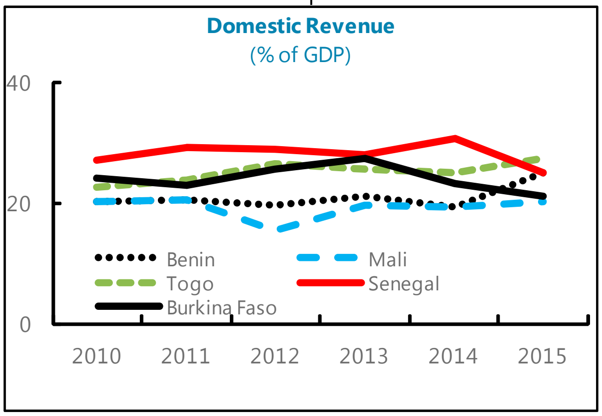
External debt increased only slightly and remained below its 2009 level.



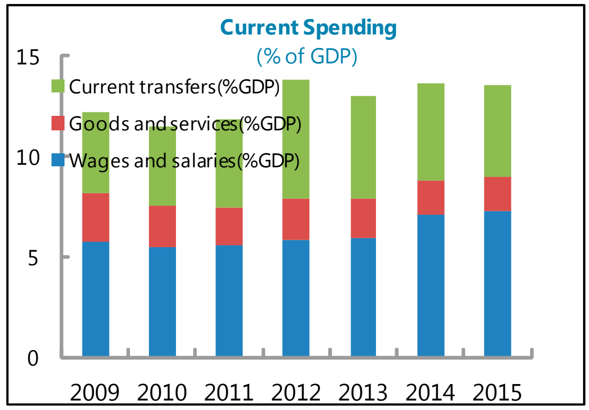
Sources: Burkinabè authorities and IMF staff calculations.

Figure 3. Burkina Faso: Fiscal Developments, 2009–15

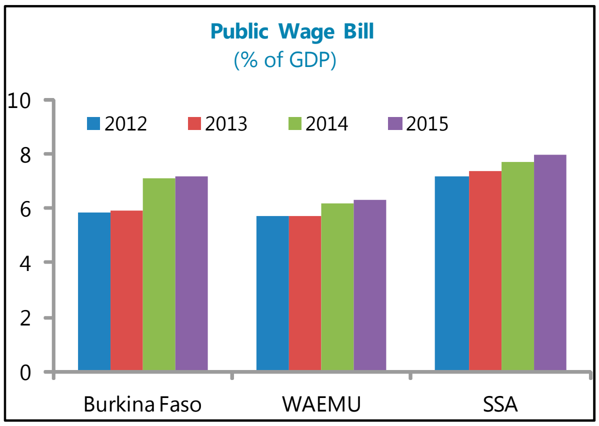
Domestic revenue continue to decline, falling below peers…



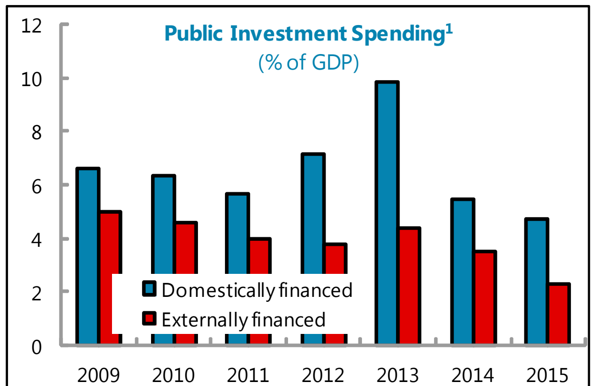
…while current spending is trending up…



…owing to an expanding wage bill..

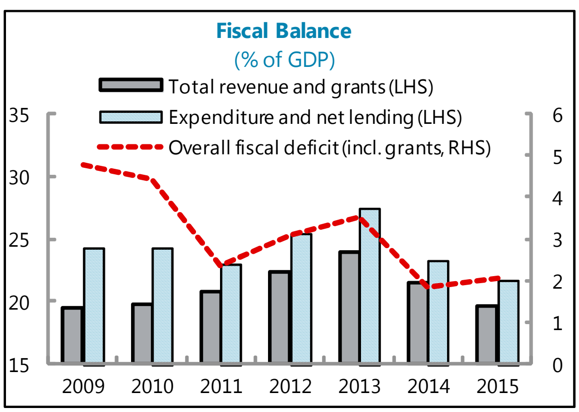


… and constraining investment spending.

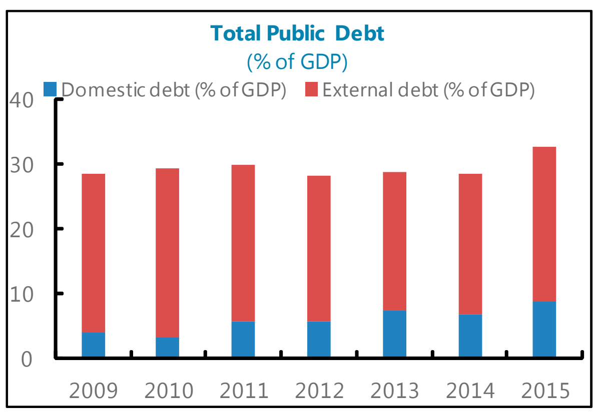


[1] Excluding capital transfer in 2013

The fiscal deficit was halved.



Debt levels remain modest, but rising.



Sources: Burkinabè authorities and IMF staff calculations.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2013–19

	2013	2014	2015		2016		2017	2018	2019
	Est.	Est.	2nd/3rd Rev	Prel.	2nd/3rd Rev	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
GDP and prices									
GDP at constant prices	6.6	4.0	5.0	4.0	6.0	5.2	5.9	6.1	6.2
GDP deflator	-0.8	-1.7	1.3	1.6	1.9	2.6	2.0	2.0	2.0
Consumer prices (annual average)	0.5	-0.3	0.7	0.9	1.8	1.6	2.0	2.0	2.0
Consumer prices (end of period)	0.1	-0.1	1.6	1.3	1.8	1.6	2.0	2.0	2.0
Money and credit									
Net domestic assets (banking system) [1]	19.6	20.0	18.1	7.3	16.7	11.3	11.8	11.6	12.2
Credit to the government (banking system) [1]	5.3	4.9	5.2	1.8	1.4	4.5	3.4	1.1	1.4
Credit to the private sector	26.3	18.9	15.1	7.0	16.8	9.9	12.0	15.3	15.8
Broad money (M3)	11.3	11.9	14.3	19.9	15.0	13.9	14.9	15.7	15.0
Private sector credit/GDP	24.8	28.8	30.5	29.2	33.0	29.7	30.8	32.8	35.0
External sector									
Exports (f.o.b.; valued in CFA francs)	17.2	3.6	2.3	3.1	2.0	7.1	9.8	8.8	7.8
Imports (f.o.b.; valued in CFA francs)	21.3	-9.3	10.9	2.0	5.0	1.6	13.2	12.3	11.1
Terms of trade	-12.8	-5.5	-3.4	4.1	-3.3	8.2	-2.9	-1.6	-0.4
Current Account (percent of GDP)	-11.0	-8.0	-7.6	-6.4	-7.8	-5.9	-5.3	-5.7	-6.0
Real effective exchange rate	1.7	...		...		...	...	...	...
	(Percent of GDP, unless otherwise indicated)								
Central government finances									
Current revenue	18.5	17.3	17.3	16.1	17.9	17.3	17.8	18.6	19.4
Of which: tax revenue	16.5	15.3	15.7	14.3	16.1	15.6	16.0	16.7	17.3
Total expenditure and net lending	27.4	23.3	24.8	21.7	25.6	24.2	25.3	26.2	27.0
Of which: current expenditure	13.6	14.4	14.7	14.2	14.1	14.6	15.1	15.1	15.1
Overall fiscal balance, excl. grants (commitments)	-8.9	-6.0	-7.5	-5.6	-7.7	-6.9	-7.5	-7.5	-7.6
Overall fiscal balance, incl. grants (commitments)	-3.5	-1.8	-2.5	-2.1	-3.0	-3.1	-3.0	-3.0	-3.0
Total Public Debt	29.6	28.1	33.1	32.1	32.4	36.3	36.2	36.5	36.4
Public external debt	22.1	20.2	23.3	23.5	23.8	23.6	23.1	23.7	23.9
Central government domestic debt	7.5	7.9	9.8	8.6	8.5	12.7	13.1	12.7	12.5
***Memorandum items*:**									
Nominal GDP (CFAF billion)	6,026	6,162	6,561	6,509	7,085	7,024	7,587	8,211	8,895
Nominal GDP per capita (US$)	722	717	631	615	663	646	684	721	763
Euro/US$ (annual average)	1.33	1.33	1.13	1.11	...	...	...	...	...

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

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

Table 2a. Burkina Faso: Consolidated Operations of the Central Government, 2013–19

	2013	2014	2015		2016		2017	2018	2019
	Act.	Act.	2nd/3rd Review	Prel.	2nd/3rd Review	Proj.	Proj.	Proj.	Proj.
	(CFAF billions)								
Total revenue and grants	1441.7	1321.1	1462.8	1277.7	1603.4	1481.7	1691.4	1898.1	2135.2
Total revenue	1117.4	1064.7	1137.2	1047.7	1270.4	1215.3	1350.0	1528.6	1726.1
Tax revenue [1]	992.6	940.7	1032.5	929.0	1142.4	1092.5	1214.2	1373.7	1539.3
Of which: Gold Mining CIT	49.4	50.0	51.1	25.4	53.0	25.4	28.4	29.9	34.5
Nontax revenue [2]	124.8	124.0	104.8	118.7	128.0	122.8	135.8	154.8	186.8
Of which: Royalties from gold	33.6	32.0	31.7	31.4	32.9	35.2	41.6	44.4	44.4
Grants	324.4	256.4	325.6	230.0	333.0	266.4	341.4	369.5	409.2
Project	205.2	157.5	181.6	105.2	198.4	200.2	204.8	221.7	240.2
Program	119.1	98.9	143.9	124.8	134.6	66.2	136.6	147.8	169.0
Expenditure and net lending [3]	1652.6	1434.5	1626.5	1411.6	1812.9	1698.3	1915.8	2147.2	2405.5
Current expenditure	818.9	886.7	965.7	923.2	1001.1	1028.8	1144.8	1237.6	1341.1
Wages and salaries	355.5	437.3	456.7	468.5	488.8	507.9	555.4	607.6	658.2
Goods and services	118.6	102.4	110.1	109.4	116.2	139.9	159.3	172.4	186.8
Interest payments	34.7	44.0	39.7	43.8	41.8	49.5	51.4	55.2	60.3
Domestic	21.9	29.3	24.0	27.9	24.7	27.8	29.4	29.3	29.2
External	12.8	14.7	15.7	15.9	17.1	21.7	22.0	25.9	31.1
Current transfers	310.1	303.0	359.2	301.5	354.2	331.4	378.7	402.3	435.8
Investment expenditure	858.4	554.1	663.7	501.0	814.7	672.4	773.9	912.5	1067.4
Domestically financed	592.7	338.4	424.4	349.4	510.1	383.8	470.4	558.3	693.8
Externally financed	265.7	215.7	239.3	151.6	304.6	288.6	303.5	354.2	373.6
Net lending	-24.8	-6.2	-2.9	-12.6	-2.9	-2.9	-2.9	-2.9	-2.9
Overall balance [3]	-210.8	-113.4	-163.7	-133.9	-209.5	-216.6	-224.4	-249.1	-270.3
Cash basis adjustment	50.8	75.9	-60.0	-89.2	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-160.0	-37.5	-223.7	-223.1	-209.5	-216.6	-224.4	-249.1	-270.3
Financing	162.5	42.0	193.3	220.8	148.5	197.9	224.4	249.1	270.3
Foreign financing	34.4	51.4	74.4	89.2	103.5	99.3	119.5	201.5	206.4
Drawings	60.5	82.2	117.2	122.1	141.7	126.8	162.4	247.2	253.9
Project loans	60.5	58.2	57.7	46.4	106.3	88.4	98.6	132.5	133.4
Program loans	0.0	24.0	59.5	75.7	35.4	38.4	63.7	114.8	120.5
Amortization (excl. IMF)	-26.0	-30.8	-42.7	-32.9	-38.1	-27.5	-42.8	-45.8	-47.5
Domestic financing	128.1	-9.4	118.9	131.7	45.0	98.6	104.8	47.6	63.9
Bank financing	92.4	-34.7	114.1	84.8	35.0	117.2	99.8	37.6	53.9
Central bank	75.8	-58.5	114.1	-4.4	35.0	-79.7	11.2	27.6	43.9
Commercial banks	16.7	23.8	0.0	89.2	0.0	196.9	88.6	10.0	10.0
Nonbank financing	35.7	25.3	4.8	46.9	10.0	-18.6	10.0	10.0	10.0
Errors and Omissions	-2.5	-4.5		2.3					
Financing gap	0.0	0.0	30.3	0.0	61.0	18.7	0.0	0.0	0.0
Of which: IMF future disbursements	0.0	0.0	10.6	0.0	7.0	18.7	0.0	0.0	
Of which: IMF augmentation			19.7	0.0					
Memorandum items:									
Mining revenue	183.1	168.6		156.2		153.2	180.4	190.9	202.0
Overall Balance excl. mining revenue	-343.1	-282.0		-290.1		-369.8	-404.8	-440.0	-472.3

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

[1] 2015 projection includes measures for: satellite tracking, scanners, facture normalise, new thresholds for companies to pay VAT.

[2] 2014 includes several one-offs such as large dividend payments and fines.

[3] Commitment ("*engagement*") basis.

Table 2b. Burkina Faso: Consolidated Operations of the Central Government, 2013–19

	2013	2014	2015		2016		2017	2018
	Act.	Act.	2nd/3rd Review	Prel.	2nd/3rd Review	Proj.	Proj.	Proj.
	(In percent of GDP)							
Total revenue and grants	23.9	21.4	22.3	19.6	22.6	21.1	22.3	23.1
Total revenue	18.5	17.3	17.3	16.1	17.9	17.3	17.8	18.6
Tax revenue	16.5	15.3	15.7	14.3	16.1	15.6	16.0	16.7
Of which: Gold Mining CIT	0.8	0.8	0.8	0.4	0.7	0.4	0.4	0.4
Nontax revenue [1]	2.1	2.0	1.6	1.8	1.8	1.7	1.8	1.9
Of which: Royalties from gold	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Grants	5.4	4.2	5.0	3.5	4.7	3.8	4.5	4.5
Project	3.4	2.6	2.8	1.6	2.8	2.9	2.7	2.7
Program	2.0	1.6	2.2	1.9	1.9	0.9	1.8	1.8
Expenditure and net lending [2]	27.4	23.3	24.8	21.7	25.6	24.2	25.3	26.2
Current expenditure	13.6	14.4	14.7	14.2	14.1	14.6	15.1	15.1
Wages and salaries	5.9	7.1	7.0	7.2	6.9	7.2	7.3	7.4
Goods and services	2.0	1.7	1.7	1.7	1.6	2.0	2.1	2.1
Interest payments	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.7
Domestic	0.4	0.5	0.4	0.4	0.3	0.4	0.4	0.4
External	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Current transfers	5.1	4.9	5.5	4.6	5.0	4.7	5.0	4.9
Investment expenditure	14.2	9.0	10.1	7.7	11.5	9.6	10.2	11.1
Domestically financed	9.8	5.5	6.5	5.4	7.2	5.5	6.2	6.8
Externally financed	4.4	3.5	3.6	2.3	4.3	4.1	4.0	4.3
Net lending	-0.4	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0
Overall balance [2]	-3.5	-1.8	-2.5	-2.1	-3.0	-3.1	-3.0	-3.0
Cash basis adjustment	0.8	1.2	-0.9	-1.4	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-2.7	-0.6	-3.4	-3.4	-3.0	-3.1	-3.0	-3.0
Financing	2.7	0.7	2.9	3.4	2.1	2.8	3.0	3.0
Foreign financing	0.6	0.8	1.1	1.4	1.5	1.4	1.6	2.5
Drawings	1.0	1.3	1.8	1.9	2.0	1.8	2.1	3.0
Project loans	1.0	0.9	0.9	0.7	1.5	1.3	1.3	1.6
Program loans	0.0	0.4	0.9	1.2	0.5	0.5	0.8	1.4
Amortization (excl. IMF)	-0.4	-0.5	-0.7	-0.5	-0.5	-0.4	-0.6	-0.6
Domestic financing	2.1	-0.2	1.8	2.0	0.6	1.4	1.4	0.6
Bank financing	1.5	-0.6	1.8	2.0	0.5	1.7	1.3	0.5
Central bank	1.3	-0.9	1.7	-0.1	0.5	-1.1	0.1	0.3
Commercial banks	0.3	0.4	0.0	1.4	0.0	2.8	1.2	0.1
Nonbank financing	0.6	0.4	0.1	0.7	0.1	-0.3	0.1	0.1
Errors and Omissions	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.5	0.0	0.9	0.3	0.0	0.0
Of which: IMF future disbursements	0.0	0.0	0.2	0.0	0.1	0.3	0.0	0.0
Of which: IMF augmentation			0.3	0.0				
Memorandum items:								
Mining Revenue	3.0	2.7	2.4	2.4	2.3	2.2	2.4	2.3
Overall Balance excl. mining revenue	-5.7	-4.6	-4.9	-4.5	-5.3	-5.3	-5.3	-5.4
Nominal GDP (CFAF billions)	6,026	6,162	6,561	6,509	7,085	7,024	7,587	8,211

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

[1] 2014 includes several one-offs such as large dividend payments and fines.

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

Table 3. Burkina Faso: Monetary Survey, 2013–19

	2013	2014	2015		2016		2017	2018	2019
	Est.	Est.	2nd/3rd rev.	Prel.	2nd/3rd rev.	Proj.	Proj.	Proj.	Proj.
	(CFAF Billions)								
Net foreign assets	534.9	377.1	386.0	651.9	344.2	719.5	810.1	948.5	1061.1
BCEAO	45.2	-127.8	-118.9	-144.3	-160.7	-72.5	20.9	168.7	290.7
Assets	297.7	140.8	138.1	157.1	84.2	216.7	295.3	423.1	525.6
Liabilities	252.5	268.6	257.0	301.4	244.9	289.2	274.3	254.4	234.9
Commercial banks	489.7	504.9	504.9	796.2	504.9	792.0	789.1	779.7	770.4
Net domestic assets	1402.3	1789.6	2116.2	1946.8	2533.2	2239.5	2590.1	2984.3	3462.5
Net domestic credit	1540.5	1912.8	2254.5	2088.3	2626.6	2381.0	2731.6	3125.8	3604.1
Net credit to government	44.2	139.0	253.1	178.8	288.1	296.0	395.8	433.5	487.4
Treasury	79.8	45.6	159.2	146.2	194.2	263.4	363.3	400.9	454.8
BCEAO	79.2	20.7	134.8	16.3	169.8	-63.4	-52.2	-24.6	19.3
Commercial banks	0.6	24.9	24.5	129.9	24.5	326.8	415.4	425.4	435.4
- of which CNE accrued interest[1]		35.9							
Other central government	-35.7	93.4	93.8	32.6	93.8	32.6	32.6	32.6	32.6
Of which: project deposits	-209.4	-208.4	-208.4	-231.5	-208.4	-231.5	-231.5	-231.5	-231.5
Credit to the economy	1492.3	1773.8	2001.4	1897.5	2338.5	2085.0	2335.8	2692.3	3116.7
Crop credit	12.6	54.2	62.7	41.6	73.5	45.8	51.5	59.5	69.1
Other	1479.7	1719.6	1938.8	1855.9	2265.0	2039.2	2284.3	2632.8	3047.6
Other items (net)	-138.1	-123.2	-138.4	-141.5	-93.4	-141.5	-141.5	-141.5	-141.5
Broad money	1937.2	2166.8	2502.2	2598.7	2877.4	2959.0	3400.1	3932.7	4523.6
Of which: Priv. deposits in comm. banks	1628.2	1771.9	1991.9	2103.2	2354.3	2354.3	2744.7	3215.9	3738.8
	(Annual % change, unless otherwise indicated)								
Memorandum items:									
Net foreign assets	-21.2	-29.5	-17.6	72.9	-10.8	10.4	12.6	17.1	11.9
Net domestic assets [2]	19.6	20.0	18.1	7.3	16.7	11.3	11.8	11.6	12.2
Net credit to government [2]	5.3	4.9	5.2	1.8	1.4	4.5	3.4	1.1	1.4
Credit to the private sector	26.3	18.9	15.1	7.0	16.8	9.9	12.0	15.3	15.8
(excluding crop credit)	27.4	16.2	15.1	7.9	16.8	9.9	12.0	15.3	15.8
Money supply	11.3	11.9	14.3	19.9	15.0	13.9	14.9	15.7	15.0

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

[1] Accrued interest over past years was booked in 2014 on the accounts at the CNE (National Saving Agency).

[2] Annual change as a percentage of broad money from 12 months earlier·

Table 4. Burkina Faso: Balance of Payments, 2013–19

	2013	2014	2015		2016		2017	2018	2019
	Act.	Est.	2nd/3rd rev.	Prel.	2nd/3rd rev.	Proj.	Proj.	Proj.	Proj.
					(CFAF billions)				
Current account	-664.6	-495.5	-500.6	-417.4	-551.8	-412.0	-401.6	-467.7	-533.6
Trade balance	-328.8	-128.6	-234.8	-116.6	-282.9	-41.2	-97.8	-167.6	-246.3
Exports of goods	1315.3	1362.3	1207.7	1404.0	1232.2	1503.0	1649.7	1794.8	1934.8
Of which: cotton	215.3	237.1	227.2	213.4	225.3	198.1	189.9	193.0	198.1
gold	824.5	800.0	821.7	872.4	820.4	971.1	1033.7	1099.1	1183.8
Imports of goods	-1644.2	-1490.9	-1442.5	-1520.6	-1515.0	-1544.2	-1747.5	-1962.3	-2181.1
Of which: oil	-468.0	-451.4	-354.1	-330.3	-387.1	-237.5	-306.3	-366.4	-427.2
Of which: food	-144.2	-135.1	-144.5	-150.0	-147.6	-159.5	-176.7	-196.8	-217.6
Of which: public investment	-610.3	-436.0	-524.9	-394.7	-623.8	-491.1	-545.3	-676.0	-795.3
Services, net	-459.4	-423.2	-502.0	-430.7	-470.0	-448.8	-475.3	-497.7	-521.4
Income, net	-93.3	-177.5	-40.0	-137.1	-41.1	-138.8	-137.2	-136.5	-136.7
Current transfers	216.9	233.8	276.2	267.0	242.1	216.9	308.7	334.1	370.7
Of which: Official transfers, net	128.2	112.0	178.6	140.4	162.0	93.0	174.2	189.0	214.2
Capital account	238.4	200.2	209.6	153.8	226.4	212.2	209.8	226.7	245.2
Project grants	205.2	157.5	181.6	105.2	198.4	200.2	204.8	221.7	240.2
Financial account	282.9	163.9	178.3	552.5	222.6	248.6	282.4	379.4	401.1
Direct investment	213.4	141.6	109.5	122.5	130.1	145.4	158.6	173.3	189.7
Portfolio investment	6.9	-86.2	10.7	5.0	4.0	4.0	4.3	4.7	5.1
Other investment	62.6	108.5	58.0	425.0	88.5	99.2	119.5	201.4	206.4
Long-term investment	57.6	103.5	53.0	420.0	83.5	94.3	114.5	196.5	201.4
Project loans	60.5	58.2	57.7	46.4	106.3	88.4	98.6	132.5	133.4
Program loans	0.0	24.0	59.5	75.7	35.4	38.4	63.7	114.8	120.5
Amortization of public loans (excl. IMF)	-27.5	-30.8	-42.7	-32.9	-38.1	-27.5	-42.8	-45.8	-47.5
Other private	24.6	52.0	-21.4	330.8	-20.0	-5.0	-5.0	-5.0	-5.0
Short-term investment	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9
Errors and omissions	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-144.0	-131.4	-112.7	288.8	-102.8	48.8	90.6	138.4	112.6
Financing	144.0	131.4	82.3	-288.8	41.8	-67.5	-90.6	-138.4	-112.6
Net change in foreign assets of the central bank	188.7	146.6	82.3	2.5	41.8	-71.8	-93.4	-147.8	-121.9
Of which: gross official reserves	211.5	148.2	93.9	14.1	53.9	-59.6	-78.6	-127.8	-102.5
IMF net financing	1.0	-1.6	-11.6	-11.7	-12.1	-12.2	-14.8	-20.0	-19.5
Disbursements	4.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	-3.8	-5.4	-11.6	-11.7	-12.1	-12.2	-14.8	-20.0	-19.5
Net foreign assets of commercial banks	-44.8	-15.2	0.0	-291.3	0.0	4.2	2.8	9.4	9.3
Financing Gap	0.0	0.0	30.3	0.0	61.0	18.7	0.0	0.0	0.0
Of which: IMF future disbursements	0.0	0.0	10.6	0.0	7.0	18.7			
Of which: IMF augmentation			19.7	0.0					
Memorandum items:					(Percent of GDP)				
Trade balance (goods)	-5.5	-2.1	-3.6	-1.8	-4.0	-0.6	-1.3	-2.0	-2.8
Trade balance (goods and services)	-13.1	-9.0	-11.2	-8.4	-10.6	-7.0	-7.6	-8.1	-8.6
Exports of goods	21.8	22.1	18.4	21.6	17.4	21.4	21.7	21.9	21.8
Imports of goods	-27.3	-24.2	-22.0	-23.4	-21.4	-22.0	-23.0	-23.9	-24.5
Current account (– = deficit)	-11.0	-8.0	-7.6	-6.4	-7.8	-5.9	-5.3	-5.7	-6.0
GDP at current prices (CFAF billions)	6,026	6,162	6,561	6,509	7,085	7,024	7,587	8,211	8,895
FDI inflow	3.5	2.3	1.7	1.9	1.8	2.1	2.1	2.1	2.1

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

Table 5. Burkina Faso: Risk Assessment Matrix[1]

Sources	Likelihood	Potential Impact	Policies to Minimize Impact
External			
Dollar surge	High	A dollar surge would boost commodity export earnings but attenuate the windfall impact of low international fuel prices. Dollar denominated debt would increase.	Prepare alternative measures to support energy sector reforms based on assessment of the impact of a smaller windfall. Improved debt management practices.
Structurally weak growth in key advanced and emerging markets and sharp growth slowdown in China	Medium	Slow growth in advanced and emerging economies might hit the Burkinabè economy via low prices and demand for key exports (gold and cotton), deteriorating the current account.	Accumulate and preserve adequate international reserve buffers. Diversify economic structure and export markets.
Domestic			
Continuing terrorist attacks	Medium	Economic growth would remain relatively depressed, as investors are discouraged and productive public investment is diverted into security spending.	Accelerate efforts to restore and strengthen functional security services following the political transition.
Pressures for higher recurrent spending	High	An accumulation of pent-up demand for higher social and infrastructure spending which could destabilize budget sustainability.	Limit spending proposals to priority areas, particularly as regards recurrent spending. Ensure that domestic revenue mobilization increases in step with spending plans.
Delays in PFM reforms	Medium–High	Ineffective public spending could also compromise the recovery process by adding to growth constraints, particularly in the energy sector. Recurrence of build-up in arrears.	Encourage necessary reforms to improve PFM to guarantee benefits of oil price windfall.

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

Table 6. Burkina Faso: Indicators of Capacity to Repay the Fund, 2015–26[1]

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Actual	Projections										
Fund obligations based on existing and prospective credit												
(in millions of SDRs)												
Principal	14.1	14.5	17.8	24.2	23.6	19.0	21.2	18.3	11.5	10.0	6.9	2.8
Charges and interest	0.0	0.0	0.0	0.0	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Total obligations based on existing and prospective credit												
In millions of SDRs	14.1	14.5	17.8	24.2	23.9	19.3	21.3	18.4	11.6	10.0	6.9	2.8
In billions of CFAF	11.7	11.9	14.6	19.8	19.6	15.7	17.4	15.0	9.5	8.2	5.7	2.2
In percent of government revenue	1.1	1.0	1.1	1.3	1.1	0.8	0.8	0.7	0.4	0.3	0.2	0.1
In percent of exports of goods and services	0.7	0.7	0.7	0.9	0.8	0.7	0.7	0.6	0.3	0.3	0.2	0.1
In percent of debt service[2]	10.5	9.8	10.6	12.3	11.2	8.7	8.8	7.3	4.5	3.5	2.1	0.7
In percent of GDP	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
In percent of quota	23.5	24.0	29.6	40.1	39.7	32.0	35.4	30.6	19.3	16.7	11.5	4.6
Outstanding IMF credit												
In millions of SDRs	146.6	155.2	137.4	113.3	89.6	70.6	49.4	31.2	19.6	9.7	2.8	0.0
In billions of CFAF	121.3	127.8	112.8	92.8	73.3	57.6	40.3	25.4	16.0	7.9	2.2	0.0
In percent of government revenue	11.6	10.5	8.4	6.1	4.2	3.1	2.0	1.1	0.7	0.3	0.1	0.0
In percent of exports of goods and services	7.4	7.1	5.7	4.4	3.2	2.5	1.6	1.0	0.6	0.3	0.1	0.0
In percent of debt service[2]	109.1	104.6	82.0	57.5	41.8	31.7	20.4	12.4	7.6	3.3	0.8	0.0
In percent of GDP	1.9	1.8	1.5	1.1	0.8	0.6	0.4	0.2	0.1	0.1	0.0	0.0
In percent of quota	243.5	257.8	228.3	188.1	148.9	117.3	82.1	51.8	32.6	16.0	4.6	0.0
Net use of IMF credit (millions of SDRs)	8.9	8.6	-17.8	-24.2	-23.6	-19.0	-21.2	-18.3	-11.5	-10.0	-6.9	-2.8
Disbursements	23.0	23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	14.1	14.5	17.8	24.2	23.6	19.0	21.2	18.3	11.5	10.0	6.9	2.8
Memorandum items:												
Nominal GDP (in billions of CFAF)	6509.2	7023.8	7587.0	8210.9	8894.7	9617.0	10398.2	11242.5	12155.4	13142.7	14210.1	15364.3
Exports of goods and services (in billions of CFAF)	1648.0	1798.7	1962.9	2133.7	2302.0	2345.6	2478.0	2607.0	2729.5	2857.0	3039.5	3183.4
Government revenue (in billions of CFAF)	1047.0	1215.3	1350.0	1528.6	1726.1	1885.5	2059.0	2248.7	2455.6	2668.2	2820.9	2996.3
Debt service (in billions of CFAF)[2,3]	111.2	122.1	137.6	161.5	175.2	181.4	197.1	204.3	211.9	235.8	266.9	309.3
CFAF/SDR (period average)	827.1	823.6	820.7	819.7	817.9	815.2	815.2	815.2	815.2	815.2	815.2	815.2

Sources: IMF staff estimates and projections.

[1] Includes augmentation of access.

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

[3] Includes state-owned enterprises debt.

Table 7. Burkina Faso: Schedule of Disbursements Under ECF Arrangement 2013–16

Amount	Availability date	Conditions for disbursement[1]
SDR 2.55 million	December 27, 2013	Following Executive Board Approval of successor ECF arrangement
SDR 2.55 million	May 15, 2014	Observance of the performance criteria for end-December 2013, and completion of the first review under the arrangement
SDR 4.11 million	December 1, 2014	Obervance of the performance criteria for end-June 2014, and completion of the second review under the arrangement
SDR 18.92 million	May 15, 2015	Observance of the performance criteria for end-December 2014, and completion of the third review under the arrangement
SDR 14.10 million	December 1, 2015	Observance of the performance criteria for end-June 2015 and completion of the fourth review under the arrangement
SDR 4.47 million	May 16, 2016	Observance of the performance criteria for end-December 2015 and completion of the fifth review under the arrangement
SDR 4.47 million	December 1, 2016	Observance of the performance criteria for end-June 2016, and completion of the sixth review under the arrangement

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

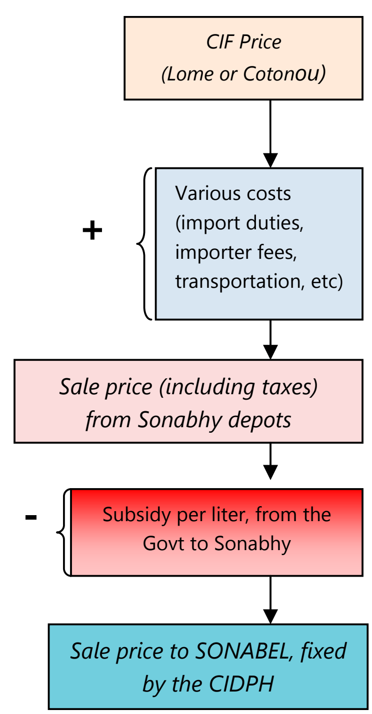
Annex I. Technical Annex on Energy Sector Reform

Background

Electricity production: thermal generation has the biggest share in the energy mix, generating structural losses at the same time as investment needs are increasing.

Energy sector reforms aimed at restoring the financial viability of the sector and improving electricity supply are urgently needed. Both state-owned companies in the sector, SONABHY, the monopoly hydrocarbon importer and SONABEL, the electricity company, are undercapitalized and financially unsustainable as a result of rigid price structures for the re-sale of hydrocarbons and for retail fuel and electricity prices, insufficient investment and generally low management efficiency. SONABHY currently sells hydrocarbons at a price last fixed in 2013 to SONABEL, which has to sell electricity below cost. This results in SONABEL's inability to pay its fuel bill, with both companies relying on (mostly unpaid) state subsidies and transfers to cover operational losses, leading to arrears and contingent state liabilities.

Partly as a result of SONABEL's precarious financial position and underinvestment, electricity supply has failed to keep pace with demand. Thermal generation amounts to 55-65 percent of the energy mix, but is adjustable, depending on the level of electricity imported from Côte d'Ivoire (30-35 percent) and (potentially in the near future) from Ghana. Hydroelectricity production is stagnant, hydro-equipment (dams) being close to maximum capacity. Production of solar electricity should start in 2017, and will gradually lower average costs. The electrification rate of the country is currently about 25 percent in terms of territorial coverage, but only 18 percent of households have electricity. Electricity is unreliable (with frequent outages) and expensive. The current total generation capacity is around 300 MW, which is largely insufficient to meet peak demand. Frequent power cuts impede private sector development and the energy sector has long been identified as a binding constraint to growth.



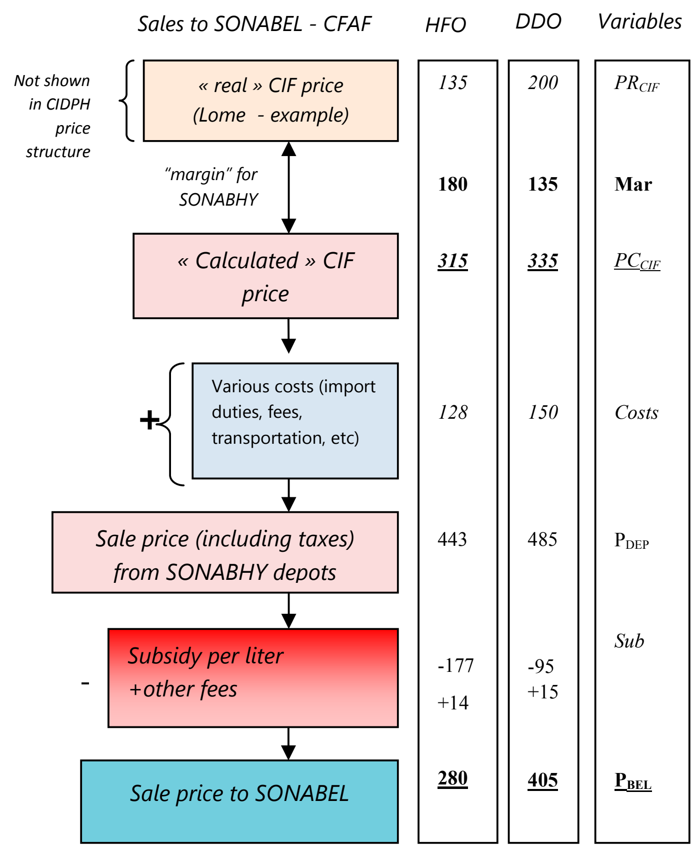
Fuel price structure: a source of opacity and unhealthy financial relations between SONABEL, SONABHY and the state.

The hydrocarbon sector in Burkina Faso is exclusively managed by the state oil importer, SONABHY. SONABHY imports and stores hydrocarbons, while distribution is delegated to private operators. The difference between the purchase price and the sale price is absorbed by SONABHY, generating gains or losses. The three main clients of SONABHY are (i) private fuel retailers, (ii) SONABEL, and (iii) the construction and mining private operators. Since 2010, for each of the three main clients, the sale prices follow a regulation designed by the CIPDH (Inter-ministerial Committee for determination of oil prices). Under the supervision of the Prime Ministry, the CIPDH is a decisional support structure for determining the price of hydrocarbons each month. SONABEL produces its thermal electricity using fuel supplied at a "preferential" price set by the CIDPH. The difference between the price paid by

SONABHY on international markets and the selling price to SONABEL is offset by a subsidy paid by the state to SONABHY (see diagram). The two companies are strongly interdependent: in the current context, a windfall for SONABHY coexists with increasing losses for SONABEL while both companies remain dependent on various state subsidies. As power generation is a social priority and SONABEL a loss-maker at the prevailing fixed fuel price, increasing electricity production results in arrears accumulation from the electricity company to SONABHY.

Missing Oil Price Windfall Gains

Since the oil price started declining in 2014, SONABHY appears to be absorbing most of the windfall: about one third of the benefit from the 40 percent decline in oil prices since 2014 (in CFAF, adjusted for changes in the US$ exchange rate) has been passed through to consumers in 2015, in the form of lower pump prices. However, the rest of the oil windfall, equivalent to 1 percent of GDP, has accrued to SONABHY. SONABHY sells fuel to SONABEL at a fixed price, negotiated in 2013 when oil prices were high, and not adjusted since then. At the same time, the electricity tariff structure is insufficient for cost recovery, so that SONABEL keeps accumulating arrears to SONABHY (amounting to CFA 66 billion at end 2015) and requiring operational subsidies from the state.



The CIF price shown in the CIDPH price structure (PC_{CIF}) does not reflect the CIF price effectively paid at the coastal port (PR_{CIF}), and the difference between the two has been generating a margin for SONABHY since the beginning of the oil price decline. This artificially high CIF price explains the absorption by SONABHY of the windfall, and also generates the illusion of a need for a subsidy on its sales to SONABEL. Those subsidies due to SONABHY are often not paid on time by the government, generating notional arrears from the state. Moreover, the artificially high sale price to SONABEL (P_{BEL}) explains a large part of the CFA 66 billion of arrears to SONABHY.

New Price Structure and SONABEL Arrears Clearance

The authorities and the two state-owned energy companies have now agreed to implement a flexible and transparent price structure for SONABEL's purchases of fuel from SONABHY, linked with world oil prices. The new price structure has become effective as of May 1, 2016. In parallel, the authorities have also implemented a one-time 8 percent reduction in fuel prices for SONABHY's other two clients, pump consumers and the mining and construction sectors.

For SONABHY, the new price structure is: $PR_{CIF} = PC_{CIF}$ *(Mar = 0) and* $P_{DEP} = PR_{CIF} + Costs.$

The sale price to SONABEL (P_{BEL}) is fixed by the CIDPH and reflects its break-even point (to be lowered if SONABEL manages to use cheaper heavy fuel more intensively, and when the solar plants and the new interconnections eventually lower the average KWH production price). The subsidy is paid only if necessary, and within the limit of the difference between P_{DEP} and P_{BEL}.

$$Sub = P_{DEP} - P_{BEL} \quad if \quad P_{DEP} > P_{BEL}$$

$$Sub = 0 \quad otherwise.$$

In parallel, an exceptional dividend payment from SONABHY will help clear part of SONABEL's arrears. Together, these measures would eliminate the need for recurrent state subsidies and allow SONABEL to become more profitable.

Reducing State Contingent Liabilities

The agreed energy sector reforms have the potential to greatly reduce contingent liabilities for the Treasury. From the perspective of fiscal sustainability, the increased flexibility in price setting between SONABHY and SONABEL will much reduce the need for subsidies to cover operational losses at SONABEL as the revised price structure is designed to provide fuel at a price which allows SONABEL to cover its costs (at least as long as international prices remain at their current low level). At the same time, by correcting the methodology on the basis of which import reference prices are calculated (making them more realistic) the revised price structure will eliminate the need for a large proportion of the market subsidies from the government to SONABHY. These are important considerations from the viewpoint of contingent liabilities insofar as the updated 2015 data for tripartite transfers, summarized in Annex Table 1, still amounts to CFA 93 billion (1.3 percent of GDP). For example, the authorities' simulations show that, if the new price structure for SONABHY's fuel purchase had been effective between January and April 2016, the budgetary savings associated with lower subsidies to SONABEL only would have amounted to 0.1 percent of GDP.

Text Table 1. Financial Interlinkages in the Energy Sector in 2015
(CFAF billions)

	SONABHY	Central Government	SONABEL
Profit and Loss 2015	15,600	n.a.	-18,000
Net Transfers to the State Owned Enterprises 2015	48,811	-80,661	31,850
In percentage of government expenditure	*2.87%*	*4.75%*	*1.88%*
Explicit subsidies	18,131	-34,131	16,000
Subvention d'equilibre	0	0	0
Market oriented (Oil and Gas)	18,131	-34,131	16,000
Investment subsidies	42,200	-59,100	16900
Income taxes and others	-7,020	8,070	-1050
Dividends	-4,500	4,500	0
Memo Items:			
Outstanding Payments as of end-2015	-84,731	34,131	50,600
Hydrocarbon and Electricity Bills	-66,600		66,600
Subsidies	-18,131	34,131	-16,000

Sources: Burkinabè authorities; SONABHY, SONABEL and IMF staff estimates.

Annex II. Debt Sustainability Update

Based on preliminary data for 2015, Burkina Faso's risk of debt distress remains moderate, in line with the assessment at the time of the 2nd/3rd ECF reviews. Under the baseline scenario, all relevant debt ratios are projected to remain significantly below indicative thresholds over the projection period. Under the most extreme standardized stress test, the debt-to-exports ratio breaches the debt distress threshold around 2029. Although increasing at a faster pace, public debt is projected to remain below indicative thresholds. This debt profile is predicated on a prudent medium-term fiscal stance and relatively favorable prospects in the mining sector.

Background and underlying assumptions

A. Burkina Faso's public debt profile and evolution

1. **Based on preliminary data and estimates for 2015, Burkina Faso's stock of public debt has increased to 32.1 percent of GDP from 28.1 percent of GDP in 2014**. The stock of nominal debt increased by 10 percent despite initial efforts to maintain a tightened fiscal stance during the transition. External debt is estimated to drive the bulk of the increase of nominal debt as it increased by 12 percent while domestic debt only increased by 5 percent. Domestic debt remains low at 7 percent of GDP, and its share of total debt is gradually reverting back to historical levels (Text Table 1). However these trends are not expected to persist as Burkina Faso is making progress in tapping the domestic and regional debt market for its financing needs.

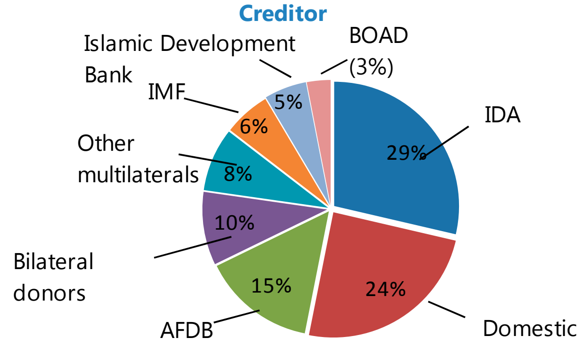
Text Table 1. Burkina Faso: Public Debt, 2011–15

	2011	2012	2013	2014	2015
			(US$ billions)		
Public debt	3.0	3.2	3.6	3.5	3.5
External	2.4	2.6	2.7	2.5	2.6
Domestic	0.6	0.7	0.9	1.0	1.0
			(CFAF billions)		
Public debt	1508	1616	1729	1863	2135
External	1216	1290	1291	1341	1561
Domestic	292	326	438	522	573
			(percent of GDP)		
Public debt	28.2	28.9	29.6	28.1	32.1
External	22.8	23.1	22.1	20.2	23.5
Domestic	5.5	5.8	7.5	7.9	8.6

Sources: Burkinabè authorities and IMF staff estimates

2. **The composition of debt is skewed towards more concessional debt.** IDA and the AFDB account for the largest shares with 29 and 15 percent of the total public debt stock, respectively, while other multilaterals (excluding the IMF) and bilateral donors account for 8 and 10 percent, respectively. The IMF holds 6 percent of Burkina Faso's total public debt stock and 8 percent of its external debt (Text Figure 1).

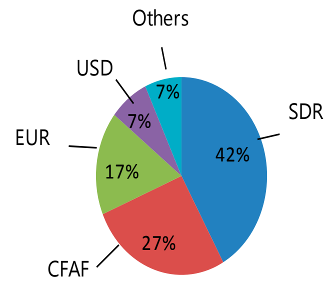
Text Figure 1. Burkina Faso: Public Debt by Creditor



Sources: Burkinabè authorities and IMF staff estimates.

3. **The stronger U.S. dollar in 2015 implied a moderate improvement in the external debt stock.** Although the nominal external debt stock in CFAF has increased by 18 percent, the stock of nominal external debt increased by only one percent as the appreciation of the U.S. dollar lowers the dollar value of all non-U.S. dollar denominated debt, which accounts for roughly three quarters of total debt (Text Figure 2).

Text Figure 2. Burkina Faso: Public Debt by Currency Denomination



Sources: Burkinabè authorities and IMF staff estimates.

B. DSA Assumptions

4. **The macroeconomic outlook is grimmer than envisaged at the time of the 2nd/3rd ECF reviews, owing to political uncertainty and weakening commodity prices** (Text Table 2).

- **Real GDP Growth** is projected at 5.4 percent on average over the medium term, down from 6 percent relative to the previous DSA amidst an uncertain political environment and the lingering impact of the recent terrorist attacks. Economic growth is projected to converge gradually to an average of 6 percent per year in the medium term, based on gradual improvements in energy supply, higher and better execution of public investment and the coming on stream of new gold mines.

- **Both gold and cotton prices are projected above their levels in the previous DSA, based on the latest WEO update** (March 4, 2016). Gold price projections are broadly in line with previous projections over the medium run but are projected to overshoot previous assumptions by 26 percent in the long term. Cotton price projections are initially lower but gradually increase by 43 percent above previous assumptions over the projection period.

- **The current account deficit is projected to average about 5.2 percent of GDP per year over the medium term** (compared to 7.7 percent of GDP in the previous DSA) reflecting the combined impact of higher gold and cotton prices, projected increase in gold production associated with two new opening mines and lower oil prices. The current account deficit is expected to stabilize around 7.5 percent of GDP over the long run.

- **The overall fiscal deficit** is projected to remain anchored at 3 percent of GDP over the medium term compared to an average 3.7 percent in the previous DSA but is projected to gradually converge towards about 6.1 percent of GDP as in the previous DSA.

Text Table 2. Burkina Faso: Changes in assumptions relative to the previous DSA

		2015	2016	2017	2018	2019	2020	2021
Gold (USD/ounce)	Current DSA (WEO)	1160	1219	1231	1234	1254	1274	1294
	2015 DSA	1180	1172	1187	1206	1226	1245	1265
Cotton prices (cts/lb)	Current DSA (WEO)	70	58	59	62	62	62	62
	2015 DSA	63	65	65	59	51	44	44
Real GDP growth (y/y)	Current DSA	4.0	5.2	5.9	6.1	6.2	6.0	6.0
	2015 DSA	5.0	6.0	6.5	6.6	6.6	6.6	6.6
Current account (% of GDP)	Current DSA	-6.4	-5.9	-5.3	-5.7	-6.0	-6.5	-7.2
	2015 DSA	-7.6	-7.8	-7.9	-8.1	-7.1	-7.2	-8.0
Overall fiscal balance (% of GDP)	Current DSA	-2.1	-3.1	-3.0	-3.2	-3.0	-3.1	-3.2
	2015 DSA	-2.5	-3.0	-3.7	-4.1	-4.1	-4.0	-4.0

Sources: World Economic Outlook; and IMF staff estimates and projections.

DSA Results

C. External Debt

5. **The baseline scenario remains broadly in line with that of the previous DSA, suggesting a moderate risk of debt distress.** The impact of the weaker growth outlook compared with the previous DSA on the debt metrics is being broadly balanced by that of higher mining exports and of the U.S. dollar appreciation. As in the previous DSA, the debt-to-exports ratio is projected to breach the relevant sustainability threshold under the most extreme standardized stress test scenario corresponding to a one-standard-deviation drop in exports growth relative to historical levels (the breach occurs in 2029 in the current DSA update compared with 2027 in the previous DSA).

6. **Although debt and debt service indicators remain significantly below relevant thresholds under the baseline scenario, there are risks attached to the relatively rapid pace of debt accumulation in the medium-term.** Mining revenues are inherently volatile and subject to uncertainties regarding both production volumes and prices, and the currently favorable U.S. dollar/euro exchange rate dynamics can reverse rapidly.

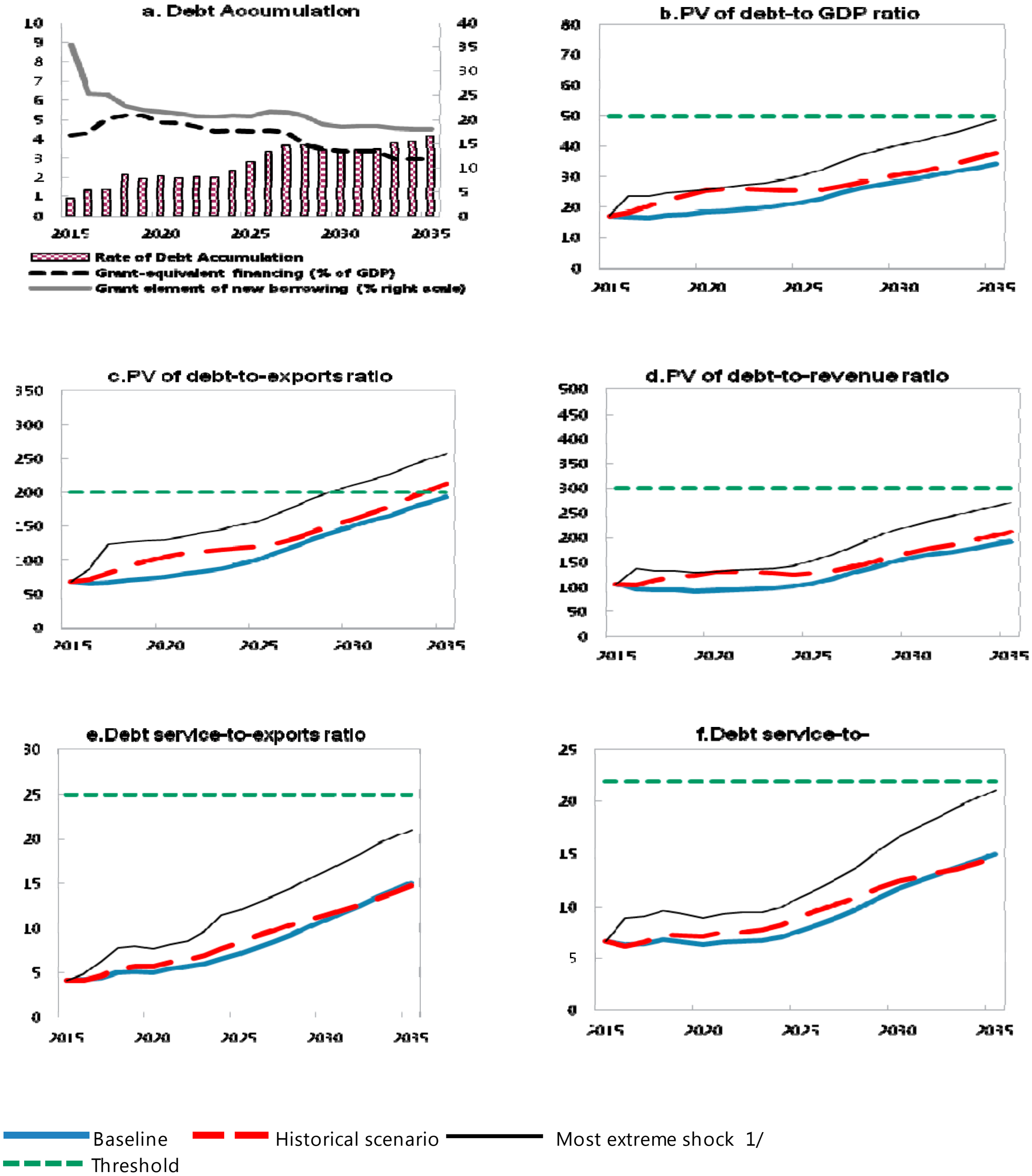
D. Total Public Debt

7. **Burkina Faso's total public debt is projected to increase more rapidly than in the previous DSA, although it would still remain below relevant thresholds throughout the projection period.** Total public debt is projected to rise from 32.2 percent of GDP in 2015 to 67.4 percent of GDP in 2035 (53 percent of GDP in the previous DSA), somewhat below the 74 percent threshold, while the stock of domestic debt gradually rises to 24.6 percent of GDP by the end of the projection period. The sharp build-up in public debt after the first decade of the projection period is based on the assumption that mining activity will slow down substantially, leading to a reduction of domestic revenue and more recourse to external and domestic financing. In the meantime the share of the non-concessional borrowing to total borrowing will increase from barely 29 percent to 55 percent at the end of the projection period. The authorities' heavy reliance on bank financing represents a downside risk, should the BCEAO need to tighten regional monetary conditions over the medium term.

Conclusion

The DSA results indicate that Burkina Faso's risk of debt distress remains "moderate." All relevant ratios remain below indicative thresholds under the baseline scenario. The DSA continues to underline the vulnerability of the debt path to shocks to exports as the ratio of debt to exports breaches its indicative threshold. In light of projected increases in domestic and external debt and vulnerabilities associated with export revenue and regional liquidity conditions, the authorities ought to strive to enhance debt management capacity, which is currently assessed as weak.

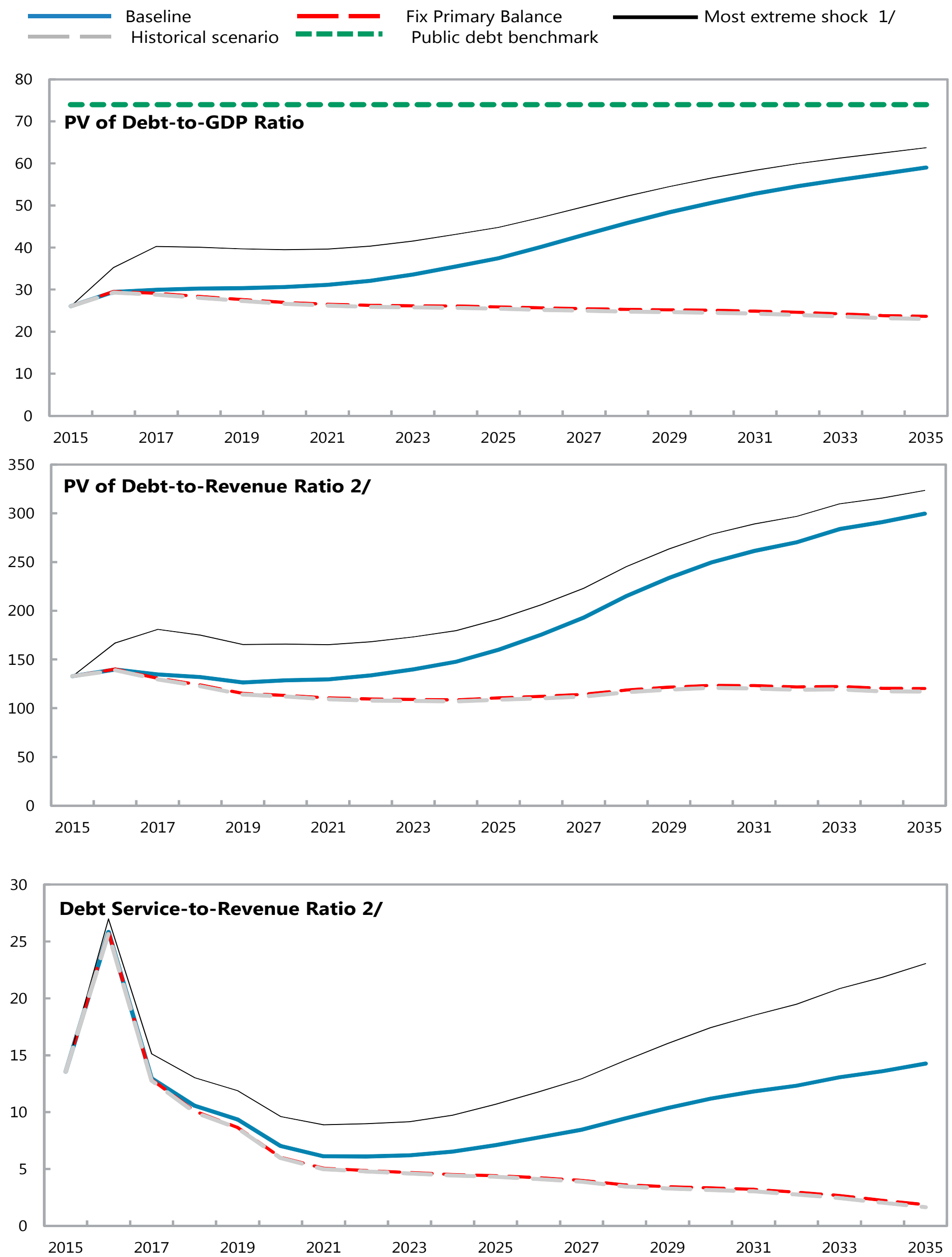
Figure A2.1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2015–35 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure A2.2. Burkina Faso: Indicators of Public Debt Under Alternative Scenarios, 2015–35 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.
2/ Revenues are defined inclusive of grants.

Table A2.1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2014–35 1/

	Actual	Historical Average 6/	Standard Deviation 6/	Projections														
	2014			2015	2016	2017	2018	2019	2020	2015-2020 Average	2021	2026	2030	2031	2032	2033	2034	2035
External debt (nominal) 1/	**20.2**			**23.5**	**23.6**	**23.1**	**23.7**	**23.9**	**24.3**		**24.6**	**29.3**	**36.0**	**37.2**	**38.4**	**39.8**	**41.2**	**42.8**
of which: public and publicly guaranteed (PPG)	20.2			23.5	23.6	23.1	23.7	23.9	24.3		24.6	29.3	36.0	37.2	38.4	39.8	41.2	42.8
Change in external debt	-1.9			3.3	0.1	-0.5	0.6	0.2	0.3		0.4	1.9	1.2	1.2	1.2	1.4	1.4	1.6
Identified net debt-creating flows	5.2			3.6	2.7	1.9	2.3	2.6	3.2		3.7	5.3	3.6	3.5	3.3	3.2	3.1	3.0
Non-interest current account deficit	**7.8**	**7.3**	**3.7**	**6.1**	**5.5**	**4.9**	**5.3**	**5.6**	**6.1**		**6.7**	**8.3**	**6.9**	**6.8**	**6.7**	**6.6**	**6.5**	**6.5**
Deficit in balance of goods and services	9.0			8.4	7.0	7.5	8.1	8.6	9.1		9.8	11.3	9.8	9.7	9.6	9.4	9.8	9.7
Exports	25.7			25.3	25.6	25.1	24.8	24.5	24.4		23.9	20.7	19.1	18.7	18.5	18.0	17.9	17.8
Imports	34.7			33.7	32.6	32.6	32.9	33.2	33.5		33.6	32.1	28.8	28.4	28.1	27.5	27.7	27.5
Net current transfers (negative = inflow)	-3.8	-4.8	0.8	-4.1	-3.1	-4.1	-4.1	-4.2	-3.9		-3.9	-3.4	-2.9	-2.9	-2.8	-2.7	-2.5	-2.4
of which: official	-1.8			-2.2	-1.3	-2.3	-2.3	-2.4	-2.2		-2.2	-1.6	-1.3	-1.2	-1.2	-1.1	-0.9	-0.9
Other current account flows (negative = net inflow)	2.7			1.8	1.6	1.5	1.3	1.1	1.0		0.8	0.3	0.0	0.0	-0.1	-0.1	-0.8	-0.8
Net FDI (negative = inflow)	**-2.3**	**-1.8**	**1.6**	**-1.9**	**-2.1**	**-2.1**	**-2.1**	**-2.1**	**-2.2**		**-2.2**	**-2.3**	**-2.4**	**-2.4**	**-2.4**	**-2.5**	**-2.5**	**-2.5**
Endogenous debt dynamics 2/	**-0.3**			**-0.6**	**-0.8**	**-0.9**	**-0.9**	**-0.9**	**-0.8**		**-0.8**	**-0.7**	**-0.9**	**-0.9**	**-0.9**	**-0.9**	**-1.0**	**-1.0**
Contribution from nominal interest rate	0.2			0.3	0.3	0.4	0.4	0.5	0.5		0.6	0.8	1.1	1.1	1.1	1.2	1.2	1.3
Contribution from real GDP growth	-0.9			-0.9	-1.1	-1.3	-1.3	-1.4	-1.3		-1.3	-1.5	-1.9	-2.0	-2.1	-2.1	-2.2	-2.3
Contribution from price and exchange rate changes	0.4			...	...	...	...	...	...		...	...	...	...	...	...	...	...
Residual (3-4) 3/ with changes in project grants	**-4.6**			**1.3**	**0.3**	**0.3**	**1.0**	**0.3**	**-0.3**		**-0.9**	**-1.2**	**-0.9**	**-0.7**	**-0.6**	**-0.7**	**-0.6**	**-0.4**
of which: exceptional financing	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PV of external debt 4/	15.1			17.3	16.8	16.8	17.5	17.9	18.4		18.9	23.1	28.6	29.6	30.7	31.9	33.1	34.4
In percent of exports	58.7			68.1	65.6	66.9	70.6	72.8	75.4		79.2	111.3	149.9	158.4	166.0	176.8	184.8	193.4
PV of PPG external debt	**15.1**			**17.3**	**16.8**	**16.8**	**17.5**	**17.9**	**18.4**		**18.9**	**23.1**	**28.6**	**29.6**	**30.7**	**31.9**	**33.1**	**34.4**
In percent of exports	**58.7**			**68.1**	**65.6**	**66.9**	**70.6**	**72.8**	**75.4**		**79.2**	**111.3**	**149.9**	**158.4**	**166.0**	**176.8**	**184.8**	**193.4**
In percent of government revenues	**87.5**			**107.3**	**97.2**	**94.7**	**95.0**	**92.0**	**94.0**		**95.4**	**118.4**	**160.4**	**167.1**	**172.4**	**178.7**	**185.5**	**192.8**
Debt service-to-exports ratio (in percent)	**3.1**			**4.2**	**4.3**	**4.5**	**5.1**	**5.2**	**5.0**		**5.5**	**7.8**	**10.9**	**11.8**	**12.6**	**13.6**	**14.3**	**15.1**
PPG debt service-to-exports ratio (in percent)	**3.1**			**4.2**	**4.3**	**4.5**	**5.1**	**5.2**	**5.0**		**5.5**	**7.8**	**10.9**	**11.8**	**12.6**	**13.6**	**14.3**	**15.1**
PPG debt service-to-revenue ratio (in percent)	**4.6**			**6.6**	**6.3**	**6.4**	**6.8**	**6.6**	**6.3**		**6.6**	**8.3**	**11.7**	**12.4**	**13.1**	**13.7**	**14.4**	**15.0**
Total gross financing need (Billions of U.S. dollars)	0.8			0.6	0.5	0.5	0.6	0.7	0.9		1.0	2.0	2.4	2.6	2.8	3.0	3.3	3.6
Non-interest current account deficit that stabilizes debt ratio	9.8			2.8	5.5	5.4	4.7	5.4	5.8		6.3	6.4	5.7	5.5	5.5	5.2	5.1	4.9
Key macroeconomic assumptions																		
Real GDP growth (in percent)	4.0	6.0	1.9	4.0	5.2	5.9	6.1	6.2	6.0	5.6	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP deflator in US dollar terms (change in percent)	-1.6	3.9	6.9	-15.2	2.7	2.8	2.1	2.5	2.7	-0.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2
Effective interest rate (percent) 5/	1.0	1.0	0.2	1.2	1.6	1.7	2.0	2.2	2.4	1.8	2.5	3.2	3.3	3.3	3.3	3.4	3.4	3.4
Growth of exports of G&S (US dollar terms, in percent)	1.7	21.6	26.4	-13.2	9.3	6.7	6.9	7.7	8.4	4.3	5.6	4.7	6.2	6.1	6.7	5.5	7.4	7.6
Growth of imports of G&S (US dollar terms, in percent)	-8.9	14.4	16.8	-14.2	4.4	9.0	9.1	9.9	9.9	4.6	8.7	6.8	6.6	6.4	6.9	5.9	9.2	7.3
Grant element of new public sector borrowing (in percent)	...	...	...	35.3	25.2	25.1	22.9	22.0	21.6	25.4	21.3	21.6	18.4	18.7	18.6	18.2	18.0	18.1
Government revenues (excluding grants, in percent of GDP)	17.3			16.1	17.3	17.8	18.4	19.4	19.6		19.8	19.5	17.8	17.7	17.8	17.8	17.8	17.8
Aid flows (in Billions of US dollars) 7/	0.6			0.5	0.5	0.6	0.7	0.8	0.8		0.8	1.0	1.0	1.1	1.1	1.0	1.1	1.2
of which: Grants	0.5			0.4	0.5	0.6	0.6	0.7	0.7		0.8	0.9	0.9	1.0	1.0	0.9	1.0	1.0
of which: Concessional loans	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Grant-equivalent financing (in percent of GDP) 8/	...			4.2	4.3	5.1	5.2	5.2	4.8		4.8	4.4	3.4	3.4	3.4	3.0	3.0	3.0
Grant-equivalent financing (in percent of external financing) 8/	...			77.0	73.6	75.4	67.7	69.7	67.4		67.7	54.2	46.0	45.4	44.4	39.5	38.8	37.1
Memorandum items:																		
Nominal GDP (Billions of US dollars)	12.5			11.0	11.9	12.9	14.0	15.3	16.6		18.0	26.5	36.3	39.2	42.4	45.8	49.6	53.7
Nominal dollar GDP growth	2.3			-11.8	8.0	8.8	8.4	8.8	8.8	5.2	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.3
PV of PPG external debt (in Billions of US dollars)	1.8			1.9	2.0	2.2	2.5	2.7	3.1		3.4	6.1	10.4	11.6	13.0	14.6	16.4	18.5
(PVt-PVt-1)/GDPt-1 (in percent)				0.9	1.3	1.4	2.2	2.0	2.1	1.6	2.0	3.4	3.4	3.5	3.5	3.8	3.9	4.2
Gross workers' remittances (Billions of US dollars)	0.2			0.2	0.2	0.2	0.3	0.3	0.3		0.3	0.5	0.6	0.6	0.7	0.7	0.8	0.8
PV of PPG external debt (in percent of GDP + remittances)	14.8			16.9	16.5	16.5	17.2	17.5	18.1		18.6	22.7	28.1	29.2	30.2	31.4	32.6	33.9
PV of PPG external debt (in percent of exports + remittances)	54.5			63.2	61.2	62.3	65.7	67.7	70.2		73.6	102.8	137.9	145.7	152.6	162.5	170.2	178.5
Debt service of PPG external debt (in percent of exports + remittances)	2.9			3.9	4.0	4.2	4.7	4.8	4.7		5.1	7.2	10.1	10.8	11.6	12.5	13.2	13.9

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ 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 A2.2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2013–35

(In percent of GDP, unless otherwise indicated)

	Actual		Estimate	Projections									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2015-20 Average	2025	2030	2035
Public sector debt 1/	29.6	28.1	32.1	36.3	36.2	36.5	36.4	36.5	36.9		43.3	58.0	67.4
of which: foreign-currency denominated	22.1	20.2	23.5	23.6	23.1	23.7	23.9	24.3	24.6		27.4	36.0	42.8
Change in public sector debt	0.7	-1.5	4.1	4.1	0.0	0.2	0.0	0.0	0.4		2.2	2.4	1.7
Identified debt-creating flows	1.9	2.0	2.7	0.3	0.3	0.5	0.3	0.3	0.6		2.2	2.4	1.3
Primary deficit	3.9	-0.4	1.0	2.2	2.3	2.7	2.6	2.5	2.7	2.2	4.5	5.4	5.0
Revenue and grants	23.9	21.4	19.6	21.1	22.3	22.9	24.0	23.8	24.0		23.4	20.3	19.7
of which: grants	5.6	3.9	3.5	3.8	4.5	4.5	4.6	4.2	4.2		3.5	2.5	1.8
Primary (noninterest) expenditure	27.8	21.0	20.6	23.3	24.6	25.6	26.6	26.3	26.7		27.9	25.7	24.7
Automatic debt dynamics	-2.0	2.4	1.7	-2.0	-2.1	-2.2	-2.3	-2.2	-2.1		-2.2	-2.9	-3.6
Contribution from interest rate/growth differential	-1.1	0.0	-0.9	-1.4	-2.0	-2.1	-2.2	-2.1	-2.1		-2.2	-2.9	-3.6
of which: contribution from average real interest rate	0.7	1.1	0.2	0.2	0.0	-0.1	-0.1	-0.1	0.0		0.1	0.2	0.1
of which: contribution from real GDP growth	-1.8	-1.1	-1.1	-1.6	-2.0	-2.1	-2.1	-2.1	-2.1		-2.3	-3.1	-3.7
Contribution from real exchange rate depreciation	-0.9	2.4	2.6	-0.6	-0.1	-0.1	-0.2	0.0	0.0		...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	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	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	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	0.0
Residual, including asset changes	-1.2	-3.5	1.4	3.9	-0.3	-0.3	-0.3	-0.3	-0.2		0.0	0.0	0.3
Other Sustainability Indicators													
PV of public sector debt	...	23.6	26.1	29.4	30.0	30.2	30.3	30.6	31.1		37.5	50.7	59.0
of which: foreign-currency denominated	...	15.1	17.3	16.8	16.8	17.5	17.9	18.4	18.9		21.6	28.6	34.4
of which: external	...	15.1	17.3	16.8	16.8	17.5	17.9	18.4	18.9		21.6	28.6	34.4
PV of contingent liabilities (not included in public sector debt)	...	...	...	...	...	...	...	...	...		...	...	...
Gross financing need 2/	4.8	3.6	4.1	7.6	5.2	5.1	4.7	4.2	4.2		6.1	7.7	7.8
PV of public sector debt-to-revenue and grants ratio (in percent)	...	110.1	132.8	139.6	134.6	131.9	126.3	128.6	129.7		160.2	249.7	299.7
PV of public sector debt-to-revenue ratio (in percent)	...	134.2	161.3	170.4	168.7	164.1	156.4	156.2	157.2		188.8	284.3	330.7
of which: external 3/	...	86.0	106.8	97.3	94.7	95.0	92.1	94.0	95.4		108.8	160.4	192.8
Debt service-to-revenue and grants ratio (in percent) 4/	7.5	11.0	13.6	25.9	13.0	10.6	9.4	7.0	6.1		7.1	11.2	14.3
Debt service-to-revenue ratio (in percent) 4/	9.6	13.7	16.5	31.5	16.3	13.1	11.6	8.5	7.4		8.4	12.7	15.7
Primary deficit that stabilizes the debt-to-GDP ratio	3.2	1.1	-3.1	-1.9	2.4	2.5	2.6	2.5	2.3		2.3	2.9	3.3
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.6	4.0	4.0	5.2	5.9	6.1	6.2	6.0	6.0	5.6	6.0	6.0	6.0
Average nominal interest rate on forex debt (in percent)	1.0	1.0	1.2	1.6	1.7	2.0	2.2	2.4	2.5	1.8	3.0	3.3	3.4
Average real interest rate on domestic debt (in percent)	5.9	7.4	2.9	5.2	0.8	-0.5	-0.9	-1.4	-1.4	1.0	-1.0	-1.0	-1.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.3	11.1	13.4	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-0.8	-1.7	1.6	2.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	15.0	-12.4	-3.5	15.9	12.2	10.5	10.0	5.4	7.3	8.4	5.1	3.8	5.2
Grant element of new external borrowing (in percent)	...	...	35.3	25.2	25.1	22.9	22.0	21.6	21.3	25.4	20.8	18.4	18.1

Sources: Country authorities; and staff estimates and projections.
1/ Central government gross debt
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 A2.3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35

(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
PV of debt-to GDP ratio								
Baseline	17	17	17	18	18	18	**22**	34
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	17	18	20	23	24	26	**26**	38
A2. New public sector loans on less favorable terms in 2015-2035 2	17	17	18	19	20	21	**28**	50
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	17	17	17	18	18	19	**22**	35
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	17	20	24	25	25	25	**26**	36
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	17	18	19	20	20	21	**24**	39
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	17	18	19	20	20	21	**23**	35
B5. Combination of B1-B4 using one-half standard deviation shocks	17	17	19	19	20	20	**23**	36
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	17	24	24	25	25	26	**30**	49
PV of debt-to-exports ratio								
Baseline	68	66	67	71	73	75	**101**	193
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	68	71	81	91	99	105	**120**	213
A2. New public sector loans on less favorable terms in 2015-2035 2	68	68	71	78	83	88	**130**	280
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	68	66	67	71	73	75	**101**	193
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	68	88	123	127	129	131	**158**	257
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	68	66	67	71	73	75	**101**	193
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	68	69	76	80	82	84	**108**	195
B5. Combination of B1-B4 using one-half standard deviation shocks	68	67	69	73	75	78	**102**	193
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	68	66	67	71	73	75	**101**	193
PV of debt-to-revenue ratio								
Baseline	107	97	95	95	92	94	**109**	193
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	107	105	114	122	125	131	**130**	212
A2. New public sector loans on less favorable terms in 2015-2035 2	107	100	100	105	105	109	**140**	279
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	107	99	97	98	95	96	**112**	198
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	107	113	136	133	127	127	**132**	199
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	107	103	106	107	104	105	**122**	216
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	107	102	108	108	104	105	**116**	195
B5. Combination of B1-B4 using one-half standard deviation shocks	107	100	105	105	101	103	**117**	204
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	107	138	134	134	131	133	**154**	272

Table A2.3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35 (continued)

(In percent)

				Debt service-to-exports ratio				
Baseline	4	4	5	5	5	5	**7**	15
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	4	4	5	5	6	6	**8**	15
A2. New public sector loans on less favorable terms in 2015-2035 2	4	4	4	5	5	5	**8**	22
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	4	4	5	5	5	5	**7**	15
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	4	5	6	8	8	8	**12**	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	4	4	5	5	5	5	**7**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	4	4	5	5	6	5	**8**	16
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	5	5	5	5	**7**	15
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	4	4	5	5	5	5	**7**	15
				Debt service-to-revenue ratio				
Baseline	7	6	6	7	7	6	**8**	15
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	7	6	7	7	7	7	**9**	15
A2. New public sector loans on less favorable terms in 2015-2035 2	7	6	6	7	7	7	**9**	22
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	7	6	7	7	7	6	**8**	15
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	7	6	7	8	8	7	**10**	16
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	7	7	7	8	8	7	**9**	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	7	6	7	7	7	7	**8**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	7	6	7	7	7	7	**8**	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	7	9	9	10	9	9	**11**	21
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	17	17	17	17	17	17	**17**	17

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 (implicitly a
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 A2.4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2015–35

	Projections											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2035
PV of Debt-to-GDP Ratio												
Baseline	26	29	30	30	30	31	31	32	34	35	37	59
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	26	29	29	28	27	27	26	26	26	26	25	23
A2. Primary balance is unchanged from 2015	26	30	29	28	28	27	27	26	26	26	26	24
A3. Permanently lower GDP growth 1/	26	30	31	31	32	32	33	35	37	40	42	74
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	26	31	32	32	33	33	34	36	38	40	42	67
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	26	35	40	40	40	39	40	40	42	43	45	64
B3. Combination of B1-B2 using one half standard deviation shocks	26	32	35	35	35	35	36	37	38	40	42	64
B4. One-time 30 percent real depreciation in 2016	26	37	36	36	36	35	36	36	38	39	41	62
B5. 10 percent of GDP increase in other debt-creating flows in 2016	26	39	39	38	38	38	38	39	40	42	44	63
PV of Debt-to-Revenue Ratio 2/												
Baseline	133	140	135	132	126	129	130	134	140	148	160	300
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	133	139	130	123	114	112	109	108	107	107	109	117
A2. Primary balance is unchanged from 2015	133	140	131	124	115	113	111	109	109	109	111	120
A3. Permanently lower GDP growth 1/	133	144	138	137	132	135	138	145	153	164	180	374
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	133	145	142	141	137	140	142	148	156	166	180	338
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	133	167	181	175	165	166	165	168	173	180	191	323
B3. Combination of B1-B2 using one half standard deviation shocks	133	154	157	153	146	148	149	153	159	167	180	323
B4. One-time 30 percent real depreciation in 2016	133	173	163	157	149	149	149	152	157	164	176	316
B5. 10 percent of GDP increase in other debt-creating flows in 2016	133	183	173	167	159	159	159	162	167	174	186	319
Debt Service-to-Revenue Ratio 2/												
Baseline	14	26	13	11	9	7	6	6	6	7	7	14
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	14	26	13	10	9	6	5	5	5	4	4	2
A2. Primary balance is unchanged from 2015	14	26	13	10	9	6	5	5	5	5	4	2
A3. Permanently lower GDP growth 1/	14	26	13	11	10	7	7	7	7	7	8	19
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	14	26	13	11	10	8	7	7	7	7	8	17
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	14	26	14	15	13	9	8	7	7	9	10	17
B3. Combination of B1-B2 using one half standard deviation shocks	14	26	13	12	11	8	7	7	7	8	9	16
B4. One-time 30 percent real depreciation in 2016	14	27	15	13	12	10	9	9	9	10	11	23
B5. 10 percent of GDP increase in other debt-creating flows in 2016	14	26	15	16	11	9	7	7	7	9	9	16

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.

Appendix I. Letter of Intent

MINISTRY OF ECONOMY,
FINANCE AND DEVELOPMENT

GENERAL SECRETARIAT

DIRECTORATE GENERAL
OF COOPERATION

Ouagadougou, May 26, 2016

N°2016_____/MINEFID/SG/DGCOOP

From: The Minister of Economy, Finance and Development

To: Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, DC 20431 (USA)

Madame Managing Director:

The government elected following the presidential and parliamentary elections of November 29, 2015, has continued to implement the measures established in its 2013–2016 three-year economic program supported under the Extended Credit Facility (ECF) of the International Monetary Fund (IMF). The government reaffirms its determination to continue implementing sound economic and financial policies, to combat poverty, and to foster conditions conducive to inclusive growth, in accordance with the political agenda of the elected Head of State.

The government will continue the efforts undertaken by the transition authorities towards consolidating public finances and improving governance. However, it also intends to implement a National Economic and Social Development Plan (*Plan National de Développement Économique et Social* – PNDES), the new development and inclusive growth policy. In 2016, the program will be implemented amid persistently difficult conditions, marked by relatively weak cotton and gold prices. Although the "wait-and-see" attitude demonstrated in relation to the political transition in 2015 is no longer present today, the security situation has deteriorated following the attacks on January 15, 2016, and appears to have dampened the keenly anticipated rebound in the private sector. Moreover, the country's politically turbulent period in 2014 and 2015 contributed to slower economic growth compared to historical trends, as well as to a decline in the tax revenue collection rate relative to GDP, dropping from 16.5 percent in 2013 to 14.3 percent in 2015. At the same time, current expenditure rose from 13.6 percent of GDP in 2013 to 14.2 percent in 2015, largely due to a higher wage bill amid social pressures. Public investment suffered as a result of the combined effects of these two trends, dropping by half during the same period (from 14.2 percent of GDP in 2013 to 7.7 percent in 2015).

The 2016 supplementary budget law (*loi de finances rectificative* – LFR) aims to expand fiscal space for the government's priority investments and social expenditures. Revenue is expected to increase by 1.8 percentage points of GDP compared to 2015 through tax rate hikes on certain products (tobacco, alcohol, and stamp duty), modernization of the tax and customs administrations, and strengthening of controls and efforts to combat fraud. With respect to expenditure, the new budget allocations that the government wishes to see in 2016 are essentially meant to support the health, education, and security sectors, while maintaining the necessary space for investment.

Furthermore, low international oil prices are an opportunity that the government intends to seize to firm up the financial footing of the energy sector, particularly the electricity sub-sector. This should enable effective management of new investments in the sector, quickly improve electricity supply, and boost private sector development. The reforms currently under way are aimed at (i) clearing a large part of the payment arrears owed by national electricity utility SONABEL to national oil company SONABHY by way of payment of a special dividend from SONABHY to the government; (ii) clarifying and simplifying the financial relationships between the government, SONABHY, and SONABEL through the application of a new, more flexible oil purchase price structure by SONABEL; and (iii) improved monitoring of the financial position of both SONABHY and SONABEL, a situation that is also expected to benefit from the resolute implementation of recommendations arising from the audits performed in 2014.

The appended Memorandum of Economic and Financial Policies (MEFP) describes the prevailing economic and financial situation in 2015, outlines the economic and financial policies that the government intends to implement in 2016, and establishes the benchmarks and reforms for the rest of 2016. It also explains the country's balance of payments financing needs.

Despite the unfavorable political and security context, performance under the ECF-supported program has remained satisfactory. All the quantitative performance criteria were met, including the net domestic financing ceiling, non-concessional external loans, and non-accumulation of external arrears. With respect to indicative targets, the government deficit has remained below the ceiling set at end-June 2015, and all the other benchmarks have been met, aside from the government revenue floor.

With respect to structural benchmarks, 7 out of the 11 benchmarks for 2015 were completed, and most of those remaining are underway. In particular, the benchmark (standardized invoicing) to be met by the Directorate General of Taxation (*Direction Générale des Impôts* – DGI) will be achieved before end-June, for both large and medium-sized enterprises. The benchmark on "leakages" during hydrocarbon transport, to be achieved by SONABHY, was replaced by a technical measure for securing loads. Lastly, out of the five additional benchmarks planned between January and March 2016, one was completed (creation of an investigations and tax research directorate within the Directorate General of Taxation), while four are underway.

In light of these commitments, we request that the IMF conclude the fourth and fifth reviews under the ECF arrangement. To this end, we request disbursements in the amount of SDR 14.10 million and SDR 4.47 million, respectively, under the two reviews. Furthermore, we request, for the sixth program review, the modification of performance criteria and indicative targets as well as the modification and approval of new structural benchmarks, particularly changes to the ceiling on net domestic financing (performance criterion) and to the floors on domestic revenues and social spending (indicative target).

Under the new policy on debt limits in Fund-supported programs, which took effect in June 2015, we also request approval of a new non-concessional borrowing ceiling.

The government believes that the policies set forth in the attached MEFP are adequate to achieve the economic and social objectives of its program, but it will take any further measures that may become appropriate for this purpose. The government will consult with the IMF on the adoption of these measures in advance of revisions to the policies contained in the MEFP, in accordance with applicable IMF policies on such consultations.

The government will provide the IMF with all information on implementation of the agreed measures and program execution, as provided in the attached revised Technical Memorandum of Understanding or at the request of the IMF.

As in the past, the government agrees to publication of this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely yours,

/s/
Hadizatou Rosine Coulibaly/Sori

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies for 2016

INTRODUCTION

1. This Memorandum of Economic and Financial Policies (MEFP) provides updated data on the implementation of the program for the 2014–2016 period supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF). This economic and financial program aims to preserve economic stability and strengthen the basis for sustained and inclusive growth, in line with the objectives of the National Economic and Social Development Plan (*Plan National de Développement Économique et Social* – PNDES) currently being developed. This Memorandum describes recent economic developments and takes stock of the quantitative criteria and structural benchmarks at end-June and end-December 2015, in addition to laying down key directions for the remainder of 2016.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Recent macroeconomic developments

2. Economic activity in 2015 maintained the same pace as in 2014. In 2014, the country's economy had been hit by various shocks: unfavorable rainfall, falling gold and cotton prices, the impact of the Ebola crisis in the region, and a stronger U.S. dollar relative to the CFA franc. This situation was compounded by a wait-and-see attitude toward the historic political transition on the part of key private players, an attitude further fueled by the failed coup in September 2015. Although gold and cotton prices stopped falling in 2015, and even saw their value in CFA francs rise slightly owing to a strong appreciation of the U.S. dollar, this was not enough to accelerate growth, which remains far below its ten-year average at 4 percent for the second consecutive year.

3. The key indicators for 2015 reflect this generally subdued macroeconomic situation:

- Real GDP growth was expected to reach 4 percent in 2015, slightly more than population growth (3 percent). After rebounding in the first quarter of 2015 (an almost mechanical rebound following a very unsettled last quarter of 2014), economic activity slowed again in the second and third quarters of 2015, before rallying in the last quarter. The services and manufacturing sectors suffered from the economic standstill, which lasted close to three weeks as a result of the aborted September coup. A difficult crop year was also a contributing factor (6.3 percent decline in cereal production and 11.0 percent drop in cash crops).
- Private sector credit growth reflects this sluggish climate: credit to the economy rose by 7 percent after increases of between 20 and 25 percent in recent years. Net foreign assets

were up by 72.9 percent at end-December 2015. In line with these developments, broad money expanded by 19.9 percent as at December 31, 2015.

- Annual inflation remained very moderate (0.9 percent) at end-2015, due mainly to higher prices of foodstuffs and non-alcoholic drinks (+5.4 percent), and housing services and fuel (+3.5 percent). Inflation was mitigated by lower prices for transport services (-4.2 percent) and for alcohol, tobacco, and narcotics (-1.5 percent).
- The external current account improved significantly in 2015, with a deficit of 6.4 percent of GDP compared to 11 percent two years earlier. Exports increased by 3.1 percent, and a stronger U.S. dollar helped offset the decline in international gold and cotton prices. Imports, meanwhile, grew by 2 percent despite a drop in the oil bill.

4. Looking at public finances, the overall deficit (commitment basis) improved between 2013 and 2015, dropping from 3.5 percent in 2013 to 1.8 percent in 2014, to settle at 2.1 percent of GDP in 2015:

- Total revenues (excluding grants) decreased in real terms in 2015. Total tax and non-tax revenues were 16.1 percent of GDP at end-2015 compared to 17.3 percent in 2014, after reaching 18.5 percent of GDP in 2013. This decrease is attributable to a contraction in VAT of 0.4 percent of GDP, decreasing port duties of 0.3 percent of GDP, and declining taxes on corporations of 0.5 percent of GDP over the period. Higher tax non-compliance and fraud were also contributing factors.

- Current expenditure continued to increase, edging up from 13.6 percent in 2013 to 14 percent in 2014, to then settle at 14.2 percent of GDP in 2015, particularly as a result of a growing wage bill, going from 5.9 percent of GDP in 2013, to 6.7 percent of GDP in 2014, and to 7.3 percent of GDP in 2015. With the reform of the compensation system in 2014, the government had to make considerable effort to restore some social justice to the compensation allocation system. These efforts led to a higher wage bill in the 2014 budget of roughly CFAF 54.7 billion, including CFAF 39.3 billion for staff in social sectors.

- In this context of lower revenue and higher current expenditure, the contraction of the deficit stems primarily from a very substantial decrease in public investment, the level of which relative to GDP was divided in half, dropping from 9 percent in 2014 to 7.7 percent in 2015, after having reached 14.2 percent of GDP in 2013. This drop is due to both a decrease in investment financed by donors (4.4 percent of GDP in 2013, 3.5 percent in 2014, and 2.3 percent in 2015) as well as to decline in domestically financed investment (9.8 percent of GDP in 2013, 5.5 percent in 2014, and 5.4 percent in 2015).

B. Program Implementation

5. Program implementation remains satisfactory, despite a difficult environment in 2015. Most criteria and quantitative benchmarks were achieved at end-June and end-December 2015 (Table 1).

- All quantitative performance criteria, namely the ceiling on net domestic financing, non-concessional external borrowing, and non-accumulation of external arrears, were met. Net domestic financing for end-June was 1.69 percent of GDP, rising to 2.27 percent of GDP at end-December. Non-concessional loans totaled CFAF 121.2 billion at end-June and CFAF 159.9 billion at end-December 2015. Lastly, the government did not accumulate external payment arrears.

- With respect to indicative targets, the government deficit remained below the ceiling fixed at end-June of 1.2 percent of GDP, rising to 2.1 percent of GDP at end-December, owing mainly to a decrease in current transfers and public investment. All the other indicative targets at end-June and end-December were met, except for the government revenue floor. Revenue was below the ceiling by approximately 0.5 percent of GDP at end-June 2015 and 1.4 percent of GDP at end-December.

6. In terms of structural benchmarks, 7 out of the 11 planned in 2015 were completed (Table 2).

- They included (i) increasing the revenue base through an exhaustive survey of medium-sized enterprises for proper monitoring and efficient control of the new segmentation of enterprises, (ii) adopting legislation to make it compulsory to state the identity and identification number of incoming and outgoing officials on appointment documents to allow for automatic updating of their salary status, (iii) implementing an operations of cash payment of all government employee wages to monitor staffing and streamline remuneration components, (iv) signing a performance contract (*contrat-plan*) between the government and SONABEL to increase the latter's efficiency and put it on a stable footing for medium-term development, (v)preparing quarterly reports on pending payments, (vi) signing a performance contract between the government and SONABHY to increase the latter's efficiency and put it on a stable footing for medium-term development, and

(vii) adopt an action plan to implement the recommendations contained in the SONABHY audit report.

- As for the four other benchmarks not achieved in 2015, two were implemented with a delay and implementation of the remaining two is underway. With respect to installing and operating scanners to improve and expedite customs inspections, all scanners are now operational (aside from two cargo scanners at the airport, which are undergoing repairs). The Virtual Liaison System for Import and Export Operations (*Système de liaison virtuelle pour les opérations d'importation et d'exportation* – SYLVIE) became operational in February 2016. As for the effectiveness of the standardized invoicing used by large enterprises, the delay in its implementation is due to a change in the procedure for recruiting the technical operator. This procedure was changed from limited tender to open tender. Lastly, with respect to the benchmark on "leakages" during hydrocarbon transport, following discussions between SONABHY and transport workers' unions an alternative technical solution has been adopted and will be implemented as part of the 6th ECF review benchmarks.

- Five additional benchmarks were planned for 2016 between January and March. They are: (i) Establish an Investigations and Intelligence Directorate (*Direction des enquêtes et de renseignement*) to increase controls (met); (ii) to adopt the standardized invoicing for medium-sized enterprises (not met, but planned for June 2016 together with standardized invoicing for large enterprises); (iii) to have the SONAPOST Board of Directors adopt the recommendations made in the feasibility study regarding the provision of decentralized services (not met, the study started in April); (iv) to finalize a study on the viability of options for energy production and import by SONABEL (not met, study ongoing); and (v) to finalize an annual audit on pending payments and arrears, initially planned for March 2016 and expected in May.

IMPLEMENTATION OF THE STRATEGY FOR ACCELERATED GROWTH AND SUSTAINABLE DEVELOPMENT (SCADD) AND OUTLOOK FOR THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLAN (PNDES)

7. The implementation of the growth pole approach resulted in the continued construction of the Bagré growth pole and preparation of the Sahel growth pole and the Bobo-Dioulasso oil mill cluster. The National Economic and Social Development Plan (*Plan National de Développement Économique et Social* – PNDES) intends to consolidate the gains from these growth poles and put in place new ones (Sourou, Samendeni, Est, etc.).

8. The continued implementation of measures and actions from the performance matrix of the Strategy for Accelerated Growth and Sustainable Development (*Stratégie de croissance accélérée et de développement durable* – SCADD) in the fourth quarter of 2015 highlights the following actions, as far as the development of the pillars for accelerated growth (Pillar 1): (i) conducting environmental safeguards studies and continuing to perform the necessary work to build the Sahel growth pole; (ii) developing the agricultural sector by providing agricultural producers with equipment, such as plows and carts, distributing improved seeds and fertilizers at subsidized prices, and disseminating improved animal breeds; (iii) strengthening the nutritional and food security mechanism; (iv) adopting a new mining code to provide guidance to the mining sector, and foster and encourage secure mineral resource prospecting, exploration, and operation for the social and economic development of Burkina Faso; (v) establishing tourism development funds to bring technical and/or financial support to development initiatives within the tourism sector; (vi) continuing to take the necessary action to create the industrialization fund; (vii) continuing to implement the actions needed to establish multiannual contracts for routine maintenance of the road network; and (viii) interconnecting enterprise registration centers (*Centres de formalités des entreprises* – CEFORE), building permit facilitation centers (*Centres de facilitation des actes de construire* – CEFAC), and one-stop shops for land transactions (*Guichets uniques du foncier* – GUF) with partner administrations by creating a network that comprises all business development entities in order to simplify procedures.

9. With respect to consolidating human capital and promoting social protection (Pillar 2), key accomplishments focused on: (i) continued implementation of the special job creation program for

young people and women through technical and financial support for 3,000 youth to help them create micro-enterprises and through recruitment of young people for high labor intensity public works; (ii) the operationalization of the joint monitoring mechanism between the Ministry of National Education and Literacy (*Ministère de l'Éducation Nationale et de l'Alphabétisation* – MENA) and communes, for all powers transferred to the communes; (iii) actions to operationalize universal health insurance (*Assurance maladie universelle* – AMU) and the development of social mutual funds (*mutuelles sociales*); (iv) school and university infrastructure; and (v) actions to implement the National Social Protection Policy (*Politique nationale de la protection sociale* – PNPS).

10. With respect to strengthening governance (Pillar 3), considered in relation to its economic, political, administrative, and local aspects, the major reforms were: (i) to continue the necessary work for implementation of the program budget within ministries and institutions, and to introduce the standardized invoicing; (ii) to carry out the ongoing multisectoral survey on household living conditions (poverty component); (iii) to start reviewing the law establishing the judicial system with a view to improving the quality of the public service of justice; (iv) to adopt the law regarding the prevention and suppression of corruption in Burkina Faso; and (v) to start assessing the Strategic Framework for Decentralization (*Cadre stratégique de mise en œuvre de la decentralisation*).

11. As for including cross-sectoral issues in development policies and programs (Pillar 4), the actions aimed at ensuring its effectiveness involved: (i) strengthening the financing mechanism to support women entrepreneurs; and (ii) taking stock of the water resources managed by the Nakanbé Water Agency.

12. In January 2016, the government decided to develop a 2016-2020 National Economic and Social Development Plan (PNDES), which it plans to adopt by May 2016 as a replacement for the SCADD. The PNDES will thus become the reference framework for interventions by various national and international partners, an instrument for political dialogue with technical and financial partners (TFPs), and a medium for mobilizing resources to finance development. The 2016-2020 PNDES will have to bring together all sectoral policies and factor in Burkina Faso's international commitments. At the decentralized level, regional and communal development plans will be aligned with the PNDES. The National Plan will draw on lessons learned from the SCADD and will seek to realize the "Burkina 2025" vision for the 2016–2020 period, while integrating the various changes made in

recent years to the development agenda on the international, regional, sub-regional, and national levels.

ECONOMIC AND FINANCIAL PROGRAM FOR 2016

A. Macroeconomic framework

13. Growth forecasts for 2016 and 2017 were downgraded as a result of the continuing effects of certain shocks (terrorist attacks in January, low commodity prices, etc.). Projected growth has been revised to 5.2 percent in 2016, compared to the 6 percent foreseen during the second and third ECF program reviews. The upturn in activity compared to 2015 is supported by the manufacturing sector and services that should regain momentum following a successful political transition, as well as the opening of two new gold mines. However, this rebound is attenuated by the impact that the recent terrorist attacks will have on the business climate and falling commodity prices. Inflation is expected to remain moderate (following changes in import prices) and below the WAEMU criterion of 3 percent. The growth outlook for 2017, estimated to be 5.9 percent, is slightly more favorable than in 2016; growth will be driven by a dynamic agro-pastoral sector, supported by the continued operationalization of growth poles (Bagré, Samendeni, Sourou) and actions to develop hydroagricultural and water management infrastructure with the full-year implementation of public investment projects under the PNDES. In addition, mining operations and the services sector (telecommunications, financial services, and transport) are expected to remain firm. In the medium term, growth is expected to be around 6–6.5 percent, strengthened by a gradual improvement in energy supply following the extensive efforts of authorities and donors in this regard to support business productivity, dynamism in the mining extraction sector with the gradual start of the Tambao manganese project, and the opening of new gold mines as well as enhanced investments in productive sectors to make more opportunities available to the population.

14. Transactions with the rest of the world should translate into an improvement in the external current account in 2016. Imports are expected to be up 1.6 percent owing to higher investment spending, particularly public investments. This increase is expected to be offset by a 7.1 percent rise in exports.

B. Fiscal Policy

15. The new government, which took power in January 2016, intends to continue with a prudent fiscal policy, in line with the WAEMU convergence criteria and public debt sustainability. In this

regard, a draft supplementary budget law (*Loi de Finances Rectificative* – LFR) was adopted by the Council of Ministers during its session on March 21, 2016, and submitted to the National Assembly on March 23. This draft law provides for urgent measures to revive economic activity from its 2014 and 2015 levels, and takes into account the following imperatives:

- new configuration of the government;
- concerns regarding the implementation of priority government actions, particularly consideration of security issues and emergency measures in the health, education, water, and youth employment sectors;
- commitments vis-à-vis social partners, which were made by the transition government but which had not been budgeted; and
- financial government commitments vis-à-vis the cotton sector, for which no budget appropriation was earmarked.

16. The 2016 LFR amends the 2016 initial budget law (*Loi de Finances Initiale* – LFI) adopted by the National Transition Committee (*Conseil National de la Transition* – CNT) on December 26, 2015. This initial budget was essentially technical, but in line with the growth outlook and ongoing reforms. To recap, the underlying assumptions in the 2016 LFI were as follows:

- End of uncertainty and the wait-and-see attitude in connection with the political transition, and the delayed implementation of measures agreed upon during the second and third program reviews (standardized VAT invoicing for large and medium-sized enterprises, customs scanners, satellite tracking and unified platform for export invoicing, increased stamp duty and tax on alcohol and tobacco as of January 1, 2016) are expected to generate about CFAF 24.7 billion in additional revenue over 2015.

- Budget support projections in the 2016 budget stand at 1.4 percent of GDP (grants and concessional loans), down sharply from the exceptionally high 2015 levels (3 percent of GDP) but in line with the commitments of technical and financial partners.

- The overall deficit is expected to reach 3.3 percent of GDP in 2016, and to remain anchored at 3 percent in the medium term, in accordance with the WAEMU convergence criterion.

17. On this basis, the 2016 LFR provides for further revenue measures to finance a number of additional expenditures. The LFR shares the same priorities as the LFI, namely to:

- develop accelerated growth pillars;
- consolidate human capital and promote social protection;
- strengthen good governance;
- consider cross-sectoral priorities in development policies and programs; and
- strengthen internal security and national defense.

18. Domestic revenues under the LFR total 17.6 percent of GDP and program grants, 0.9 percent of GDP. Expenditure amounts to CFAF 1750.8 billion, that is, 24.9 percent of GDP. A number of reforms and accompanying measures were identified as part of the 2016 government budget execution program. Additional revenue totaling CFAF 58.9 billion, compared to the LFI, is generated through the following measures (Table 3):

- broadening of the tax base by consolidating the new segmentation of enterprises and increased tax inspections;
- clearing the stock of unpaid balances;
- systematically cross-checking information, between the Directorate General of Taxation (*Direction générale des impôts* – DGI) and the Directorate General of Customs (*Direction générales des douanes* – DGD), contained in tax returns filed by taxpayers based on the unique taxpayer ID;
- activating field 44 for input of references from COTECNA inspection notices, the implementation of which took effect on March 1, 2016; and
- combatting the fraudulent import of motorcycles.

19. In order to contain fiscal risks, the government intends to monitor the mobilization of these additional revenues very closely. In return, it will identify non-priority spending covered by at-risk revenue.

20. In terms of expenditure, measures and reforms are planned to streamline the administration's current spending in order to find savings, which will then be allocated to investment, that is:

- reducing allocations for fuel to bring down consumption;
- limiting the number of vehicles for government officials;
- capping call credits for government officials and restricting new landline connections;
- reducing the number of government leases and state-funded housing for government officials (*villas de fonction*);
- streamlining tasks and their weight on public spending;
- creating a pool of vehicles for ministries in order to reduce the number of vehicles used by the heads of various departments; and
- reforming the service vehicle system and subsequently reducing the government's vehicle fleet.

21. With respect to containing the civil servant wage bill, the government intends to continue its staff monitoring efforts by continuing and enhancing the biometric enrolment of government officials in the Integrated Administrative and Payroll Management System for Civil Servants (*Système Intégré de Gestion Administrative et Salariale du Personnel de l'État* – SIGASPE). Moreover, action will be taken to automate clearance of the payroll file through regular monitoring of temporary and final outflows as well as through the obligation to state the identity and identification number of incoming and outgoing officials on appointment documents to allow for automatic updating of their salary status. Furthermore, measures to boost the system for redeploying personnel from areas with a high concentration of workers to underserved areas will also be taken in order to better control additional staff recruitment. As concerns the implementation of law 081 on the status of civil servants, the government undertakes to hold constructive exchanges with social partners with the aim of reaching an agreement on an implementation scheme that factors in the budgetary resources to be earmarked for its implementation.

22. Investments financed with domestic resources are expected to increase to CFAF 383.8 billion, in other words, 5.5 percent of GDP compared to 5.4 percent in 2015.

23. The total financing requirement in 2016 is estimated at 3 percent of GDP, of which 2.2 percent of GDP will come from net external financing and 0.9 percent of GDP from net domestic financing. This shows a financing gap of 0.3 percent of GDP.

- Domestic financing estimates are based on the amortization owed in 2016 and the budget financing needs, given the projected external financing (budget support). Our Treasury plan is fairly ambitious and currently includes the issuance of CFAF 180 billion in bonds and CFAF 303.5 billion in Treasury bills, but this plan will be revised downward once the budget envelope has been defined in order to ensure a reasonable, feasible amortization profile for 2017–18.
- The overall deficit arising from this LFR is CFAF 231.9 billion, or 3.3 percent of GDP.

C. Debt Policy

24. The government debt policy aims to keep the characteristic debt ratios (public debt relative to GDP, tax revenue, and exports) within "moderate" risk boundaries. Our project portfolio for 2016-18 includes priority investments in the energy, telecommunications, water, agricultural, and road infrastructure sectors.

25. The government plans to continue to diversify its borrowing sources and give preference to grants and concessional loans, in addition to increasing the non-concessional debt ceiling to CFAF 230 billion. These commitments at end-2015 total CFAF 159.9 billion, and new projects amounting to CFAF 63.7 billion will be added to this envelope in 2016. Furthermore, the government is contemplating CFAF 256 billion in new concessional borrowing for 2016 (Text Table 1).

Text Table 1. Concessional and non-concessional loans to be signed in 2016					
Project	**Donors**	**Sectors**	**Amount (CFAF billions)**	**Terms**	**Type**
Project for construction and asphalting of national road between Guiba and Garango	IsDB	Road infrastructures	25.7	Interest rate: 2.5%; Reimb. period: 11 years; Grace period: 04 years	Non-concessional
Electrification of the periurban district of Ouaga and Bobo	AfDB-WB	Energy	38.0	Terms not yet defined.	Non-concessional
WESSA hydroelectric and hydro-agricultural dam	India	Hydro-agricultural development	110.4	Interest rate: 1.75%; Term 20 years; Grace period: 5 years	Concessional
Sahel irrigation project	IDA	Irrigation	18.0	IDA loan conditions	Concessional
Transportation sector technical assistance	IDA	Technical support	12.0	IDA loan conditions	Concessional
Livestock project	IDA	Livestock	18.0	IDA loan conditions	Concessional
Urban sector modernization project	IDA	Urbanization	60.0	IDA loan conditions	Concessional
Integrated Rural Development Project (Sanguié-Mouhoun)	WB-Gates Foundation	Rural Development	26.0	Blend (grant from Gates Foundation)	Concessional
University dormitories (2,500 beds) - Koudougou	Kuwait Fund	Education infrastructure	12.0	Interest-free loan	Concessional
Sources: Directions of Public Debt and of Cooperation, Ministry of Economics, Finance and Development.					

26. With respect to Treasury bill and bond issuances, the government took advantage of the favorable conditions in the regional financial market and began to extend the maturities of its issuances from 3–6 months to 1–2 years. At the same time, it recognizes the importance of enhancing the planning and monitoring of these operations in order to control the repayment schedule and the refinancing needs associated with these operations. To contribute to these efforts and to improve overall external and domestic debt management, it will be necessary to build the capacities of the stakeholders involved in the public debt process and update management and analysis tools.

D. Other Structural Reforms

Public Finance Reforms

27. To monitor the pending payment situation closely, quarterly reports have been published under the Fund-supported program. Arrears were gradually paid off in 2015, totaling just CFAF 4 billion at end-December. So as to move further in this direction, the government intends to conduct a complete audit of non-Treasury-related government arrears by end-April 2016. Meanwhile, it will continue the efforts undertaken to improve cash management and planning in

order to avoid periods of tight liquidity and to minimize the risk of new pending payment accumulations.

28. The government will continue efforts to repatriate Treasury assets in the postal checking center (*Centre des chèques postaux* – CCP). To recap, out of a balance of CFAF 169.8 billion at end-2014, it had been agreed that CFAF 75 billion of Public Treasury assets at the CCP would be made available to the Treasury in December and during 2015.

To date, the following actions have been taken:

- suspension of coverage on CCP clearing operations by the Public Treasury;
- repatriation of assets in the amount of CFAF 62.5 billion;
- completion of an audit of SONAPOST requested by the Minister responsible for Finance and conducted by BCEAO headquarters in January–February 2016 to assess SONAPOST's capacity to return the Treasury assets at the CCP. The audit report is expected to be completed by April 2016 in order to plan the process for the rest of the Treasury assets' repayment.

Energy Sector Reforms

29. One of our government's main priorities is to quickly increase electricity production to avoid blackouts and outages during the hot season and to support growth in the coming years. To this end, we are planning a number of reforms to enable SONABEL to effectively manage new investments in the sector, particularly to (i) put SONABEL on a sounder financial footing, (ii) clarify and simplify the structure of financial relationships between the government, SONABHY, and SONABEL, and (iii) improve the readability of financial operations performed by SONABHY and SONABEL. In the short term, it is important that the profits resulting from the significant decrease in oil prices since 2014 be clearly identified and benefit the energy sector in a broader sense, in particular as concerns SONABEL.

30. The government intends to implement the key findings from the recent audits of SONABEL and SONABHY. To recap, following these audits, the two companies signed performance contracts with the government. However, because of the political events in recent months, notable progress has yet to be made.

31. As for SONABHY and 2016, the audit recommendations to be implemented are contained in the "action plan for the implementation of recommendations arising from the audit on the supply

chain, operating expenses, and subsidies at SONABHY". The Audit and Quality Directorate (*Direction de l'Audit et de la Qualité*) acts as the internal monitoring committee. An external committee will be created and tasked with tracking the fulfilment of the contracting parties' obligations and evaluating the performance contract. It will consist of government and SONABHY representatives. Government representatives will comprise officials from the Ministry of Trade, Industry, and Handicrafts (*Ministère du Commerce, de l'Industrie et de l'Artisanat*), the Ministry of Mines, Energy, and Quarries (*Ministère des Mines, de l'Énergie et des Carrières*), and the Ministry of Economy, Finance, and Development (*Ministère de l'Économie, des Finances et du Développement*). SONABHY representatives will comprise the Chair of the Board of Directors, the Director General, and the workers' representative. The recommendations to be implemented in 2016 will essentially consist of:

- producing an internal audit guide;
- developing a program to resolve issues with running the "JDE" integrated management software, in addition to PCA implementation;
- updating corporate accounting procedures to ensure smooth management of the accounting department;
- bringing quarterly account statements in line with the requirements of the Accounting Standards, in effect as of April 2016;
- analyzing accounts on a quarterly basis and comprehensively cleaning up corporate accounts before end-2016;
- introducing hydrocarbon cost price accounting to highlight actual shortfalls for engaging in financial negotiations regarding interventions on objective grounds before end-2016;
- establishing a long-term investment plan, incorporating additional financing of the working capital requirement, backed by a credible financing plan;
- optimizing spending through currency management by recruiting a specialist in market finance or building the capacities of staff in charge of financial services;
- transferring the recovery of doubtful loans to a lawyer and taking legal action against customers in cases where recovery is not successful; and

- eliminating all-taxes-included sales by having customers bear customs duties themselves or make cash pre-payments that are likely to cover payment of customs duties when products are released in order to improve cashflow and minimize financial costs.

32. As concerns SONABEL, the recommendations on risk mapping will be implemented in June 2016. As part of the implementation of recommendations on financial and accounting practices, a management software is being acquired with support from the World Bank. Calls for tenders will be launched by September 2016. Cost accounting will be effective as of December 2016. The process to recruit a consultant is underway. The performance contract monitoring committee will be put in place in June 2016. Government representatives will comprise the First Ministry (*Premier Ministère*), the Ministry of Trade, Industry, and Handicrafts, the Ministry of Mines, Energy, and Quarries, and the Ministry of Economy, Finance, and Development. SONABEL representatives will comprise the Chair of the Board of Directors, the Director General, and the workers' representative.

33. The government intends to clarify the mechanism for reallocating the surplus arising from the widespread decline in world oil and hydrocarbon prices to the rest of the economy. If hydrocarbon prices remain in their recent range, this surplus is believed to reduce the bill for petroleum product imports by about CFAF 95 billion (1.4 percent of GDP) in 2016. A portion of this surplus will be passed on to consumers in the form of lower prices at the pump, already effective since end-2015, while the remaining surplus will be used to strengthen SONABEL's financial position. In particular, this will involve clearing some of the arrears that SONABEL owes to SONABHY (totaling CFAF 66.6 billion at end-2015) by way of payment of a special dividend from SONABHY to the government on the capital gain realized in 2015-16 in order to support investment in electricity production (new benchmark). The total dividend will amount to CFAF 40 billion, of which CFAF 5 billion resulting from 2015 SONABHY profits and the remainder from profits realized by SONABHY in 2016.

34. To prevent new arrears accumulation linked with the rigid fuel purchase price by SONABEL from SONABHY, the government also undertakes t adopt the implementation of automatic price adjustments based on oil price fluctuations in international markets. This mechanism will be set forth in the technical memorandum between the government, SONABEL, and SONABHY, to be signed in May 2016. This agreement will clarify all the financial relationships between the government,

SONABHY, and SONABEL, and will ensure the financial sustainability of SONABHY and SONABEL by avoiding the parallel renewal of an accumulation of government subsidies and arrears. In the medium term, tiered electricity pricing driven by activity sector and social groups should be adopted so that the subsidy benefits only the most disadvantaged and only certain industries.

35. Maintaining the financial sustainability of the energy sector also involves greater transparency in the evolution of the financial position of SONABHY and SONABEL. Complete audited financial statements for 2015 will make it possible to assess the current situation, and SONABHY and SONABEL will provide summaries of their financial statements and cash positions on a quarterly basis starting in June 2016 (new benchmark, Table 3 and TMU).

Cotton Sector Reforms

36. The government wishes to restore the viability of the cotton stabilization fund. After eight years of existence and effective operation, the cotton sector price smoothing fund (*fonds de lissage*) has been without resources since the end of the 2014–2015 crop year. An audit identified various failures that unintentionally converted the smoothing fund mechanism into a procyclical mechanism. Some recommendations were implemented, namely: (i) the need to supplement the fund, which had a balance of CFAF 4.5 billion and which was supposed to be empty following a drawing right in the amount of CFAF 11 billion for cotton companies for the 2014–2015 crop year. That year was characterized by a fall in world cotton prices, such that a floor price for cotton seed for the crop year was fixed based on 95 percent of the trend instead of 92 percent in the event of a negative balance in the fund. A subsidy amounting to CFAF 6.5 billion from the government in mid-2015 is allowing the fund to remain operational until mid-2016. The government also allocated CFAF 20 billion to the cotton sector in the 2016 LFR. This amount will be used to repay the subsidy and other advances to cotton producers. As regards state support for the 2016-17 crop season, we commit to seek additional external financing and/or identify savings on other expenditures, inasmuch as possible, given the already-tight budget situation. Nevertheless, sustainable resources must still be identified for future crop years to enhance the fund's capacity to address situations involving drastic falls in cotton prices over the long term. In addition, other recommendations should be implemented, including a revision of programming and regulation of the smoothing mechanism in order to make it more effective in dealing with cyclical cotton price fluctuations.

Reforms to Improve Macroeconomic Monitoring

37. The government supports the update of the base year for the national accounts. The national informal sector and employment survey (*Enquête nationale sur l'emploi et le secteur informel* – ENESI) was delayed in 2015 as a result of the 2014 popular uprising. Data were collected at end-2015 and entered fully on March 29, 2016. Data cleaning work has begun and will continue until the end of May 2016. The new base year will be 2014. The major steps remaining are to process the ENESI data and conduct specific studies, including the survey on the informal sector and gold panning, prepare 2014 accounts according to SNA 1993 on the one hand and SNA 2008 on the other, and perform backward extrapolation in respect of the national accounts series.

PROGRAM MODALITIES

38. The government intends to take all the necessary measures to achieve the objectives and criteria, as presented in Tables 1 and 3 of this Memorandum of Understanding. The program will be examined in keeping with the TMU, which defines the quantitative performance criteria and requirements regarding data reporting to Fund staff. The sixth program review is expected to take place on or after December 1, 2016.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, March 2015–June 2016

(CFAF billions, cumulative from beginning of year; unless otherwise indicated)

	2015																2016	
	March				June				Sept.[6]				Dec.				Mar.[6]	Jun.
	Proj.	Adj. Prog.	Act.		Proj.	Adj. Prog.	Act.		Proj.	Adj. Prog.	Act.		Proj.	Adj. Prog.	Act.[7]		Prog.	Prog.
Quantitative Performance Criteria																		
Ceiling on net domestic financing of central government[1]	55.0	55.0	46.1	Met	97.3	152.9	110.0	Met	150.7	164.8	114.6	Met	149.2	152.1	147.5	Met	56.3	111.0
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by government [2, 3]	150.0	150.0	n.a.	n.a	200	200	121.2	n.a.	200	200	n.a.	n.a	200	200	159.9	Met	200	230
Accumulation of external arrears [2]	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0	0.0
Indicative targets																		
Ceiling on domestic financing outside central government[4]	n.a	n.a	n.a	n.a	14	14	-36	Met	22	22	-48	Met	29	29	-60.8	Met	15	22
Ceiling on the overall fiscal deficit including grants	79.4	88.4	-8.9	Met	110.7	123.7	79.9	Met	179.5	155.3	54.0	Met	163.7	171.5	133.9	Met	82.4	164.8
Floor on Government revenue	276.8	276.8	246.9	Not Met	556	556	521	Not Met	800	800	773	Not Met	1137	1137	1048	Not Met	268	565
Floor on Poverty-reducing social expenditures[5]	117.5	117.5	176.0	Met	218	218	240	Met	327	327	327	Met	436	436	437	Met	118	199
Memorandum Item																		
Ceiling on the amount of new concessional external debt contracted or guaranteed by government [2, 3]	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	256.4

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

[1] Defined in the TMU on a PNG basis prior to June 2015, and including on-lending of prospective IMF disbursements.

[2] To be observed continuously.

[3] The limit is not tied to specific projects.

[4] From June 2015 onwards, as defined in the TMU.

[5] 90 percent of budget amount.

[6] Indicative Target, except for continuous performance criteria.

[7] Based on preliminary data

Table 2. Burkina Faso: Structural Benchmarks for Fourth and Fifth Reviews Under the ECF

Measure	**Explanation**	**Completion date** (end of month)	**Status/Comments**
Sign a performance contract between the government and SONABEL to increase its efficiency and put it on a stable footing for medium-term development. **(SONABEL)**	Strengthen control of the government's contingent liabilities and ensure the viability of public enterprises	June 2015	**Met.** The contract between the government and SONABEL was signed for 2015-2019, even though implementation is slow. The monitoring committees are in place and will produce infra-annual evaluation reports.
Complete an exhaustive survey of medium-sized enterprises for proper monitoring and efficient control of the new segmentation of enterprises. **(DGI)**	Optimize revenue collection by increasing revenue base	June 2015	**Met.** The survey was carried out in June 2015 and led to the deactivation of 655 taxpayers from medium-sized enterprises.
Draft regulations ensuring that invoicing for fuel leakages during transport is based on delivery prices instead of import prices to penalize losses above the specified norms during the transport of petroleum products from the ports to SONABHY in order to reduce fraud. (**SONABHY)**	Lower the operating costs of public enterprises by reducing fraud	June 2015	**Not met.** Not met because of resistance from transport carriers.
Publish a quarterly report on pending payments to avoid the accumulation of arrears. **(DGTCP, DGB, DGD)**	Improve cashflow management and budget execution	Every quarter as of June 2015	**Met.** The three 2015 reports were produced.
Implement regulations requiring large enterprises to use the standardized invoice by end-July 2015 and medium-sized enterprises by end-January 2016, to improve the traceability of transactions performed by taxpayers as concerns VAT. **(DGI)**	Improve tax revenue	July 2015 (large enterprises) January 2016 (medium-sized enterprises	**Not met**. Two benchmarks, initially slated for end-July 2015 (large enterprises) and end-January 2016 (medium-sized enterprises). **Rescheduled for June 2016 (Table 3).**
Adopt an action plan for implementing recommendations contained in the SONABHY audit report. **(SONABHY)**	Improve the efficiency of public enterprises	August 2015	**Met.** The action plan was adopted and forwarded to the IMF. The monitoring committee will produce its quarterly evaluation report at end-March 2016.
Adopt regulations making it compulsory to state the identity and identification number on appointment documents to facilitate automatic updating of the salary status of incoming and outgoing officials. **(DGB)**	Safeguard the sustainability of the government wage bill	August 2015	**Met.** A circular from the Prime Minister was signed and forwarded to each ministerial department and to institutions.
Install and operate scanners with a view to improving and expediting customs controls. (**DGD)**	Improve tax revenue	Sept. 2015	**Not met; implemented with a delay.** All scanners are operational, including that of the Ouaga route, as of March 2016.
Implement ad-hoc cash operations for payment of all government employee wages to monitor staffing and streamline remuneration components. **(DGB)**	Safeguard the sustainability of the government wage bill	Sept. 2015	**Met.** The report on these operations was completed in May 2015 and submitted to the IMF. The final report is awaiting official approval.

Table 2. Burkina Faso: Structural Benchmarks for Fourth and Fifth Reviews Under the ECF (continued)			
Sign a performance contract between the government and SONABHY to increase the latter's efficiency and put it on a stable footing for medium-term development. **(SONABHY)**	Strengthen control of the government's contingent liabilities and ensure the viability of public enterprises	Sept. 2015	**Met.** The contract between the government and SONABHY was signed on June 19, 2015.
Begin operation of the Virtual Liaison System for Import and Export Operations (SYLVIE) to ensure transparent, reliable, and rapid production and delivery of the documents required for customs clearance operations. **(DGD)**	Improve the efficiency of the customs system and combat fraud	Dec. 2015	**Not Met, implemented with a delay**. The platform was launched on February 16, 2016.
Establish an Investigations and Intelligence Directorate. **(DGI)**	Improve tax revenue by increasing the number of tax audits	March 2016	**Met.** The Directorate was created and the Director appointed.
Have the SONAPOST Board of Directors adopt the recommendations of the feasibility study on the provision of decentralized financial services. **(SONAPOST)**	Improve access to decentralized financial services	Jan. 2016	**Not met, implementation underway.** The consultant was recruited and the study began on April 5, 2016.
Finalize a study on the viability of production and import options to take account of changes in the energy sector at both the national and sub-regional level. **(SONABEL)**	Improve the reliability and efficiency of electricity supply	March 2016	**Not met, implementation underway.** Phase 1 of the project has been underway since November 2015, but the security situation in Belgium has delayed the next phase. As for the training component, the first wave on forecasting demand and on legal aspects was initiated and ended on March 5, 2016. The second wave of training covers the optimization and reliability of supply, and familiarization with the scanner software used in the study began on March 14, 2016.
Conduct an annual audit of pending payments and arrears. **(ASCE)**	Improve cashflow management and budget execution	March 2016	**Not met, implementation underway.** Will be implemented by May 2016.

Table 3. Burkina Faso: New Structural Benchmarks for Sixth Review Under the ECF			
Measure	**Explanation**	**Completion date** (end of month)	**Comments**
The Investigations and Intelligence Directorate will produce quarterly reports on its activities. **(DGI)**	Improve tax revenue by increasing the number and quality of tax audits	Quarterly reports as of June 2016	**New benchmark.**
Consolidate enterprise segmentation by, in particular, implementing the new DGI structures allowing to control the tax base in the central part of the country.. **(DGI)**	Optimize tax revenue by broadening the tax base	June 2016	**New benchmark**
Implement regulations requiring large and medium-sized enterprises to use the standardized invoice by end-June 2016 to improve the traceability of transactions performed by taxpayers as concerns VAT. **(DGI)**	Improve tax revenue	June 2016	Two benchmarks, initially slated for July 2015 (large enterprises) and January 2016 (medium-sized enterprises), respectively. **Rescheduled for June 2016.**
Monitor taxpayers between DGI and DGD by using the tax identification number, starting with large taxpayers, and produce quarterly reports on the results and actions taken. **(DGI, DGD)**	Improve tax revenue from tax information cross-checking	Quarterly reports as of June 2016	**New benchmark.**
Provide monthly customs revenue forecasts by customs post on an annualized basis and a report on accomplishments vis-à-vis forecasts on a monthly basis. **(DGD)**	Improve monitoring of the impact of scanner installation, tracking system, SYLVIE operationalization	June 2016	**New benchmark.** Data are transmitted monthly on an ongoing basis.
Keep 'Field 44' enabled for input of references from inspection notices for all customs declarations. **(DGD)**	Improve customs revenue	June 2016	**New benchmark.**
Submit the domestic debt audit report for adoption of recommendations by the Council of Ministers. **(DGTCP)**	Improve cashflow management and budget execution	June 2016	**New benchmark.**
Install a sealed valve and tagging system for tanker trucks transporting hydrocarbons **(DGD)** and, at the same time, bolt down domed manholes on tanker trucks. **(SONABHY)**	Control hydrocarbon losses during transport	November 2016	**New benchmark.**
Produce audited annual accounts for 2015 and quarterly financial reports summarizing the financial and cashflow position as at May 2016. **(SONABHY and SONABEL)**	Improve transparency and management of energy sector enterprises	June 2016	**New benchmark.** Improve the availability of regular financial statements from enterprises in the energy sector (SONABHY and SONABEL).
Transfer special dividend from SONABHY to the government to clear SONABEL arrears. First transfer of CFAF 5 billion due in July 2016.	Improve the financial sustainability of SONABEL	July 2016	**New benchmark.**

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, indicative targets, and structural benchmarks that will serve to assess performance under the program supported by the Extended Credit Facility (ECF) in 2016. It also sets the framework and deadlines for the submission of data to IMF staff for assessment of program implementation.

CONDITIONALITY

2. The quantitative performance criteria and indicative targets for end-June 2016 are provided in Table 1 of the MEFP. The structural benchmarks set forth in the program are presented in Tables 2 and 3 of the MEFP.

DEFINITIONS

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

4. **Definition of debt.** For the purposes of the relevant performance criteria, the definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website.

5. **Debt guarantees.** For the purposes of the relevant performance criteria, a government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind).

6. **Debt concessionality.** For the purposes of the relevant performance criteria, a debt is considered concessional if it includes a grant element of at least 35 percent.[1] The present value (PV) of debt at the time it is contracted is calculated by discounting the borrower's future debt service payments on the debt.[2] The discount rates used is 5.0 percent.

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

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

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

QUANTITATIVE PERFORMANCE CRITERIA

8. The revised quantitative performance criteria proposed for 2015 are as follows: (i) a ceiling on net domestic financing of the Treasury defined below in paragraph 9 and 10; (ii) a ceiling on the contracting or guarantee of nonconcessional external debt by the government, as defined in paragraphs 4 to 7, and (iii) a ceiling on the non-accumulation of payment arrears on external debt service.

A. Net Domestic Financing of the Treasury

9. For the purposes of the relevant performance criteria, net domestic financing is defined as the sum of (i) net bank credit to the Treasury, including net bank credit to the Treasury as defined below vis-à-vis the national banking institutions (claims associated with IMF disbursements are included); (ii) the stock of unredeemed Treasury bills and bonds held outside national commercial banks; (iii) privatization receipts and other Treasury claims and debts vis-à-vis national nonbank institutions. 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, and secured obligations, and Treasury deposits in postal checking accounts (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), Treasury securities held by the central bank, and funding from commercial banks (including Treasury securities held by commercial banks). Net bank credit to the Treasury is calculated based on information provided by the Central Bank of West African States (BCEAO), whose figures are deemed valid for program purposes. The foregoing items are calculated based on the Treasury budget execution report presented each month in the Treasury flow-of-funds table prepared by the Ministry of Economy and Finance.

Adjustment

10. The cumulative ceiling on net domestic financing will be adjusted upward in the amount by which external program support to central government, excluding project grants and project loans, falls short of the amount projected, in the event the external program assistance is lower than programmed, up to a maximum of CFAF 65 billion. The shortfall will be calculated in reference to the projections in Table 1 below. The ceiling will not be adjusted downward in the event the external program assistance is higher than programmed.

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

	End-March 2016	End-June 2016	
Grants and loans	0.0	37.7	

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

B. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

12. The government undertakes not to contract or guarantee any nonconcessional external debt beyond the ceiling indicated in MEFP Table 1. This performance criterion applies to external debt as defined in paragraph 7 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 6 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent government debt as defined in paragraphs 4 to 7 of this memorandum. In addition, this criterion applies to public enterprises that receive government transfers, local governments, and other public sector entities (including public administrative, professional, scientific and technical agencies) unless excluded in MEFP Table 1. However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers' normal short-term credits, or to IMF loans. This commitment is a performance criterion to be observed continuously. It is measured on a cumulative basis from the IMF Executive Board's approval of the ECF, and no adjustment factor will apply.

Reporting deadlines

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

C. Non-accumulation of New External Payment Arrears

Performance criterion

14. External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate external payment arrears on its debt, except arrears arising from obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. No accumulation of new external arrears by the government is a performance criterion, to be observed continuously.

Reporting deadlines

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

OTHER QUANTITATIVE INDICATIVE TARGETS

16. The program also includes indicative targets for the ceiling on net domestic financing beyond the Treasury, the overall deficit (commitment basis, grants included) as defined in paragraph 18 below; total government revenue; poverty-reducing social expenditures.

A. Ceiling on Net Domestic Financing beyond the Treasury

For the purposes of the indicative target, net domestic financing beyond the Treasury is defined as the sum of (i) net bank credit to public bodies beyond the Treasury, including net bank credit to these bodies as defined below vis-à-vis the national banking institutions (claims associated with IMF disbursements are included); (ii) the stock of unredeemed bills and bonds held outside national commercial banks; (iii) privatization receipts and other claims and debts of public bodies beyond the Treasury vis-à-vis national nonbank institutions. Net bank credit to the public bodies beyond the Treasury is the balance of the claims and debts of the bodies concerned vis-à-vis national banking institutions. These include (i) deposits of public bodies (beyond the Treasury) at the BCEAO, (ii) deposits of public bodies (beyond the Treasury) at the commercial banks, (iii) commercial liabilities of public bodies beyond the Treasury, (iv) commercial bank liabilities of the postal savings bank (CCP), (v) remaining Treasury deposits in postal checking accounts (CCP), (vi) Treasury deposits at the CNE, (vii) other net liabilities of the State (secured obligations). Debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, and funding from commercial banks (including any government securities held by commercial banks). Net bank credit to public bodies beyond the Treasury is calculated based on information provided by the Central Bank of West African States (BCEAO), whose figures are deemed valid for program purposes.

B. Overall Deficit Including Grants

Definition

17. For the program, the overall deficit including grants is valued on a commitment basis. It is defined as the sum of the government's net foreign and domestic financing, measured from the financing side, plus a cash basis adjustment. Net foreign financing is the sum of new foreign borrowing less amortization. Government net domestic financing is defined in paragraphs 9 and 10 above. The cash basis adjustment is defined as the sum of: (i) the total change in unauthorized expenditure commitments, (ii) the change in pending bills, and (iii) the change in Treasury deposits.

Adjustment

18. The ceiling on the overall fiscal deficit, including grants, will be adjusted upward in the amount by which external program support, excluding grants and project loans, falls short of the projected amount, in the event the actual figures are lower than projected, up to a maximum of CFAF 65 billion. The shortfall will be calculated in reference to the projections in Table 2 below. The ceiling will not be adjusted downward in the event that actual external program assistance is higher than projected.

19. The ceiling on the overall fiscal deficit, including grants, will be adjusted downward in the amount equivalent to the difference between projected and actual project loans in the event the actual figures are lower than projected. The overall fiscal deficit, including grants, will be adjusted upward in the amount equivalent to the difference between projected and actual project loans in the event the actual figures are higher than projected. The difference in the amount will be calculated in reference to the projections in Table 2 below.

Table 2. Projected External Program Grants and Project Loans (Cumulative, CFAF billions)			
	End-March 2016	End-June 2016	
Grants Project loans	0.0 12.5	37.7 35.0	

C. Total Government Revenue

Definition

20. 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.

D. Poverty-Reducing Social Expenditures Definition

21. Poverty-reducing social expenditures are defined as the expenditures of sectors sponsoring the priority programs identified in the Strategy for Accelerated Growth and Sustainable Development (SCADD) to accelerate the achievement of poverty reduction objectives. Such expenditures cover all spending categories for the following ministries: Promotion of Women and Gender Issues; Health; Social Action and National Solidarity; National Education and Literacy; Agriculture and Food Security; Animal Resources; Environment and Sustainable Development; Youth, Professional Training and Employment including the labor and social security components of Civil Service, Labor, and Social Security; Water, Hydraulic Improvements, and Sanitation. They also cover rural roads and Heavily Indebted Poor Countries (HIPC) initiative (Category 5) for Infrastructure, Integration, and Transport; and HIPC expenditures only for Communication; Justice and Human Rights; Economy and Finance; and Mines, Quarries, and Energy. Added to this is the allocation under section 98 "transfers to subnational governments" from Health, Agriculture and Food Security as well as National Education and Literacy. These expenditures are monitored directly through the budget, and the indicative threshold for the program will be 90 percent of the amount established by the budget authority.

E. Non-accumulation of Domestic Payment Arrears

22. The government will not accumulate payment arrears on domestic obligations during the program period. This is a structural benchmark. Under the program, domestic payment arrears arise when actual payment is made more than 90 days after liability is incurred for an undisputed debt to a third party, except in cases where the terms and conditions of the transaction stipulate a longer period. In the case of debt service, arrears arise 30 days after the due date. Payments are deemed to be in arrears in keeping with the following definition:

- Debt unpaid for more than 30 days after the due date stipulated in the agreement between the parties (creditor/debtor).
- Wages or pensions unpaid 90 days after their due date.
- Payments for services rendered received more than 90 days after processing of the supporting documents submitted by suppliers.

Additional Information for Program Monitoring

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

Table 3. Summary of Data Reporting Requirements

Information	Institution Responsible	Data Frequency	Reporting Frequency
Public Finance			
The government flow-of-funds table (TOFE) and the customary appendix tables; (if data on actual investment financed by external grants and loans are not available in time, a linear estimate of execution based on the annual projections will be used)	Ministry of Economy, Finance and Development (MINEFID)	Monthly	6 weeks
Domestic budgetary financing (net bank credit to the government and stock of unredeemed treasury bonds and bills)	MINEFID/BCEAO	Monthly	6 weeks
A quarterly report on the consistency of the net position of the Treasury in monetary statistics with the data from the TOFE on net domestic financing of the banking sector.	MINEFID/BCEAO	Quarterly	8 weeks
Monthly data on the execution rates by the customs office relative to monthly forecasts.	MINEFID/DGD	Monthly	6 weeks
A quarterly report on the outcomes and actions undertaken to put in place a better control and supervision of taxpayers using the single taxpayer identification number to cross-check information between DGI and DGD, starting with large taxpayers.	MINEFID/DGD/DGI	Quarterly	6 weeks
Data on implementation of the public investment program, including details on financing sources	MINEFID	Quarterly	6 weeks
The stock of external debt, external debt service, external debt contracted, and external debt repayment	MINEFID	Quarterly	6 weeks
Social poverty-reducing expenditures in table format	MINEFID	Monthly	6 weeks
Petroleum product prices, consumption and taxes, including: (i) the price structure for the month concerned;; (ii) detailed calculation of the price structure, from the f.o.b-MED price to the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY); with a distinction made between retail and industry sales; and (iv) a breakdown of tax revenue from petroleum products — customs duties, tax on petroleum products (TPP) and value-added tax (VAT) — and subsidies unpaid	MINEFID	Monthly	4 weeks

Table 3. Summary of Data Reporting Requirements (continued)

A quarterly report of monthly data of SONABHY's accounts including gains and/or losses from the buying and selling of hydrocarbon products by type of product, cash flows position and income statement, taking into account all received subsidies and Government securities issued or sold in the banking system or else.	SONABHY/MINEFID	Quarterly	6 weeks
A quarterly report of monthly data of SONABEL's accounts including its cash flows position and income statement, and taking into account all received subsidies and project grants and loans from the technical and financial partners.	SONABEL/MINEFID	Quarterly	6 weeks
A monthly statement of the accounts with the treasury, broken out by major category (administrative services, state enterprises, joint public-private enterprises, public administrative enterprises, international organizations, private depositors, and others)	MINEFID	Monthly	6 weeks
The consolidated balance sheet of monetary institutions			
The consolidated balance sheet of monetary institutions	NDs of the BCEAO	Monthly	6 weeks
The monetary survey: provisional data	BCEAO	Monthly	6 weeks
The monetary survey: final data	BCEAO	Monthly	10 weeks
The lending and borrowing interest rates	BCEAO	Monthly	6 weeks
The standard bank supervision indicators for banks and nonbank financial institutions	BCEAO	Monthly	6 weeks
Balance of Payments			
Preliminary annual balance of payments data	BCEAO	Annual	9 months
Foreign trade statistics	INSD/MINEFID	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions)	BCEAO	As they occur	2 weeks
Real Sector			
Provisional national accounts; and any revision of the national accounts	MINEFID	Annual	2 weeks

Table 3. Summary of Data Reporting Requirements (concluded)

Disaggregated monthly consumer price indices	MINEFID	Monthly	2 weeks
Structural Reforms and Other Data			
Any study or official report on Burkina Faso's economy, on the date published, or the date of entry into force.	MINEFID		2 weeks
Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or the date of entry into force.	MINEFID		2 weeks

INTERNATIONAL MONETARY FUND

BURKINA FASO

May 26, 2016

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By	African Department

CONTENTS

RELATIONS WITH THE FUND

(As of April 30, 2016)

Membership Status Joined: May 02, 1963

General Resources Account

	SDR Million	%Quota
Quota	120.40	100.00
Fund holdings of currency (Exchange Rate)	97.64	81.10
Reserve Tranche Position	22.76	18.90

SDR Department

	SDR Million	%Allocation
Net cumulative allocation	57.58	100.00
Holdings	19.92	34.60

Outstanding Purchases and Loans

	SDR Million	%Quota
ECF Arrangements	144.52	120.03

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 27, 2013	Dec 26, 2016	51.17	28.13
ECF	Jun 14, 2010	Dec 23, 2013	82.27	82.27
ECF	Apr 23, 2007	Apr 22, 2010	48.16	47.16

Projected Payments to the Fund[1]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2016	2017	2018	2019	2020
Principal	12.36	17.80	24.15	23.63	19.03
Charges/Interest	0.01	0.02	0.02	0.23	0.17
Total	12.37	17.82	24.17	23.86	19.20

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

Implementation of HIPC Initiative

Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Sep 1997	Jul 2000	
Assistance committed			
by all creditors (US$ Million)[2]	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	
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[3]	--	2.01	2.01
Total disbursements	16.30	29.68	45.98

Implementation of Multilateral Debt Relief Initiative (MDRI)

I. MDRI-eligible debt (SDR Million)[4]	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

[2] 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. Burkina Faso owes a small amount of pre-HIPC Initiative arrears to non-Paris Club creditors which continue to be deemed away under the revised arrears policy for official creditors, as the underlying Paris Club agreement was adequately representative and the authorities make best efforts to resolve the arrears.

[3] 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.

[4] 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.

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 latest assessment of the BCEAO was completed on December 13, 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits. All recommendations from the assessment have been implemented.

Exchange System

Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU). The union's common currency, the CFA franc, had been pegged to the French franc at the rate of CFAF 1 = F 0.02. Effective January 12, 1994, the CFA franc was devalued and the new parity set at CFAF 1 = F 0.01. Effective December 31, 1998, the parity was switched to the euro at a rate of CFAF 655.96 = €1.

The authorities confirmed that Burkina Faso had not imposed measures that could give rise to exchange restrictions subject to Fund jurisdiction. They will inform the Fund, if any such measure is introduced. Burkina Faso maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. External sustainability, competitiveness and exchange rate issues and were also discussed in the report "WAEMU: Common Policies of Member Countries" (Country Report No. 16/xx of May xx, 2016).

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 took place in Ouagadougou during March 13-26, 2014 for the 2014 Article IV Consultation and the First review under the Extended Credit Facility. The latest Article IV consultation was completed by the Executive Board on July 3, 2014 (Country Report No.14/215).

Financial Sector Assessment Program (FSAP) and Report on the Observance of Standards and Codes (ROSC) Participation

A joint team of the World Bank and the International Monetary Fund conducted a mission under the FSAP program in 2008. A regional FSAP for the WAEMU was undertaken in 2007. A ROSC on the data module was published in 2002.

Technical Assistance

Subject	TA provider	Date
Macroeconomics Analysis and Forecasting	AFRITAC West I	April 2016
Commitment authorizations / Payment appropriations	AFRITAC West I	April 2016
PFM / Program budgeting	AFRITAC West I	April 2016
Customs controls	AFRITAC West I	April 2016
Revenue administration : strengthening the medium-size enterprises unit	AFRITAC West I	March 2016
Implementation of the GFSM 2001-14	STA	May 2015
Improvement in issuance practices	AFRITAC West I	April 2015
Customs administration	AFRITAC West I	April 2015
PFM / Expenditure controls	AFRITAC West I	April 2015
Quarterly national accounts and provisional estimates	STA	April 2015
Automated risk management	AFRITAC West I	March 2015
Customs administration	AFRITAC West I	March 2015
Tax administration/Modernisation de l'administration fiscale	AFRITAC West I	March 2015
Tax administration/Modernisation de l'administration fiscale	AFRITAC West I	March 2015
Cash Management and Budget Execution	FAD	March 2015
Seminar on Budget Nomenclature	AFRITAC West I	February 2015
Macroeconomic Analysis and Forecasting Needs Assessment	AFRITAC West I	February 2015
Quarterly national accounts and provisional estimates	STA	February 2015
Revenue administration: medium-size enterprises unit	AFRITAC West/FAD	September 2014
Program budgets	AFRITAC West I	June 2014
Program-based budgeting	AFRITAC West I	June 2014
PFM TA mission to Burkina Faso	AFRITAC West I	June 2014
PFM (WAEMU)	AFRITAC West I	June 2014
Program-based budgeting	AFRITAC West I	June 2014
Review of the Implementation of the WAEMU Harmonized Public Financial Management Framework	FAD	April 2014
Medium Term Budgeting	FAD	February 2014
Review the Implementation of PFM Reforms	FAD	February 2014
Finalize Preparation of the New Audit Manual	FAD	February 2014
Real Sector Statistics and National Accounts	STA	September 2013
Mining Sector Fiscal Regime	FAD	July 2013
PFM Training for Court of Accounts	FAD	July 2013
Review of Progress of the Strategy to Implement the WAEMU Harmonized PFM Framework	FAD	April 2013
Report on the Government Finance Statistics Mission	AFRITAC West I	April 2013
Real Sector Statistics	STA	April 2013
Program Budgeting	AFRITAC West I	February 2013
Customs Administration	AFRITAC West I	January 2013

Resident Representative

Mr. Jean-Baptiste Le-Hen was appointed Resident Representative to Burkina Faso in September 2012 and has been stationed in Ouagadougou since that time.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION

Title	Products	Mission	Delivery
	A. Mutual information on relevant work programs		
Bank work program in the next 12 months	**Programs and projects**		
	• Budget Support – Energy and PFM Development Policy Operation		Nov-16
	• Regional Budget support to Burkina Faso and Côte d'Ivoire (Regional Trade Facilitation and Competitiveness Credit Program)		July -16
	• Local Government Support Project Phase 2		Mar-17
	• Transport Sector modernization and trade facilitation		Jul-16
	• Support to the National Biodiversity Program		Sep-16
	• e-Government Project		Nov-16
	• Reproductive Health Project - Additional Financing		June - 16
	• Infrastructure, urban Development and Mobility Project		June-16
	Technical assistance and Economic and Sector Work (ESW)		
	• TA –Domestic Private Sector Participation in Water sector		May-16
	• TA- Pro-poor Sector Reforms		May-16
	• TA - Energy Mix Diversification		June-16
	• TA - Support to the implementation of PFM reforms and WAEMU Directives		June-16
	• ESW - Policy Note Series for the New Administration		May-16
	• ESW - Post-Primary Education Development		June-16
IMF work in the next 12 months	**IMF-supported program**		
	• Sixth ECF review	Sept 2016	Nov 2016
	• Implementation of new debt policy, as needed		
	• Work at a national and regional level, on fiscal rule to manage natural resource revenues		
	• Analysis of regional energy needs		
	Technical assistance		
	• GFSM 2001		
	• BPM 6		

	• Follow up TA on mining taxation		
	• TA on program budgeting		
	• TA on National Accounts (quarterly and base year)		
B. Mutual requests			
Fund request	• TA on public procurement	To be determined	
	• TA on judiciary sector		
	• Work on energy sector		
	• Artisanal mining issues (child work, environment, etc).		
Bank request	• Regular updates of medium-term macro projections		
	• Fund Relation Note (for budget support operations)		
	• Regular updates on energy SOEs financial situation		
C. Agreement on joint products and missions			
Joint product	• Follow up TA on debt management (Bank lead)		

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is broadly adequate for surveillance. The data categories most affected are the national accounts and price statistics. Burkina Faso has received technical assistance (TA) from the IMF on an ongoing basis; this 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 (1999=100). Data quality is affected by the scarcity of suitable sources and deficiencies in statistical practices. Weaknesses include: coverage of the informal sector (due to limited, out of date surveys, and a failure of small enterprises to submit accounting statements or tax declarations); private household consumption data, which is not adequately validated with supply-use tables and updated household budget-consumption surveys; and delayed rebasing of NA. The national informal sector and employment survey was delayed in 2015 as a result of the 2014 popular uprising. Data were collected at end 2015. Data cleaning work has begun and will continue until the end of May 2016. The new base year will be 2014.

Price statistics: The CPI (2008=100) only covers African households in the capital; it excludes various types of purchased goods and services, and services of owner-occupied dwellings and prices of unavailable products are presumed unchanged for up to three months rather than imputed from recorded prices changes of closely related products. The producer price index and the wholesale price index are neither compiled nor envisaged due to budgetary constraints.

Government finance statistics: A committee oversees the compilation of government finance statistics, strengthening coordination among fiscal agencies. The provision of expenditure data has also improved with the adoption of functional presentation of expenditure. The remaining areas for improvement include mainly the extension of the TOFE coverage to the general government and basing its 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.

II. Data Standards and Quality

Burkina Faso participates in the General Data Dissemination Standard since December 28, 2001. A data ROSC visited Burkina Faso during May 8-21, 2003.

III. Reporting to STA

Balance of payments (BOP): The coverage of informal trade is incomplete and that of services and transfers (especially workers' remittances) depends on contacts with reporting bodies. Annual surveys, reporting FDI transactions, are conducted yearly. BCEAO authorities have indicated that quarterly data derived from banking settlement reports are used to assess BOP reports; payment statements provide early information and support data quality controls. The BCEAO has started publishing IIP data in line with the BPM 6 format and has revised its surveys design and software accordingly. The BCEAO does not provide any metadata (describing its methodology). It participates in ECID surveys corresponding to direct investment presented on a bilateral basis (with partner countries).

Government Finances: Since October 2010, annual data and quarterly data covering the budget of the central government are reported to STA for publication in International Financial Statistics and the Government Finance Statistics yearbook. The latest reported data cover 2014. The BCEAO reports monetary data to STA with a lag of at most three months.

Burkina Faso: Table of Common Indicators Required for Surveillance							
	Date of latest observation	**Date received**	**Frequency of Data**[6]	**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]	2/2016	4/2016	M	M	M		
Reserve/Base Money	2/2016	4/2016	M	M	M	LO, LO, LNO, O	LO, O, O, O, O
Broad Money	2/2016	4/2016	M	M	M		
Central Bank Balance Sheet	2/2016	4/2016	M	M	M		
Consolidated Balance Sheet of the Banking System	2/2016	4/2016	M	M	M		
Interest Rates[2]	3/2016	4/2016	M	M	M		
Consumer Price Index	3/2016	4/2016	M	M	M	O, LNO, O, O	LNO, O, O, O, NA
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	12/2014	10/2015	I	I	I	O, LO, O, O	O, LO, O, O, LNO
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	12/2016	3/2016	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/2015	3/2016	A	A	A		

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

External Current Account Balance	2014	3/2016	A	A	A	O, O, O, O	LO, O, LO, O, O
Exports and Imports of Goods and Services	2014	3/2016	A	A	A		
GDP/GNP	2013	5/2015	A	A	A	LO, LNO, LNO, LO	LNO, LNO, LO, LO, LNO
International Investment Position[6]	2014	1/2016	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.

Statement by Mr. Yambaye, Executive Director for Burkina Faso
and Mr. Diakite, Advisor to the Executive Director
June 10, 2016

Our Burkinabe authorities are thankful to the Executive Board, Management, and staff for the valuable policy advice, as well as for the technical and financial assistance they receive from the Fund. It is worth stressing that despite the period of instability in 2014 and 2015, and the degradation of the security situation following the terrorist attack of January 2016, the transition authorities have been able to maintain a satisfactory macroeconomic performance. The fourth and fifth reviews under the program supported by the Extended Credit Facility (ECF) have shown that all the performance criteria and indicative targets except one were met and that continued progress was made with regards to most structural benchmarks.

The current Government appointed after the presidential and legislative elections of November 2015 is determined to continue implementing sound economic and financial policies in the context of their new national economic and social development plan (PNDS 2016-20). The social expectations in the country are very high and the PNDS is intended to be the basis of the Government's medium-term economic policies and will prioritize its efforts to fight poverty and create the conditions for inclusive growth. The authorities will seek the support of the international community for their development plans at a roundtable conference they intend to organize later this year.

Recent Economic and Financial Developments and Performance under the ECF.

Recent economic and financial developments

In 2015, Real GDP growth remained steady at 4 percent as economic activity continued to feel the various chocks experienced during the preceding year. In 2014, the economy was adversely impacted by the unfavorable rainfall, the fall in cotton and gold prices, the Ebola epidemic in the region and the appreciation of the dollar against the CFA franc. Furthermore, the wait-and-see attitude of major private actors during the transition period became more pronounced following the attempted putsch of September 2015. The secondary and tertiary sectors were the most impacted while agricultural output declined (6.3 percent for cereal production and 11 percent for cash crops). Despite the slight increase in the CFA value of gold and cotton prices as the dollar appreciated, this was not sufficient to accelerate growth which remained below its ten-year average for the second consecutive year. Annual inflation remained very moderate at 0.9 percent at end 2015.

This sluggish economic situation was reflected in the credit to the private sector which increased by only 7 percent compared to 20-25 percent in recent years. Net foreign assets increased by 72.9 percent at end-December 2015 and correspondingly, broad money increased by 19.9 percent during the same period.

In the external sector, the current account of the balance payment improved significantly in 2015 with a deficit of 6.4 percent of GDP compared to 11 percent in 2013. Exports increased by 3.1 percent and the appreciation of the dollar compensated partially the fall in cotton and gold prices. Imports increased by 2 percent in spite of the drop in oil prices.

With regard to the fiscal sector, the overall fiscal deficit (commitment basis) improved during the period 2013 to 2015 from 3.5 percent of GDP to 2.1 percent, mainly due to a significant decrease in public investment (both externally and domestically financed) which fell from 8.5 percent of GDP in 2014 to 7 percent in 2015 (compared to 14.2 percent in 2013).

Performance under the ECF program

Despite the difficult political and security situation, the performance under the ECF program continues to be satisfactory. All quantitative performance criteria (PCs) at end-June and December 2015 were met. Regarding indicative targets, they were all met with the exception of the floor on Government revenue.

With regards to structural benchmarks, seven out of the 11 benchmarks for 2015 were completed and most of the remaining benchmarks are being implemented. This is the case notably for the standardized invoicing which will be required of medium and large enterprises, as well as the technical measure aimed at securing the transport of hydrocarbons by the public company SONABHY. Of the additional four benchmarks planned during the period January to March 2016, three are being implemented and one was completed.

Medium-term economic and financial policies.

National economic and social development plan (PNDS)

The PNDS being finalized will be the new reference framework for all development interventions. It will aim at implementing during the period 2016-2020 the vision “Burkina 2025” of the authorities while integrating the changes which occurred in recent years in the global and national development agenda. It follows the strategy for accelerated growth and sustained development (SCADD) which covered the period 2011-2015. The SCAAD focused on the four strategic axes: *(i) developing the engines of accelerated growth; (ii) consolidating human capital and promoting social protection; (iii)* s*trengthening governance; and (iv) addressing cross-cutting priorities in development policies and programs.*

The PNDS will build on the achievements of the SCAAD as well as identify new growth initiatives. It will be the reference to guide national stakeholders as well as development partners in the policy dialogue and the mobilization of resources for financing development.

Economic and financial policies for 2016

Real GDP projections for 2016-17 have been revised downwards due to the persistence of the effects of shocks, notably the terrorist attacks and low prices for primary commodities. Growth is projected at 5.2 percent in 2016 compared to 6 percent expected during the second and third reviews. The rebound of economic activity relative to the 2015 should be fueled by the manufacturing and services sectors following the successful political transition and the operations of 2 new mining companies. In 2017, real GDP growth is projected at 6 percent pulled by the mining sector and the implementation of the public investment projects envisaged in the new PNDES. Although the economic landscape will remain difficult due to the low prices of cotton and gold, they are committed to implement the PNDES to respond to the basic needs of the population and also pursue the efforts started during the transition period in the areas of public finance management and governance.

In the fiscal sector, the authorities intend to maintain a prudent fiscal policy in compliance with the convergence criteria of the West African Economic and Monetary Union (WAEMU) and debt sustainability. The revised budget law (LFR) approved in April 2016 aims at increasing the fiscal space for priority social, infrastructure and security investments. On that basis, the authorities will strive to increase revenue notably by stepping up their efforts to broaden the tax base through the new segmentation of enterprises, strengthening tax inspections, improving revenue collection and cross checking systematically tax and customs information provided by tax payers. In order to reduce fiscal risks, the authorities will closely monitor the mobilization of additional revenues and identify non-priority expenditures that could be put on hold.

With regards to spending, several reforms are envisaged in order to streamline current expenditures and generate savings including on fuel, vehicles, telecommunications and missions. The authorities also intend to pursue their efforts to control the wage bill notably by consolidating the biometric enrolment of government employees, computerize the payroll, and increase efficiency by redeploying staff from redundant to underserved areas.

Other reforms are envisaged to build on the progress made in the payment of arrears in 2015. The authorities will continue their efforts to improve cash management and planning to minimize the risks of accumulating new arrears. The actions taken to make available treasury assets held by the postal agency (SONAPOST) will be pursued including the suspension of compensation operations, repatriation of assets, and the completion of an audit to assess the capacity of the SONAPOST to return treasury assets.

On debt policy, the authorities will aim at maintaining debt ratios at sustainable levels while implementing their priority investments projects in energy, telecommunications, hydraulic, agriculture and road infrastructure. They will continue to diversify borrowing sources and rely primarily on grants and concessional loans in addition to increasing the non-concessional debt ceiling to CFA 230 billion to account for new projects. With regards to bonds and treasury bills issuance, the authorities took advantage of favorable conditions on the regional financial market and began to extend maturities from 3 to 6 months to 1 to 2 years. At the same time, they are cognizant of the need to strengthen the planning and monitoring of these operations and reinforce the capacities of the Debt Directorate in this regard. On a larger scale, the authorities intend to build the capacities of all stakeholders involved in the domestic and external debt process and update analytical and management tools.

With regards to structural reforms, the authorities will continue to implement important measures in support of private sector development, notably in the energy and cotton sectors. One of the main priorities will be to improve the financial situation of the public electricity company (SONABEL), clarify and simplify the financial relations between SONABEL and the State and the oil importing company (SONABHY) and the government. The measures envisaged should allow SONABEL to benefit from the decline in oil prices, manage efficiently the new investments in the energy sector and prevent the accumulation of arrears. The authorities will also work towards restoring the financial viability of the cotton sector. They intend to recapitalize the stabilization fund and make it financially sustainable in the long term to be able to address the cyclical fluctuations in cotton prices.

Conclusion

Our Burkinabe authorities remain committed to the objectives of the ECF program. As noted in the staff report, the authorities' commitment to the program has remained exemplary under difficult circumstances. The authorities will continue to implement the reforms aimed at achieving strong economic growth, preserve macroeconomic stability and improve public financial management as well as the business environment. In view of the satisfactory progress under the ECF arrangement and the commitment of the authorities we would appreciate Directors' support for the completion of the fourth and fifth reviews and modification of performance criteria.