

Burkina Faso: 2002 Article IV Consultation and Fifth Review Under the Poverty Reduction and Growth Facility—Staff Report; Staff Supplement; and Public Information Notice and News Brief on the Executive Board Discussion

Under the Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2002 Article IV consultation with Burkina Faso and fifth review under Poverty Reduction and Growth Facility, the following documents have been released:

- the staff report for the 2002 Article IV consultation and fifth review under the poverty reduction and growth facility arrangement prepared by a staff team of the IMF, following discussions that ended on **February 14, 2002**, with the officials of **Burkina Faso** on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on March 15, 2002.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;
- a staff supplement of **March 28, 2002**, updating information on recent economic developments;
- a Public Information Notice (PIN) and a News Brief summarizing the **views of the Executive Board as expressed during the April 9, 2002 Executive Board discussion** of the staff report that concluded the Article IV consultation.

The document(s) listed below have been or will be separately released:

Letter of Intent*
Memorandum of Economic and Financial
Policies*

Enhanced Heavily Poor Countries (HIPC) Initiative
Completion Point Document
Selected Issues and Statistical Annex
Technical Memorandum of Understanding*

*May also be included in Staff Report.

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BURKINA FASO

**Staff Report for the 2002 Article IV Consultation and Fifth Review Under the
Poverty Reduction and Growth Facility**

Prepared by the African Department

(In consultation with Fiscal, Legal, Monetary and Exchange Affairs,
Policy Development and Review, Statistics, and Treasurer's Department)

Approved by Amor Tahari and Martin Fetherston

March 15, 2002

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EXECUTIVE SUMMARY

- Performance under the PRGF-supported program has been generally satisfactory, as all end-December 2001 quantitative performance criteria, benchmarks, and indicators were met, except for the indicator on current revenue. Real growth rebounded in 2001 to 5.7 percent following the good cotton and cereals crops late in the year. Cotton production reached record levels, which will have a significant impact on poverty reduction in rural areas, and the cotton monopsony is expected to have broken even, notwithstanding the low international prices. The real effective exchange rate appreciated somewhat in 2001, but the gains in external competitiveness achieved through the 1994 devaluation were largely preserved. The external current account deficit, excluding grants, narrowed to 15.9 percent of GDP in 2001.
- At end-December 2001, the overall fiscal deficit reached 4.8 percent of GDP, somewhat lower than the program target. Fiscal revenue was well below the target. However, a tightening of current and capital outlays enabled the program indicator on current expenditure and the end-December quantitative performance criterion on cumulative change in net credit to the government to be met. Also, there was a slow start in spending HIPC Initiative resources.
- The end-December 2001 structural performance criterion pertaining to the setup of an anticorruption unit was met, but there were some delays in meeting the structural benchmarks concerning to the Supreme Audit Court becoming fully operational and the amendment of the VAT procedures. The appointment of magistrates in the Supreme Audit Court becomes a performance criterion for end-June 2002, and the amendment to the VAT legislation will take place as soon as the regional WAEMU authorities have resolved the inconsistencies in the regional guidelines in this area.

Prospects for 2002

- Real GDP is projected to reach 5.7 percent on the basis of a normal agricultural output and a significant pickup in the secondary and tertiary sectors, while inflation should remain subdued. The external current account deficit (excluding grants) is expected to narrow further to 14 percent of GDP.
- The primary fiscal objective for 2002 is to make a significant effort to increase revenue so as to consolidate the fiscal position, as well as to catch up on the spending of HIPC Initiative resources. To achieve a ratio of revenue-to-GDP of close to 14 percent of GDP, a set of revenue and administrative measures will be adopted. Expenditures will continue to be contained at levels compatible with revenue performance, and the authorities have adopted a number of expenditure cuts for 2002.

- The structural reform program will focus on further liberalization of the cotton sector, improvement of public finance management, the pursuit of the privatization program, and the furthering of the judiciary reform and good governance.
- The government is pursuing its poverty reduction strategy in line with the PRSP. Social expenditures will continue to increase, through both a further rise in budgetary outlays in the social sectors and a significant acceleration of HIPC Initiative-financed outlays to make up for the slow start in 2001.

Staff appraisal

- Burkina Faso has achieved its adjustment program growth rates more in line with its poverty reduction objectives and managed the cotton sector very prudently in the face of the low international cotton prices. The pursuit of such flexible policies, together with further efforts to implement structural reforms, lower the cost of energy, promote good governance, improve financial intermediation, and develop human capital, bodes well for achieving growth rates of about 5½ percent per annum over the medium term.
- The low level of tax revenue achieved in 2001 reflects deep-rooted structural problems that should be addressed quickly, but the fiscal response to the shortfall was appropriate. The authorities have adopted measures to raise the revenue level, and the 2002 budgetary stance remains within program targets. Nonetheless, there is a need to further expand the domestic tax base and to strictly limit nonessential outlays, in particular public sector wages, in order to generate savings to be directed toward domestically financed investment programs and the social sectors.
- The staff commends the authorities for vigorously pursuing the poverty reduction objectives imbedded in the PRSP and for improving in social outcomes. However, further efforts are needed to improve the planning and execution of the poverty reduction strategy and the tracking of social outcomes.

I. INTRODUCTION

1. Burkina Faso's three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) was approved on September 10, 1999. The fourth review under the arrangement was completed on November 30, 2001.¹ To date, five disbursements totaling the equivalent of SDR 27.95 million (46.4 percent of quota) have been made. In November 2001, the IMF and World Bank Boards reviewed the first annual progress report of the poverty reduction strategy paper (PRSP). It was agreed that the country's efforts to implement the strategy provided sufficient evidence of its continuing commitment to poverty reduction and, therefore, continued to provide a sound basis for Fund and World Bank concessional assistance. The enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) completion point document is being considered along with this report. In the former document, to ensure a solid basis for Burkina Faso's long-term debt sustainability, and in view of the strong deterioration of Burkina Faso's exports, which has been driven by exogenous factors, the staff supports the granting of an exceptional topping up of assistance at the completion point.

2. President Compaoré was reelected in multiparty elections in November 1998. Since the formation in November 2000 of a new government, including representatives of seven opposition parties, the political and social climate has remained calm. Legislative elections are scheduled to be held on May 5, 2002 and are considered a crucial step in the democratization process.

3. In the attached memorandum on economic and financial policies (MEFP) (Appendix I, Attachment I), the authorities review the performance under the program and describe the policies that will be implemented in the period ahead. During the discussions² for the fifth review under the PRGF, the authorities have requested a three-month extension of the arrangement until December 9, 2002 in order to enable an orderly completion of the sixth review under the program. The performance criteria and benchmarks for the remainder

¹ EBS/01/182 (11/6/01).

² The discussions were conducted in Ouagadougou in the period January 29 – February 14, 2002. The Burkinabè representatives included Mr. Jean-Baptiste Compaoré, Deputy Minister of Economy and Finance, and Mr. Célestin Zallé, the National Director of the Central Bank of West African States (BCEAO). The mission met the Prime Minister and Minister of Finance, Mr. Paramanga E. Yonli. The staff team included Mr. van den Boogaerde (head), Mrs. Gaye, Mr. Ndiaye, Mrs. Maechler (all AFR), Mr. Hartley (PDR), and Ms. Kebet (Assistant, AFR). The Resident Representative, Mr. Franco, fully participated in the mission, and the mission was assisted by the Research Assistant of the resident mission, Mr. Bamory Ouattara. The mission also worked closely with the staff of the World Bank.

of the program are set out in the technical memorandum of understanding (Appendix I, Attachment II). An outreach to the press was done at the end of the mission.

4. Burkina Faso is on the standard 12-month consultation cycle. The 2001 Article IV consultation was concluded on July 2, 2001. On that occasion, Executive Directors noted that, despite the 2000 economic slowdown caused by exogenous factors, the government had continued to implement sound macroeconomic policies and structural reforms. They stressed the need to pursue fiscal consolidation, notably through a strict limitation of nonessential outlays and an increase in tax revenue, in order to free resources for investment and social sectors. Directors also encouraged the authorities to improve cash-flow management at the treasury.

5. As of end-January 2002, Burkina Faso's outstanding use of **Fund resources** amounted to SDR 92.7 million (154 percent of quota). Burkina Faso has accepted the obligations of Article VIII and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. Its relations with the Fund are summarized in Appendix II. The **World Bank** has supported Burkina Faso's reform program since 1994 through a number of sector credits for a total cumulative disbursement on ongoing operations through February 25, 2002 of US\$134.1 million. It approved in August 2001 a US\$45 million poverty reduction support credit (PRSC) for Burkina Faso and is preparing a second PRSC. Burkina Faso's relations with the World Bank Group are summarized in Appendix III.

6. Burkina Faso's **economic and financial database** is adequate, but further work is needed to improve the quality and coverage of statistical information. The authorities are addressing these issues, notably through an increase in human and physical resources allocated to the National Institute (INSD). In December 2001, the government began publishing its General Data Dissemination System (GDDS) metadata on the Data Standards Bulletin Board (DSBB) on the Fund's website, thus achieving full participation in the GDDS. Statistical issues are discussed in Appendix IV. A provisional work program for Fund staff is included in Appendix V.

II. RECENT ECONOMIC PERFORMANCE

7. **The program remains broadly on track**, notwithstanding a poor performance in tax collection and a slow start in spending HIPC Initiative resources. A tightening of nonpriority spending allowed **all the quantitative criteria, benchmarks, and indicators to be met at end-December 2001, except for the indicator on government revenue**. The end-December 2001 structural performance criterion pertaining to the setup of an anticorruption unit was met, but there were some delays in meeting the structural benchmarks concerning the Supreme Audit Court becoming fully operational and the amendment of the value-added tax (VAT) procedures. A new building has been prepared to lodge the Supreme Audit Court, but the magistrates were not appointed before end-2001; this will be a performance criterion for the next review. The amendment to the VAT regulations allowing VAT credits to offset

VAT liabilities on receipts could not be implemented because of inconsistencies in regional West African Economic and Monetary Union (WAEMU) guidelines in this area. The authorities have referred this issue to the regional authorities and will amend the national legislation as soon as it is resolved.

8. Preliminary estimates show that **economic activity recorded a real GDP growth of 5.7 percent in 2001**. Growth remained subdued for most of 2001, but picked up in the fourth quarter following the harvesting of good cereals and cotton crops. Cotton production reached record levels, increasing by 45 percent to 400,000 tons, on account of higher farmgate prices and good rainfalls.³ This bumper harvest should increase cotton producers' incomes by about 70 percent and have a significant impact on poverty reduction in rural areas. The cotton monopsony, SOFITEX, is expected to have broken even, notwithstanding the decline in international prices since mid-2001, because of an appropriate policy of forward sales and cost containment, and no budgetary support will be needed. Overall, the primary sector was the main source of growth, with an increase of 12.7 percent. The secondary and tertiary sectors, hampered by a depressed demand in the first three quarters of 2001, exhibited much lower growth rates (0.1 percent and 3 percent, respectively). Average consumer price inflation accelerated to 4.9 percent in 2001, driven by price pressures resulting from the poor cereals crop of the previous campaign (Table 2). The September 11, 2001 events have had a limited effect to date on Burkina Faso's economy. The negative effects of the global economic slowdown on the country's exports and tourism receipts has been outweighed by the decline in the price of petroleum products.

9. The real effective exchange rate appreciated a little in 2001 as a result of the somewhat higher inflation and the slight decline of the U.S. dollar against the euro, to which the CFA franc is pegged (Figure 1). Nonetheless, the staff concurred with the authorities that, given the low inflation recorded during the past five years, the gains in external competitiveness achieved through the 1994 devaluation had been largely preserved. For 2001, the current account deficit (excluding current official transfers) narrowed to 15.9 percent of GDP (12.4 percent, including grants), 1.8 percentage points lower than programmed, largely owing to the decline in petroleum product prices in the second half of the year and higher-than-expected cotton exports. Gross official reserves are estimated to have risen by CFAF 27 billion in 2001 (equivalent to 0.3 month of imports of goods and nonfactor services).

³ In 2001, producer prices were raised by 10 percent (from CFAF 159 to CFAF 175 per kilogram of seed cotton). Moreover, a bonus of CFAF 25 per kilogram, representing the distribution of half of SOFITEX's pretax profits in the previous campaign, was paid. A more detailed analysis of the cotton sector in Burkina Faso is given in the selected issues paper.

A. Fiscal Stance

10. **The fiscal position remained on track in 2001 despite lower-than-expected fiscal revenue.** The overall fiscal deficit (on a commitment basis and including grants) was 4.8 percent of GDP, compared with a program target of 5.1 percent. Fiscal revenue, at 12.5 percent of GDP, was 1.5 percent of GDP below the program target as a result of a slower-than-expected pickup of growth, some delays in the implementation of the petroleum price mechanism, and generalized weaknesses in revenue collection. This deterioration affected all categories of tax receipts, in particular corporate profit taxes. Also, external assistance ended up lower than expected. This shortfall in revenue was more than offset by lower spending, primarily on account of a significant underutilization of HIPC Initiative resources and also savings on other current and capital expenditures. The wage bill was kept in line with the program target, and the authorities repaid the full amount of VAT credits owed to SOFITEX.

11. While budgetary expenditure in the social areas continued to increase in 2001, there was a **very slow start in spending HIPC Initiative resources** because of the late delivery of certain creditors' contributions, the late approval by the National Assembly of the allocation of resources, and the need to set up proper procedures for spending the funds on a decentralized basis and being able to properly account for them. As a result, as of end-December 2001, only about 27 percent of HIPC Initiative resources made available in late 2000 and in 2001 were actually committed (Table 5). However, despite this very low level of HIPC Initiative contributions, overall social expenditures continued to increase (Figure 5).

B. Soundness of the Banking System

12. **Overall, the banking system has remained relatively healthy.** In 2001, broad money and credit to the economy grew by 4.9 percent and 13.9 percent, respectively (Table 9). Nonperforming loans remained stable, representing 2.5 percent of the total loans to the economy, essentially because of diligent and conservative provisioning. As a result of the favorable 2000/01 cotton crop, the banks are expected to recover their outstanding crop credits within the next few months. Except for one bank that does not satisfy the 8 percent capital-risk ratio, the banks are complying with key prudential ratios of the regional banking commission, in particular with the new capital adequacy ratio that became effective on January 1, 2002. The staff regretted that no progress had been made in the search for a new private partner to consolidate the main local bank, which had been weakened by the withdrawal in early 2001 of its foreign shareholder. The authorities replied that contacts had been established and that a successful outcome was expected. **Microfinance institutions** (village-based savings banks and other local networks) have continued their development in 2001, while playing an increasing role in financing agricultural inputs (see accompanying selected issues paper). Burkina Faso was one of the first countries to respond to the questionnaire on anti-money laundering (AML)/combating the financing of terrorism. It already has a number of regulations and enforcement mechanisms in place. Moreover, the

authorities are contributing to an initiative by the Central Bank of West African States (BCEAO) to strengthen AML provisions in all WAEMU countries, including through the forthcoming adoption of a specific regional WAEMU directive and through the establishment of financial intelligence units in WAEMU member countries.

C. Regional Integration

13. The staff agreed with the authorities that **Burkina Faso remained one of the most compliant members regarding the regional norms of the WAEMU⁴** (Box 1). In particular, it is the only WAEMU member that has fully implemented all the regulations pertaining to the common external tariff (CET). Concerning the CET's safeguard measures, the rate of the declining protection tax (TDP) was lowered further from 10 percent to 5 percent on January 1, 2002; the Burkinabè government does not avail itself of the temporary import levy (TCI); and, to comply with the WAEMU and World Trade Organization (WTO) regulations, it decided to eliminate by June 30, 2002 the 59 tariff lines still subject to administratively set customs valuations for determining customs duties (performance criterion under the program). The authorities reiterated that they continued to strive to meet the WAEMU convergence criteria, but that some time would be needed to observe the criteria pertaining to the tax receipts-to-GDP ratio and the external current account (excluding grants)-to-GDP ratio. Finally, progress was made in complying with WAEMU's five directives harmonizing the legal, accounting, and government finance statistics framework, as indicated in paragraph 14 of the MEFP and in Box 1.

D. Structural Reforms

14. As detailed in the MEFP, **the authorities persevered with the implementation of their structural reform program, focusing on managing public finances, privatizing public enterprises, and improving governance, with the assistance of the World Bank.** In the cotton sector, the authorities abolished the monopoly on the collection and marketing of seed cotton by SOFITEX and opened up cotton production zones in the east and the center to private operators. Also, the role of private operators in the supply of inputs, especially herbicides and insecticides, has improved dramatically. In the area of **public finance management**, there was a significant reduction in the number of accounts in the treasury's books, including the closure of nearly all private sector accounts. Overall domestic nonbank debt was reduced from 9.1 percent of GDP at end-2000 to 8.5 percent of GDP at end-2001. Also, the authorities have been working on an action plan harmonizing the recommendations of the budget management improvement plan (PRGB), the Report on the Observance of

⁴ See African Department, *West African Economic and Monetary Union: Recent Economic Developments and Regional Policy Issues in 2000*, IMF Staff Country Report No. 01/193 (Washington: IMF, 2001).

Box 1. Regional Integration Under the WAEMU

Burkina Faso's compliance with the convergence criteria of the Regional Convergence, Stability, Growth, and Solidarity Pact is as follows:

Ratio	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
							Proj.	Proj.	Proj.	Proj.
(In percent)										
Primary criteria										
Basic fiscal balance / GDP 1/ ≥ 0	0.6	-0.5	-0.5	-0.7	-1.6	-2.9	-1.7	-1.9	-0.7	-1.0
Inflation (annual average) ≤ 3	6.1	2.3	5.0	-1.1	-0.2	4.9	2.0	2.0	2.0	2.0
Total debt / GDP 2/ ≤ 70	61.0	60.0	59.0	59.9	62.1	59.7	57.0	54.4	52.0	51.0
Domestic arrears / GDP ≤ 0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
External arrears / GDP ≤ 0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria										
Wages / fiscal revenue ≤ 35	43.4	40.7	39.2	37.4	43.7	46.1	40.5	39.2	36.2	34.7
Domestically financed investment / fiscal revenue ≥ 20	11.3	23.9	25.9	29.8	23.4	30.4	43.6	39.7	38.4	39.5
Current account deficit, excluding transfers / GDP ≤ 5	-14.7	-13.9	-14.5	-16.0	-17.6	-15.9	-14.1	-13.0	-12.1	-11.2
Fiscal revenue / GDP ≥ 17	11.5	12.0	12.1	14.4	12.8	12.5	13.8	14.1	14.7	15.0

Sources: Burkinabè authorities; and staff estimates and projections.

1/ Excluding use of HIPC Initiative resources.

2/ External debt only. Based on HIPC Initiative completion point and second decision point document (EBS/00/113, 6/19/00).

The status of the regional reforms on government finance is as follows:

- **Organic budget law.** The new law was adopted by the Council of Ministers in April 2001 and submitted to parliament.
- **Public accounting regulations** have been finalized; the new regulations will be adopted by decree immediately after the adoption by parliament of the organic budget law.
- **Government chart of accounts.** The new public accounting plan introduced in 1998 is in line with the WAEMU guidelines.
- **Budget classification.** The existing classification is close to the WAEMU norms; full correspondence will be achieved by June 30, 2002.
- **Summary table of fiscal operations (TOFE).** The new presentation (payments orders basis) was introduced in January 2002, and the widening of the coverage will be introduced in 2003.

Standards and Codes (ROSC)/AAP, and the Country Financial Accountability Assessment (CFAA). In the area of **privatization**, three state enterprises were liquidated or sold, and the government's residual shares in a petroleum product distributor were sold. Concerning **governance**, in February 2002 new public procurement regulations and the audited budget acts (*Lois de règlement*) for 1999 and 2000 were adopted by the Council of Ministers and forwarded to the Audit Office. Finally, a High Authority for the fight against corruption was created, thereby fulfilling the end-December 2001 performance criterion.

III. POLICY DISCUSSIONS

A. Economic Prospects

15. **Real GDP growth is projected to reach 5.7 percent in 2002.** In close cooperation with the producers' organizations, the authorities have adopted very prudent cotton sector policies in the face of the low international prices: the producer price for the 2002/03 crop will decline by 12 percent,⁵ and SOFITEX stands ready to announce a further cut in the producer price in October, if needed, to preserve the equilibrium of the sector. The sector is expected to break even, and no budgetary or external assistance will be needed to support producer prices. Nonetheless, given the demonstrated benefits of moving to revenue-earning cotton crops, a further increase in production is projected. With a normal cereals crop, the primary sector as a whole is expected to expand by 3.2 percent, while the bumper cotton crop of 2001 should benefit ginning, transportation, and trade activities. As a result of this stronger demand, the staff agreed with the authorities that growth should significantly pick up in the secondary and tertiary sectors in 2002 (by 6.6 percent and 7 percent, respectively). Thanks to a strong expected improvement in the savings rate, linked to the economic recovery, the savings-investment gap is likely to narrow to 10.3 percent of GDP in 2002 from 12.4 percent in 2001 (Figure 2). The consumer price index (CPI) and the GDP deflator are projected at 2.0 percent and 1.7 percent, respectively. In the medium term, the staff agreed with the authorities that real GDP growth could remain at about 5.5 percent, and that the savings-investment gap could narrow further, in the absence of adverse exogenous shocks and with the continued implementation of sound economic policies.

16. In light of the difficult external environment, the staff and the authorities also discussed a **less optimistic scenario** (presented in Appendix VI), predicated on somewhat lower cotton and cereals outcomes and a more modest level of workers' remittances. In such a case, real GDP growth would remain at about 4 ½ percent per annum, the savings-investment balance would deteriorate, and an annual fiscal financing gap of a little above 1 percent of GDP that would have to be covered by additional fiscal revenue and/or expenditure cuts would emerge. The staff indicated that the authorities should keep this downside-risk scenario in mind as part of a possible revised macroeconomic framework that might serve as a basis for the next PRSP progress report.

17. **The medium-term framework projects a gradual reduction in the current account deficit based essentially on increased cotton exports and lower imports of capital goods.** For 2002, despite the expected decline in CFA franc prices of cotton exports and the related deterioration in the terms of trade, the substantial increase in the volume of cotton harvested in late 2001 but exported in 2002 should reduce the current account deficit

⁵ The official producer price will remain at CFAF 175 per kilogram of cottonseed, but no bonus will be paid as SOFITEX is at best expected to break even in crop-year 2001/02.

(excluding grants) to 14.1 percent of GDP (10.3 percent, including grants). The staff concurred that the external position of Burkina Faso had strengthened, owing to the following three factors: (i) cotton prices were expected to recover somewhat over the medium term from the present very low levels; (ii) after falling to a record low in 2001, workers' remittances were expected to increase gradually in response to the pending recovery of Côte d'Ivoire's economy in the medium term; and (iii) the gradual shift in public investment expenditure to poverty reduction is expected to lower the import elasticity to foreign-financed investment and, hence, to reduce the amount of capital goods imports. With an expected accumulation of about CFAF 40 billion in 2002, Burkina Faso is expected to contribute positively to the foreign assets position of the BCEAO.

B. Fiscal Policy

18. **The primary objective for 2002 is to consolidate Burkina Faso's fiscal position, which entails significant efforts to increase revenues in the short run and to maintain a momentum of tax revenue increase in the medium to long term.** In line with the program objective, the **overall fiscal deficit** (on a commitment basis, including grants, but excluding the use of HIPC Initiative resources) will improve by more than 1 percentage point of GDP to 3.3 percent of GDP.⁶ To achieve a tax revenue target of close to 14 percent of GDP, the authorities have already adopted a number of revenue measures in the 2002 finance law and decided on a further set of revenue and administration measures, as described in paragraph 10 and Table 4 of the MEFP. These include (i) increased excise taxes on petroleum products (prior action); (ii) a new taxation of the informal sector; (iii) improvements in real estate taxation; (iv) better control of tax exemptions; and (v) a reform package to enhance the performance of the tax administration. However, the impact of these measures on the poor is expected to be small, as indicated in a poverty and social impact analysis of the program (Box 2).

19. **Expenditures will continue to be contained at levels compatible with revenue performance, and the authorities adopted a number of expenditure cuts for 2002.** Current expenditures (excluding the use of HIPC Initiative resources) are targeted at 12.3 percent of GDP, in line with the original projections. In the absence of a general wage increase, the wage bill will rise in line with the grade drift and the allocation for the second tranche of the revised indemnities grid. The authorities intend to improve personnel and payroll management, including by contemplating the delegation of wage commitments to individual ministries. Subsidies to the electricity sector are expected to be lowered through an increase in the delivery price of fuels to the electricity company, SONABEL, following the

⁶ Including the large amount of HIPC Initiative-financed expenditures in 2002, the overall deficit (including grants) will end up just below 6 percent of GDP.

interconnection with Côte d'Ivoire's electricity grid. Defense expenditures will remain at the previous year's level of 1.6 percent of GDP.

**Box. 2. Burkina Faso: Poverty Reduction and Social Impact
Under the PRGF-Supported Program**

Given the shortfall in tax revenue experienced in 2001, the government trimmed nonessential expenditure while increasing the proportion of expenditures going to basic education and health, using domestic and HIPC resources without compromising overall macroeconomic balance; moreover, an increasing share of expenditures is directed to the rural sector, where a majority of the poor lives. The revenue measures implemented in 2002 to strengthen revenue collection are expected to have little incidence on lower-income households and the poor. In particular, the increase in excise duties on petroleum products are on products mainly used by more affluent households, while the prices of cooking fuel and butane gas remain subsidized; the improved enforcement of real estate taxation will essentially have an impact on high- and middle-income urban dwellers, while poor people in the rural sector are exempt; the new taxation of the informal sector targets foremost relatively affluent traders and businessmen in the informal sector; and the elimination of the remaining administratively set customs values is expected to lower prices for consumers.

The key reforms to enhance the efficiency of the economy and raise economic opportunities for the poor cover the cotton sector by reducing input costs to industry and consumers, and by strengthening institutional capacity. Given the importance of the cotton sector in the economy in terms of employment creation, the government is pursuing efforts to restructure the sector and make it more efficient by building additional feeder roads in cotton-producing areas, turning over to the private sector ginning factories in the recently opened production areas, and giving private operators a higher role in marketing and the financing of inputs. During the 2001/02 marketing season, the higher cotton producer price and larger production has increased producers' gross revenue by over 70 percent. This has had a positive impact on poverty reduction, given that a large number of cotton producers are poor, and on the creation of employment opportunities in other sectors of the economy through multiplier effects forthcoming from the infusion of these funds. Moreover, the benefits of cotton planting over subsistence farming are now well perceived by the population, raising the probability that the increase in cotton growers' income will be of a more permanent nature.

Regarding electric power, whose cost is high compared to international and regional standards, the interconnection of the city of Bobo-Dioulasso with the electrical grid of Côte d'Ivoire will lower electricity tariffs and help substantially industry, lower-income households, and the poor. Planned privatizations, particularly public utilities, include social programs to retain workers, or, if needed, to provide attractive severance packages.

A serious problem facing small entrepreneurs and the poor is the limited availability of credit facilities in rural areas; to meet this need, microfinance is being fostered, notably through a network of *Caisses Populaires*, which number today over 100. These institutions extend low-interest loans to small businesses and individuals (see also the accompanying selected issues paper).

Corruption and weak institutional capacity impose a tax on the poor. In December 2001, the government enhanced its fight against corruption through the creation of a High Authority to fight corruption, which will seek out cases of fraud and refer them to the courts.

20. **Social expenditures will continue to increase in 2002.** The budgetary expenditure allocation to social sectors has been raised in the 2002 finance law. Also, to make up for the delays encountered in HIPC Initiative spending in 2001, the authorities intend to commit all of the residual HIPC Initiative resources provided in 2000-01 before end-April 2002, and those expected to become available in 2002 before year's end. The effective disbursement of this

catch-up will be facilitated by the new procedures that have been adopted and by the preparatory work already undertaken in the decentralized units to facilitate the execution of the poverty-related programs. In particular, as detailed in paragraph 12 of the MEFP: (i) an account to handle all HIPC Initiative-related transactions will be opened at the central bank to increase transparency and ensure the availability of the funds;⁷ and (ii) 80 percent of the residual HIPC Initiative resources provided in 2000/01 will be committed by March 15, 2002, as prior actions for Board consideration. The sectoral breakdown of the CFAF 47.7 billion⁸ (2.6 percent of GDP) in HIPC resources expected to be spent in 2002 continues to emphasize the priority sectors of health (33 percent) and education (34 percent) (Figure 6).

C. Monetary and Banking Policy

21. **Monetary policy, conducted by the BCEAO at the regional level, will continue to focus on consolidating official reserves of WAEMU and maintaining an inflation rate compatible with the peg of the CFA franc to the euro.** In line with these objectives, broad money is expected to grow by 10½ percent in 2002, slightly higher than the expected nominal GDP growth. Net credit to the government is projected to decrease slightly, while credit to the economy is expected to grow moderately after two years of strong expansion. Staff agreed with the authorities that this should leave enough room to foster private sector activity and finance crop credit. The staff encouraged the authorities' efforts to foster a sound development of microfinance that was best suited to extend credit to small entrepreneurs and to fight poverty. In this regard, it pressed for the implementation of an effective regulatory framework and a strengthening of supervisory activities. Also, in line with the recommendations of the regional Financial Sector Assessment Program (FSAP),⁹ the mission pressed for continuous efforts to enhance the transparency process of monetary policy. In particular, it insisted on strong enticements to bring the sole bank that did not yet meet the 8 percent capital-risk ratio into compliance. Following the decision of the Council of Ministers to eliminate statutory advances from the BCEAO¹⁰ and in order to permit full

⁷ This account was opened in early March 2002.

⁸ This includes CFAF 22.5 billion in HIPC Initiative assistance in 2000 and 2001 and CFAF 25.2 billion expected for 2002.

⁹ "Senegal—Financial System Stability Assessment" (SM/01/272, 8/24/01), whose assessment applies for the WAEMU region as a whole, indicates that banking supervision has improved significantly in recent years, that a regulatory and supervisory system is already operational, and that the transparency of monetary policy is satisfactory overall.

¹⁰ The stock of statutory advances to the BCEAO was not repaid by the end-December 2001 due date. The WAEMU Council of Ministers is expected to adopt a decision soon on this issue—either by securitization of the stocks to be amortized over time, or to issue securities on the regional market. The Burkinabè authorities favor the first solution.

substitutability between bank financing and treasury bills or bonds that the treasury could issue on regional or national capital markets, the new performance criterion on the cumulative change in total net domestic budget financing (bank and nonbank) was implemented in 2002, and the former performance criterion on net bank credit to government has been discontinued.

D. Structural Reforms

22. **The coverage of structural conditionality continues to be streamlined in the current program**, with measures outside the PRGF-supported program covered by conditionality in other donor-supported programs (Box 3). The main structural areas covered by the program, in close collaboration with the World Bank, are described in paragraphs 16 through 20 of the MEFP and concern the privatization program, public finance management, and governance. Continuous attention will also be devoted to developments in the **cotton sector**, with a view to increasing private sector participation in ginning, delivery of inputs, and transportation activities.

23. The **privatization** program will be pursued, foremost with the preparations for the privatization of the telecommunications company, ONATEL, which is now expected to be completed in early 2003. Also, the privatization of airport management will be done before December 2002. Following the interconnection of the city of Bobo-Dioulasso with the electrical power grid of Côte d'Ivoire, the staff urged the authorities to quickly lower electricity tariffs, in particular for industrial users. The authorities intend to progress with the extension of the hookup to Ouagadougou, now under study. The staff concurred with the authorities that the improvement in the quality of **public finance management** should remain high on the priority agenda. The action plan consolidating the recommendations of the different studies will be completed by end-June 2002 and implemented immediately. The preparation, implementation, and monitoring of the medium-term expenditure framework will continue to be improved. Efforts will be undertaken to establish reliable balances and operating accounts at the treasury, and to consolidate most of the accounts at the BCEAO. Concerning **governance**, the anticorruption authority will start operating, reinforcing the anti-corruption drive already under way.

24. The mission welcomed the lifting of SOFITEX's monopoly on the marketing of cotton and the intention of abolishing the remaining administratively set customs valuations by end-June 2002 (structural performance criterion under the program). While noting that the marketing of sugar and rice had been deregulated since 1996, the mission urged the authorities to lift the remaining rule on minimum volumes imported for these two commodities, as they continued to distort the structure of economic incentives. Burkina Faso does not face market access barriers in its major export markets, but the significant amount of subsidization of cotton production in rich countries, notably in the United States and in the European Union, structurally depresses international cotton prices and slows the development of this crop in Burkina Faso, which enjoys a natural comparative advantage and is among the most competitive cotton producers in the world.

Box 3. Burkina Faso: Structural Conditionality

The structural areas covered by conditionality in the PRGF-supported program for 2002 focus on the core macroeconomic adjustment of the Burkinabè economy and the fight against poverty:

- **tax administration** (more efficient use of the single tax identification number, better control of tax exemptions, and upgrading of large taxpayers' unit);
- **public finance management** (adoption of operational action plan consolidating the recommendations of the PRGB, ROSC/AAP, and CFAA);
- **improvement of the treasury's management** (continued streamlining of deposits with the treasury, and setup of reliable balances and operating accounts); and
- **governance** (activation of the anticorruption unit, and appointment of judges to the Supreme Audit Court).

Relevant structural conditions not included in the 2002 program, but covered by other agencies,

- The follow-up of the **privatization agenda** and reform of the **energy and telecommunications sector** are adequately covered in specific World Bank programs.
- The reform of the **cotton sector** will be pursued with the assistance of the World Bank and France.
- The implementation of the **private sector** support program will benefit from the assistance of the World Bank and the European Union (EU).
- The promotion of **good governance** is a conditionality that will be pursued by most donors.
- The strengthening of the **judicial system** will benefit from the assistance of the World Bank, the EU, and France.

Status of structural conditionality from earlier programs

Structural conditionality in earlier programs, focusing on liberalization in the cotton sector, the privatization program, reform of the energy and telecommunications sectors, and governance, has largely been met.

Structural Areas Covered by World Bank Lending and Conditionality

Reform measures	Timing	Loan Instrument
Public expenditure management	2001-03	Poverty reduction support credit (PRSC) I, II, III
Private sector development	2001-03	PRSC and competitiveness credit
Education	2001-03	Basic education-adaptable Program loan
Health	2001-03	PRSC and HIV/AIDS disaster response project
Rural development	2001-03	Community-based rural development credit
Water and urban	2002	Urban environment project
Energy	2001-02	Energy sector credit and PRSC II and III

25. Burkina Faso's needs for technical assistance and capacity building remain enormous. The most immediate needs concern the improvement of national accounts and strengthening of fiscal revenue. In particular, the Fund should positively act on the request for STA technical assistance on national accounts. In addition, the authorities have indicated their need for a technical assistance mission to review implementation of past FAD recommendations on tax revenue measures and improvements of tax administration.

E. Program Monitoring

26. To allow for an orderly completion of the sixth review, the authorities have requested a three-month extension of the three-year PRGF arrangement until December 9, 2002. The program will continue to be monitored on the basis of quarterly performance criteria, benchmarks, and indicators, as shown in Table 1 of the MEFP and in the technical memorandum of understanding, as well as by end-June 2002 and end-September 2002 structural performance criteria and benchmarks. Progress under the program for 2002 will be assessed in the context of a sixth review under the PRGF arrangement, to be completed no later than end-November 2002.

IV. POVERTY REDUCTION

27. The first progress report on the implementation of the PRSP was considered by the Executive Boards of the Fund and the World Bank in November–December 2001. Further progress was made in the final months of 2001 in social outcomes in the areas of education, health, and rural development. In particular, the National Council for the Fight Against HIV/AIDS and Sexually Transmitted Diseases¹¹ started its activities in November 2001 with the participation of nongovernmental organizations (NGOs) and donors. In addition, 16 sectoral committees have been set up in various ministries to promote HIV/AIDS mitigation programs.

28. In the area of health, the availability now of qualified personnel, basic medication packages, and vaccines, as well as the gratuity of prenatal care, induces the poorer segments of the population to visit the health centers instead of staying away. Likewise, in the education sector, the construction of a large number of new classrooms, availability of teachers, and reduction of fees in the poorer provinces induce more people to enroll their children. Also, the increase in surfaces planted in alternating cotton and grain crops should have an important beneficial impact on poverty reduction in rural areas.¹² Finally, the significant acceleration of HIPC Initiative-financed expenditure in 2002 to make up for the delays in 2000–01 will contribute to improving poverty reduction.

¹¹ An overview of HIV/AIDS in Burkina Faso is provided in the selected issues paper.

¹² It is estimated that about 20 percent of the population depends on cotton production and manufacturing for a living.

29. To strengthen the strategy and the participatory process, the authorities will ensure that the three-tier set of committees to manage and implement the PRSP monitoring and evaluation process meet on a regular basis, with the participation of civil society and donors. As mentioned above, a special account was opened at the BCEAO to register all resources accruing from debt relief under the HIPC Initiative and expenditures to fight poverty. The government is undertaking the tracking of poverty spending on its own and is now following up on the social impact. The comprehensive and centralized database has made considerable progress in tracking the evolution of spending in the social sectors, but the staff noted remaining deficiencies in monitoring social outcomes. The authorities assured the staff that significant remedial efforts would be undertaken in this area through a better coordination of the sectoral units involved.

30. The PRSP process has become the main vehicle for coordinating donors' assistance, as several of them have pooled their assistance in the form of budgetary support,¹³ with minimum joint conditionality beyond a certification of adequate macroeconomic policies and annual review of progress under the PRSP.

V. COMPLETION POINT UNDER THE ENHANCED HIPC INITIATIVE

31. The mission, together with World Bank staff, undertook an updated debt sustainability analysis with 2001 as the base year. As shown in the enhanced HIPC Initiative completion point paper, the results indicate the need to (i) amend the amount of assistance calculated at the decision point by about US\$26 million in net present value (NPV) terms, so as to include loans that were omitted at that point owing to a deficient external debt-collection system; and (ii) provide additional assistance, beyond that committed at the decision point, of about US\$129 million in NPV terms in light of a fundamental change in economic circumstances due to exogenous developments.

VI. STAFF APPRAISAL

32. **Performance under the program continues to be satisfactory, and the recent high growth rate achieved by Burkina Faso has been more in line with its poverty reduction objectives.** In the face of a low tax revenue level, the authorities appropriately tightened spending while augmenting social outlays, so as to exceed the fiscal target and meet the end-December 2001 quantitative performance criteria and benchmarks.

33. **The authorities should be commended for their very prudent management of the cotton sector in the face of the low international cotton prices.** An appropriate policy of forward sales, cost cutting, and further liberalization measures has ensured a near equilibrium

¹³ Recently, Belgium decided to join the pool, which previously consisted of the European Union, Denmark, the Netherlands, Sweden, and Switzerland.

of the sector in the 2001/02 crop year while increasing the cotton growers' incomes by about 70 percent, thus powerfully reducing poverty in rural areas. Moreover, the close collaboration between SOFITEX and cotton producers has resulted in the expectation of a further increase in surfaces planted in cotton for the next crop season, notwithstanding a reduction in the producer price, and the possibility for an additional cut if international prices were to decline further. With the pursuit of such flexible policies and further efforts to implement structural reforms and remove labor and product market inefficiencies; to lower the cost of energy, in particular by extending the hookup with the electrical grid of neighboring countries; to improve the judiciary and promote good governance; to improve financial intermediation, including through an expansion of networks of decentralized microfinance institutions; and to develop human capital through adequate social policies and increased access to economic opportunities for the poor, the achievement of the programmed growth rates of 5½ percent per annum is well within reach.

34. **The low level of tax revenue achieved in 2001 reflects some deep-rooted structural problems that should be addressed quickly.** The authorities are deeply aware of the need to reverse the decline in tax revenue. The revenue and tax administration measures that have already been adopted are adequate and easy to implement. In particular, the increase in excise taxes on petroleum products will immediately start generating the revenue needed to achieve the fiscal targets. Also, the authorities stand ready to do more within the guidelines of their flexible budgetary framework. Nonetheless, it is paramount to sustain the implementation of the fiscal reform, in particular to broaden the tax base and to improve the tax and customs administration.

35. **The 2002 budgetary stance remains within overall program targets.** The level of revenue—somewhat lower than envisaged originally—is compensated for by a containment of sovereign current outlays, while the share of expenditure devoted to the poverty alleviation efforts increases significantly. However, achieving fiscal consolidation remains paramount for this year and in the medium term. Meeting this objective entails significant efforts to increase revenues and a strict limitation of nonessential outlays, in particular public sector wages, in order to generate savings that should be redirected toward the domestically financed investment program and the social sectors.

36. **The authorities should be commended for vigorously pursuing the poverty reduction objectives embedded in their PRSP and for having increased budgetary outlays in the social areas. However, the slow start in spending the resources made available through the HIPC Initiative is regrettable, though understandable,** given the need to establish proper disbursement and tracking procedures at the decentralized level. The authorities are firmly committed to catching up in 2002. Compared with the past, this large amount of disbursements should be more easily absorbed, given the relatively large share of current outlays in total spending and the substantive preparation undertaken at the decentralized level to facilitate the execution of the poverty-related programs. Nonetheless, further efforts are needed to improve the planning and execution of the strategy in a

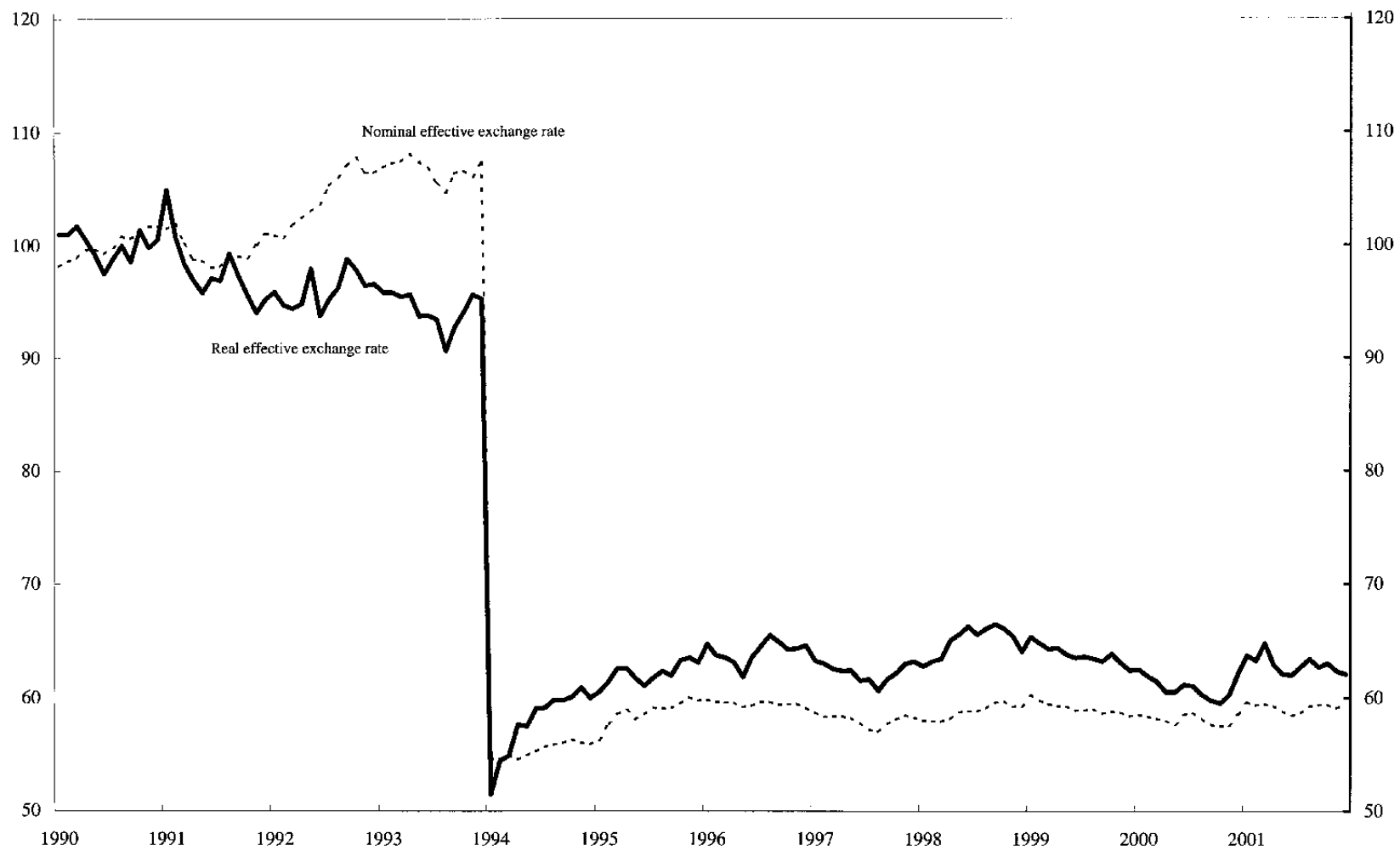
participatory manner. Also, it is vitally important to coordinate better the parties involved in order to improve the tracking of social outcomes.

37. **The emphasis of the structural reform program on the cotton sector, as well as on the improvement of public finance management and governance, is welcome.** Given the urgent need to strengthen the competitiveness of the economy, the authorities should also accelerate further the privatization and deregulation efforts, in particular of public utilities.

38. **Burkina Faso will continue to face risks, particularly exogenous shocks linked to climatic conditions and deteriorating terms of trade, that could impair the successful implementation of its program.** Moreover, the legislative elections planned for early May 2002 could increase uncertainties for this year's program. Burkina Faso will need to be prepared to strengthen its adjustment efforts—in particular, to tighten its fiscal position—if new shocks occur. **As the authorities remain determined to achieve the program objectives in the macroeconomic, structural, and poverty alleviation areas, the staff recommends that the fifth review under the three-year PRGF arrangement be completed.**

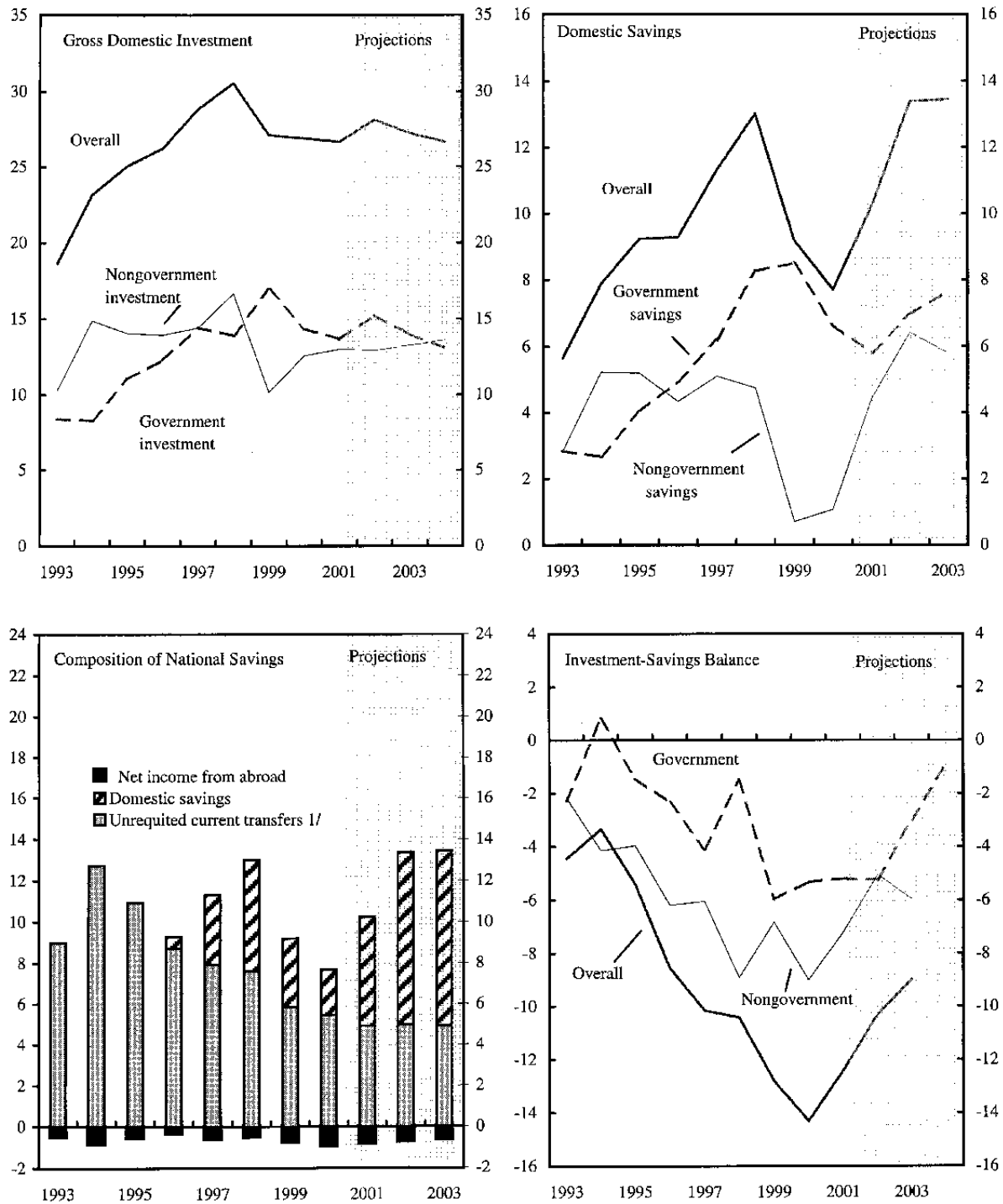
39. The staff proposes that the next Article IV consultation be held on the standard 12-month consultation cycle.

Figure 1. Burkina Faso: Real and Nominal Effective Exchange Rates, January 1990- December 2001
(Index, 1990=100)



Source: IMF, Information Notice System.

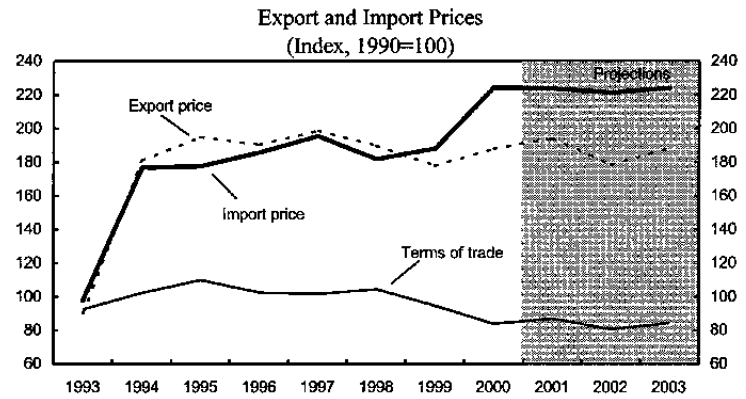
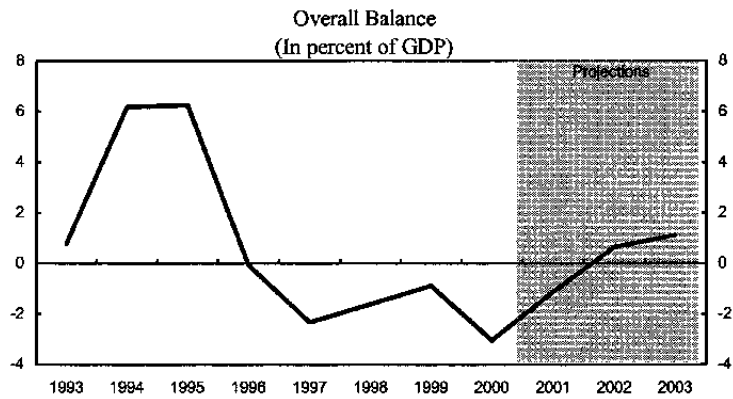
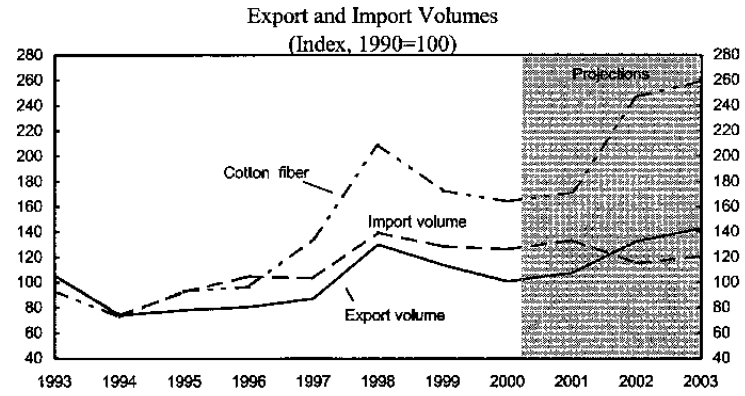
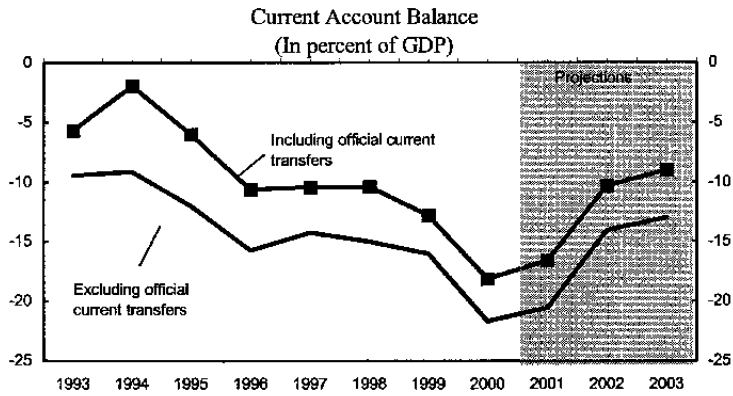
Figure 2. Burkina Faso: Investment and Savings, 1993-2004
(In percent of GDP)



Sources: Burkina authorities; and staff estimates and projections.

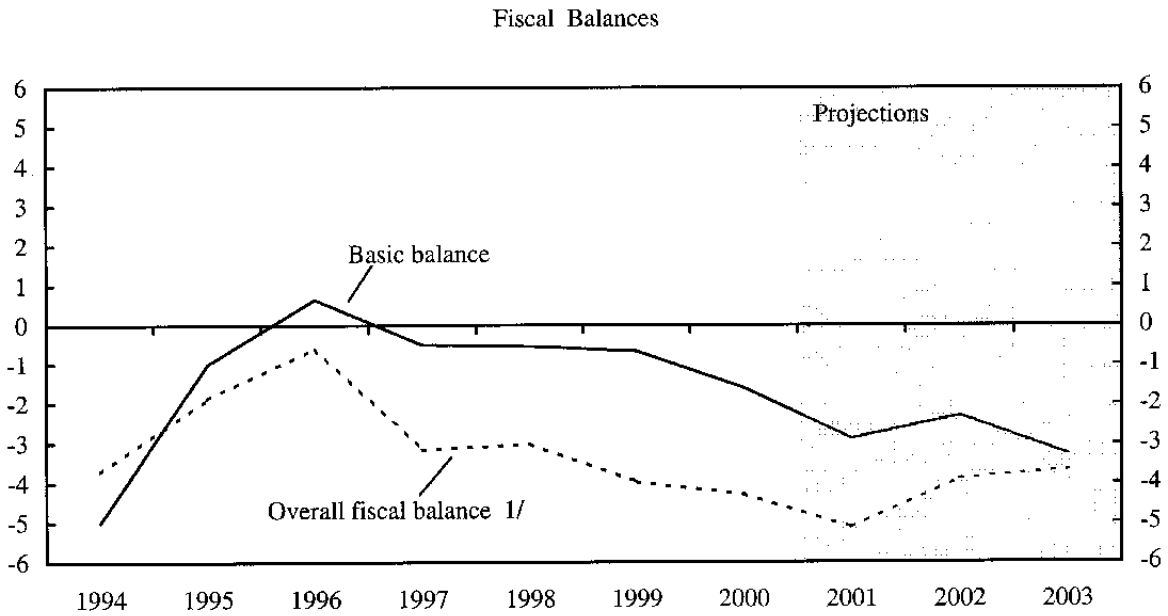
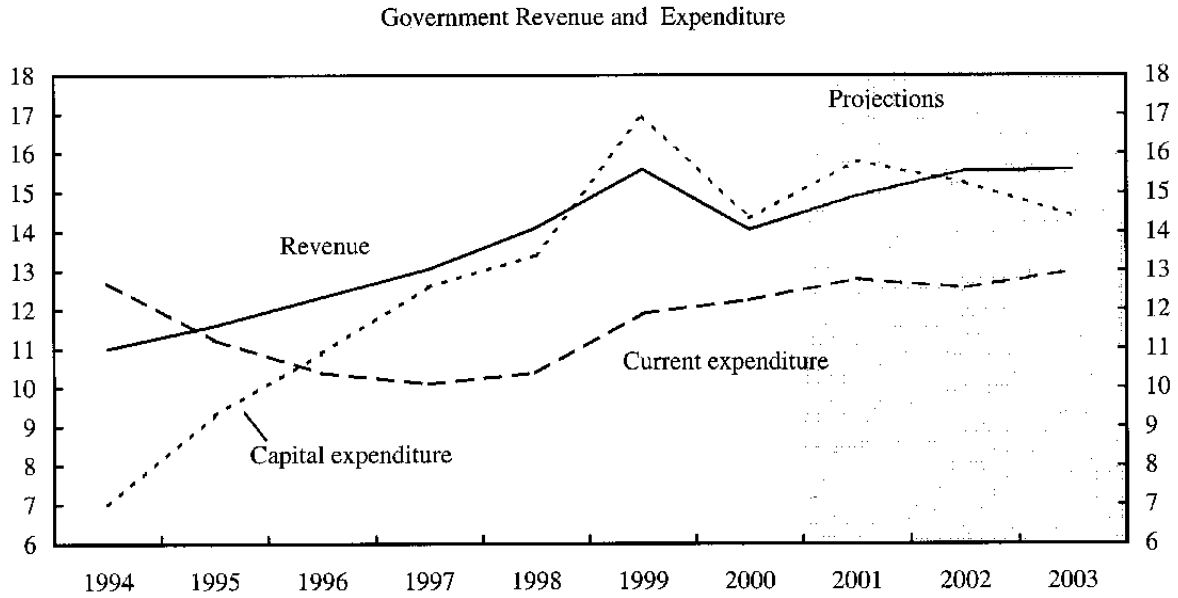
1/ Budgetary grants, technical assistance, worker remittances, and other transfers, including from nongovernmental organizations.

Figure 3. Burkina Faso: External Sector Developments, 1993-2003



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

Figure 4. Burkina Faso: Fiscal Sector Developments, 1994-2003
(In percent of GDP)

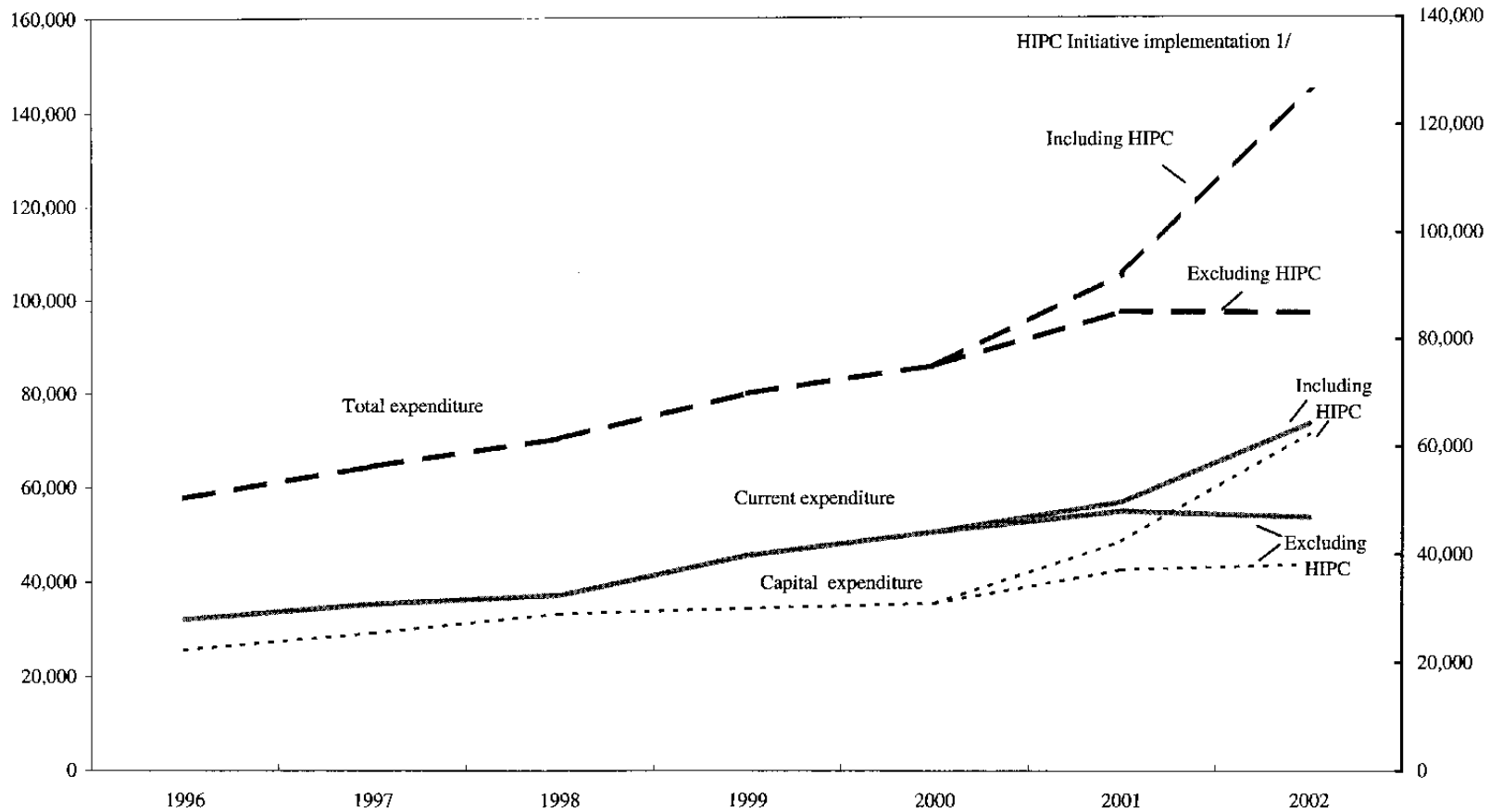


Sources: Burkinabè authorities; and Fund staff estimates and projections.

1/ Commitment basis, including grants.

Figure 5. Burkina Faso: Social Expenditures, 1996-2002 1/

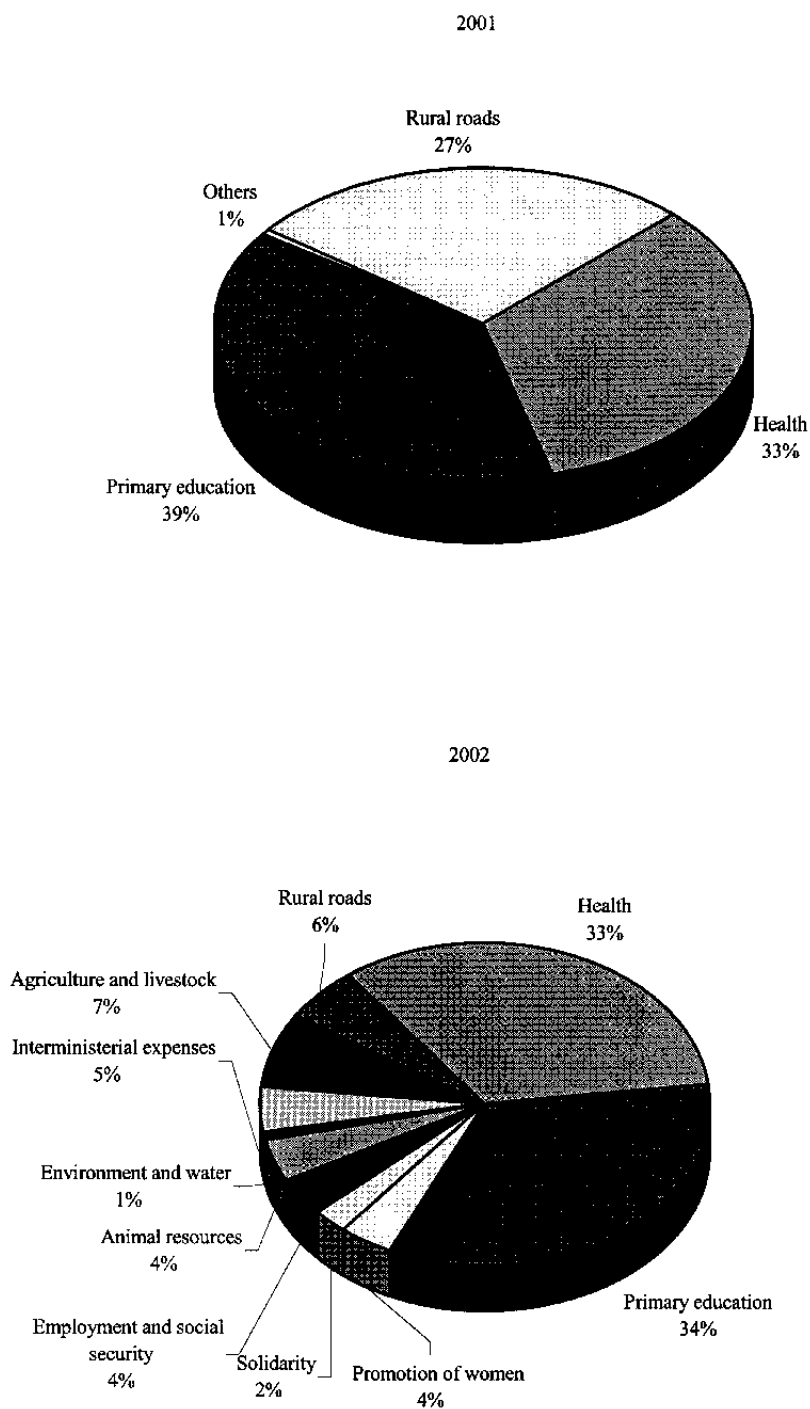
(In millions of CFA francs)



Sources: Burkinabè authorities and Fund staff estimates and projections.

1/ On July 10, 2000, and following the IDA Board's decision of June 30, 2000, the IMF Executive Board agreed that Burkina Faso was eligible for assistance under the enhanced HIPC Initiative.

Figure 6. Burkina Faso: HIPC Initiative Expenditures Committed



Source: Burkinabè authorities.

Table 1. Burkina Faso: Fund Position , December 2001 - December 2005

	2001				2002				2003				2004				2005			
	Dec. Outstanding	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.			
Total transactions (net)	...	-0.96	1.08	-1.63	1.06	-2.29	-4.50	-2.29	-4.27	-2.95	-4.25	-2.07	-4.90	-2.63	-4.00	-2.63	-3.10			
Disbursements	...	...	5.59	...	5.58	...	...	...	...	...	...	...	...	...	...	...	...
Repurchases/repayments	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Repurchases	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Enhanced Structural Adjustment Facility (ESAF)/Poverty Reduction and Growth Facility (PRGF) repaym	...	0.88	4.20	1.55	4.20	2.21	4.20	2.21	3.98	2.87	3.98	1.99	4.64	2.55	3.76	2.55	2.87			
Charges and interest	...	0.08	0.31	0.08	0.32	0.08	0.30	0.08	0.29	0.08	0.27	0.08	0.26	0.08	0.24	0.08	0.23			
Total Fund credit outstanding 1/	92.71	91.82	93.21	91.67	93.05	90.84	86.64	84.43	80.45	77.58	73.60	71.61	66.97	64.42	60.67	58.12	55.24			
Outstanding purchases Under ESAF/PRGF	92.71	91.82	93.21	91.67	93.05	90.84	86.64	84.43	80.45	77.58	73.60	71.61	66.97	64.42	60.67	58.12	55.24			
Total Fund credit outstanding 1/	154.00	152.53	154.84	152.27	154.56	150.89	143.92	140.25	133.64	128.87	122.26	118.96	111.25	107.01	100.77	96.54	91.77			
Outstanding purchases Under ESAF/PRGF	154.00	152.53	154.84	152.27	154.56	150.89	143.92	140.25	133.64	128.87	122.26	118.96	111.25	107.01	100.77	96.54	91.77			
Memorandum item:																				
Quota (in millions of SDRs)	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20			

Source: IMF, Treasurer's Department.

1/ End of period.

Table 2. Burkina Faso: Selected Economic and Financial Indicators, 1999-2005

	1999	2000	2001	2002		2003	2004	2005
			Est.	Rev. prog	Rev. proj.	Proj.	Proj.	Proj.
(Annual percentage changes, unless otherwise specified)								
GDP and prices								
GDP at constant prices	6.3	2.2	5.7	5.8	5.7	5.4	5.4	5.3
GDP deflator	-2.6	0.6	3.5	2.0	1.7	2.3	2.2	2.3
Consumer prices index (annual average)	-1.1	-0.3	4.9	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	0.7	2.4	1.0	2.0	2.0	2.0	2.0	2.0
Money and credit								
Net domestic assets (banking system) 1/	5.6	15.4	3.7	4.0	1.4	-0.9	2.5	1.5
Credit to the government 1/	3.4	7.8	-5.1	-0.7	-1.4	-3.8	-2.7	-3.1
Credit to the private sector 1/	1.9	8.2	7.4	4.7	2.8	3.0	5.2	4.5
Broad money (M2)	3.1	5.7	4.9	8.0	10.6	10.6	7.7	9.2
Velocity (GDP/M2)	3.9	3.8	4.0	4.0	3.8	3.8	3.8	3.7
External sector								
Exports (f.o.b.; valued in CFA francs)	-18.0	-6.4	15.5	14.5	8.1	14.0	9.8	9.1
Imports (f.o.b.; valued in CFA francs)	-4.5	3.1	1.3	-1.2	1.7	6.2	4.8	5.2
Volume of exports	-12.4	-11.4	11.8	23.1	17.7	7.8	6.2	5.8
Volume of imports	-7.7	-13.6	1.6	3.0	2.7	4.9	3.6	3.8
Terms of trade	-9.5	-11.5	3.6	-3.0	-7.2	4.5	2.2	1.8
Real effective exchange rate (depreciation -)	-2.0	-5.1	...	...	...	...	...	...
(In percent of GDP, unless otherwise specified)								
Gross investment	27.1	26.9	26.7	27.3	28.1	27.2	26.7	26.8
Government	17.0	14.3	13.7	15.1	15.2	14.0	13.1	12.5
Nongovernment sector	10.2	12.6	13.0	12.2	12.9	13.3	13.6	14.2
Gross domestic savings	9.2	7.7	10.2	12.7	13.4	13.4	13.7	14.6
Government savings	8.5	6.6	5.8	7.5	7.0	7.7	8.7	9.1
Nongovernment savings	0.7	1.1	4.4	5.1	6.4	5.8	5.1	5.4
Gross national savings	14.3	12.6	14.2	16.8	17.8	18.2	18.8	19.6
Central government finances								
Tax revenue	14.5	12.8	12.5	14.5	13.8	14.1	14.7	15.0
Domestic current expenditure	11.9	12.2	12.8	12.6	13.4	13.1	12.5	12.6
Overall fiscal balance, excluding grants	-13.3	-12.7	-13.0	-12.1	-13.5	-11.6	-9.5	-8.8
Overall fiscal balance, including grants	-4.0	-4.2	-4.8	-3.9	-5.9	-4.4	-2.7	-2.7
Basic balance 2/	-0.7	-1.6	-3.2	-2.3	-4.3	-3.2	-2.0	-2.2
Excluding use of HIPC resources	-0.7	0.0	-2.9	-1.0	-1.7	-1.9	-0.7	-1.0
External sector								
Exports of goods and nonfactor services	11.6	10.8	11.2	11.9	11.2	11.8	12.0	12.1
Imports of goods and nonfactor services	29.6	30.0	27.6	26.5	26.0	25.6	24.9	24.3
Current account balance (excluding current official transfers)	-16.0	-17.6	-15.9	-14.6	-14.1	-13.0	-12.1	-11.2
Current account balance (including current official transfers)	-12.8	-14.6	-12.4	-10.4	-10.3	-9.0	-7.9	-7.2
External Debt Indicators (before HIPC Initiative)								
Debt-service ratio 3/ 5/	23.0	30.2	30.2	25.0	25.8	24.0	23.0	20.8
Debt-service ratio 4/ 5/	10.5	13.9	15.6	15.6	19.4	18.4	17.2	15.3
Gross official reserves (in months of imports of GNFS)	5.1	4.4	4.7	...	5.5	6.5	6.8	7.4
Nominal GDP (in billions of CFA francs)	1,518	1,561	1,707	1,857	1,834	1,978	2,130	2,294

Sources: Burkinabè authorities; and staff estimates and projections.

1/ In percent of beginning-of-period broad money.

2/ Revenue excluding grants minus expenditures excluding foreign financed investment outlays.

3/ In percent of exports of goods and nonfactor services.

4/ Ratio of public external debt service to government revenue, excluding grants.

5/ Before debt relief under the original and enhanced Heavily Indebted Poor Countries Initiative (HIPC). Based on HIPC Initiative completion point and second decision point document (EBS/00/113; 6/19/01).

Table 3. Burkina Faso: Consolidated Operations of the Central Government, 1999-2005

	1999	2000	2001		2002		2003	2004	2005
			Rev. Prog. 1/	Est. 1/	Prog. 1/	Rev. Prog			
1. Total revenue and grants 2/	377.7	354.2	399.6	367.7	437.3	412.7	445.1	484.9	514.1
1.1 Current revenue 2/	236.5	219.3	254.5	228.0	285.2	273.2	302.0	339.8	374.7
1.1.1 Tax revenue	220.7	202.9	240.2	213.2	269.5	253.9	279.3	312.4	344.4
Income and profits	53.7	61.4	67.2	56.1	74.1	66.7	73.3	82.8	91.9
Domestic goods and services	106.4	97.7	121.5	111.8	134.0	139.4	153.3	170.9	189.7
International trade	55.3	38.2	44.0	39.2	53.2	41.3	45.4	50.6	53.8
Other	5.3	5.7	7.4	6.2	8.2	6.6	7.3	8.1	9.0
1.1.2 Nontax revenue	15.8	16.4	14.3	14.7	15.8	19.3	22.7	27.4	30.4
1.2 Capital revenue	0.1	0.0	0.4	0.0	0.0	0.4	0.4	0.5	0.6
1.3 Grants	141.1	134.8	144.8	139.7	152.1	139.2	142.6	144.6	138.8
Project	117.4	111.9	121.5	112.5	119.0	105.1	100.4	95.6	89.8
Program	23.7	22.9	23.3	27.2	33.1	34.1	42.2	49.0	49.0
2. Expenditure and net lending 3/	438.3	421.1	487.9	450.4	509.7	521.3	531.3	540.6	576.2
2.1 Current expenditures	180.6	194.3	219.8	219.2	233.1	245.8	258.2	266.4	290.4
Wages and salaries	82.6	88.7	98.2	98.2	102.9	104.3	109.4	113.8	120.6
Goods and services	37.6	40.0	48.7	40.7	52.0	54.8	58.0	59.8	66.5
Interest payments	13.7	16.6	18.0	17.6	17.8	16.4	18.2	18.9	19.3
Domestic	3.3	3.5	5.3	5.0	6.2	6.3	6.3	6.3	6.3
External	10.4	13.1	12.7	12.6	11.6	10.1	11.9	12.6	13.0
Current transfers	46.8	49.0	51.8	60.1	57.1	68.4	72.5	74.0	83.9
Of which: restructuring operations	1.4	2.2	2.0	0.0	0.0	0.0	...	...	...
Of which: refund of VAT credits to Sofitex	...	...	6.7	7.0	...	...	...	...	...
Safety net / oil and gas subsidies	...	...	3.1	2.6	3.3	2.0	0.0	0.0	0.0
2.2 Investment expenditures	257.4	223.7	269.6	233.1	279.6	279.0	276.2	278.2	287.8
Domestically financed	65.8	47.5	86.3	64.7	98.0	110.7	110.8	119.9	136.3
Of which: tax component	22.9	14.3	23.3	17.6	20.0	20.7	19.9	14.4	17.7
Externally financed	191.5	176.2	183.3	168.5	181.6	168.3	165.4	158.3	151.5
2.3 Net lending	0.3	3.1	-1.5	-1.9	-3.0	-3.3	-3.0	-4.0	-2.0
3. Overall surplus/deficit (commitment basis)	-60.6	-67.0	-88.3	-82.7	-72.4	-108.8	-86.3	-55.8	-62.1
Excluding grants	-201.7	-201.8	-233.0	-222.4	-224.5	-247.9	-228.9	-200.4	-200.9
Basic balance 4/	-10.2	-25.6	-49.7	-53.9	-42.9	-79.7	-63.5	-42.1	-49.4
Excluding use of HIPC resources	-10.2	-25.6	-28.1	-49.3	-17.7	-32.0	-34.9	-14.9	-22.8
4. Cash basis adjustment	-9.3	-0.1	-9.0	40.4	0.0	-8.3	0.0	0.0	0.0
4.1 Change in payments arrears	-8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Expenditures committed but not paid 5/	-1.0	-10.0	-2.0	16.2	0.0	-8.3	0.0	0.0	0.0
4.3 Change in treasury's commitments	0.0	9.9	-7.0	24.2	0.0	0.0	0.0	0.0	0.0
5. Overall deficit (cash basis)	-69.9	-67.0	-97.3	-42.3	-72.4	-117.1	-86.3	-55.8	-62.1
Excluding grants	-211.0	-201.8	-242.0	-182.0	-224.5	-256.2	-228.9	-200.4	-200.9
6. Financing	69.9	67.0	97.3	42.3	72.4	117.1	86.3	55.8	62.1
6.1 Foreign	64.0	43.6	110.4	85.4	79.3	108.7	116.1	82.3	103.8
Drawings	90.2	71.4	137.7	112.5	112.3	133.7	144.5	111.9	131.9
Project loans	74.1	66.5	61.8	56.0	62.6	63.2	65.0	62.7	61.7
Adjustment aid	16.1	0.0	54.3	33.1	24.5	47.3	50.9	22.0	43.6
HIPC initiative	...	7.1	21.6	23.4	25.2	25.2	28.6	27.2	26.6
Amortization	-26.2	-27.8	-27.3	-27.1	-33.0	-27.0	-28.4	-29.6	-28.1
6.2 Domestic financing	2.4	21.9	-13.1	-37.4	-7.2	8.4	-29.9	-26.5	-41.8
6.2.1 Bank financing	12.2	19.8	-5.2	-12.3	-3.4	-6.0	-18.2	-19.0	-17.3
Central bank	14.5	23.1	-1.4	-9.0	-3.4	-2.5	-14.7	-15.5	-13.8
Commercial banks	-2.3	-3.3	-3.8	-3.3	0.0	-3.5	-3.5	-3.5	-3.5
6.2.2 Nonbank financing	-9.8	2.1	-7.9	-25.1	-3.8	14.3	-11.7	-7.5	-24.5
Government bonds	-13.5	-5.4	-10.7	-9.4	-13.8	-9.7	-21.7	-7.5	-24.5
Privatization revenue	3.7	14.6	2.9	3.0	10.0	1.5	10.0	0.0	0.0
HIPC Account	...	-7.1	0.0	-18.7	0.0	22.5	0.0	0.0	0.0
6.3 Debt under discussion 6/	4.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.7	-1.1	0.0	-5.7	...	...	...	...	...
Financing gap	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Of which: poverty-reducing social expenditures	53.6	56.4	64.4	62.1	70.1	64.0	69.7	75.9	82.6
military expenditure	25.7	26.1	28.4	26.5	28.9	31.0	29.5	30.0	30.6
(In percent of GDP, unless otherwise specified)									
(In percent of GDP)									
Total revenue and grants	24.9	22.7	23.2	21.5	23.6	22.5	22.5	22.8	22.4
Tax revenue	14.5	13.0	14.0	12.5	14.5	13.8	14.1	14.7	15.0
Grants	9.3	8.6	8.4	8.2	8.2	7.6	7.2	6.8	6.1
Expenditure and net lending	28.9	27.0	28.4	26.4	27.4	28.4	26.9	25.4	25.1
Current expenditure	11.9	12.5	12.8	12.8	12.6	13.4	13.1	12.5	12.7
Wages and salaries	5.4	5.7	5.7	5.8	5.5	5.7	5.5	5.3	5.3
Interest	0.9	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.8
Capital expenditure	17.0	14.3	15.7	13.7	15.1	15.2	14.0	13.1	12.5
Domestically financed	4.3	3.0	5.0	3.8	5.3	6.0	5.6	5.6	5.9
Foreign financed	12.6	11.3	10.7	9.9	9.8	9.2	8.4	7.4	6.6
Overall balance (commitment basis)	-4.0	-4.3	-5.1	-4.8	-3.9	-5.9	-4.4	-2.6	-2.7
Including grants	-4.0	-4.3	-3.9	-4.6	-2.5	-3.3	-2.9	-1.3	-1.5
Excluding HIPC	-13.3	-12.9	-13.6	-13.0	-12.1	-13.5	-11.6	-9.4	-8.8
Basic balance 4/	-0.7	-1.6	-2.9	-3.2	-2.3	-4.3	-3.2	-2.0	-2.2
Excluding use of HIPC resources	-0.7	-1.6	-1.6	-2.9	-1.0	-1.7	-1.8	-0.7	-1.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP (in billions of CFA francs)	1,518	1,561	1,719	1,707	1,857	1,834	1,978	2,130	2,294

Sources: Burkina Faso authorities; and staff estimates and projections.

1/ Includes HIPC resources.

2/ Revenue includes taxes on goods and services paid in the execution of public investment projects using checks issued by the treasury.

3/ On a commitment basis and including the tax component of the public investment projects, which is paid by the treasury.

4/ Revenue (excluding grants) minus expenditure, excluding foreign-financed investment outlays.

Table 4. Burkina Faso: Fiscal Impact of the HIPC Initiative, 2000-05 ^{1/}

(In billions of CFA francs, unless otherwise specified)

	2000	2001	2002	2003	2004	2005
	Actual	Prel.		Proj.		
1. HIPC Initiative assistance given						
A. Interest due before HIPC Initiative assistance	13.1	12.6	10.1	11.9	12.6	13.0
B. Interest paid before HIPC Initiative assistance	13.1	12.6	10.1	11.9	12.6	13.0
C. HIPC Initiative assistance on interest (as a result of stock of debt operation only)	0.0	0.0	0.0	0.0	0.0	0.0
D. Interest due after HIPC Initiative assistance	13.1	12.6	10.1	11.9	12.6	13.0
E. Amortization due before HIPC Initiative assistance	27.8	27.1	27.0	28.4	29.6	28.6
F. Amortization paid before HIPC Initiative assistance	27.8	27.1	27.0	28.4	29.6	28.6
G. HIPC Initiative assistance on amortization (as a result of stock of debt operation only)	0.0	0.0	0.0	0.0	0.0	0.0
H. Amortization due after HIPC Initiative assistance	27.8	27.1	27.0	28.4	29.6	28.6
I. HIPC Initiative assistance provided as grants (to cover debt service due)	0.0	0.0	0.0	0.0	0.0	0.0
J. HIPC Initiative assistance as exceptional financing (to cover debt service due)	7.1	23.4	25.2	28.6	27.2	26.6
Total HIPC Initiative assistance provided (C+G+I+J) ^{2/}	7.1	23.4	25.2	28.6	27.2	26.6
Total HIPC Initiative assistance (in millions of U.S. dollars) ^{2/}	11.4	35.4	35.5	40.3	38.3	37.5
Net cash flow to the budget from HIPC Initiative assistance (B+F-(D+H-I-J))	7.1	23.4	25.2	28.6	27.2	26.6
Memorandum items:						
Other donor flows	201.3	228.8	249.7	258.5	229.3	244.1
Total net external flows (net external financing less debt service due)	160.4	189.1	212.6	218.2	187.1	202.5
2. Functional and other poverty reduction government expenditures ^{2/}						
Baseline pre-HIPC Initiative assistance expenditure projections	85.9	97.4	97.1	102.9	109.1	115.6
Post HIPC Initiative use of assistance expenditure projections	85.9	105.4	144.8	131.3	138.7	144.2
Memorandum items:						
Tax revenue (in percent of GDP)	12.8	12.5	13.8	14.1	14.7	15.0
Overall fiscal balance before use of HIPC Initiative assistance (in percent of GDP)	-4.2	-4.8	-5.9	-4.4	-2.7	-2.7
Overall fiscal balance after use of HIPC Initiative assistance (in percent of GDP)	-4.2	-4.6	-3.3	-3.1	-1.3	-1.5

Sources: Burkinabé authorities; and Fund staff projections.

^{1/} Before the impact of a stock of debt operation, which may take place in May 2002 following the completion point under the enhanced HIPC Initiative.

^{2/} Excludes foreign-financed investment.

Table 5. Burkina Faso: Commitment of HIPC Initiative Resources, 2001-02

(In millions of CFA francs)

	2001 Actual	2002 Proj.
Overall use of HIPC Initiative Resources	8,050.6	47,665.6
Current	1,992.3	19,896.2
Capital	6,058.3	27,769.4
Health	2,673.2	15,840.3
Current	1,519.5	10,870.3
Wages an salaries	649.8	1,781.2
Expenditures on goods and services	869.7	9,089.1
Transfers	0.0	0.0
Capital	1,153.7	4,970.0
Primary education	3,136.8	16,221.4
Current	414.8	2,348.0
Wages an salaries	136.0	230.0
Expenditures on goods and services	278.8	2,118.0
Transfers	0.0	0.0
Capital	2,722.0	13,873.4
Others	58.0	12,956.8
Promotion of women	0.0	1,894.6
Solidarity	0.0	1,074.0
Employment and social security	0.0	1,901.0
Animal resources	0.0	1,975.5
Environment and water	58.0	367.3
Interministerial expenses	0.0	2,180.8
Agriculture and livestock	0.0	3,563.6
Rural roads	2,182.6	2,647.1

Source: Burkinabè authorities.

Table 6. Burkina Faso: Poverty-Reducing Social Expenditures, 1996-2002^{1/}

(Including use of HIPC Initiative Resources)

	1996	1997	1998	1999	2000	2001	2002
	Actual					Est.	Proj.
(As percentage of total expenditure)							
Total poverty-reducing social expenditure	20.7	19.8	20.2	18.3	20.6	23.3	27.6
Current	11.5	10.8	10.7	10.4	12.1	12.6	14.0
Capital	9.2	9.0	9.5	7.9	8.5	10.7	13.6
Health	10.8	9.5	9.4	8.7	8.0	9.8	9.7
Current expenditure	4.6	4.7	4.8	4.3	4.7	5.3	6.2
Capital expenditure	6.3	4.9	4.7	4.4	3.3	4.5	3.5
domestic resources	0.4	0.5	1.0	1.0	0.8	1.1	1.9
external expenditure	5.9	4.4	3.6	3.4	2.5	3.4	1.6
Education	8.6	9.5	9.7	8.7	10.7	11.2	13.3
Current expenditure	6.2	5.6	5.3	5.4	6.6	6.5	5.9
Capital expenditure	2.4	3.9	4.5	3.3	4.1	4.7	7.4
domestic resources	0.5	0.5	0.7	0.7	0.6	1.3	3.6
external expenditure	1.9	3.4	3.8	2.6	3.5	3.4	3.8
Women's welfare and other poverty-reducing social expenditure	1.3	0.8	1.0	0.9	1.2	1.2	3.5
Current expenditure	0.7	0.6	0.6	0.7	0.8	0.7	1.9
Capital expenditure	0.6	0.2	0.4	0.2	0.4	0.4	1.5
domestic resources	0.2	0.1	0.1	0.1	0.1	0.1	1.3
external expenditure	0.4	0.1	0.3	0.1	0.4	0.4	0.2
Rural roads	0.0	0.0	0.0	0.0	0.7	1.2	1.1
Capital	0.0	0.0	0.0	0.0	0.7	1.2	1.1
domestic resources	0.0	0.0	0.0	0.0	0.0	0.5	0.5
external funds	0.0	0.0	0.0	0.0	0.7	0.7	0.6
(As percentage of GDP)							
Total poverty-reducing social expenditure	4.6	4.8	4.8	5.3	5.4	6.2	7.9
Current	2.5	2.6	2.5	3.0	3.2	3.3	4.0
Capital	2.0	2.2	2.3	2.3	2.2	2.8	3.9
Health	2.4	2.3	2.2	2.5	2.1	2.6	2.8
Current expenditure	1.0	1.1	1.1	1.2	1.2	1.4	1.8
Capital expenditure	1.4	1.2	1.1	1.3	0.9	1.2	1.0
domestic resources	0.1	0.1	0.2	0.3	0.2	0.3	0.5
external expenditure	1.3	1.1	0.9	1.0	0.7	0.9	0.5
Education	1.9	2.3	2.3	2.5	2.8	3.0	3.8
Current expenditure	1.4	1.4	1.3	1.6	1.7	1.7	1.7
Capital expenditure	0.5	1.0	1.1	0.9	1.1	1.2	2.1
domestic resources	0.1	0.1	0.2	0.2	0.2	0.3	1.0
external expenditure	0.4	0.8	0.9	0.8	0.9	0.9	1.1
Women's welfare and other poverty-reducing social expenditure	0.3	0.2	0.2	0.3	0.3	0.3	1.0
Current expenditure	0.2	0.1	0.1	0.2	0.2	0.2	0.6
Capital expenditure	0.1	0.0	0.1	0.0	0.1	0.1	0.4
domestic resources	0.0	0.0	0.0	0.0	0.0	0.0	0.4
external expenditure	0.1	0.0	0.1	0.0	0.1	0.1	0.1
Rural roads	0.0	0.0	0.0	0.0	0.2	0.3	0.3
Capital	0.0	0.0	0.0	0.0	0.2	0.3	0.3
domestic resources	0.0	0.0	0.0	0.0	0.0	0.1	0.1
external funds	0.0	0.0	0.0	0.0	0.2	0.2	0.2

Sources: Ministry of Economy and Finance; and staff estimates.

^{1/} Including Use of HIPC Initiative Resources.

Table 7. Burkina Faso: Balance of Payments, 1999-2005

	1999	2000 Rev.	2001		2002	2003	2004	2005
			Prog.	Est.				
						Projections. 1/		
	(Billions of CFA francs)							
Exports, f.o.b.	156.2	146.2	177.0	168.8	182.6	208.2	228.5	249.3
<i>Of which:</i> cotton	83.6	72.2	95.6	96.0	108.9	128.6	144.4	157.6
gold	9.2	6.2	6.5	3.5	2.3	1.6	1.5	1.2
Imports, f.o.b.	-357.4	-368.6	-407.5	-373.3	-379.4	-402.7	-422.1	-443.7
<i>Of which:</i> capital goods	-125.0	-122.8	-141.5	-115.5	-115.4	-115.8	-110.7	-106.4
Trade balance	-201.2	-222.4	-230.5	-204.5	-196.8	-194.5	-193.6	-194.4
Services and income (net)	-82.0	-91.5	-93.9	-89.9	-85.3	-88.8	-91.7	-96.2
Services	-70.8	-77.3	-80.0	-76.0	-72.1	-75.2	-77.6	-82.0
Income	-11.3	-14.3	-13.9	-13.9	-13.2	-13.6	-14.0	-14.3
<i>Of which:</i> interest payments	-11.1	-13.2	-13.5	-13.1	-12.5	-13.0	-13.5	-13.9
<i>Of which:</i> budget	-10.4	-13.1	-12.7	-12.5	-11.5	-12.1	-12.7	-13.2
Current transfers (net)	88.7	86.8	84.2	82.2	90.4	100.2	109.3	111.9
Private	39.7	39.1	20.1	23.0	24.3	26.0	28.3	31.0
<i>Of which:</i> workers' remittances (gross)	50.3	44.5	30.0	30.0	32.1	34.6	37.7	41.2
Official	48.9	47.7	64.1	59.3	66.1	74.2	81.0	80.9
<i>Of which:</i> budgetary (program grants)	23.7	22.9	23.3	27.2	34.1	42.2	49.0	49.0
Current account (deficit= -)	-194.6	-227.1	-240.1	-212.1	-191.7	-183.2	-175.9	-178.7
Excluding current official transfers	-243.5	-274.8	-304.3	-271.4	-257.9	-257.4	-256.9	-259.7
Capital transfers	120.4	115.4	124.5	115.8	108.5	104.0	99.4	93.8
Project grants	117.4	111.9	121.5	112.5	105.1	100.4	95.6	89.8
Other capital transfers	3.0	3.5	3.0	3.3	3.4	3.6	3.8	4.0
Financial operations	69.5	58.8	94.8	73.8	95.5	99.9	68.2	88.6
Official capital	64.0	26.4	86.4	54.3	81.0	85.1	53.1	73.3
Disbursements	90.2	60.7	116.1	89.1	110.5	115.9	84.7	105.3
Project loans	74.1	66.5	61.8	56.0	63.2	65.0	62.7	61.7
Program loans	16.1	0.0	54.3	33.1	47.3	50.9	22.0	43.6
Amortization	-26.2	-30.8	-29.7	-34.8	-29.5	-30.8	-31.6	-32.0
<i>Of which:</i> budget	-26.2	-27.8	-27.3	-27.1	-27.4	-28.8	-29.5	-30.0
Private capital 2/	5.5	32.4	8.4	19.5	14.5	14.8	15.0	15.3
Errors and omissions	-8.6	5.3	0.0	4.3	0.0	0.0	0.0	0.0
Overall balance	-13.3	-47.5	-20.9	-18.3	12.3	20.7	-8.4	3.7
Financing	13.3	47.5	20.9	18.3	-12.3	-20.7	8.4	-3.7
Net foreign assets	9.1	37.7	-0.7	-5.1	-37.5	-49.3	-18.8	-30.3
Net official reserves	21.5	37.6	-0.7	-20.8	-37.5	-49.3	-18.8	-30.3
<i>Of which:</i> gross official reserves	18.0	20.9	-7.0	-26.8	-37.8	-37.9	-6.6	-19.8
<i>Of which:</i> IMF (net)	7.0	-1.7	6.3	6.0	0.4	-11.5	-12.2	-10.6
Use of resources	10.3	5.2	15.9	15.6	10.3	0.0	0.0	0.0
Repayments	-3.3	-7.0	-9.6	-9.6	-9.9	-11.5	-12.2	-10.6
Net foreign assets, commercial banks	-12.4	0.2	0.0	20.1	0.0	0.0	0.0	0.0
Change in arrears (reduction= -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative	0.0	7.2	21.6	23.4	25.2	28.6	27.2	26.6
Debt under discussion 3/	4.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(In percent of GDP)							
Trade balance (deficit= -)	-13.3	-14.2	-13.4	-12.0	-10.7	-9.8	-9.1	-8.5
Cotton export volume (thousands of metric tons)	114.7	109.1	113.8	113.7	164.1	172.3	180.5	184.6
Current account (deficit= -)	-12.8	-14.6	-14.0	-12.4	-10.5	-9.3	-8.3	-7.8
Excluding current official transfers	-16.0	-17.6	-17.7	-15.9	-14.1	-13.0	-12.1	-11.3
Overall balance (deficit= -)	-0.9	-3.0	-1.2	-1.1	0.7	1.0	-0.4	0.2
Total debt-service ratio 4/	23.0	30.2	26.5	30.2	25.8	24.0	23.0	20.8
Debt-service ratio (ratio to government revenue)	10.5	13.9	15.6	15.6	19.4	18.4	17.2	15.3
Gross international reserves (in billions of CFAF)	192.2	171.3	178.3	198.1	221.5	270.8	289.6	320.0
In months of goods, c.i.f.	5.5	5.5	4.5	6.3	6.6	7.7	7.8	8.3
In months of goods and nonfactor services	5.1	4.4	4.2	4.7	5.3	6.2	6.3	6.7
GDP at current prices (in billions of CFAF)	1,518	1,561	1,719	1,707	1,834	1,978	2,130	2,294

Sources: Central Bank of West African States (BCEAO); and staff estimates and projections.

1/ Based on latest WEO projections.

2/ Includes portfolio investment and foreign direct investment.

3/ Contentious debt in negotiation with non-Paris Club creditors.

4/ In percent of exports of goods and nonfactor services.

Table 8. Burkina Faso: Tracking Delivery of HIPC Initiative Assistance - Original and Enhanced Framework

	Original		Enhanced			
	Agreement to provide HIPC Relief under original	Begun to deliver Comp.Point Assistance under	Agreement to Provide HIPC Relief	Agreement to Provide Interim Assistance	Begun to deliver Interim Assistance	Begun to deliver Comp.Point Assistance
Multilateral Creditors						not reached
IMF	yes	yes	yes	yes	yes	
IDA	yes	yes	yes	yes	yes	
AfDB/AfDF	yes	yes	yes	yes	yes	
IFAD	yes	yes	yes	yes	yes	
EU	limited	no	yes	no	no	
OPEC Fund	yes	not yet	yes	pending 1/	no	
BADEA	limited	yes	yes	pending 1/	no	
ECOWAS	no	no	no	no	no	
FECECE	n/a	verify	no	no	no	
BOAD	yes	yes	yes	yes	yes	
Islamic Development Bank	limited	yes	yes	limited	no	
Paris Club Creditors						
Austria	yes	yes	yes	yes	yes	
Russia	yes	yes	yes	yes	yes	
France 2/	yes	yes	yes	yes	yes	
Italy 2/	yes	yes	yes	yes	yes	
Netherlands 3/	yes	yes	yes	yes	yes	
Spain 2/	yes	yes	yes	yes	yes	
United Kingdom	yes	yes	yes	yes	yes	
Non-Paris Club Bilateral Creditors						
Algeria	no	no	no	no	no	
China	no	no	no	no	no	
Kuwait 4/	no	no	yes	pending 1/	no	
Saudi Arabia	no	no	pending	pending	pending	
Libya	no	no	no	no	no	
Taiwan, Province of China	no	no	no	no	no	
Cote d'Ivoire	no	no	no	no	no	
Commercial Creditors						
Insignificant		not offered				not offered

Sources: Burkinabè authorities and staff estimates.

1/ Pending until completion point.

2/ Bilateral agreements not yet concluded.

3/ The Netherlands is providing 100 percent relief, including on its commercial debt.

4/ The Kuwait Fund is considering providing 100 percent debt relief on pre cut-off ODA loans in line with similar initiatives from Paris Club members.

Table 9. Burkina Faso: Monetary Survey, 1999 - 2005

	1999	2000	2001						2002				2003	2004	2005
	Dec.	Dec.	March	June	Sep.		Dec.		March	June	Sep.	Dec.	2003	2004	2005
			Prel.	Prel.	Prog.	Prel.	Prog.	Prel.	Projections			Projections			
(Billions of CFA francs)															
Net foreign assets	163.5	125.8	128.2	125.4	121.0	109.2	126.5	130.9	141.0	141.5	151.5	170.9	225.5	252.6	296.4
Central Bank of West African States (BCEAO)	91.6	54.1	60.4	67.9	49.3	47.2	54.8	79.3	89.4	89.8	99.9	119.3	173.9	201.0	244.8
Assets	192.2	171.3	173.8	178.7	167.7	160.3	178.3	198.1	208.2	208.7	218.8	238.5	281.6	296.5	329.8
Liabilities	-100.5	-117.2	-113.4	-110.9	-118.4	-113.1	-123.5	-118.8	-118.8	-118.8	-118.8	-119.2	-107.7	-95.5	-84.9
Commercial banks 1/	71.9	71.7	67.7	57.6	71.7	62.0	71.7	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6
Net domestic assets	241.6	299.9	316.9	306.6	274.4	326.0	281.4	315.5	310.8	293.2	308.6	306.1	301.9	315.3	323.6
Net domestic credit	237.0	299.3	309.7	299.4	311.1	318.1	318.1	308.8	304.2	286.5	302.0	299.5	295.2	308.6	316.9
Net credit to government	49.8	80.3	79.8	80.8	86.7	85.9	78.5	59.3	57.1	46.1	58.7	53.2	34.8	20.7	3.3
Treasury	93.9	113.7	117.4	109.6	119.9	119.7	108.5	101.4	99.2	88.2	100.8	95.3	77.0	57.8	40.4
BCEAO	60.4	83.5	89.8	83.1	94.3	94.3	82.1	74.5	73.2	63.0	76.5	71.9	57.0	41.4	27.5
Commercial banks	33.6	30.2	27.6	26.4	25.6	25.4	26.4	26.9	26.0	25.1	24.3	23.4	19.9	16.4	12.9
Other central government	-44.2	-33.5	-37.6	-28.8	-33.2	-33.8	-29.9	-42.1	-42.1	-42.1	-42.1	-42.1	-42.1	-37.1	-37.1
Of which: project deposits	-23.3	18.6	-17.9	17.2	21.8	22.5	17.2	-25.6	-25.6	-25.6	-25.6	-25.6	-25.6	-25.6	-25.6
Credit to the economy	187.2	219.1	229.8	218.6	224.4	232.2	239.5	249.5	247.1	240.4	243.2	246.3	260.4	287.9	313.7
Of which: crop credit	16.3	28.5	40.0	35.0	10.0	24.3	25.0	38.3	55.0	50.0	37.0	38.3	38.3	38.3	38.3
Other items (net)	4.6	0.5	7.3	7.3	-36.7	7.9	-36.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Broad money	388.8	410.8	429.5	416.6	395.2	420.9	407.9	431.2	475.0	461.3	465.7	477.0	527.4	567.9	620.0
Of which: currency in circulation	142.6	136.1	132.4	132.1	131.1	119.4	122.1	128.2	147.4	147.1	133.0	142.7	139.4	130.2	120.4
(Changes in percent of beginning-of-period broad money, unless otherwise specified)															
Memorandum items:															
Net foreign assets	-2.4	-9.7	0.6	-0.1	-1.2	-4.0	0.2	1.2	2.3	2.5	4.8	9.3	11.5	5.1	7.7
Net domestic assets	5.6	15.0	4.2	1.6	-6.2	6.4	-4.5	3.8	-1.1	-5.2	-1.6	-2.2	-0.9	2.5	1.5
Net credit to government	3.4	7.8	-0.1	0.1	1.6	1.4	-0.4	-5.1	-0.5	-3.1	-0.1	-1.4	-3.8	-2.7	-3.1
Credit to the economy	1.9	8.2	2.6	-0.1	1.3	3.2	5.0	7.4	-0.6	-2.1	-1.5	-0.7	3.0	5.2	4.5
(annual percentage change)	3.9	17.0	4.9	-0.2	2.4	6.0	9.3	13.9	-1.0	-3.6	-2.5	-1.3	5.7	10.6	8.9
Money supply	3.1	5.7	4.5	1.4	-3.8	2.5	-0.7	4.9	10.2	7.0	8.0	10.6	10.6	7.7	9.2
Currency velocity (GDP/broad money)	3.9	3.8	...	...	...	...	4.2	4.0	...	...	...	3.8	3.8	3.8	3.7

Sources: Burkinabè authorities, and staff estimates and projections.

1/ In 2000, the change in net foreign assets differs from the amount indicated in the balance of payments because it includes the revaluation of liabilities to the IMF (CFAP 8.4 billion), which is not taken into account in the balance of payments.

Table 10. Burkina Faso: Income and Social Indicators

Item	Unit of Measurement	Latest Single Year				1996	1997	1998	1999	2000
		1975-79	1980-85	1993	1990-95					
Population	Thousands	6,202	7,881	...	10,377	10,688	11,009	11,339	11,679	11,900
Population growth rate	Annual average in percent	2.1	2.6	...	2.9	3.0	3.0	3.0	2.8	2.8
Total fertility rate	Births per woman	7.0	7.5	6.9	6.9	6.9	...	...	6.8	...
Urban	...	...	...	...	...	...	...	...	4.1	...
Rural	...	...	...	...	...	...	...	...	7.3	...
Poverty and equity										
National poverty line	CFA francs	...	...	...	41,099	...	...	72,690	...	...
National head count index	Percent of population	...	...	...	44.5	...	...	45.3	...	...
Urban	...	...	...	...	10.4	...	...	15.9	...	...
Rural	...	...	...	...	51.1	...	...	50.7	...	...
GDP per capita	U.S. dollars	150	180	...	231	237	217	229	208	206
Share of income or consumption										
Lowest quintile	Percent of income	...	...	...	5	...	...	...	...	...
Highest quintile	Percent income	...	...	...	56	...	...	...	63	...
Gini coefficient		...	...	...	0.63	...	...	...	...	...
Social indicators										
Gross primary school enrollment rate										
Total	Percent of school-age group	16.0	29.0	...	38.0	38.4	39.5	40.5	41.3	43.3
Male	Percent of school-age group	21.0	36.0	...	47.0	46.3	47.3	48.0	47.7	...
Female	Percent of school-age group	12.0	21.0	...	30.0	27.8	32.2	33.6	34.6	35.9
Access to safe water										
Total	Percent of population	25.0	35.0	65.0	65.0	78.0	...	...	...	78.0
Urban	Percent of population	...	...	93.4	93.4	...	...	...	...	...
Rural	Percent of population	...	...	58.1	58.1	...	...	...	...	...
Access to adequate sanitation	Percent of population	...	...	...	...	...	...	...	...	...
Total	...	...	...	18.1	18.1	...	...	18.0	...	...
Urban	...	...	...	55.3	55.3	...	...	...	...	...
Rural	...	...	...	9.1	9.1	...	...	...	...	...
Child (under 5) malnutrition rate	Percent of age group	...	...	...	...	...	...	...	...	...
Height for age 1/	...	...	48.5	29.4	29.4	...	...	...	...	...
Weight for age (emaciation)	...	...	...	13.3	13.3	...	...	...	...	...
Life expectancy at birth	Years	41.1	44.9	52.0	52.0	52.2	51.2	52.4	...	54.0
Infant mortality rate	Per 1,000 live births	137.0	117.0	93.7	93.7	98.0	...	105.0	104.0	104.0
Under-5 mortality rate	Per 1,000 live births	...	...	214.0	214.0	...	...	219.0	...	...
Adult mortality	Per 1,000 population	24.6	19.9	...	18.1	...	...	16.4	...	...
Birth assisted	Percent	...	...	41.5	32.9	26.9	...	27.0	34.0	32.1
Maternal mortality rate	Per 100,000 live births	...	600.0	566.0	939.0	930.0	...	930.0	...	...
HIV prevalence	Percent of population	...	...	...	...	...	...	7.0	...	7.2
Medical personnel availability										
Doctor	People per doctor	...	...	...	28,673	29,815	29,589	23,308	...	...
Midwife	People per midwife	...	...	...	23,316	29,897	25,563	25,090	...	...

Sources: World Bank, *Social Indicators of Development*, 1996; and World Bank and IMF staff estimates.

1/ Percent of children in age group for which the weight-to-age ratio is less than -2 standard deviations below the reference sample mean.

Table 11. Burkina Faso: Privatization Program

(In billions of CFA francs, unless otherwise specified)

Enterprises	Sector	Percentage Cap.		Cap. Held by Government	Percentage of Total	Government's Residual Share	Type of Sale	Date of Transfer	Sale Price
		Held by Government	Capital						
I. 1991-98									
1 SOBBRA	Brewing	...	...	...	...	...	Merger /acquisition	1992	Merger /acquisition
2 BRAKINA	Brewing	9.43	2,530,020,000	238,580,886	0.21	0.00	Sale of shares	21-May-92	262,487,500
3 SBMC	Tanning	48.99	699,000,000	342,440,100	0.31	0.00	Sale of shares	1-Jun-92	37,323,456
4 SBCP	Leather and skins	50.00	1,000,000,000	500,000,000	0.45	0.00	Sale of shares	30-Jun-92	10,287,900
5 SIFA	Motorcycles	32.00	822,478,800	263,193,216	0.24	20.00	Sale of shares	9-Mar-93	71,500,000
6 SOBCA	Automobile loans	100.00	500,000,000	500,000,000	0.45	18.55	Capital increase	29-Mar-93	Capital increase
7 SONAR	Insurance	52.08	480,000,000	249,984,000	0.22	25.00	Sale of shares	9-Sep-93	360,875,000
8 ZAMA-PUBLICITE	Advertising	100.00	133,400,000	133,400,000	0.12	25.00	Sale of shares	30-Sep-93	102,454,000
9 FASO-PLAST	Plastics	34.60	681,400,000	235,764,400	0.21	7.00	Sale of shares	2-Nov-93	301,720,000
10 GMB	Flour milling	68.77	865,140,000	594,956,778	0.53	24.60	Sale of shares	26-Nov-93	681,750,000
11 CIMAT	Cement	73.32	2,103,300,000	1,542,139,560	1.39	22.80	Sale of shares	28-Dec-93	1,299,120,000
12 SONAPHARM	Pharmaceutical products	52.00	400,000,000	208,000,000	0.19	8.42	Sale of shares	10-Aug-94	215,650,000
13 SCFB	Rail transport	...	3,375,000,000	...	...	...	Operating concession	12-Dec-94	Operating concession
14 FLEX FASO	Fruits	95.00	317,830,000	301,938,500	0.27	25.23	Sale of shares	25-Mar-95	160,000,000
15 SHSB-CITBC	Oils / soaps	43.00	3,445,000,000	1,481,350,000	1.33	0.00	Installment purchase	1-Jun-95	Installment purchase
16 BURKINA & SHELL	Petroleum products	51.00	253,980,000	129,529,800	0.12	25.00	Sale of shares	30-Jun-95	825,500,000
17 CSPPA	Local products	100.00	25,000,000	25,000,000	0.02	0.00	Liquidation	1996	--
18 FASO YAAR	General commerce	71.54	2,209,000,000	1,580,318,600	1.42	0.00	Liquidation	1996	--
19 RNTC-X9	Urban transport	100.00	1,100,000,000	1,100,000,000	0.99	25.00	Operating concession	30-Jun-96	Concession
20 FASO-TOURS	Passenger transport	38.00	...	...	...	0.00	Sale of shares for symbolic CFAF 1	23-Jul-96	1
21 SINAC	Shoes	100.00	200,000,000	200,000,000	0.18	0.00	Liquidation	1997	--
22 SOFIVAR	Agribusiness	76.67	300,000,000	230,010,000	0.21	0.00	Liquidation	1998	--
23 SOBEMA	Enamel	50.00	200,000,000	100,000,000	0.09	0.00	Liquidation	1998	--
24 ONAVET	Veterinary products	100.00	772,740,110	772,740,110	0.69	0.00	Liquidation	1998	--
25 CNA	Agricultural equipment	100.00	533,000,000	533,000,000	0.48	0.00	Liquidation	1998	--
26 SOSUCO	Refined sugar	82.36	6,031,050,000	4,967,172,780	4.46	15.00	Sale of shares	31-Jul-98	4,402,000,000
27 SOPAL	Distilling	93.93	582,920,000	547,536,756	0.49	7.86	Sale of shares	31-Jul-98	753,000,000
28 FEED-LOT	Meat	100.00	...	...	...	...	Transferred to MESSRS	...	--
29 FRUCEMA	Fruits and vegetables	100.00	...	...	...	...	Transferred to MESSRS	...	--
30 MACEHOU	Fruits and vegetables	...	...	...	...	...	Returned to owner	...	--
Total				16,777,055,486	15.07				9,483,667,857
II. 1999									
31 SNTB	Transit	46.00	390,000,000	179,400,000	0.16	12.00	Sale of shares	Mar-99	398,970,000
32 INB	Printing	100.00	440,000,000	440,000,000	0.40	18.00	Sale of shares	Apr-99	325,000,000
33 SONACOR	Rice ginning	90.80	600,000,000	544,800,000	0.49	0.00	Liquidation	Jun-99	--
34 COMIKI	Mining	100.00	NA	...	...	0.00	Liquidation	Jun-99	--
35 SONACAB	Tiles	58.82	365,500,000	214,987,100	0.19	0.00	Liquidation	1999	--
Total				1,379,187,100	1.24				723,970,000
III. 2000									
36 SAVANA	Fruit juices	94.02	103,795,820	97,588,830	0.09	0.00	Liquidation	Feb-00	--
37 SLM	Renting	99.92	817,800,000	817,145,760	0.73	5.00	Sale of shares	Jul-00	1,084,019,200
38 AIR BURKINA	Aviation	99.75	35,000,000	34,912,500	0.03	14.00	Capital increase	Dec-00	5,600,000
Total				949,647,090	0.85				1,089,619,200
IV. 2001									
39 FASO FANI	Textiles	71.27	1,626,170,000	1,158,971,359	1.04	0.00	Liquidation	Mar-01	...
40 SOCOGIB	Real estate	36.84	1,842,600,000	678,813,840	0.61	0.00	Sale of shares	Nov-01	1,793,617,464
41 SHG	Hotels	100.00	2,154,510,000	2,154,510,000	1.94	0.00	Sale of assets	Dec-01	1,554,000,000
-- Burkina Shell	Petroleum products	25.00	...	...	...	10.00	Sale of assets ¹	Dec-01	476,250,000
Total				3,992,295,199	3.59				3,823,867,464
V. Enterprises currently under privatization									
42 SONACIB	Cinematography	82.16	350,000,000	287,560,000	0.26	...	...	...	...
43 CNEA	Agricultural equipment	100.00	1,500,000,000	1,500,000,000	1.35	...	...	...	...
44 ONATEL	Telecommunications	100.00	12,000,000,000	12,000,000,000	10.78	...	...	...	...
45 AIRPORTS	Airports management	100.00	...	...	...	...	...	...	...
46 SONABEL	Electricity	100.00	48,097,071,777	48,097,071,777	43.20	...	...	...	...
47 SONABHY	Petroleum products	100.00	3,000,000,000	3,000,000,000	2.69	...	...	...	...
Total				64,884,631,777	58.28				
Total (I+II+III+IV+V)				87,982,816,652	79.03				15,121,124,521

Table 11. Burkina Faso: Privatization Program

(In billions of CFA francs, unless otherwise specified)

Enterprises	Sector	Percentage Cap. Held by Government	Capital	Cap. Held by Government	Percentage of Total	Government's Residual Share	Type of Sale	Date of Transfer	Sale Price
VI. Residual government portfolio									
48 ONEA	Water	100.00	3,080,000,000	3,080,000,000	2.77	...			
49 SONAPOST	Postal services/savings bank	100.00	2,590,000,000	2,590,000,000	2.33	...			
50 CBMP	Gold	100.00	550,000,000	550,000,000	0.49	...			
51 CGP 2/	Stabilization of rice prices	100.00	...	...	...	...
52 LONAB	Lottery	100.00	1,000,000,000	1,000,000,000	0.90	...			
53 SONAGESS	Management of buffer food stocks	100.00	200,000,000	200,000,000	0.18	...			
54 MEDIFA	Pharmaceutical	100.00	400,000,000	400,000,000	0.36	...			
55 ONBAH	Dams/irrigation	100.00	800,000,000	800,000,000	0.72	...			
56 ONPF	Wells and drilling	100.00	1,156,270,000	1,156,270,000	1.04	...			
57 SIBAM	Arms	72.00	40,000,000	28,800,000	0.03	...			
58 BUMIGEB	Mining	100.00	900,000,000	900,000,000	0.81	...			
59 CCVA	Automobile—technical controls	100.00	300,000,000	300,000,000	0.27	...			
60 CENATRIN	Computer and data processing	100.00	183,819,000	183,819,000	0.17	...			
61 HOTEL INDEPENDANCE	Hotels	100.00	828,000,000	828,000,000	0.74	...			
62 HOTEL SILMANDE	Hotels	91.00	1,600,000,000	1,456,000,000	1.31	...			
63 LNBTP	Construction/ public works	100.00	318,000,000	318,000,000	0.29	...			
64 SONATUR	Construction/ public works	100.00	10,000,000	10,000,000	0.01	...			
65 SOPAFER	Rail transport	100.00	1,000,000,000	1,000,000,000	0.90	...			
66 BIB	Banking	23.00	4,800,000,000	1,104,000,000	0.99	...			
67 BCB	Banking	50.00	3,300,000,000	1,650,000,000	1.48	...			
68 SGBB	Banking	15.00	1,600,000,000	240,000,000	0.22	...			
69 BICIA-B	Banking	25.00	5,000,000,000	1,250,000,000	1.12	...			
70 CNCA	Banking	25.00	3,500,000,000	875,000,000	0.79	...			
71 SOTRAO	Road transport	25.00	1,100,000,000	275,000,000	0.25	...			
72 SITARAIL	Railways	15.00	5,000,000,000	750,000,000	0.67	...			
73 SOFITEX	Cotton ginning	35.00	4,000,000,000	1,400,000,000	1.26	...			
74 SBF	Brick factory	100.00	1,000,000,000	1,000,000,000	0.90	...			
Total				23,344,889,000	20.97				
Grand Total (I + II + III + IV + V + VI)				111,327,705,652	100.00				15,121,124,521

Source: Burkinabe authorities.

1/ Sale of residual government shares.

2/ The company's activities are to be redefined.

Ouagadougou, March 14, 2002

Mr. Horst Köhler
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Köhler:

1. On behalf of the government of Burkina Faso, and in the context of the fifth review of the program supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF) approved by the Executive Board of the International Monetary Fund on September 10, 1999, I am pleased to forward to you the memorandum on economic and financial policies for 2002. The memorandum describes progress made in implementing the program in 2001, updates objectives for 2002 and the medium term, and the policies to be pursued to achieve these targets, and establishes performance criteria for end-June 2002.
2. The 2001 program was marked by a delayed economic recovery and serious cash flow pressures resulting from weak mobilization of tax revenue. This shortfall was offset by spending cuts, while maintaining priority poverty reduction expenditure, so that all the end-December 2001 quantitative performance criteria, benchmarks, and indicators were met, except for the tax revenue indicator.
3. The end-December 2001 structural performance criterion on anti-corruption was observed through the creation of an Anti-Corruption Authority. In contrast, there were a few delays in observing the end-December 2001 structural benchmarks related to making the Supreme Court Audit operational, which will be remedied before end-June 2002, and improving the procedures for recording VAT credits, because of the need to harmonize regional WAEMU guidelines.
4. The outlook for 2002, during which legislative elections are scheduled to be held in early May, remains favorable. The 2002/03 cotton crop is expected to be able to break even despite low international prices. Steps have been taken to ensure an appropriate level of tax revenues, and the overall fiscal deficit (commitment basis, excluding the use of HIPC resources) will be kept below 4 percent of GDP, as programmed. The government remains resolved to carry out all the reforms and measures contained in the program. It considers that the policies and measures described in the memorandum are adequate to achieve its program objectives, but it is ready to take any further measures that may prove necessary to this end.

5. Increased budgetary resources have been allocated to the priority programs geared towards poverty reduction as detailed in the Poverty Reduction Strategy Paper (PRSP). A first PRSP progress report, prepared after broad consultations with civil society and the country's development partners, was approved by the Executive Boards of the International Monetary Fund and the World Bank in November 2001. As a result of the delayed availability of some funds and the need to adopt adequate disbursement procedures, the use of the resources generated by debt-service relief obtained under the original Heavily Indebted Poor Countries (HIPC) Initiative and the interim assistance obtained under the enhanced HIPC Initiative started quite slowly. However, significant catch up is expected in 2002. We look forward to the consideration by the Executive Boards of the IMF and World Bank in March 2002 of the completion point under the enhanced HIPC Initiative.

6. The government counts on the continued support of the International Monetary Fund to help it meet its program objectives and requests the completion of the fifth review under the PRGF arrangement and the approval for the release of the sixth disbursement under the arrangement. It is seeking an extension of the three-year PRGF-supported arrangement for a period of three months, from September 9 to December 9, 2002. To assess the progress made in implementation of the program, the Fund will, together with the government of Burkina Faso, carry out a sixth review of the program supported by the PRGF arrangement by November 30, 2002. As in the past, the government consents to publication of the International Monetary Fund staff report.

Sincerely yours,

For the Minister of Economy and Finance

/s/

Jean-Baptiste Compaoré
Deputy Minister in the Office of the Prime Minister
Responsible for Finance and the Budget
Ouagadougou, Burkina Faso

Attachments: Memorandum on economic and financial policies for 2002 and
technical memorandum of understanding

BURKINA FASO

Memorandum on Economic and Financial Policies for 2002

March 14, 2002

I. PROGRAM IMPLEMENTATION IN 2001

1. Despite difficulties arising from a growth slump in 2000, Burkina Faso resolutely pursued the implementation of its 2001 program supported by the Poverty Reduction and Growth Facility (PRGF), as described in the Memorandum on Economic and Financial Policies of November 2, 2001. The government also stepped up its poverty reduction program, as outlined in the progress report on implementation of the Poverty Reduction Strategy Paper (PRSP) submitted in September 2001 and endorsed in November 2001 by the Executive Boards of the International Monetary Fund and the World Bank. Although all the triggers for the completion point of the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative had been met already as of March 2001, preparatory work was finalized to enable a review of this completion point by end-March 2002. The results indicate that additional relief at the completion point would be necessary to ensure debt sustainability, in light of a fundamental change in economic circumstances due to exogenous developments, investment relative to the assumptions made at the decision point.

2. As the government offset a large shortfall in tax receipts by expenditure cuts, **all quantitative performance criteria, benchmarks, and indicators at end-December 2001 were observed**, except for the current revenue indicator. The structural performance criterion at end-December 2001 related to the anti-corruption unit was observed through the creation of an Anti-Corruption Authority. However, some delays were incurred with respect to the structural benchmarks. All the arrangements to make the Supreme Audit Court operational could not be made on time; new premises are available, but magistrates could not be appointed before end-2001. Similarly, the procedures for recording VAT credits were not amended because the pertinent regional WAEMU guidelines have not yet been clarified.

3. **The latest available estimates point to a real GDP growth of 5.7 percent in 2001.** Stimulated by an increase in producer prices of approximately 18 percent (including the bonus payment), together with abundant rainfall, cottonseed production rose by about 45 percent to just over 400,000 metric tons. Since cotton producers represent approximately 20 percent of the population, the rise in incomes should contribute significantly to poverty reduction in cotton-producing areas. Annual inflation averaged 4.9 percent, essentially because of the strong pressure on grain prices, following the poor harvest of end-2000. However, as a result of the slide in year-end prices, year-on-year inflation stood at 1 percent in December 2001. The GDP deflator is estimated at 3.5 percent. Mainly as a result of a recovery in cotton exports and lower capital goods imports, the

external current account deficit, excluding grants, fell to 15.9 percent of GDP in 2001, well below the 2000 level of 17.6 percent. Including grants, the current account deficit is estimated at 12.7 percent of GDP, about two percentage points of GDP lower than in 2000. The overall balance improved significantly, leading to an accumulation of gross foreign assets of about CFAF 27 billion.

4. **The fiscal performance was weak in 2001.** Tax receipts were extremely limited; at 12.5 percent of GDP, they were 1.5 percent of GDP below target. This deterioration was across the board, in particular direct corporate taxation (BIC). VAT receipts improved over the previous year, but performance remained below target. This shortfall in receipts was offset by cuts in current and capital expenditures. As a result, the overall deficit (on a commitment basis and including grants) was 4.8 percent of GDP, or 0.3 percent of GDP lower than the program target. Furthermore, a low level of expenditure commitments from the HIPC resources was made. The reduction in bank indebtedness was also larger than targeted by the performance criterion.

5. **Expenditure** on wages and salaries was in line with the program target of CFAF 98.2 billion. The authorities repaid in full the CFAF 7 billion in VAT credits owed to SOFITEX for the previous and current fiscal years. Efforts to improve public expenditure management were pursued, in particular at the Treasury, through the closing of 153 accounts, including most of the private sector accounts. The treasury bills issued in February 2001 to meet cash flow requirements were also redeemed in full. Despite strong cash flow pressures, the government secured the fiscal expenditure allocated to poverty reduction efforts, which continued to rise in 2001. By contrast, the disbursement of HIPC resources made available at end-2000 and in 2001 was slow as a result of the late arrival of some funds and the need to establish adequate disbursement procedures.

6. **The money supply and credit to the economy grew, respectively, by 4.9 percent and 13.9 percent compared with end-2000, and crop credits were settled on time.** Local banks observed the main WAMU prudential ratios. Doubtful and disputed credits (net of provisions) remained stable at 2.5 percent of total credit to the economy. Microfinance institutions (networks of people's banks and other local networks) continued to grow, in particular playing an increasing role in the financing of inputs for the cotton crop.

7. **The structural reforms continued.** December 2001 witnessed a stride in cotton sector reform with the elimination of SOFITEX's monopoly on the collection and marketing of seed cotton and the opening up of the eastern and central zones to private operators. In addition, the private sector is playing an increasingly important role in the supply of inputs, in particular insecticides and herbicides. **Public expenditure management** continued to improve, especially through the preparation of an overall program to harmonize the recommendations of the fiscal management improvement plan (PRGB), the ROSC, and the Country Financial Accountability Assessment (CFAA). The arrangements for offsetting VAT credits against VAT liabilities on receipts were not adopted because of inconsistencies in

regional WAEMU guidelines. The government budget review laws for fiscal 1999 and 2000 were adopted by the Council of Ministers in February 2002 and forwarded to the Audit Office. In the area of **good governance**, the anti-corruption authority announced in the PRSP was set up in December 2001. This unit is empowered, in particular, to study anonymous or signed informant statements, to investigate and review cases, and to refer matters to the competent legal authorities. Similarly, new public procurement regulations were adopted in February 2002.

II. OBJECTIVES AND POLICIES FOR 2002

8. **With legislative elections scheduled for May, and a difficult international economic climate, the year 2002 will be full of uncertainties, especially concerning cotton export prices.** The government wishes to continue encouraging the keen interest shown by farmers in expanding surface areas set aside for alternating cotton and grain crops, as this is one of the main factors for poverty reduction. SOFITEX, in cooperation with cotton producers, announced that the producer price would be maintained at CFAF 175 per kilo of cottonseed, but that no bonus would be paid given that SOFITEX will, at best, break even in 2001/02. This decision will be incorporated in a new amendment to the interprofessional agreement between SOFITEX and the National Union of Cotton Producers in Burkina Faso (UNPCB). It is also understood that the producer price could be lowered in October 2002 if international prices were to fall further. The government endorses these agreements and will not intervene to amend them. Provided a further rise in the cotton harvest and a normal year for grain, GDP growth is expected to reach 5.7 percent in 2002. The recovery in the agricultural sector could curb the rise in food prices, so that the annual inflation rate is not expected to average more than 2 percent.

9. As regards **the balance of payments**, a further rise in exports is expected in 2002, driven by the increase in the 2001/02 cotton volume. Imports are expected to rise only very modestly. In all, the current account deficit, excluding grants, should represent about 14 percent of GDP, compared with 15.9 percent in 2001. The overall deficit should also narrow, resulting in an increase in the official reserves, estimated at about CFAF 40 billion.

10. **The main fiscal objective in 2002 and over the medium term is to raise the level of tax receipts in view of containing the overall deficit and limiting government indebtedness.** To achieve this objective, the following measures have already been adopted, in particular through the 2002 Budget Law:

- A rise in the excise on petroleum products (TPP) applicable to super and regular gasoline and diesel oil;
- Transfer of the collection of the tourism development tax from the Tourism Board to the tax authority;

- A rise in the BIC and VAT tax thresholds within the framework of the WAEMU guidelines;
- An increase in the application threshold of the informal sector tax (CSI) and revision of the schedule.

To secure a level of tax receipts representing about 14 percent of GDP, the government decided to adopt a further set of receipts-related measures, including:

- A further rise in the TPP of CFAF 25 a liter on diesel oil and CFAF 20 a liter on premium and regular gasoline. These increases, which should yield CFAF 4.5 billion in 2002, are to be implemented in two equal parts. The first increase, which is to raise the TPP of CFAF 12.5 a liter on diesel oil and CFAF 10 a liter on premium and regular gasoline, constitutes a prior action for the consideration of the fifth review by the Executive Board and is subject to the misreporting guidelines. The second increase, which has to be implemented by April 15, is a prior action for the sixth review by the Executive Board. Moreover, the government will not reduce the TPP applicable to premium and regular gasoline or to diesel oil during the whole year;
- Strict enforcement of all tax requirements in the area of land rights (including property taxes, transfer taxes, matriculation and land registration fees, and building permits fees) and increased collection of taxes on the income of self-employed professionals (BNC);
- To control exemptions more effectively, the issuance by end-February 2002 of a new circular letter reiterating the need for the strict implementation of Circular 102/MEF dated June 28, 1999 on the tax system;

A few measures for improving revenue administration will also be adopted, as shown in Table 4 attached. Moreover, the tax and customs administrations will be strengthened. The authorities will make all necessary arrangements with their development partners to speed up the computerization of the DGI and Customs. Special emphasis will be placed on upgrading the large enterprise tax unit and tightening controls as regards the single identification number.

11. To control **expenditure** and limit the deficit, the government decided to freeze CFAF 11.8 billion (0.6 percent of GDP) of current expenditures below budget appropriations while preserving priority social spending. These savings pertain, in particular, to expenditure on goods and services and current transfers. Accordingly, current expenditure (excluding debt relief under the HIPC Initiative) is set at about CFAF 226 billion, or 12.3 percent of GDP, as programmed. In the absence of a general wage increase in 2002, the wage bill will rise by about 3 percent, taking account of the grade drift, in addition to an allocation for the second tranche of the revised indemnities grid. Following the hook-up with Côte d'Ivoire's

electricity grid, the government is considering the possibility of raising the delivery price of DDO and fuel oil to SONABEL, so as to reduce its subsidy. The budgetary expenditure allocated to the priority sectors within the poverty reduction framework will once again be increased. The government will continue its policy, launched in 2000, of promptly paying its water, electricity, and telephone bills and will not incur any arrears in this regard. Capital expenditure is expected to rise as a result of a special effort to increase investment outlays, especially in the area of poverty reduction. Moreover, the government will continue to press the major donors for a better intra-year distribution of disbursements of external assistance so as to eliminate the liquidity problems experienced by the Treasury in the past.

12. To make up for the delays incurred, a special effort will be made with respect to HIPC resources. First, to increase transparency and ensure the availability of the funds, an account will be opened immediately at the BCEAO to receive all HIPC-related assistance from the beginning of fiscal 2002. From now on, all HIPC-financed expenditure will be settled through this account, starting with expenditure for fiscal 2002. A statement of credits, debits, and balances of this account will be provided monthly by BCEAO and forwarded to the IMF within the framework of the program. Second, at least 80 percent of the residual HIPC resources provided in 2000 and 2001 (totaling CFAF 22.5 billion at end-December 2001) will be committed by March 15, 2002. These two measures are prior actions for the Executive Board's consideration of the fifth program review and are subject to the misreporting guidelines. The remaining balance of 2000–01 assistance will be committed by April 30, 2002. Third, at least half of the 2000–01 HIPC-financed expenditure will be paid by June 30, 2002, and the other half by September 30, 2002. Fourth, the decree pertaining to the execution of 2002 HIPC-financed expenditure will be approved by end-April 2002. Fifth, all 2002 HIPC-financed expenditure, estimated at CFAF 25.2 billion, will be committed by December 31, 2002. Sixth, at least half of the 2002 HIPC-financed expenditure will be disbursed by December 31, 2002. In all, the approved commitments of HIPC-financed expenditure will total CFAF 47.7 billion (2.6 percent of GDP) in 2002, of which CFAF 22.5 billion will come from funds raised in 2000 and 2001 and CFAF 25.2 billion from funds raised in 2002. The expected distribution is 42 percent for current expenditure, and the remaining 58 percent for capital expenditure. The sectoral breakdown is expected to be 33 percent for health, 34 percent for basic education, 6 percent for rural roads, and 27 percent for the other social sectors.

13. In all, 2002 tax receipts are expected to represent 13.8 percent of GDP, or 0.7 percent of GDP lower than originally programmed. Excluding HIPC-financed expenditure, current and overall expenditure represent, respectively, 10.8 percent and 25.8 percent of GDP, as programmed. Given the lower revenue level, the overall deficit (excluding debt relief under the HIPC Initiative) is programmed at 3.3 percent of GDP, compared with 2.6 percent of GDP in the original program. Including HIPC-financed expenditure equivalent to 2.6 percent of GDP, the overall deficit will amount to 5.9 percent of GDP.

14. As regards **regional integration**, the government will continue its efforts to observe the WAEMU directives and standards, and in particular the convergence criteria, within a reasonable timeframe. It will continue amending its national legislation to comply with the five directives for harmonization of the legal, accounting, and government finance statistics framework. The draft organic budget law was already adopted by the Council of Ministers and submitted to the National Assembly. The new public accounting regulations could be adopted immediately after the law is passed. The government chart of accounts adopted in 1998 is already in conformity with WAEMU standards. Once the ongoing reconciliation procedure has been completed, the budget classification could be adopted by end-June 2002. Finally, as regards the summary table of fiscal operations, a payments order basis presentation has already been adopted at the beginning of 2002, and its scope could be expanded in 2003 with European Union support.

15. In line with BCEAO monetary policy objectives aimed at consolidating the Union's international reserves and maintaining a level of inflation consistent with that of the anchor currency, the **money supply** is projected to expand by approximately 11 percent in 2002, slightly exceeding the growth of nominal GDP. Credit to the government is expected to fall somewhat, and credit to the economy to grow moderately, after two years of rapid growth. With the bumper cotton crop, crop credits will be settled on time, and residual balances from earlier crops will be cleared. Strengthening of the banking system will continue, notably through an increase in the capital of the banks, and in particular of the only bank not yet in compliance with the new capital adequacy ratio that became effective on January 1, 2002. The government will continue to promote sound development of microfinance, in particular through supervisory capacity building. To implement the WAEMU Council of Ministers' decision to eliminate statutory advances from the BCEAO and allow full substitutability between bank financing and bills or bonds issued by the Treasury on the national or regional market, the new key performance criterion based on the cumulative change in net domestic financing (bank and nonbank) became effective in 2002. The ceilings adopted under this new criterion (excluding the impact of debt relief under the HIPC Initiative) limit domestic financing to CFAF 10.3 billion at end-March, and foresee a net debt reduction of, CFAF 3.2 billion at end-June, CFAF 8.6 billion at end-September, and CFAF 14.1 billion at end-December 2002, as shown in the attached Table 1.

16. The **cotton sector reforms** will be pursued with World Bank support. In particular, ginning factories in the areas recently opened up to the private sector will be sold with the support of the privatization commission. The role of the private sector in the marketing and financing of inputs will continue to be promoted. Similarly, the construction of rural roads in the cotton areas will be accelerated in order to increase the share of transportation provided by the private sector. With World Bank support, the **privatization** program will continue in 2002. The main matter to be addressed relates to ONATEL, the telecommunications company. The strategic report is expected in the spring of 2002, and a search for investors would ensue, for completion in early 2003. The call for bids for the privatization of airports

management will also be issued this year. Progress will be made concerning the residual portfolio of state enterprises, in particular the opening up of the capital of SONABEL and SONABHY to private interests. The government is studying the possibility of quickly lowering electricity tariffs for certain user categories after the connection of Bobo Dioulasso to Côte d'Ivoire's electrical grid and will pursue the studies related to expanding the interconnection of the electricity network with the networks of certain countries in the subregion.

17. In keeping with the study on the competitiveness of the Burkinabè economy, the government made progress in **liberalizing trade arrangements**. After the deregulation of rice and sugar marketing in 1996 (except for a remaining rule on the volumes imported), the SOFITEX monopoly over cottonseed marketing was removed. Similarly, to comply with the pertinent WAEMU and WTO regulations, the government decided to eliminate by June 30, 2002 the 59 tariff lines still subject to administratively set customs values. This constitutes a structural performance criterion under the program.

18. **The improvement of public expenditure management** remains high on the government's priority list. Implementation of the budget management improvement plan (PRGB) has started, including its component pertaining to decentralized spending. The operational action plan consolidating the recommendations of the PRGB, ROSC, and CFAA will be completed by June 30, 2002 and quickly implemented. The preparation of the medium-term expenditure framework for 2003 will start as early as March 2002. Arrangements for the refund of VAT credits from VAT receipts will be made as soon as the WAEMU Commission has adopted the necessary administrative procedures at the regional level. To improve control over personnel and payroll management and reduce the large volume of retroactive wage payments, the government plans to hold individual ministries accountable for their staff and wage bill management, in particular by ensuring that the human resources divisions in ministerial departments become operational and by contemplating the delegation of wage commitments to these divisions. The civil service and payroll administrations' role would then be limited to an oversight of the system. The government will apply greater stringency in expenditure budgeting and management, especially for health and education, to avoid such practices as overinvoicing, contract splitting, nontransparency of the supplier database, and nonobservance of the fiscal year.

19. The Treasury will strive to establish reliable balances and operating accounts. The government also intends, with the support of a development partner, to perform a check and to confirm the balances of all accounts with banking institutions, so as to have reliable opening balances. At the same time, it will carry out an operation to clean up and consolidate bank accounts. In addition, it will work toward closing off public accounts held with commercial banks and centralizing these accounts (including those held jointly with donors) at the BCEAO or, if necessary, the public Treasury.

20. As regards **good governance**, the anti-corruption authority will begin its work shortly. Magistrates will be appointed to the Supreme Audit Court in the first half of 2002; this constitutes a structural performance criterion under the program. In addition, the government has made arrangements to combat money laundering and, following the events of September 11, 2001, has joined the international community in strengthening its arrangements to combat the financing of terrorism, as summarized in the responses to the Fund's questionnaire. Concretely, existing regulations include ceilings on the availability of foreign exchange for overseas travel, a domiciliation obligation for overseas transfers for foreign direct investments into Burkina Faso, and prior authorization of the Ministry of Economy and Finance for certain transactions with the rest of the world. Discussions are ongoing at the regional level to harmonize existing mechanisms within the CFA franc zone, taking the new concerns into consideration.

21. The program will continue to be monitored quarterly, based on the quantitative performance criteria, benchmarks, and indicators, as shown in Table 1 and defined in the technical memorandum of understanding, and on the structural performance criteria and benchmarks for end-June 2002, such as shown in Table 3. For 2002, the key benchmark/performance criterion is the ceiling on the cumulative change in net domestic budget financing. Others include zero ceilings on new nonconcessional borrowing¹ and on the accumulation of domestic and external payments arrears. The quantitative indicators include a cumulative floor on government revenue and cumulative ceilings on the wage bill and current expenditure. The elimination of administratively set customs values and the appointment of magistrates to the Supreme Audit Court are structural performance criteria for end-June 2002.

22. **Statistical data.** The government continues its efforts to improve quality and timeliness in the production of the national accounts and other economic statistics. In this connection, it has requested technical assistance from the Fund, and will increase the human and physical resources allocated to the INSD. Since December 2001, the government began publishing its GDDS metadata on the DSBB on the Fund's web site, thus achieving full participation of Burkina Faso in the GDDS.

III. POVERTY REDUCTION AND SOCIAL SECTORS

23. The first progress report on implementation of the Poverty Reduction Strategy Paper (PRSP) was considered by the Executive Boards of the International Monetary Fund and the World Bank in November 2001. To strengthen both the strategy and the participatory process, the authorities will ensure that the interministerial technical committee and the

¹ Excluding treasury bonds and bills issued in CFA francs on the national or WAEMU regional financial market.

sectoral groups meet on a regular basis, with the participation of civil society and donors. An effort will also be made to strengthen the tracking system and to better define and monitor the indicators.

24. The monitoring unit created in June 2001 has made considerable progress in preparing the database on social spending, but there are still deficiencies in monitoring the impact indicators for measuring poverty trends. The government will continue its efforts to remedy these deficiencies by improving coordination among the units involved.

25. As stated above, HIPC-financed expenditure will be accelerated in 2002 to make up for the delays incurred in 2000 and 2001. For the future, the government will ensure strict fiscal year budgeting of HIPC-financed expenditure.

Table 1. Burkina Faso: Fund Position During the Period of the PRGF Arrangement, December 2001 - December 2005

	2001	2002				2003				2004				2005			
	Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.
Outstanding																	
Total transactions (net)	...	-0.96	1.08	-1.63	1.06	-2.29	-4.50	-2.29	-4.27	-2.95	-4.25	-2.07	-4.90	-2.63	-4.00	-2.63	-3.10
Disbursements	...	...	5.59	...	5.58	...	...	...	...	...	...	...	...	...	...	...	...
Repurchases/repayments	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Repurchases	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Enhanced Structural Adjustment Facility (ESAF)/Poverty Reduction and Growth Facility (PRGF) repayments	...	0.88	4.20	1.55	4.20	2.21	4.20	2.21	3.98	2.87	3.98	1.99	4.64	2.55	3.76	2.55	2.87
Charges and interest	...	0.08	0.31	0.08	0.32	0.08	0.30	0.08	0.29	0.08	0.27	0.08	0.26	0.08	0.24	0.08	0.23
Total Fund credit outstanding ^{1/}	92.71	91.82	93.21	91.67	93.05	90.84	86.64	84.43	80.45	77.58	73.60	71.61	66.97	64.42	60.67	58.12	55.24
Outstanding purchases Under ESAF/PRGF	92.71	91.82	93.21	91.67	93.05	90.84	86.64	84.43	80.45	77.58	73.60	71.61	66.97	64.42	60.67	58.12	55.24
Total Fund credit outstanding ^{1/}	154.00	152.53	154.84	152.27	154.56	150.89	143.92	140.25	133.64	128.87	122.26	118.96	111.25	107.01	100.77	96.54	91.77
Outstanding purchases Under ESAF/PRGF	154.00	152.53	154.84	152.27	154.56	150.89	143.92	140.25	133.64	128.87	122.26	118.96	111.25	107.01	100.77	96.54	91.77
Memorandum item:																	
Quota (in millions of SDRs)	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20	60.20

Source: IMF, Treasurer's Department.

^{1/} End of period.

Table 2. Social Development Performance Indicators, 1996–2003

Objectives and Policies	Indicators	Targets and Results												
		1996 Actual	1997 Target	1997 Actual	1998 Target	1998 Actual	1999 Target	1999 Actual	2000 Target	2000 Actual	2001 Target	2001 Actual	2002 Target	2003 Target
Health														
Improve primary health care quality and coverage														
Increase public expenditure on health	Share of budget expenditure on health													
	Including foreign-financed investment 1/ 2/	11.4	10.5	11.0	11.0	11.1	12.0	10.1	12.0	9.7	12.0	9.5	7.5	...
	Excluding foreign-financed investment and interest expenditures 1/ 2/ 3/	11.3	12.0	11.9	12.6	12.2	13.1	13.9	12.4	13.5	13.2	14.1	13.6	...
Reallocate budgetary spending to health districts	Health budgets established at district level	Target by 1998				Done								
Provide adequate staffing of local health centers (CSPs)	Share of CSPs' meeting minimal staffing norms (three agents) 1/	...	...	57	...	60	...	60	65	70	75	80	90	
Provide regular supplies of essential drugs to CSPs	Share of CSPs with essential drugs 1/	60	70	85	80	84	100	92	100	100	100	100	100	
Increase utilization rates in CSPs	New cases/inhabitants per year	0.21	...	0.20	...	0.21	0.23	0.23	0.24	0.24	0.25	0.26	0.27	
	Urban	0.37	0.40	0.60	0.50	0.70	0.60	...	0.70	...	0.80	...	...
	Rural	0.18	0.20	...	0.30	...	0.40	...	0.50	...	0.60	...	...
Strengthen child vaccination programs	Share of infants (0-11 months) vaccinated 1/													
	BCG 4/	53	55	46	55	52	60	60	70	80	80	84	83	85
	DCT/polio 5/	37	35	28	35	31	40	42	50	57	60	64	65	70
	Measles	55	35	33	35	38	45	53	55	59	60	65	65	70
	Yellow fever	28	35	33	35	33	45	50	55	56	60	52	65	70
		1996/97		1997/98		1998/99		1999/00		2000/01		2001/02	2002/03	2003/04
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Target	Target
Education														
Improve coverage, equity, and quality of basic education														
Increase public spending on basic education	Share of budget expenditure on basic education													
	Including foreign-financed investment 1/ 2/ 6/	8.8	9.3	10.1	11.1	11.5	11.4	10.7	10.1	11.7	10.9	11.6	...	...
	Excluding foreign-financed investment and interest expenditures 1/ 2/ 4/ 6/	14.6	14.5	14.3	15.8	13.0	14.2	15.0	16.9	16.2	18.5	...	...	...
Expand capacity of primary school system	Gross enrollment ratio 1/	40.0	38.4	42.0	39.5	44.7	40.5	46.0	41.3	43.3	42.7	44.8	47.4	50.1
	New admissions in first grade (in thousands)	149	139	189	141	229	154	270	160	166	172	172	178	184
Recruit primary school teachers locally	Local recruitment plan ready	In August 1998												
	Pilot implementation started	In October 1998, as targeted												
Promote girls' education	Girls' primary school gross enrollment ratio 1/	30.0	31.1	32.4	33.6	35.0	34.6	36.0	35.9	37.8	37.0	38.5	39.9	41.3
Reduce regional disparities in access to primary education	Spread in provincial primary school enrollment ratios 1/	75.0	73.3	73.0	64.4	71.0	57.8	69.0	53.0	67.0	...	...	...	...
Improve quality and efficiency of primary education	Repetition rate 1/	18.0	17.0	17.0	17.0	16.0	18.0	14.0	17.0	13.8	17.6	15.5	14.7	14.0
	At least one book for two pupils (French and math) for 1999	Done												

Source: Burkinabé authorities.

1/ In percent.

2/ On a commitment basis, excluding external debt service.

3/ Not part of identified Initiative for Heavily Indebted Poor Countries (HIPC Initiative) targets.

4/ Tuberculosis.

5/ Diphtheria, cholera, and tetanus/polio.

6/ Budgetary data refer to initial year of school year.

Table 3. Burkina Faso: Structural Benchmarks and Performance
Criteria for the 2001-02 Program

Measures	Date	Status
Introduction of automatic domestic price-setting mechanisms for petroleum products reflecting movements in international prices. ^{1/}	End-March 2001	Done
Adoption of audited budget acts (<i>Lois de règlement</i>) from 1995 to 1998. ^{1/}	End-March 2001	Done
Finalization of the interconnection of the payroll and civil service databases.	End-June 2001	Done
Setting up a centralized database to track social outlays and outcomes, in particular for health and education. ^{1/}	End-June 2001	Done
Securitization of the deposits of the Postal Savings Bank (CNE) with the treasury. ^{1/}	End-September 2001	Done
Amend the VAT legislation so that henceforth VAT credits would offset VAT liabilities on receipts.	End-December 2001	Postponed ^{2/}
Adopt the administrative and institutional stipulations for the effective operation of the Supreme Audit Court (<i>Cours des Comptes</i>).	End-December 2001	Delayed
Make operational the anti-corruption unit that will be independent of the government and that will have jurisdiction to investigate and review cases and to refer cases to competent judicial authorities ^{1/}	End-December 2001	Done
Elimination of the 59 tariff lines still subject to administratively set customs values, as specified in the order No. 01-037/MCPEA/MEF of May 28, 2001 ^{1/}	End June 2002	
Appointment of Three Magistrates in the Supreme Audit Court ^{1/}	End June 2002	

^{1/}Performance criterion.^{2/}Under discussion within WAEMU

Table 4. Burkina Faso: Tax Administration Measures

- Amendment of the legislation and regulations on the **single tax identification number (TIN)** so that it applies to all taxpayers (and practically becomes the basis of integrated revenue procedures). Real-time monitoring and effective, efficient use of the TIN.
- **Treasury checks on projects** (pink checks): universal application by prohibiting outright import exemptions. Better monitoring: at the DGTCP, through the production of a monthly statement of all checks issued by and returned to the Treasury; at revenue-collection offices (customs and taxes), through the production of a monthly statement of duties and taxes paid with treasury checks.
- **Treasury checks on petroleum products** (green checks): improved monitoring, through a monthly statement of all checks issued by and returned to the Treasury; a nominal list of checks issued and not returned after a specified period; and the production by customs of a monthly statement of duties and taxes paid with these checks.
- **Other exemptions:** recording in revenue, and commitment in expenditure, of other exemptions (Vienna Convention, NGO, and various others) already part of the revenue and expenditure estimates under budget item 4. In particular, the office concerned should, without exception, commit and record in the expenditure flow, any exemptions granted using the simplified procedure, to improve monitoring.
- **Revenue collected on behalf of third parties:** to ensure that revenue is not overestimated and/or expenditure underestimated, revenue-collection offices should make a distinction in revenue statements between total amounts collected and the parts of those amounts transferred to other institutions (local governments in particular). Revenue-collection offices should add to the revenue reported each month, revenue collected on behalf of third parties (in preparation of the WAEMU flow-of-funds table). Expenditure should be recorded in transfer expenditure.
- Computerized management of **externally funded projects**, starting from June 2002 for loan-financed project components, and then for grant-financed project components (with the close cooperation of development partners).
- Continue **the streamlining of deposit accounts at the Public Treasury**, primarily by closing the accounts of government departments, defunct structures, and committees that have ceased operating, so that the Treasury will have to manage only the accounts of structures that are required, under the regulations, to deposit their funds with the Treasury.

INTERNATIONAL MONETARY FUND
BURKINA FASO

Technical Memorandum of Understanding

March 14, 2002

1. This memorandum of understanding defines the performance criteria and benchmarks of the program supported by the Poverty Reduction and Growth Facility (PRGF) Arrangement of the International Monetary Fund (IMF). It also sets the deadlines for reporting data to Fund staff to facilitate program monitoring.

I. DEFINITIONS

2. For the purposes of this memorandum, the following definitions of “debt,” “government,” “payment arrears,” and “government obligations” will be used:

- As specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000,¹ **debt** will be understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, obligations, commercial loans, and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers’ credits, that is, contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods have been delivered or the services provided; and (iii) leases, that is, arrangements under which property is provided that the lessee has the right to use for one or more specified periods of time, which are usually shorter than the total expected life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease)

¹ See EBS/00/128 (6/30/00) – “Limits on External Debt or Borrowing in Fund Arrangements—Proposed Change in Coverage of Debt Limits.”

of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property. Under the definition set out above, debt includes arrears, penalties, and judicially awarded compensation arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation is not considered debt by this definition (e.g., payment on delivery) will not give rise to debt. External debt excludes treasury bills and bonds issued in CFA francs on the regional financial market of the West African Economic and Monetary Union (WAEMU).

- **Government** is defined as the government of Burkina Faso and does not include any political subdivision or central bank or any government-owned entity with a separate legal personality.
- **External payment arrears** are external payments due but unpaid. **Domestic payment arrears** under the program for 2002 include domestic payments due (following the expiration of a grace period of 90 days, except where the obligation provides for a specific grace period, in which case that grace period will apply) but unpaid.
- **Government obligation** is any financial obligation of the government recorded as such by the government (including any government debt).

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Cumulative Change in Total Net Domestic Budget Financing of the Government

Definition

3. Within the framework of the 2002 program, total net domestic budget financing of the government is defined as the sum of: (i) net bank credit to the government, encompassing both the net bank credit to the Treasury as defined below and other government claims and debts vis-à-vis national banking institutions; and (ii) nonbank financing of the government, which includes, inter alia, treasury bills and bonds held outside the national banking institutions and the proceeds of asset sales by the government.

4. Net bank credit to the government is defined as 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 the commercial banks, secured obligations, and government deposits with the postal system. Treasury debt to the banking system includes funding from the central bank (essentially IMF financing and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and funding from the postal system (including deposits of the postal system with the Treasury).

5. Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose figures are deemed valid within the context of the program, and nonbank financing by the Treasury, whose figures are considered valid.

6. As of December 31, 2001, the stock of government domestic debt was CFAF 205.1 billion, made up of CFAF 145.8 billion in domestic debt (excluding BCEAO advances and debts related to expenditure procedures) and CFAF 59.3 billion in net banking credit to the government.

Performance criterion/Quantitative benchmarks

7. The ceiling on the cumulative change in net domestic budget financing is set at CFAF 10.3 billion at March 31, 2002, and CFAF -3.2 billion at June 30, 2002. These ceilings represent a benchmark at end-March 2002 and a performance criterion at end-June 2002. The ceiling is projected at CFAF -8.6 billion at September 30, 2002. This figure will be set as a benchmark at end-September 2002 at the time of the sixth program review.

Adjustment

8. The ceilings on the cumulative changes in total net domestic budget financing will be subject to adjustment if disbursements of external budgetary assistance, including traditional external debt relief—but excluding the assistance to be provided under the Heavily Indebted Poor Countries (HIPC) Initiative—exceed or fall short of program forecasts. In the event of excess disbursements at the end of each quarter (end-March 2002, end-June 2002, and end-September 2002), these ceilings will be lowered by the amount of the excess disbursements. In contrast, if at the end of each quarter disbursements are less than the expected amounts, the ceilings will be raised by the amount of the shortfalls (on a noncumulative basis) up to a maximum of CFAF 1 billion at end-March 2002, CFAF 20 billion at end-June 2002, and CFAF 25 billion at end-September 2002. Concerning HIPC Initiative assistance granted to Burkina Faso, the savings on debt service will be transferred to a special account maintained at the BCEAO and set aside for new poverty reduction programs as described in the Poverty Reduction Strategy Paper (PRSP), and in line with the 2001 and 2002 Budget Laws.

Reporting deadlines

9. Details on the net government position vis-à-vis the banking system will be forwarded by BCEAO staff, and those concerning nonbank financing of the government by the public Treasury within six weeks following the end of each month.

B. Nonaccumulation of Domestic Payment Arrears

Definition

10. The government undertakes not to accumulate any new domestic payment arrears on government obligations on a net basis. The Treasury surveys domestic payment arrears on government obligations and records pertinent repayments.

Performance criterion

11. The government will not accumulate any domestic payment arrears on government obligations in 2002. This nonaccumulation is a performance criterion to be observed continuously.

Reporting deadlines

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

C. Nonaccumulation of External Payment Arrears

Performance criterion

13. The government's **external debt** is the stock of debt held or guaranteed by the government. It excludes treasury bills and bonds issued in CFA francs on the WAEMU regional market. External payment arrears are debt obligations due but not paid on the due date. Under the program, the government undertakes not to accumulate external payment arrears on government debt, with the exception of external payment arrears arising from government debt being renegotiated with external creditors, including Paris Club creditors. This nonaccumulation is a performance criterion to be observed continuously.

Reporting deadlines

14. Data on outstanding balances, accumulation, and repayment of external payment arrears will be forwarded within four weeks following the end of each month.

D. Nonconcessional Foreign Loans Contracted or Guaranteed by the Government of Burkina Faso

Performance criterion

15. The government undertakes not to contract or guarantee any foreign loans maturing in one year or more, with a grant element of less than 35 percent (calculated using the interest reference rate for borrowed foreign currencies provided by the IMF). This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF's Executive Board on August 24,

2000,² but also to commitments contracted or guaranteed for which value has not been received. However, this performance criterion does not apply to financing granted by the Fund or to Treasury notes and bonds issued in CFA francs on the WAEMU regional market. This obligation is a performance criterion to be observed continuously.

Reporting deadlines

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

E. Government Short-Term External Debt

Performance criterion

17. The government undertakes not to contract or guarantee any new external debt with a contractual maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF's Executive Board on August 24, 2000,³ but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are imports-related loans and treasury notes and bonds issued in CFA francs on the WAEMU regional market. This obligation is a performance criterion to be observed continuously. As of December 31, 2001, the government of Burkina Faso had no short-term external debt.

F. Structural Performance Criteria

Performance criterion

18. The 59 tariff lines still subject to administratively set customs valuations as specified in the order No. 01-037/MCPEA/MEF of May 28, 2001 will be eliminated by **June 30, 2002**.

19. Three magistrates will be appointed to the Supreme Audit Court by **June 30, 2002**.

² See paragraph 2.

³ Ibid.

Reporting deadlines

20. The information concerning the implementation of these structural performance criteria will be reported to the Fund within two weeks following its scheduled implementation date.

III. QUANTITATIVE BENCHMARKS

21. The program also includes indicators on current fiscal revenue, the civil service wage bill, and total current expenditure.

22. Current fiscal revenue is defined as tax receipts, plus nontax receipts, excluding revenue from treasury checks.

23. Total current expenditure is defined as the difference between total fiscal expenditure, on the one hand, and capital expenditure plus net lending, on the other. Capital expenditure is defined as the sum of capital expenditure identified as such in the budget and foreign-financed investment outlays.

Reporting deadlines

24. This information will be reported to the IMF within four weeks following the end of each month.

IV. ADDITIONAL INFORMATION FOR PROGRAM-MONITORING PURPOSES

A. Public Finance

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

- a monthly government flow-of-funds table (TOFE) and the 13 customary appendix tables, to be forwarded within three weeks (provisional version) and within six weeks (final version) following the end of each month; if the data on actual investment financed by external grants and loans are not available in time, a linear implementation estimate based on the annual projections will be adopted;
- complete monthly data on domestic budgetary financing, to be provided within six weeks following the end of each month;
- quarterly data on implementation of the public investment program, including details on financing sources, to be provided within six weeks following the end of each quarter;
- monthly data on debt service, to be provided within four weeks following the end of each month;

- monthly data on prices and the taxation of petroleum products, including (i) the price structure prevailing during the month; (ii) the detailed calculation of the price structure, going from the f.o.b.-MED price to the retail price; (iii) the volumes purchased and placed for consumption by the petroleum distributor (SONABHY); and (iv) the breakdown of receipts from the taxation of petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT)—and of subsidies, to be provided within four weeks following the end of each month; and
- the status of accounts at the treasury classified by major category (administrative services, state enterprises, mixed enterprises, public administrative enterprises, international organizations, private depositors, and others), to be provided within four weeks following the end of each month.

B. Monetary Sector

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

- the consolidated balance sheet of monetary institutions;
- the monetary survey, within six weeks following the end of each month, for provisional data, and ten weeks following the end of each month, for final data;
- borrowing and lending interest rates; and
- customary banking supervision indicators, for bank and nonbank financial institutions, if necessary.

C. Balance of Payments

27. The government will provide the following information:

- any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions) whenever they occur; and
- preliminary annual balance of payments data, within nine months following the end of the year concerned.

D. Real Sector

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

- disaggregated monthly consumer price indices, within two weeks following the end of each month;
- provisional national accounts, no later than six months after the end of the year; and

- any revision of the national accounts.

E. Structural Reforms and Other Data

29. The government will report the following information:

- any study or official report on Burkina Faso's economy, within two weeks following its publication; and
- any decision, order, law, decree, ordinance, or circular with economic or financial implications, upon its publication or, at the latest, when it enters into force.

F. HIPC Initiative

30. The government will report within three weeks following the end of each month:

- monthly data on credits, uses, and balances in the special account at the BCEAO established for the use of resources generated by debt reduction under the HIPC Initiative.

G. Summary of Data Requirements

Type of Data	Tables	Frequency	Reporting Deadline	
Real sector	Provisional national accounts	Annual	Year end + six months	
	Revisions of national accounts	Variable	End of revision + eight weeks	
Public finance	Disaggregated consumer price index	Monthly	Month end + two weeks	
	Net treasury and government position at the BCEAO and details of nonbank financing	Monthly	Month end + six weeks	
	Government flow-of-funds table (TOFE) and the 13 customary appendix tables	Monthly	Month end + three weeks (provisional); month end + six weeks (final)	
	Execution of capital budget	Quarterly	End of quarter + six weeks	
	Petroleum product pricing formula, tax receipts on petroleum products, and subsidies paid	Monthly	Month end + four weeks	
Monetary and financial data	Status of the deposit accounts at the public Treasury, classified by major category	Monthly	Month end + four weeks	
	Monetary survey	Monthly	Month end + six weeks (provisional) Month end + ten weeks (final)	
	Consolidated balance sheet of monetary institutions and, as needed, balance sheets of individual banks	Monthly	Month end + eight weeks	
	Borrowing and lending interest rates	Monthly	Month end + eight weeks	
	Banking supervision ratios	Quarterly	End of quarter + eight weeks	
	Balance of payments	Balance of payments	Annual	End of year + nine months
		Revised balance of payments data	Variable	Counting from when revisions occur
External debt	Outstanding external arrears and repayments (if applicable)	Monthly	Month end + six weeks	
	Details of new external borrowing	Monthly	Month end + six weeks	
HIPC Initiative	Statement of special account at the BCEAO, established for use of the resources generated by the HIPC Initiative	Monthly	Month end + three weeks	

Burkina Faso: Relations with the Fund

(As of January 31, 2002)

I. Membership Status: Joined: May 02, 1963; Article VIII

II. General Resources Account:	SDR Million	% Quota
<u>Quota</u>	60.20	100.00
<u>Fund holdings of currency</u>	52.97	87.99
Reserve position in Fund	7.23	12.01

III. SDR Department:	SDR Million	% Allocation
Net cumulative allocation	9.41	100.00
Holdings	0.41	4.41

IV. Outstanding Purchases and Loans:	SDR Million	% Quota
ESAF/PRGF arrangements	92.70	153.99

V. Latest Financial Arrangements:

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ESAF/PRGF	Sep 10, 1999	Sep 09, 2002	39.12	27.95
ESAF	Jun 14, 1996	Sep 09, 1999	39.78	39.78
ESAF	Mar 31, 1993	May 30, 1996	53.04	44.20

VI. Projected Obligations to Fund Under the Repurchase Expectations Assumptions

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

	<u>Forthcoming</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Principal	10.80	12.60	13.50	11.70	10.10
Charges/Interest	<u>0.60</u>	<u>0.60</u>	<u>0.50</u>	<u>0.50</u>	<u>0.40</u>
Total	<u>11.40</u>	<u>13.20</u>	<u>14.00</u>	<u>12.20</u>	<u>10.50</u>

VII. Implementation of HIPC Initiative:

	Original	Enhanced	
	<u>Framework</u>	<u>Framework</u>	<u>Total</u>
Commitment of HIPC assistance			
Decision point date	Sep 1997	Jul 2000	
Assistance committed (NPV terms)	end-1999	end-1999	
Total Assistance by all creditors (US\$ Million)	229.00	169.00	
Of which: IMF Assistance (SDR Million)	16.30	15.00	
Completion point date	Jul 2000	Floating	
Delivery of Fund assistance (SDR Million)			
Amount disbursed	16.30	4.15	20.45
Interim assistance		4.15	4.15
Completion point	16.30	0.00	16.30
Amount applied against member's obligations (cumulative)	3.67	3.28	6.95

VIII. Safeguards Assessments:

Under the Fund's safeguards assessment policy, the Central Bank of the West African States (BCEAO), of which Burkina Faso is a member, is subject to a full safeguards assessment. An off-site safeguards assessment of the BCEAO was completed on July 25, 2001. The assessment concluded that high risks may exist in BCEAO's financial reporting framework, but did not draw conclusions on the bank's internal audit mechanism nor the internal controls structure. The assessment recommended an on-site mission, which was conducted in October 2001. A report is in progress that will provide the findings and recommendations of the mission.

IX. Exchange Rate Arrangement:

Starting on January 1, 1999, Burkina Faso's currency, the CFA franc, has been pegged to the euro at the rate of €1=CFAF 655.95. The exchange rate on February 25, 2002 was CFAF 935.34=SDR 1. The exchange and trade system is free of restrictions on payments and transfers on current international transactions.

X. Article IV Consultations:

Burkina Faso is on the standard 12-month consultation cycle. The 2001 Article IV discussions and the fourth review under the Poverty Reduction and Growth Facility (PRGF) were held during the period April 10-25, 2001 in Ouagadougou. The staff report (EBS/01/84; 6/13/01) and the statistical annex (SM/01/176; 6/19/01) were considered by the Executive Board on July 2, 2001.

XI. ROSC/AAP:

An FAD mission visited Ouagadougou during May 7-18, 2001, to assist the authorities undertake a draft fiscal module of a Report on the Observance of Standards and Codes (ROSC). The mission found that Burkina Faso is making good progress in a number of areas to increase the transparency and accountability of government. But additional efforts are needed to bring a number of improvements to the point of implementation, particularly with regard to expenditure tracking at the local level and external audit functions. Initial discussions indicated that the authorities were in broad agreement with the mission assessment. The report is currently being completed.

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

XII. Technical Assistance:

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

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Staff	October 6-17, 1997	Assessing the fiscal impact of the common external tariff (CET) and regional integration, and defining policies to offset revenue losses.
FAD	Staff	November 20-30, 1998	Assessing implementation of the 1997 mission recommendations, and proposing complementary reforms to strengthen the fiscal and customs administrations.
FAD	Staff	February 11-25, 1999	Assisting in upgrading the computer system used for large taxpayers and following up on the implementation of previously recommended measures.

FAD	Staff	December 4-11, 1999	Monitoring the upgrading of the computer system used for large taxpayers; reviewing the establishment of a withholding system for business taxes; reviewing the system of treasury refunds of taxes due on foreign-financed projects; and proposing modalities for eliminating value-added tax exemptions on investments.
FAD	Staff	May 7-18, 2001	Assisting in completion of the fiscal module of the Report on the Observance of Standards and Codes (ROSC), and drafting assessment of an action plan, the capacity of the public expenditure management system to track and report on the uses of HIPC Initiative assistance and all poverty-reducing expenditures.

XIII. Resident Representative:

Mr. Robert Franco took up the post of Resident Representative in early December 2000.

Burkina Faso: Relations with the World Bank Group

(As of February 25, 2002)

Since the beginning of the structural reforms in the early 1990s, the World Bank has approved, in addition to project support, two structural adjustment credits, an economic recovery credit, an agricultural sector adjustment credit, a transport adjustment credit, an economic management reform credit and a poverty reduction support credit (PRSC I). The current portfolio amounts to commitments of US\$369.6million, of which US\$235.5 million is undisbursed. It includes a number of projects aimed at accelerating the provision of social services, with one project in the education sector, one in AIDS disaster response, one in the water sector, and one in urban environment. Other projects are geared to improving agriculture (such as Community based rural development, Agriculture services and Private Irrigation), supporting the poverty reduction strategy of the Burkina Faso's government (Poverty Reduction Support Credit I – funds already disbursed) and building up capacity in the mining sector (see table). 48 IDA credits for an amount of US\$848.8 million have been closed. There have also been three IFC investments (US\$2.7 million) which have all closed. There are no MIGA operations in Burkina Faso.

New credits

Three operations have been approved so far in FY02 (PRSC I, HIV/AIDS and Basic Education). Two more operations are expected to be approved in FY02: a Distance Learning Center project; and a Supplemental Urban operation. The Second Poverty Reduction Support Credit (PRSC II) is on stand-by for approval in FY02.

Statement of IDA Credits

(In millions of U.S. dollars)

Credit Number	Fiscal Year	Sector	IDA	Undisbursed
C27280-BF	1995	Urban Environment	37.0	6.5
CN0070-BF	1997	Post-Primary Education	26.0	10.8
CN0290-BF	1997	Mining Capacity Building	21.4	9.6
C29740-BF	1998	AG Services II	41.3	22.1
C31610-BF	1999	Private Irrigation	5.2	2.7
C34360-BF	2001	Community-Based Rural Devlpt.	66.7	60.2
C34760-BF	2001	Ouagadougou Water Supply	70.0	66.7
C35570-BF	2002	HIV/AIDS Disaster Response	22.0	21.9
N/a	2002	Basic Education	35.0	35.0
Total (number of credits: 9)			369.6	235.5
48 credits closed			848.8	0.0

Source: World Bank.

Burkina Faso: Statistical Issues

In January 2001, Burkina Faso formally adopted the General Data Dissemination System (GDDS) as its statistical development framework, and a country coordinator has been named. During the GDDS workshop in Bamako in March-April 2001, draft GDDS metadata were prepared for all five sectors including plans for improvements and were posted on the DSBB in December 2001. Following the conversion of the Statistical Institute into an autonomous agency, its allocations in human and material resources will be significantly raised in the 2002 budget.

Real sector

Serious problems have been identified both in the area of national accounts and price statistics. While the general framework of the national accounts is rather complete, there are substantial problems with the source data for the national accounts at current prices and the prices used as deflators. In particular, the industrial production index should be updated to include new industrial units. Also, the procedure to collect information on private investment and services should be improved. A new household survey completed in 1999 provides detailed information on the incidence of poverty and expenditure patterns. In addition, the national accounts suffer from methodological problems.

The base year for the constant price national accounts estimates has been updated from 1979 to 1985, resulting in revisions in the data from 1985 onwards. The final 1993-97 national accounts were published in May 2000. The index of industrial production is under review, within the framework of a program harmonized at the level of the West African Economic and Monetary Union (WAEMU); the last industrial census, conducted in March 1998, will be used in the construction of the new index.

A new consumer price index was published in 1998, based on a survey undertaken in the context of a regional project financed by the European Union and France. The coverage of this index will gradually be extended to include markets outside Ouagadougou.

Government finance

The last summary annual data published in *International Financial Statistics* are for 2000. No detailed data have been reported for the past five years to STA; hence the 2000 *Government Finance Statistics (GFS) Yearbook* covers only 1984-93, with limited details and coverage (and the data relate only to budget operations and capital expenditures financed through grants. No data are reported on extrabudgetary and social security operations, as well as on operations financed by foreign loans). The compilation of GFS is constrained by a lack of coordination among fiscal agencies, which has a negative impact on the reliability and timeliness of these data.

Monetary accounts

Preliminary monetary data for Burkina Faso are prepared by the national agency of the Central Bank of West African States (BCEAO) and released officially by the headquarters of the BCEAO with a lag of two to three months. An accounting system for commercial banks was introduced by the BCEAO on January 1, 1996. Most of the problems that appear in the monetary statistics for Burkina Faso are not specific to that country but concern all countries of the WAEMU.¹ One statistical problem arises from the difficulties the BCEAO has encountered in estimating currency in circulation in each WAEMU member country because of the large backlog of unsorted banknotes held by the central bank in its various national agencies. A money and banking statistics mission visited the BCEAO in August 1997, investigated these problems, and reviewed with the authorities several measures that would contribute to reducing the delay. The BCEAO is working on additional measures to accelerate the sorting operations in order to resolve this problem.

A second problem has been the slower-than-expected implementation of the new accounting system by banks since its introduction in 1996. These delays contribute importantly to the lag in reporting monetary statistics. The August 1997 STA mission that visited the BCEAO recommended that timing targets for reducing delays in producing the principal report forms be established. The situation has improved recently, and data for the monetary authorities and deposit money banks have been provided to STA on a more regular basis. While there has been a recent reduction in the lag in reporting monetary data to STA, among others—and this appears to reflect in part an acceleration in this phase of statistical production—there is scope for further improvement.

A monetary and financial statistics mission visited the headquarters of the BCEAO in May 2001. The mission reviewed the procedures for collecting and compiling monetary statistics, and addressed the outstanding methodological issues that concern all the member countries of the WAEMU.

Balance of payments

The BCEAO is responsible for compiling the balance of payments statistics that have significantly improved over the past few years.. The technical assistance of STA (a Statistical Advisor was posted at the BCEAO headquarters in Dakar from July 1996 through July 1999) contributed to the reporting of improved yearly balance of payments data in line with the framework of the *Balance of Payments Manual, (Fifth Edition (BPM5))* for the period 1996-99. In addition, the BCEAO disseminated the 1988-95 data in the *BPM5* format. Regarding trade data, the customs computer system (SYDONIA) was upgraded in 1999, and its installation in the main border customs houses is being completed; this should allow for a better monitoring of import data and should improve the coverage of informal trade. The further improvement of

¹ Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

services and transfers (especially workers' remittances) coverage is clearly linked to the future intensification of the contacts with reporting bodies; this implies that the authorities' commitment to strengthen the human and technical resources should be enhanced.

Concerning the financial account, the foreign assets of the private nonbanking sector are still not well covered, especially the assets of WAEMU residents, which are obtained through the Bank for International Settlement (BIS) data. The organization of annual exhaustive surveys for the reporting of foreign direct investment transactions in Burkina Faso is still at a very preliminary stage. The BCEAO authorities have indicated that they are looking forward to integrating two additional sources aimed at improving the quality of the balance of payments reports: the regional stock exchange transactions, and the firms' balance sheet database (*centrale des bilans*). They have also indicated that quarterly data derived from banking settlements reports are soon to be used to assess the existing information.

The follow-up mission at the BCEAO headquarters (April 17-28, 2000) highlighted improvements in published data: early in 2000, Burkina Faso approved a balance of payments final statement for 1998. However, the mission pointed out serious shortages in the human and technical resources that hampered the implementation of the resident advisor's recommendations.

The computer debt-management system software, SYGADE, developed by the United Nations Conference on Trade and Development (UNCTAD), was introduced in 1999 and is fully operational. Information on debt disbursement has also been fully integrated with the expenditure monitoring system.

Burkina Faso: Core Statistical Indicators

(As of January 14, 2002)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates 1/	Consumer Price Index	Exports/ Imports 2/	Current Account Balance	Overall Government Balance	GDP/GNP 3/	External Debt
Date of latest Observation	Dec. 2001	Oct. 2001	Oct. 2001	Oct. 2001	Oct. 2001	Dec. 2001	Nov 2001	Aug 2001	Dec. 2000	Oct. 2001	2000	June 2001
Date received	Jan. 2002	Jan. 2002	Jan. 2002	Jan. 2002	Jan. 2002	Jan. 2002	Nov 2001	Nov 2001	April 2001	Sept. 2001	April 2001	April 2001
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annual	Monthly	Annually	Annual
Frequency of reporting	Daily	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly	Annually	Monthly	Annually	Annually
Source of data 4/	EIS/TRE	BCEAO	BCEAO	BCEAO	BCEAO	BCEAO	BCEAO	BCEAO	BCEAO	Ministry of Finance	Ministry of Finance	Ministry of Finance
Mode of reporting	On-line	Staff /e-mail	Staff/e-mail	Staff/e-mail	Staff/e-mail	Staff/e-mail	Electronic	Electronic	Staff	Staff	Staff	Staff
Confidentiality	No	5/	5/	5/	5/	No	No	5/	5/	5/	5/	5/
Frequency of publication	Daily	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Monthly	Annually	Annually

1/ Up-to-date data available upon request from BCEAO; also updated regularly in press.

2/ Customs data available monthly in conjunction with fiscal data.

3/ Revised periodically during year.

4/ EIS = IMF, Economic Information System; TRE = IMF, Treasurer's Department; BCEAO = Central Bank of West African States.

5/ Preliminary use for staff only; actual data unrestricted.

Burkina Faso: Tentative Work Program Under the PRGF Arrangement, 2000-02

Date	Action	Disbursement
July 10, 2000	Executive Board conclusion of the 2000 Article IV consultation, completion of the first review under the PRGF arrangement, and approval of completion point for the original HIPC Initiative, second decision point for the enhanced HIPC Initiative, and consideration of the PRSP and its assessment	SDR 5.59 million
October 24 –November 8, 2000	Mission on the second review under the PRGF arrangement and on the negotiation of the second annual program under the PRGF arrangement	
End-December 2000	Performance criteria test date for the fourth loan	
January 10, 2001	Executive Board completion of the second review under the PRGF arrangement	SDR 5.59 million
April 10 - April 25, 2001	Mission on the third review under the PRGF arrangement and discussions of the 2001 Article IV consultation	
July 2, 2001	Executive Board discussion of the 2001 Article IV consultation and the third review under the PRGF arrangement	SDR 5.59 million
End-June 2001	Performance criteria test date for the fifth loan	
September 3–19, 2001	Mission on the fourth review under the PRGF arrangement, discussion of the third annual program under the PRGF arrangement, completion point under the enhanced HIPC Initiative, and assessment of the progress report of the PRSP	
November 30, 2001	Executive Board consideration of the fourth review under the PRGF arrangement, and assessment of the progress report of the PRSP	SDR 5.59 million
End-December 2001	Performance criteria test date for the sixth loan	
February 2002	Mission on the fifth review under the PRGF arrangement and discussions of the 2002 Article IV consultation	
March 2002	Executive Board discussion of the 2002 Article IV Consultation , completion point under the enhanced HIPC Initiative, and consideration of the fifth review under the PRGF arrangement	SDR 5.59 million
End-June 2002	Performance criteria test date for the seventh loan	
August 2002	Sixth review under the PRGF arrangement and final disbursement	SDR 5.58 million
September 9, 2002	Expiration of the arrangement	

Downside-Risk Scenario

Exogenous shocks

During the year 2000, the Burkinabè economy was hit by exogenous shocks that affected growth. For the period 2002-05, a downside-risk scenario was prepared. Its purpose is to measure the impact on macroeconomic variables of two types of exogenous shocks, thereby highlighting the fragility of the Burkinabè economy:

- **Bad weather conditions.** Cereals and cotton are very sensitive to the level and timing of the rain, as shown by a drop of 15 percent in cereal production in 2000. After abundant rainfalls in 2001, the downside-risk scenario assumes a 17 percent lower real GDP growth (4.5 percent compared to 5.4 percent in the baseline scenario). In addition, cotton export growth is assumed to fall to 2 percent in 2003 and to be maintained at that level between 2004 and 2005, compared with the baseline scenario, which assumes a progressive decline from 5.2 percent in 2003 to 2.3 percent in 2005.
- **Lower level of workers' remittances from Côte d'Ivoire.** The drop in workers' remittances experienced in 2000 and 2001 is assumed to continue in 2002 and to be maintained at that lower level during 2003-05.

These shocks will have a negative impact on real GDP growth (Box 1), fiscal variables (Appendix VI, Table 1) and the balance of payments (Appendix VI, Table 2).

Real GDP growth

Box 1. Real GDP Growth in the Baseline Scenario and Downside-Risk Scenario

(In percent)

	2002	2003	2004	2005
Real GDP growth—baseline scenario	5.7	5.4	5.4	5.3
Real GDP growth—downside risk	5.7	4.5	4.5	4.5

Under the above-mentioned assumptions, between 2003 and 2005 real GDP growth is expected to be almost 1 percentage point lower than under the baseline scenario. Growth in the primary sector falls to 2.8 percent between 2003-05, as compared to 3.7 in the baseline scenario. Bad performance in agriculture production and a low level of workers' remittances lead to a decrease in the demand for secondary and tertiary goods and services, which fall, respectively by 30 and 20 percent compared with the baseline scenario in 2003 and remain at this lower level until 2005.

Fiscal outcomes

Throughout the period 2003-05, as a result of the lower real growth, tax revenue is lower than under the baseline scenario (in 2005, it represents 14.3 percent of GDP, or 0.7 percentage points lower compared to the baseline scenario). The level of expenditure is assumed to remain unchanged from the baseline scenario. The financing gap will gradually increase from 0.2 percent of GDP in 2003 to 1.1 percent of GDP in 2005. Such gaps remain manageable and financeable through a mix of domestic adjustment and somewhat higher financing.

Balance of payments

The contraction of imports because of the lower growth is more than offset by lower exports of cotton and a lower level of workers' remittances, thereby worsening the current account deficit over the period 2003-05 by about 1.0 percentage point of GDP annually more than in the baseline scenario.

Table 1. Burkina Faso: Consolidated Operations of the Central Government, 1999-2005 (low growth scenario)

	1999	2000	2001		2002		2003	2004	2005
			Rev. Prog. 1/	Est. 1/	Prog. 1/	Rev. Prog			
			(In billions of CFA francs)						
1. Total revenue and grants 2/	377.7	354.2	399.6	367.7	437.3	412.7	439.4	466.2	486.1
1.1 Current revenue 2/	236.5	219.3	254.5	228.0	285.2	273.2	296.4	321.1	346.8
1.1.1 Tax revenue	220.7	202.9	240.2	213.2	269.5	253.9	274.2	297.2	320.9
Income and profits	53.7	61.4	67.2	56.1	74.1	66.7	72.0	78.7	85.0
Domestic goods and services	106.4	97.7	121.5	111.8	134.0	139.4	150.5	162.6	175.6
International trade	35.3	38.2	44.0	39.2	53.2	41.3	44.6	48.1	52.0
Other	5.3	5.7	7.4	6.2	8.2	6.6	7.1	7.7	8.3
1.1.2 Non-tax revenue	15.8	16.4	14.3	14.7	15.8	19.3	22.2	23.9	25.9
1.2 Capital revenue	0.1	0.0	0.4	0.0	0.0	0.4	0.4	0.5	0.6
1.3 Grants	141.1	134.8	144.8	139.7	152.1	139.2	142.6	144.6	138.8
Project	117.4	111.9	121.5	112.5	119.0	105.1	100.4	95.6	89.8
Program	23.7	22.9	23.3	27.2	33.1	34.1	42.2	49.0	49.0
2. Expenditure and net lending 3/	438.3	421.1	487.9	450.4	509.7	521.5	530.3	538.8	574.2
2.1 Current expenditures	180.6	194.3	219.8	219.2	233.1	245.8	258.2	265.7	289.6
Wages and salaries	82.6	88.7	98.2	98.2	102.9	104.3	109.4	113.1	119.9
Goods and services	37.6	40.0	48.7	40.7	52.0	54.8	58.0	59.8	66.6
Interest payments	13.7	16.6	18.0	17.6	17.8	16.4	18.2	18.9	19.3
Domestic	3.3	3.5	5.3	5.0	6.2	6.3	6.3	6.3	6.3
External	10.4	13.1	12.7	12.6	11.6	10.1	11.9	12.6	13.0
Current transfers	46.8	49.0	51.8	60.1	57.1	68.4	72.5	74.0	83.9
Of which: restructuring operations	1.4	2.2	2.0	0.0	0.0	...	...	...	...
Of which: refund of VAT credits to Sofitex	...	...	6.7	7.0	...	...	...	...	...
Safety net / oil and gas subsidies	...	...	3.1	2.6	3.3	2.0	0.0	0.0	0.0
2.2 Investment expenditures	257.4	223.7	269.6	233.1	279.6	279.0	275.1	277.1	286.6
Domestically financed	65.8	47.5	86.3	64.7	98.0	110.7	109.7	118.8	135.1
Of which: tax component	22.9	14.3	23.5	17.6	20.0	20.7	19.8	14.3	17.6
Externally financed	191.5	176.2	183.3	168.5	181.6	168.3	165.4	158.3	151.5
2.3 Net lending	0.3	3.1	-1.5	-1.9	-3.0	-3.3	-3.0	-4.0	-2.0
3. Overall surplus/deficit (commitment basis)	-60.6	-67.0	-88.3	-82.7	-72.4	-108.8	-90.9	-72.6	-88.1
Excluding grants	-201.7	-201.8	-233.0	-222.4	-224.5	-247.9	-233.5	-217.2	-226.9
Basic balance 4/	-10.2	-25.6	-49.7	-53.9	-42.9	-79.7	-68.1	-58.9	-75.4
Excluding use of HIPC resources	-10.2	-25.6	-28.1	-49.3	-17.7	-32.0	-42.2	-30.3	-48.2
4. Cash basis adjustment	-9.3	-0.1	-9.0	40.4	0.0	-8.3	0.0	0.0	0.0
4.1 Change in payments arrears	-8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Expenditures committed but not paid 5/	-1.0	-10.0	-2.0	16.2	0.0	-8.3	0.0	0.0	0.0
4.3 Change in treasury's commitments	0.0	9.9	-7.0	24.2	0.0	0.0	0.0	0.0	0.0
5. Overall deficit (cash basis)	-69.9	-67.0	-97.3	-42.3	-72.4	-117.1	-90.9	-72.6	-88.1
Excluding grants	-211.0	-201.8	-242.0	-182.0	-224.5	-256.2	-233.5	-217.2	-226.9
6. Financing	69.9	67.0	97.3	42.3	72.4	117.1	90.9	72.6	88.1
6.1 Foreign	64.0	43.6	110.4	85.4	79.3	108.7	113.4	83.7	104.4
Drawings	90.2	71.4	137.7	112.5	112.3	135.7	141.8	113.3	132.5
Project loans	74.1	66.5	61.8	56.0	62.6	63.2	65.0	62.7	61.7
Adjustment aid	16.1	0.0	54.3	33.1	24.5	47.3	50.9	22.0	43.6
HIPC Initiative	...	7.1	21.6	23.4	25.2	25.2	25.9	28.6	27.2
Amortization	-26.2	-27.8	-27.3	-27.1	-33.0	-27.0	-28.4	-29.6	-28.1
6.2 Domestic financing	2.4	21.9	-13.1	-37.4	-7.2	8.4	-27.1	-26.6	-41.7
6.2.1 Bank financing	12.2	19.8	-5.2	-12.3	-3.4	-6.0	-18.2	-19.0	-17.3
Central bank	14.5	23.1	-1.4	-9.0	-3.4	-2.5	-14.7	-15.5	-13.8
Commercial banks	-2.3	-3.3	-3.8	-3.3	0.0	-3.5	-3.5	-3.5	-3.5
6.2.2 Nonbank financing	-9.8	2.1	-7.9	-25.1	-3.8	14.3	-8.9	-7.6	-24.4
Government bonds	-13.5	-5.4	-10.7	-9.4	-13.8	-9.7	-18.9	-7.6	-24.4
Privatization revenue	3.7	14.6	2.9	3.0	10.0	1.5	10.0	0.0	0.0
HIPC Account	...	-7.1	0.0	-18.7	0.0	22.5	0.0	0.0	0.0
6.3 Debt under discussion 6/	4.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.7	-1.1	0.0	-5.7	...	...	...	...	...
Financing gap	...	0.0	0.0	0.0	0.0	0.0	4.6	15.6	25.4
Memorandum items:									
Of which: budgetary social expenditures 7/	53.6	56.4	64.4	62.1	70.1	64.0	69.7	75.9	82.6
military expenditure	25.7	26.1	28.4	28.9	28.9	29.5	30.0	30.6	30.6
			(In percent of GDP, unless otherwise specified)						
Total revenue and grants	24.9	22.3	23.2	21.5	23.6	22.5	22.4	22.3	21.7
Tax revenue	14.5	12.8	14.0	12.5	14.5	13.8	14.0	14.2	14.3
Grants	9.3	8.5	8.4	8.2	8.2	7.6	7.3	6.9	6.2
Expenditure and net lending	28.9	26.5	28.4	26.4	27.4	28.4	27.1	25.7	25.7
Current expenditure	11.9	12.2	12.8	12.8	12.6	13.4	13.2	12.7	12.9
Wages and salaries	5.4	5.6	5.7	5.8	5.5	5.7	5.6	5.4	5.4
Interest	0.9	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9
Capital expenditure	17.0	14.1	15.7	13.7	15.1	15.2	14.0	13.2	12.8
Domestically financed	4.3	3.0	5.0	3.8	5.3	6.0	5.6	5.7	6.0
Foreign financed	12.6	11.1	10.7	9.9	9.8	9.2	8.4	7.6	6.8
Overall balance (commitment basis)	-4.0	-4.2	-5.1	-4.8	-3.9	-4.6	-3.5	-3.5	-3.9
Including grants	-4.2	-4.2	-3.9	-4.6	-2.5	-3.3	-3.3	-2.1	-2.7
Excluding HIPC	-13.3	-12.7	-13.6	-13.0	-12.1	-13.5	-11.9	-10.4	-10.1
Basic balance 4/	-0.7	-1.6	-2.9	-3.2	-2.3	-4.3	-3.5	-2.8	-3.4
Excluding use of HIPC resources	-0.7	-1.6	-1.6	-2.9	-1.0	-1.7	-2.2	-1.4	-2.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.7	1.1
GDP (in billions of CFA francs)	1,518	1,387	1,719	1,707	1,837	1,834	1,960	2,094	2,237

Sources: Burkinabè authorities; and staff estimates and projections.

1/ Includes HIPC resources.

2/ Revenue includes taxes on goods and services paid in the execution of public investment projects using checks issued by the treasury.

3/ On a commitment basis and including the tax component of the public investment projects, which is paid by the treasury.

4/ Revenue (excluding grants) minus expenditure, excluding foreign-financed investment outlays.

5/ Float during the year. Decline of stock of expenditure committed but not paid (-).

6/ Concessional debt under negotiation with non-Paris Club creditors.

Table 2. Burkina Faso: Balance of Payments, 1999-2005 (low growth scenario)

(Billions of CFA francs)

4/10/02	1999	2000 Rev.	2001		2002	2003	2004	2005
			Prog.	Est.				
Exports, f.o.b.	156.2	146.2	177.0	168.8	182.6	204.5	220.7	240.4
Of which: cotton	83.6	72.2	95.6	96.0	108.9	124.9	136.5	148.6
gold	9.2	6.2	6.5	3.5	2.3	1.6	1.5	1.2
Imports, f.o.b.	-357.4	-368.6	-407.5	-373.3	-379.6	-403.0	-422.5	-444.3
Of which: capital goods	-125.0	-122.8	-141.5	-115.5	-115.4	-115.8	-110.7	-106.4
Trade balance	-201.2	-222.4	-230.5	-204.5	-197.0	-198.5	-201.8	-204.0
Services and income (net)	-82.0	-91.5	-93.9	-89.9	-86.9	-91.9	-96.3	-100.8
Services	-70.8	-77.3	-80.0	-76.0	-73.3	-77.5	-81.1	-85.0
Income	-11.3	-14.3	-13.9	-13.9	-13.6	-14.3	-15.2	-15.8
Of which: interest payments	-11.1	-13.2	-13.5	-13.1	-12.5	-13.0	-13.5	-13.9
Of which: budget	-10.4	-13.1	-12.7	-12.5	-11.5	-12.1	-12.7	-13.2
Current transfers (net)	88.7	86.8	84.2	82.2	94.6	97.9	108.2	112.1
Private	39.7	39.1	20.1	23.0	26.0	18.8	19.8	21.0
Of which: workers' remittances (gross)	50.3	44.5	30.0	30.0	32.1	24.0	24.0	24.0
Official	48.9	47.7	64.1	59.3	68.6	79.0	88.4	91.1
Of which: budgetary (program grants)	23.7	22.9	23.3	27.2	34.1	42.2	49.0	49.0
Current account (deficit= -)	-194.6	-227.1	-240.1	-212.1	-189.3	-192.5	-189.9	-192.7
Excluding current official transfers	-243.5	-274.8	-304.3	-271.4	-257.8	-271.5	-278.3	-283.8
Capital transfers	120.4	115.4	124.5	115.8	108.5	104.0	99.4	93.8
Project grants	117.4	111.9	121.5	112.5	105.1	100.4	95.6	89.8
Other capital transfers	3.0	3.5	3.0	3.3	3.4	3.6	3.8	4.0
Financial operations	69.5	58.8	94.8	73.8	95.5	99.9	68.2	88.6
Official capital	64.0	26.4	86.4	54.3	81.0	85.1	53.1	73.3
Disbursements	90.2	60.7	116.1	89.1	110.5	115.9	84.7	105.3
Project loans	74.1	66.5	61.8	56.0	63.2	65.0	62.7	61.7
Program loans	16.1	0.0	54.3	33.1	47.3	50.9	22.0	43.6
Amortization	-26.2	-30.8	-29.7	-34.8	-29.5	-30.8	-31.6	-32.0
Of which: budget	-26.2	-27.8	-27.3	-27.1	-27.4	-28.8	-29.5	-30.0
Private capital 2/	5.5	32.4	8.4	19.5	14.5	14.8	15.0	15.3
Errors and omissions	-8.6	5.3	0.0	4.3	0.0	14.6	22.2	27.5
Overall balance	-13.3	-47.5	-20.9	-18.3	14.8	26.0	-0.1	17.2
Financing	13.3	47.5	20.9	18.3	-14.8	-26.0	0.1	-17.2
Net foreign assets	9.1	37.7	-0.7	-5.1	-40.0	-54.6	-27.1	-43.8
Net official reserves	21.5	37.6	-0.7	-20.8	-40.0	-54.6	-27.1	-43.8
Of which: gross official reserves	18.0	20.9	-7.0	-26.8	-40.3	-43.2	-14.9	-33.3
Of which: IMF (net)	7.0	-1.7	6.3	6.0	0.4	-11.5	-12.2	-10.6
Use of resources	10.3	5.2	15.9	15.6	10.3	0.0	0.0	0.0
Repayments	-3.3	-7.0	-9.6	-9.6	-9.9	-11.5	-12.2	-10.6
Net foreign assets, commercial banks	-12.4	0.2	0.0	20.1	0.0	0.0	0.0	0.0
Change in arrears (reduction= -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative	0.0	7.2	21.6	23.4	25.2	28.6	27.2	26.6
Debt under discussion 3/	4.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	14.6	22.2	27.5
Memorandum items:								
			(In percent of GDP)					
Trade balance (deficit= -)	-13.3	-14.2	-13.4	-12.0	-10.7	-10.1	-9.6	-9.1
Cotton export volume (thousands of metric tons)	114.7	109.1	113.8	113.7	164.1	167.3	170.7	174.1
Current account (deficit= -)	-12.8	-14.6	-14.0	-12.4	-10.3	-9.8	-9.1	-8.6
Excluding current official transfers	-16.0	-17.6	-17.7	-15.9	-14.1	-13.9	-13.3	-12.7
Overall balance (deficit= -)	-0.9	-3.0	-1.2	-1.1	0.8	1.3	0.0	0.8
Total debt-service ratio 4/	23.0	30.2	26.5	30.2	25.2	24.1	23.2	21.0
Debt-service ratio (ratio to government revenue)	10.5	13.9	15.6	15.6	12.6	12.6	12.3	11.6
Gross international reserves (in billions of CFAF)	192.2	171.3	178.3	198.1	232.8	287.4	314.5	358.3
In months of goods, c.i.f.	5.5	5.5	4.5	6.3	6.9	8.2	8.5	9.3
In months of goods and nonfactor services	5.1	4.4	4.2	4.7	5.5	6.5	6.8	7.4
GDP at current prices (in billions of CFAF)	1518	1561	1719	1707	1834	1960	2094	2237

Sources: Central Bank of West African States (BCEAO); and staff estimates and projections.

1/ Based on latest WEO projections.

2/ Includes portfolio investment and foreign direct investment.

3/ Contentious debt in negotiation with non-Paris Club creditors.

4/ In percent of exports of goods and nonfactor services.

INTERNATIONAL MONETARY FUND

BURKINA FASO

**Prior Actions for the Fifth Review
Under the Poverty Reduction and Growth Facility Arrangement**

Prepared by the African Department

(In consultation with Legal and Policy Development and Review Departments)

Approved by Amor Tahari and Masood Ahmed

March 28, 2002

1. Three prior actions had to be met before consideration of Burkina Faso's fifth review under the PRGF arrangement, namely, (i) opening an account at the Central Bank (BCEAO) to lodge the resources freed under the HIPC Initiative; (ii) committing by March 15, 2002, 80 percent of the HIPC resources accumulated during 2000 and 2001 and not yet committed; and (iii) raising the excise tax on petroleum products by CFAF 12.5 a liter on diesel oil and CFAF 10 a liter on premium and regular gasoline.
2. The first prior action was met on March 12, 2002, when the Treasury opened an account at the BCEAO and transferred all HIPC-related resources freed since the beginning of 2002, or CFAF 1.8 billion, to this account.
3. The authorities informed us that on March 15, 2002, 80.1 percent of the residual HIPC-related resources provided in 2000 and 2001 (totaling CFAF 22.5 billion at end-December 2001) were committed to priority sectors. This stated commitment meets the second prior action.
4. The third prior action was satisfied on March 14, 2002 with an ordinance raising the excise tax on petroleum products by CFAF 12.5 a liter on diesel oil and by CFAF 10 a liter on premium and regular gasoline.
5. Based on this, Burkina Faso has met the three prior actions for the Executive Board to consider the fifth program review under the PRGF arrangement.



INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 02/49
FOR IMMEDIATE RELEASE
May 1, 2002

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes the 2002 Article IV Consultation with Burkina Faso

On April 9, 2002, the International Monetary Fund (IMF) Executive Board concluded the 2002 Article IV consultation with Burkina Faso.¹

Background

Since 1991, Burkina Faso has been implementing reforms supported by the Fund through successive Enhanced Structural Adjustment Facility and Poverty Reduction Growth Facility (PRGF) arrangements.² The current PRGF arrangement was approved in September 1999 in support of a program covering the period 1999-2002. In July 2000, the IMF and World Bank Boards agreed that Burkina Faso had fulfilled the conditions for reaching the completion point

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. This PIN summarizes the views of the Executive Board as expressed during the April 9, 2002 Executive Board discussion based on the staff report.

² On November 22, 1999, the IMF's concessional facility for low-income countries, the Enhanced Structural Adjustment Facility, was renamed the Poverty Reduction and Growth Facility, and its purposes were redefined. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a poverty reduction strategy paper. This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an interest rate of 0.5 percent a year, and are repayable over 10 years with a 5½-year grace period on principal payments.

under the original Heavily Indebted Poor Countries Initiative (HIPC) and the decision point under the enhanced HIPC Initiative. In November 2001, the Executive Boards considered the first annual progress report of the poverty reduction strategy paper and agreed that the country's effort to implement the strategy provided sufficient evidence of its continuing commitment to poverty reduction.

After a lower growth in 2000 due to exogenous shocks, real GDP growth is estimated to have rebounded to 5.7 percent in 2001 essentially because of good cotton production, which reached a record level of 400,000 tons. Average consumer price inflation accelerated to 4.9 percent driven by price pressures resulting from the poor cereal crops of the previous campaign. The real effective exchange rate appreciated somewhat as a result of higher inflation and the slight decline of the U.S. dollar against the euro, to which the CFA franc is pegged.

In 2001, fiscal revenue reached only 12.5 percent of GDP compared to a target of 14 percent, mainly because of the slower than expected pick up in growth, but also of poor performance of the fiscal administration. Wage outlays remained on target and the Burkinabé authorities took specific measures to tighten both current and capital expenditures. At end-December 2001, the overall fiscal deficit (on a commitment basis and including grants) reached 4.8 percent of GDP compared to a program target of 5.1 percent.

Monetary policy, conducted at the regional level by the Central Bank for West African States, remained prudent. Credit to the economy rose in 2001 by 14 percent while broad money grew by about 5 percent.

The external current account deficit (excluding grants) declined from 17.6 percent of GDP in 2000 to 15.9 percent in 2001. The terms of a trade improved by about 4 percent on account of the decline in petroleum prices and a higher volume of cotton and live animal exports.

Executive Board Assessment

Executive Directors commended the authorities for their continued sound economic policies, and noted, in particular, the prudent management of the cotton sector in the face of low international prices, with the bumper cotton crop contributing to poverty reduction and a rebound in the rate of economic growth. Directors stressed that further efforts to liberalize the cotton sector, lower the cost of energy, promote good governance and judiciary reform, and develop human capital will be essential to maintain steady and rapid growth, strengthen the external position, and achieve durable poverty reduction. It will be important that these efforts are supported by good coordination of donor assistance.

Directors commended the tightening of nonpriority outlays in response to the lower level of fiscal revenue, and the containment of wage outlays within program indicators, while increasing social expenditure. They stressed, however, that a sustained increase in tax revenue will be essential to free resources for investment and the social sectors. Directors strongly encouraged the authorities to persevere in their efforts to broaden the tax base and to strengthen tax and customs administration and public finance management. The authorities' commitment to catch up on the spending on priority social programs of resources freed up by the HIPC Initiative is welcome, and will need to be supported by continued efforts to further improve public expenditure management.

Directors noted that the regional monetary policy of the BCEAO continues to serve Burkina Faso well, but needs to be buttressed by firm adherence to the fiscal targets. They welcomed the actions by the regional banking commission to improve the health of the banking sector, as well as the authorities' efforts to promote the micro finance sector. In this regard, Directors underscored the need for further progress in strengthening financial supervision and regulatory enforcement. They commended the authorities for being among the first countries to have replied to the anti-money laundering/terrorism questionnaire and for spearheading efforts in this regard.

Directors welcomed the authorities' continued commitment to structural reform, including further efforts to realize efficiency gains in the cotton sector, improved public financial management, greater regional integration, improved governance, advances in the privatization program, and the deregulation of public utilities. They encouraged the authorities to proceed forcefully in continuing to implement their structural reform agenda, which will be key to achieve sustained economic development and diversification.

Directors encouraged the authorities to continue improving the quality, timeliness, and frequency of reporting of key data, notably on national accounts and the balance of payments, while noting the need for appropriate technical assistance in this regard. They welcomed the fact that Burkina Faso has begun publishing its General Data Dissemination System metadata on the Fund's website.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board. The Staff Report for the 2002 Article IV Consultation with Burkina Faso is also available.

Burkina Faso: Selected Economic and Financial Indicators

	1998	1999	2000	2001	2002
				Est.	Proj.
	(Annual percentage change)				
Real GDP	6.2	6.2	2.2	5.7	5.7
GDP deflator	3.2	-2.4	1.2	1.7	1.7
Consumer prices (annual average)	5.0	-1.1	-0.3	2.9	2.0
Real effective exchange rate 1/	4.4	-2.0	-5.1	...	...
	(In percent of GDP)				
Gross domestic investment	29.6	27.2	26.9	26.7	28.1
Gross domestic savings	12.7	9.4	7.7	10.2	13.4
Gross national savings	19.6	14.3	12.6	14.2	17.8
	(In millions of US\$)				
Exports (f.o.b.)	323.0	254.0	205.9	235.1	250.5
Imports (f.o.b.)	639.0	581.2	590.6	605.1	520.8
Current account balance, excluding official Transfers	-373.4	-396.0	-476.5	-479.2	353.7
Gross official reserves	356.2	312.5	241.3	263.2	319.4
	(In percent of GDP)				
Current account balance, excluding official Transfers	-14.5	-16.0	-17.6	-15.9	-14.1
Current account balance, including official Transfers	-10.0	-12.8	-14.6	-12.4	-10.3
External public debt	54.7	59.9	62.1	59.7	58.7
	(In percent of GDP)				
Financial variables					
Tax revenue	13.1	14.4	12.8	12.5	13.8
Domestic current expenditures	12.6	11.9	12.2	12.8	13.4
Basic fiscal balance (deficit -)	0.5	-0.7	-1.6	-3.2	-4.3
Overall fiscal balance, excluding grants	-9.8	-13.3	-12.7	-13.0	-13.5
Overall fiscal balance, including grants	-2.9	-4.0	-4.28	-4.8	-5.9
Change in broad money (in percent)	1.7	3.1	5.7	4.9	10.6
Interest rate 2/	6.2	5.8	6.3	...	...

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

1/ (+)=appreciation.

2/ Central Bank rediscount, end of period.

NEWS  BRIEF

FOR IMMEDIATE RELEASE

News Brief No. 02/29
FOR IMMEDIATE RELEASE
April 9, 2002

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Completes Review Under Burkina Faso's PRGF Arrangement
and Approves US\$7 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today discussed Burkina Faso's performance and completed the fifth review under the Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, Burkina Faso will be able to draw up to SDR 5.59 million (about US\$7 million) under the arrangement immediately.

Burkina Faso's program was originally supported by a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) approved on September 10, 1999 (see Press Release No. 99/42), for SDR 39.12 million (about US\$49 million). So far, Burkina Faso has drawn SDR 27.95 million (about US\$35 million).

The PRGF is the IMF's concessional facility for low income countries. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty.

PRGF loans carry an annual interest rate of 0.5 percent, and are repayable over 10 years with a 5 ½-year grace period on principal payments.

After the Executive Board's discussion on Burkina Faso, Horst Köhler, Managing Director, and Chairman, stated:

"Macroeconomic policies and structural reforms in Burkina Faso have remained appropriate during the past year. The prudent management of the cotton sector in the face of low international cotton prices, together with good cotton and cereal crops late in the year, have contributed to a pick-up in real GDP growth and a reduction in rural poverty. Continuation of these sound economic policies, along with further efforts to liberalize the cotton sector, lower the cost of energy, promote good governance and judiciary reform, strengthen financial intermediation, improve public finance management and develop human capital, will position Burkina Faso well to achieve sustained growth rates (of about 5½ percent per annum) and durable poverty reduction over the medium term.

"All of the end-2001 quantitative criteria, benchmarks and indicators under the authorities' PRGF-supported program were met, except for the indicator on government revenue. The containment of expenditure, in the face of a poor performance in tax collection, while preserving social outlays, is welcome. Looking ahead, a sustained effort to improve revenue performance will, however, be needed to free up resources for investment in the social sectors.

"The primary fiscal objective for 2002 therefore appropriately aims at a significant effort to increase tax revenue, while strictly limiting nonessential outlays to consolidate the fiscal position. The authorities are also firmly committed to catch up on the spending on poverty reduction programs of resources freed by the HIPC Initiative. It will be important that these efforts are supported by good coordination of donor assistance.

"The authorities' structural reform agenda aims at strengthening the conditions for sustainable and equitable growth and durable poverty reduction. It will focus on further reform of the cotton sector; improvement of public finance management; progress in the privatization program; and promoting good governance.

"Burkina Faso's performance toward reaching the completion point under the enhanced HIPC Initiative has been satisfactory, with commendable progress in poverty reduction and the maintenance of a stable macroeconomic position.

"A new debt sustainability analysis based on end-2001 data shows that Burkina Faso's prospects for achieving debt sustainability have been

adversely affected due to a fundamental deterioration in its external environment, and despite proper macroeconomic and structural policies. The Fund considers that Burkina Faso will need additional assistance to that committed at the decision point in order to achieve debt sustainability. A decision on Burkina Faso's debt relief under the enhanced HIPC Initiative is pending action by the World Bank's Executive Board later this week. A press release will be issued jointly with the World Bank following those deliberations," Mr. Köhler said.