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BURKINA FASO

**Initiative for the Heavily Indebted Poor Countries—HIPC
Completion Point Document for the Original HIPC Initiative and
Second Decision Point for the Enhanced HIPC Initiative**

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I. INTRODUCTION

1. Burkina Faso reached its decision point under the original framework of the Heavily Indebted Poor Country (HIPC) Initiative in September 1997, when the Executive Directors of the IMF and IDA decided that Burkina Faso was eligible for assistance under the HIPC Initiative and set the completion point under the Initiative for April 2000, provided that the structural reform programs remained on track. The target for the net present value (NPV) of debt-to-exports ratio was set at 205 percent, implying a reduction of external debt in NPV terms of 15 percent.

2. In September 1999, the Interim and Development Committee endorsed—subject to the availability of funding—the enhancements to the HIPC Initiative framework for countries pursuing sound policies and committed to reform. In this context, ministers expressed support for lowering the debt sustainability thresholds to improve prospects for a permanent exit from unsustainable debt as described in the paper on the modification to the HIPC Initiative,¹ which also specified that countries that had already reached their decision points would be reassessed retroactively to benefit from the enhancements to the framework. Under the enhanced framework, the target for the NPV value of debt-to-exports ratio was revised to 150 percent.

3. The paper has two objectives: **First, it presents the assessment of the staffs of the Fund and IDA that Burkina Faso has fulfilled the conditions for reaching the completion point under the original HIPC Initiative framework.** Second, in the context of Burkina Faso's participation in the Initiative under the enhanced framework, the paper discusses the poverty reduction strategy developed by the authorities in the poverty reduction strategy paper (PRSP). The document is organized as follows: Section II describes the characteristics of poverty in Burkina Faso; Section III reviews past economic, structural and social performance in pursuing the reforms identified in the 1997 HIPC decision point document; Section IV describes Burkina Faso's poverty reduction strategy; Section V presents the debt sustainability analysis and the status of creditors' participation; Section VI proposes conditions for reaching the floating completion point under the enhanced HIPC Initiative. Section VII contains the conclusions and issues for discussions.

II. POVERTY ASSESSMENT

A. Characteristics of Poverty

4. Since independence in 1960, Burkina Faso has remained one of the poorest countries in the world and ranked only 172nd out of 174 countries in the United Nations Development Program's (UNDP) 1998 human development index. Details of the poverty analysis are

¹ IDA/SECM99-475 and EBS/99/138 (7/23/99).

presented in Chapter 2 of the PRSP and summarized below. Key income and social indicators are presented in Box 1.

Box 1. Burkina Faso: Income and Social Indicators						
Item	Unit of Measure	1990-95	1996	1998	1999	Sub-Saharan Africa 1990-96 Avg.
Population	Thousands	10,377	10,688	10,730	11,679	627,264
Population growth rate	Annual average in percent	2.9	3.0	3.0	2.6	2.6 (1998)
Total fertility rate	Birth per woman	6.9	6.9	6.7	6.8	5.4 (1998)
Urban		...	...	...	4.1	...
Rural		...	...	...	7.3	...
Poverty and equity						
National poverty line	CFA francs	41,099.0	...	72,690.0	...	...
National head count index	Percent of population	44.5	...	45.3	...	52.0 (1990s)
Urban		10.4	...	16.5	...	43.0
Rural		51.1	...	51.0	...	56.0
GDP per capita	U.S. dollars	231.2	237.2	229.2	220.0	...
Share of income or consumption						
Lowest quintile	Percent of income	5.5	...	...	...	5.2 (1990s)
Highest quintile	Percent income	55.0	...	...	63.0	50.6 (1990s)
Gini coefficient		0.48 (1994)	...	...	...	0.45 (1990s)
Social indicators						
Gross primary school enrollment rate						
Total	Percent of school age group	38.0	38.9	40.9	...	78.0 (1994)
Male	Percent of school age group	47.0	46.3	46.7	...	85.3
Female	Percent of school age group	30.0	27.8	34.7	...	70.6
Access to safe water						...
Total	Percent of population	65.0	78.0	...	...	...
Urban	Percent of population	93.4	...	...	...	...
Rural	Percent of population	58.1	...	...	...	...
Access to adequate sanitation	Percent of population	...	...	...	...	...
Total		18.1	...	18.0	...	...
Urban		55.3	...	...	...	...
Rural		9.1	...	...	...	...
Child (under 5) malnutrition rate	Percent of age group					
Height for age 1/		29.4	...	...	...	40.0
Weight for age (emaciation)		13.3	...	...	...	32
Life expectancy at birth	Years	45.4	52.2	52.4	54.0	50.4 (1998)
Infant mortality rate	Per 1,000 live births	93.7	98.0	105.0	...	91
Under-5 mortality rate	Per 1,000 live births	214.0	219.0	210.0	219.0	151
Adult mortality	Per 1,000 population	18.1	...	16.4	...	...
Birth assisted	Percent	32.9	26.9	27.0	...	...
HIV prevalence	Percent of population	...	...	7.0	...	8
Medical personnel availability						
Doctor		1/28,673	1/29,815	1/23,308	...	...
Midwife		1/23,316	1/29,897	1/25,090	...	...

Sources: Social Indicators of Development, 1996 Edition; 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.

5. **Poverty incidence**² increased slightly from 44.5 percent to 45.3 percent³ (Table 1) during 1994–1998. Data used for this poverty assessment come from two national surveys on household living standards carried out in 1994 and 1998.⁴ Depth of poverty (*P1*, defined as the percentage by which consumption remains below the one corresponding the poverty line) remained stable during the period, at 14 percent, which suggests that a large part of the poor population is close to the poverty line. Larger households of over ten people tend to be poorer. Poverty incidence increased in urban areas by more than 5 percentage points to 16 percent in 1998. In rural areas, poverty incidence decreased slightly, by less than 1 percent. However, poverty in Burkina Faso is still predominately rural, accounting for 94.5 percent of national poverty. The incidence of regional poverty varies widely. The cotton-growing western region has the lowest incidence at 41 percent, and the center-north part of the country has the highest incidence. The poor in the remoter areas lack access to markets and to information about markets. The geographical pattern of poverty is changing as a result of the reduction of poverty in the south, southeast, and north, and the significant increase in the south-central region (Table 1). Other research illustrates large differences in equity patterns within regions, and across provinces. Evidently, certain types of local-level institutions are associated with lower inequality across villages. This means that in the future the same level of growth could significantly accelerate poverty reduction for these groups of villages.

² The poverty line per year and per capita, based on household expenditures, was estimated at CFAF 41,099 (equivalent to US\$74) in 1994 and updated to CFAF 72,690 (equivalent to US\$123) in 1998. In real terms, these two amounts of money allow the acquisition of the same basket of goods. The sizeable increase in the poverty line is due to the CFA franc devaluation in early 1994, which has made more expensive the basic basket of goods (the 1994 poverty line was determined on the basis of costs in 1993).

³ The method used to measure poverty was identical, and, therefore, it is possible to compare most of the data. However, the comparability of expenditure aggregates is weakened because the data were collected during two different periods of the year. In addition, other poverty estimates using different methodologies, and based on 1992 and 1998 demographic and health survey (DHS) data, show a slight decrease in poverty.

⁴ The household living standards were carried out in 1994 and 1998 based on a sample of about 8,500 households distributed across ten regions. The data are analyzed in the Burkina Faso poverty profile, finalized in May 2000.

Table 1: Poverty Incidence (*P0*) and Poverty Depth (*P1*) by Regions, 1994 and 1998¹
(In percent)

	1994		1998	
	<i>P0</i>	<i>P1</i>	<i>P0</i>	<i>P1</i>
Regions				
South Central	51.4	14.6	55.5	19.7
North Central	61.2	20.9	61.2	18.2
Southeast	54.4	18.7	47.8	12.2
North	50.1	18.7	42.3	9.5
South	45.1	14.0	37.3	12.0
West	40.1	11.9	40.8	12.0
Urban	10.4	2.5	15.9	4.0
Rural	51.1	16.1	50.7	15.8
National	44.5	13.9	45.3	13.9

Source: Burkinaabè authorities' Priority Survey I and Priority Survey II

¹ Poverty incidence is measured as the head count index *P0* (the percentage of a group below the poverty line); *P1* represents the depth of poverty defined as the percentage by which consumption remains below the one corresponding to the poverty line.

6. Poverty increased for public and private wage earners, craftsmen, and merchants, and for other employment. From 1994, poverty incidence decreased by 8 percentage points to 42 percent in 1998 for cash crop farmers, but increased by 2 percentage points to 53 percent in 1998 for food crop farmers (Table 2). It is likely that the CFA franc devaluation benefited some farmers, especially cotton farmers, but had a negative impact on the purchasing power of wage earners.

Table 2. Burkina Faso: Poverty Incidence by Economic Occupation,
1994 and 1998¹
(In percent)

Economic occupations	1994		1998	
	<i>P0</i>	<i>C0</i>	<i>P0</i>	<i>C0</i>
Public wage earners	2.2	0.2	5.9	0.5
Private wage earners	6.7	0.4	11.1	0.7
Craftsmen and merchants	9.8	1.4	12.7	1.6
Other employment	19.5	0.3	29.3	0.4
Cash crop farmers	50.1	11.8	42.4	15.7
Food crop farmers	51.5	78.9	53.4	77.1
Unemployed	41.5	7.1	38.7	4.0
Total	44.5	100.0	45.3	100.0

Source: Priority Survey I and Priority Survey II.

¹ Poverty incidence is measured as the head count index *P0* (the percentage of a group below the poverty line). The contribution of each group to the total number of people below the poverty line is captured by the index *C0*.

7. Income distribution in Burkina Faso is highly uneven, with the richest 20 percent of the population receiving 63 percent of total aggregated income in 1998, compared with

56 percent in 1994 (an average of 52 percent in sub-Saharan Africa in 1998). The most vulnerable groups are children, women, unemployed, and the elderly. There are 100 women for every 95 men on the absolute poverty threshold. HIV/AIDS is also creating a new group of dependent poor and increasing the stress on traditional networks of support.

8. In Burkina, man and women operate in a system of production in which some resources are neither pooled nor traded among household members. Plots controlled by women have significantly lower yields than those controlled by men because women have less access to basic agricultural inputs such as labor, manure, and fertilizers. Allocative distortions, along with diminished output, are the result, leaving women and children particularly vulnerable to food insecurity. Some provinces routinely suffer relatively serious nutrition shortfalls when rainfall is below normal. Overall, women and children are more vulnerable because tradition gives them less decision-making power and less control over assets than men; meanwhile, their opportunities to engage in remunerative activities and, therefore, to acquire their own assets are more limited. Furthermore, there is growing evidence that women's access to land is decreasing with a shift from usufruct rights to ownership of land. In addition, studies from the cotton-growing area of Houet province indicate that inequality between men and women is increasing.⁵

9. Access to potable water has not significantly changed between 1994 and 1998. For 90 percent of the population, sources of water were wells, boreholes, or public taps in 1994 and in 1998. However, some areas suffer critical water shortages in the dry season. In addition, a key indicator is the amount of time women spend collecting water, but information on this is not available.

10. There was no progress made in increasing access to electricity in rural areas, which is still at less than 1 percent. In urban areas, access increased from 29 percent of households in 1994 to 34 percent in 1998, but there was no improvement for the lowest quintiles of the urban population.

B. Social Indicators

11. Poor health and nutritional status and high fertility are both a cause and a consequence of poverty in Burkina Faso. They cause poverty by diminishing productivity, reducing household income, and increasing health expenditures. Typically, the proportion of household income spent on health is higher in low-income groups than in higher-income groups. Illness and death from AIDS leave affected households and orphans severely impoverished and, in some cases, socially isolated and unprotected. Poverty, in its broader definition, encompasses not only lack of income but also lack of access to basic social

⁵ For further details see Paula Donnelly-Roark, C. Ouedraogo, and Xiao Ye, "*Local-Level Institutions, Rural Decentralization and Poverty Eradication*," unpublished (Washington: World Bank, 1999).

services that could otherwise enhance opportunities for earning income and improving the quality of life. A number of factors associated with poverty, in turn, lead to ill health, high fertility, and poor nutrition. Female illiteracy (87 percent in 1998; see Table 4 of PRSP; 58 percent in urban areas and 93 percent in rural areas), low access to clean water (78 percent) and sanitation facilities (18 percent), food insecurity, and poor household dietary and sanitary practices, as well as low access to preventive health programs, family-planning services, and basic curative care, all undermine the well-being of Burkina Faso's poorest populations (for more details, see PRSP, Section 2.4). Improving health outcomes is thus a critical component of Burkina Faso's poverty reduction strategy.

12. Propelled by persistently high fertility (6.8 births per woman), Burkina Faso's population is growing at the rapid rate of 2.7 percent annually. High fertility and mortality have resulted in an increasingly youthful age structure, with about half of the population under 15 years of age; this imposes a severe burden on an underemployed labor force and poses greater demands on already overextended social services. In 1999, life expectancy was estimated at 54 years, infant mortality at 105 per 1,000 live births, and child mortality at 219 per 1,000.⁶ Burkina Faso is one of the countries in West Africa more severely affected by HIV: seroprevalence among the general population is estimated at 7 percent (10 percent in urban areas), and its impact is increasing rapidly.⁷ Malnutrition is estimated to affect 30 percent of children under 3 years. The evolution of these indicators from 1993 to 1999 is also worrisome. Fertility rates are decreasing very slowly. Child mortality rates seem to have increased, largely owing to an increase in postneonatal mortality and late-child mortality. The leading causes of morbidity and mortality for children are malaria, diarrhea, malnutrition (which appears to have worsened between 1993 and 1999), measles, and respiratory diseases.

13. Data disaggregated by income level available for 1993 (Table 3) show significant disparities in the health status of the richest and poorest segments of the population, with conditions for the lower quintiles significantly worse than indicated by national averages. While the incidence of some diseases is not income sensitive, probably because of the highly infectious surrounding environment—with high levels of malaria, low access to safe water, and sanitation problems—utilization of health services is much higher and malnutrition much lower among high-income groups. Disparities also exist between urban and rural areas, with people living in rural areas (usually also the poorest) at a disadvantage.

⁶ This compares with the following averages for sub-Saharan Africa: a fertility rate of 5.4 children per woman, life expectancy of 50.4 years, infant mortality at 91 per 1,000 live births, and under 5 mortality of 151 per 1,000.

⁷ About half of commercial sex workers are estimated to be seroprevalent.

Table 3: Health Outcomes and Service Utilization by Income Level, 1993 ¹

Indicators	Income Quintiles					Population Average	Low-High Ratio
	Lowest	Second	Middle	Fourth	Highest		
Deaths under age 12 months (per 1,000 births)	113.6	113.0	129.8	98.6	79.7	107.6	1.425
Deaths under 5 years (per 1,000 births)	199.2	223.9	237.3	198.6	156.4	204.5	1.274
Children stunted (percent of children under 3 years)	36.1	38.9	34.8	33.8	21.5	33.3	1.679
Children underweight (percent of children under 3 years)	35.6	35.4	33.5	35.7	22.0	32.7	1.618
Total fertility rate (births per woman age 15–49)	7.5	6.7	7.1	7.0	4.6	6.5	1.630
Ill in the preceding two weeks with diarrhea (percent)	22.3	18.3	20.5	21.5	17.9	20.1	1.246
Measles immunization coverage (percent)	46.1	57.8	58.7	60.4	75.4	59.6	0.611
Diarrhea							
ORS, RHF, or increased liquids when diarrhea	38.8	35.3	37.0	44.5	65.5	43.1	0.592
Brought to a health facility if sick	89.3	84.8	87.5	87.7	74.5	84.7	1.199
Respiratory infection: brought to a health facility if ill with ARI	15.7	12.0	17.1	18.9	34.3	18.9	0.458
Prenatal care visits attended by doctor, nurse, or nurse-midwife (percent)	42.9	46.5	48.7	68.1	92.7	58.5	0.463

¹ Source: Priority Survey I. Information by quintile is not available for 1999.

14. The overall literacy rate in Burkina Faso is estimated at 18.4 percent and 13 percent for women. In rural areas, 90 percent of the adult population has never attended school. Gross enrollment, at 42 percent in 1999/2000, remains low, even compared with African countries.⁸ Moreover, the national average hides large discrepancies across regions, genders, and socioprofessional groups. Gross enrollment is 47 percent for boys, and 35 percent for girls. In urban areas, the rate is 76 percent for boys and 66 percent for girls, but it is much lower in rural areas (35 percent for boys and 26 percent for girls). Access to education is particularly low in some regions, such as the east (19 percent) and the Sahel (15 percent). Table 4 shows that the proportion of households not sending their children to school diminishes rapidly as one moves from poorer to richer quintiles.

⁸ In 1997, gross enrollment rates were higher in most countries—76 percent in Ghana, 72 percent in Benin, 69 percent in Côte d'Ivoire, and 67 percent in Senegal. However, they were lower in a few countries—34 percent in Mali and 30 percent in Niger.

Table 4: Gross Enrollment Ratios in Primary School,
by Income Level and Gender, 1997/98
(In percent)

Indicators	Income Quintiles				
	Lowest	Second	Middle	Fourth	Highest
Boys	23.6	30.0	46.5	46.8	62.7
Urban areas	60.2	50.6	65.6	68.1	81.8
Rural areas	22.8	20.0	33.8	42.2	46.2
Girls	13.5	15.1	23.0	37.3	57.5
Urban areas	27.9	39.5	59.4	66.6	67.6
Rural areas	13.2	13.9	19.2	29.9	47.7
Total	18.8	23.0	30.3	42.4	60.0
Urban areas	45.3	45.4	66.6	67.4	74.3
Rural areas	18.1	21.9	27.2	36.7	46.9

Source: UNDP, Sustainable Human Development Report, Burkina Faso, 1998.

15. Low enrollment rates are mostly the result of economic constraints: with 45 percent of households living below the poverty line, contributions to student-parent associations, and transportation often weigh heavily on their budget. Moreover, the opportunity cost of sending to school children who contribute significantly to economic activities, particularly in rural areas, discourages parents from sending their children to school. For nomadic populations in the north, schooling is difficult to reconcile with the need for geographical movement. Finally, parents who have themselves had very little education tend to underestimate the benefit of schooling, particularly for girls.

16. In 1997/98, the total number of schools were estimated to be 4,132, 10 percent of which were private institutions. The center region, with a denser population, had one school per 12 square kilometers, while the Sahel and east regions on average only had one school per 200 square kilometers. While on average 84 percent of children walk less than 3 kilometers to attend school, in the south 21 percent of students walk more than 3 kilometers.

III. PAST ECONOMIC POLICIES AND PERFORMANCE

A. Background

17. **Burkina Faso's adjustment program has been supported by the Fund through successive arrangements since 1991:** a first, arrangement under the Structural Adjustment Facility (SAF) was approved in March 1991, followed by two consecutive three-year arrangements under the Enhanced Structural Adjustment Facility (ESAF), approved respectively in March 1993 and June 1996, and by a new arrangement under the Poverty Reduction and Growth Facility (PRGF), approved in September 1999. The first review of the current arrangement under the PRGF is scheduled for Board discussion in June 2000.

Overall, the performance under the ESAF and PRGF-supported programs has been satisfactory; most targets have been reached, in particular, in the area of public finance (see Tables 5 and 6).

18. **IDA** has also been supporting Burkina Faso's reforms through a number of sectoral credits, including an agricultural sector adjustment credit (AGSACI) and a transport sector adjustment credit, both approved in 1992, as well as three structural adjustment credits (SAC), approved in mid-1991, November 1998, and November 1999, respectively.

19. **Since 1997, Burkina Faso has been testing an innovative framework in its relationship with the donor community.** With a view to strengthening government ownership in program implementation, improving aid coordination, and enhancing aid effectiveness, the main donors, under the leadership of the European Commission, agreed to pilot a program of joint conditionality, with a focus on budgetary management and equitable growth. In this context, to improve program monitoring, the government, together with its development partners, agreed on performance parameters that included both policy actions and impact indicators. A number of these indicators were close to those monitored under the ESAF arrangement and the HIPC Initiative, while others had a different focus.⁹ Since 1998, performance has been assessed during joint donor missions, which often overlapped with IMF and Bank review missions.

20. This section summarizes Burkina Faso's recent economic policies and performance under the program, and assesses its progress in meeting targets for structural reforms and social development.

B. Macroeconomic Performance and Implementation of Structural Reforms Between 1996 and April 2000

21. **Between 1996 and 1999, real GDP grew on average by 5.6 percent annually despite a significant deterioration in the terms of trade over the period, in line with the projection at the decision point** (Table 5). The relatively strong **growth performance** is attributable to the competitive gains following the 1994 CFA franc devaluation, to the large public investment program, and to the financial and structural policies aimed at consolidating the market orientation of the economy and maintaining macroeconomic stability. Activity in the manufacturing sector, in particular the cotton ginning industry, was boosted in the 1996-98 period by a strong increase in cotton production from 150,000 tons in 1995/96 to 338,000

⁹ The indicators covered both (i) the implementation of actions to strengthen budgetary management, improve performance in health and education, promote private sector and agricultural development; and (ii) outcomes in these different sectors, such as the overall wage bill, differences between budget allocation by ministry and actual spending, budgetary allocation to decentralized services, specific results in health and education services, the growth rate of agricultural production and food availability per capita.

tons in 1997/98. In 1998/99, cotton production declined to 284,500 tons in response to unfavorable environmental conditions and remained broadly stable in 1999/2000. Despite a sharp decline in international prices in 1999, the ginning and marketing company (SOFITEX) was able to avoid losses by improving quality and reducing costs. Reflecting strong public investment (which averaged 13 percent of GDP in 1996-99), the construction and public work sectors also supported growth throughout the period, together with services, which grew on average by 6 percent annually. Inflation, as measured by the consumer price index (CPI), declined to 2 percent on average, on an annual basis between 1997 and 1999, compared with 6 percent in 1996.

22. **Progress was achieved in the area of public finance during the last three years in line with the program objectives** (Table 6). Government revenue rose from 12.3 percent of GDP in 1996 to 13.5 percent of GDP in 1999 (15 percent, including taxes paid by the treasury related to public investment activities) despite losses caused by the reduction of external tariff rates associated with the introduction of the West African Economic and Monetary Union (WAEMU) common external tariff (CET). For all three years, the current primary balance exceeded the program target, and efforts were made to redirect spending to social sectors. The level of public investment, mainly externally financed, hovered between 13 and 16 percent of GDP over the period.

23. The **external current account deficit**, after declining between 1996 and 1997, rose in 1998 and 1999 by 1.5 percentage points of GDP to 16.0 percent of GDP, excluding grants (12.6 percent of GDP, including grants) because of a strong increase in imports in 1998, related to a rise in public and private investment, and lower-than-expected cotton exports in 1999. Although Burkina Faso's contribution to the external reserves of the union declined during 1997-99, this contribution was still equivalent to eight months of imports at end-1999.

24. Burkina Faso's broadly satisfactory fulfillment of the **structural reforms** envisaged in the 1996-2000 program, and reflected in the decision point document, is summarized in Box 2. In the fiscal area, a key objective was to widen the tax base, curtail exemptions, and adopt the common WAEMU external tariff. The main elements of the reform programmed in the area of taxation, public administration, the financial system, and public enterprise restructuring are described in more detail in Appendix I.

Box 2. Key Structural Reforms Under IDA- and Fund-Supported Programs, 1997–2000	
Action	Status
Fiscal reforms	
Introduce WAEMU's product classification	Done in April 1999
Eliminate special intervention tax and introduce WAEMU's CET, lowering maximum tariff rate from 37 percent to 25 percent	Done. Rate reduced to 20 percent in January 2000
Eliminate special VAT payment procedures for importers of raw materials and for enterprises registered under the investment code	Done
Eliminate all remaining exemptions on public contracts and enhance monitoring of taxation for foreign-financed projects	Done in June 1999
Complete computerization of tax revenue collection, enhance monitoring of large enterprises, and improve recovery from defaulters	Done in 1999
Introduce a withholding tax at source on imports and purchases from wholesalers and producers	Done in January 2000
Introduce a withholding tax at source on payment for services	Done in January 2000
Reduce the business profit tax from 40 percent to 35 percent	Done in 2000
Computerize wage and public investment expenditure	Ongoing
Conduct review of public investment	Conducted in 1998–99
Harmonize the budgetary system within the WAEMU framework	Done
Civil service reform	
Approve and implement law on civil service end-1998	Approved in April 1998, and entered into force end-1998
Approve and implement master plan for institutional reforms and modernization of public administration including:	
Introduction of merit-based promotion system	Done in January 1999
Larger recourse to contractual staff	Ongoing since 1999
Approve law on decentralization and deconcentration	Done in December 1998. Implementation ongoing
Introduce a single personnel file, encompassing those of the Ministries of Finance and of the Civil Service	Done in March 2000
Financial sector reform	
Complete restructuring of the postal checking system and savings fund (CCP-CNE), with separation of accounts from treasury and compensation between treasury and the national postal office (Sonapost).	To be completed by June 2000.
Strengthen the network of savings and loans cooperatives	Yearly audit of main savings and loans network since 1998: unit responsible for enforcing PARMEC law strengthened. 1/
On the basis of new OHADA acts and the regulations of the banking commission, strengthen rules applying to bank collateral, bank reserves, and effective capital	Done in 1997–99
Business environment, legal and regulatory framework	
Simplify business law in context of OHADA	1997–2000, ongoing
Increase recruitment of magistrates and computerize courts and tribunals	1997–2000, ongoing
Strengthen one-stop window (CPE) for private enterprises and streamline regulation by October 1997	Done in November 1997
Public enterprises and privatization	
Strengthen institutional framework for privatization, so as to speed up process	Done
Complete ongoing privatization of 41 enterprises	
Privatize 21 enterprises	Done
Put up for sale or liquidate by Dec. 1997 8 enterprises	Done
Put remaining 12 enterprises up for sale by March 1998	Done with some delays
Review the strategy for the remaining enterprises in government portfolio	Done
Select four new companies for privatization in 1998	Done
In telecommunications,	
grant two cellular phone licenses, and	Done in April 2000
operationalize regulatory agency	Done in March 2000
Approve privatization and liberalization of energy sector	Done
Agricultural policy	
Phase out activities of state rice import company	Done in 1997–99
Adopt new agreement on producer price and profit-sharing mechanism for cotton	Done in March 1998
Adopt plan to open up the capital of SOFITEX to cotton producers and others	30 percent of shares acquired by producers; interprofessional agreement signed in 1999
Complete reorganization of agricultural services of Ministry of Agriculture	Done in December 1998
1/ The PARMEC law was adopted in 1994, in the context of the WAEMU, regulating savings and loan cooperatives and their networks.	

C. Implementation of Social Policies in 1996–99

25. The 1997 HIPC decision point document identified a number of actions to be undertaken by Burkina Faso in order to successfully reach the completion point. These actions related to increased public spending on basic education and primary health care, and improvement in the key indicators of performance of the health and education section. The authorities have made determined efforts in strengthening performance in the social sectors, consistently with the steps identified in the decision point document. However, key social indicators have improved less than anticipated, as shown in Box 3 which compares the targets set out at the decision point and progress achieved over the period. The HIPC indicator targets were selected on the basis of estimates for 1996, which were still provisional and proved to overestimate the actual outturn. For this reason, progress should not be assessed only by comparing outcomes and targets, but also by considering progress over the period. Box 4 reviews changes in procedures for budget preparation, expenditure allocation, and program monitoring, which have strengthened transparency by widening participation and improving surveillance. Further initiatives aimed at enhancing participation are discussed in Section IV.

26. **Progress was achieved in reallocating spending toward social sectors.** On a commitment basis, excluding common budgetary expenditures,¹⁰ but including foreign-financed capital expenditures, the share of expenditures on primary education in total budget expenditures increased from 9 percent in 1996 to 11.5 percent in 1998, thereby reaching the program target. However, the ratio declined to 10.8 percent in 1999, reflecting the large spending in infrastructure investment for other sectors. Excluding foreign-financed investment, progress was more marked, as the share of expenditures on primary education increased from 14.5 percent in 1996/97 to 16.9 percent in 1999. For health, the share over total expenditures remained stable over the period when foreign-financed investment is included. The share, excluding foreign-financed investment, increased however from 11.3 percent in 1996 to 13.9 percent in 1999. The data indicate that efforts have been successful in redirecting domestic resources toward human capital formation. However, the bias introduced by recent large foreign-financed infrastructure projects has limited the increase in the share of social sectors in total expenditure.

¹⁰ Some expenditures on water, electricity, and telephone, gasoline are grouped as interministerial expenditures, as information on the user of these services is not always available; these are managed by the Ministry of Finance. Therefore, the proportion of these expenditures attributed to health and primary education is estimated arbitrarily.

Box 4. Decentralization, Participation, and Transparency in the Social Sectors

Participation at the local level in annual budget preparation. Discussions on the budget start in May at the local level. In the health sector, they include the participation of CSPS (local health centers) management committees. In the education sector, the regional directorates, and the directors of the national school for primary education (ENEP) are directly involved in preparatory work preceding budgetary sessions. Financial requests are presented in June at the central level to the respective ministries, which prepare a draft budget submitted in July to the Management and Financial Directorate (DAF) of the Minister of Finance. The respective ministers participate in the budgetary commission, which is chaired by the Minister of Finance. This commission makes the final arbitration before the budget proposal is presented to parliament in September.

Since 1998, **three-year budgets** (budget-programs) have also been prepared in a participatory manner for a number of pilot ministries, including primary education and health. The introduction of a medium-term framework is discussed both at the local and central level. The discussion has enhanced the capacity of the government to formulate the annual budget within a dynamic perspective of medium-term objectives and strategies.

In 1998, and especially in 1999, a part of the expenditures on goods and services were administered at the district level in the health sector, and at the regional level in the education sector through a system of **credit delegation**. The objective was to improve the absorption capacity, and to establish a more direct link between decision and execution. Budgetary allocation now is presented with specific budget lines for each of the 53 health districts and 11 health regional directorates, and for the 11 basic education regional directorates. The system functions as follows: (a) after publication of the *loi des finances*, the districts are provided with a notice of credit award; (b) they are allowed to establish their own spending priorities and to select suppliers; (c) financial control takes place at three levels: the regional directorates, the respective ministries, and the Ministry of Finance; and (d) the payment order is made at the central level by the General Paymaster's Office. Last year, in the health sector, half the expenditures on goods and services were realized through credit delegations, mostly to the districts.¹ For primary education, credit allocations accounted for only 14 percent of expenditures on goods and services at the local level.

Monitoring of budget execution and the effectiveness of expenditures in the social sectors have improved. Since 1999, information on budget execution has been available at the level of the health districts and of the education regional directorates. In the context of the donors' test of joint conditionality (SPA), policy and impact indicators were selected through an interactive process, and monitoring procedures implemented. In particular, quarterly meetings now take place at the local level, with a view to assessing the impact of expenditures on the population. However, the government's capacity to track indicators is still limited by insufficient data collection, and as yet there is only limited direct feedback from beneficiaries on budget delivery.

Since the approval of the civil service reform, the deconcentration policy is being implemented, with all new teachers and health professionals recruited as contractual staff, and more of them being assigned to rural areas.

¹ Budgetary allocation still remains insufficient. In health, the CSPS finance a large part of their expenditures through the sale of drugs. Moreover, budget execution at the decentralized level has been hampered by delays in delegated credits reaching their beneficiaries, as regional directorates receive their credit awards in May, and the health districts in June/July. In education, the financing of school materials continues to depend largely on contributions from student-parent associations and donors.

27. In the **health sector**, overall performance has been mixed, leading to only modest improvements in sector quality and effectiveness. It must be qualified, however, that some of the targets set at the time of the decision point for the original HIPC Initiative were ambitious, as they were set in the absence of reliable baseline data, and the overall trend has been one of improved service delivery. The following presents an overview of the HIPC indicators summarized in Box 2:

- Since 1996, higher spending financed the construction of 92 local health centers (CSPS) (813 health centers are now available compared with 602 in 1992), and 12 medical centers (CM) were equipped with surgery facilities, raising the number of such centers from 18 to 30. On average, there is now one local health center per 14,000 inhabitants, or ten villages (compared to 16,000 in the mid-1990s).

- The proportion of CSPS equipped with qualified personnel, in accordance with established norms for the sector—one certified nurse, one obstetrician or auxiliary midwife, and one itinerant health agent—is still only 60 percent, falling far short of the HIPC target of 100 percent.¹¹ Over and above the inadequate ratio of medical staff to the population (*vis-à-vis* World Health Organization minimum standards), health personnel are still excessively centralized, and their high turnover further undermines efforts to staff underserved rural areas.
- Almost all CSPS are now equipped with functional deposits of essential generic drugs. Moreover, the share of generic drugs in total drug imports increased from 26 percent in 1996 to 54 percent in 1998, thus making the drugs more affordable for the general population.
- Rates of utilization of CSPS have hovered between 20 percent and 23 percent during the period under review. While these rates are similar to those in other neighboring countries, they fall far short of the target of 60 percent for urban areas and 40 percent in rural areas. The authorities' efforts to improve utilization rates are oriented toward activities to improve affordability of services, reduce nonfinancial barriers to utilization (cultural, gender, and geographical), and upgrade service quality.¹²
- Vaccination rates stagnated over the period under review and fell far short of targets. This occurred in part because a number of donors reduced their contribution to this activity over the past several years, expecting the government to take over this activity, and a doubling in domestic resources allocated to finance vaccinations failed to offset this reduction. The disappointing performance was also due to persistent problems in storage and distribution, and it highlighted the need to review and render more proactive and effective the vaccination strategy.

¹¹ In particular, many CSPS do not have any obstetricians or auxiliary midwives; as a result, services such as prenatal and postnatal consultations and child delivery assistance are not always offered, as was envisaged in the minimum action program of the CSPS.

¹² Tariffs charged for medical consultations tend to be lower than the cost of services, and lower than those applied in the private sector; however, the recent public expenditure review shows that they remain high compared with the purchasing power of the population. According to the survey on utilization of health services commissioned by the European Union in 1998–99, purchasing power constraints are by far the first reason given by households for low frequentation.

28. Overall, despite a significant reallocation of resources, with about CFAF 3,800 per capita spent on health, budgetary allocation is still low relative to a minimum package of activities adapted to sub-Saharan Africa epidemiology, which is estimated to cost about twice as much.¹³

29. Over the past decade, Burkina Faso has given priority to the development of **basic education** and has made some important progress in enrollment, and in the reallocation of expenditure toward priority objectives. Between 1990 and 1999, the share of children enrolled in primary school increased from about 30 to 42 percent, 34 percent for girls. New first-grade admissions doubled over the period. Opportunities increased for urban, as well as for rural children, as 70 percent of all new classrooms were constructed in rural areas in recent years. Interprovince disparities were reduced, as the proportion of provinces not reaching the average gross primary school enrollment rate decreased from 73 percent in 1996/97 to 58 percent in 1998/99. Some of the targets set at the decision point were ambitious, and were based on provisional baseline data (such as the enrollment ratio in 1996), which proved higher than the actual outturn. Thus, in 1995/96, the primary school enrollment ratio proved to be only 38.9 percent, while it was estimated in early 1997 to be 40 percent. At the HIPC Initiative decision point, the target for 1999/2000 was set at 46 percent, while the outturn is only 42 percent.

30. **The recent progress in primary education** was achieved through two main strategies. First, additional resources were allocated to basic education to support the expansion. The share of the education budget allocated to basic education increased from 45 percent to about 58 percent between 1990 and 1999.¹⁴ The availability of schools also increased as 800 classrooms a year were constructed over the past several years. Second, the early implementation of the first phase of the 2000–10 Basic Education Plan ensured a substantial reduction in expenditure per student in basic education, which facilitated the expansion. Policy measures adopted included a policy to hire *instituteurs-adjoints* exclusively, whose average salary is 40 percent lower than that of the *instituteurs*; a substantial use of double-shift classes to cover up to 40 percent of students in urban areas; and an increase in the use of multigrade teaching to include 25 percent of students in less densely populated areas.

31. **Burkina Faso also made efforts to address demand-side constraints.** In this regard, the proportion of schools with drinking water and sanitation increased to 47 percent

¹³ *Revue des Dépenses Publiques*, Secteur de la Santé, January 2000 (RDPS).

¹⁴ The percentage of higher-education students receiving scholarships was cut from 98 percent in 1988 to 35 percent in 1997, and the total number of scholarships awarded to secondary school students was reduced by 65 percent. Public school secondary students now pay registration fees, most of which are kept by schools to cover the cost of pedagogical materials.

and 45 percent, respectively. The number of literacy centers more than doubled since 1990, and their outreach was greatly improved, expanding from 90 villages in 1990 to 4,500 villages in 1997/98. To further enable the effective participation of poorer populations, the government lowered the cost of education to families by providing a set of textbooks for use free of charge, and by encouraging greater participation in parents' associations. To lower the opportunity cost for poor families and enable girls to attend schools, the government (a) built schools closer to villages to reduce physical distance; (b) provided resources to the female parents' association (*Association des mères d'élèves*) for income-generating activities, thus reducing the domestic workload of their daughters; and (c) developed school-lunch programs in rural areas. In parallel to efforts to reduce costs to poor families, Burkina Faso also implemented measures to improve the quality of education by (a) supplying on a regular basis sufficient textbooks to schools to allow for one set of books to be shared by two students; (b) upgrading teachers' skills, particularly in rural areas; and (c) introducing on a pilot basis bilingual education in rural areas.

32. These improvements are encouraging, but continued and intensified efforts are required to maintain and give a further boost to these trends. Burkina Faso remains one of the five countries worldwide that is the furthest away from achieving universal basic education. It is also one of the twenty poorest country in terms of per capita income. Like all countries with low primary enrollment, the main challenge is to expand quality services to rural children and girls, who form the majority of the out-of-school population. While about three-quarters of children in urban areas are enrolled in school, only about 35 percent of rural boys and 26 percent of rural girls are enrolled. A further rise in enrollment will necessarily mean increasing the attendance of rural children, girls in particular.

33. Total public expenditure on education averages only 2.8 percent of GDP in 1999. This is below the average of 4.0 percent of GDP for the 20 HIPC Initiative African countries and, therefore, indicates the need to allocate a larger share of public resources to the education sector, utilizing HIPC resources. There is also considerable scope to improve performance within the existing resources, as unit costs remain relatively high. In primary schooling, public expenditure per student is equivalent to 0.24 times GNP per capita, compared with 0.15 for other francophone African countries. The average primary teacher salary in 1999 is 6.8 times GNP per capita down from 8.2 in 1995, but still higher than the average for Africa (3.6) and for Asia and Latin America (2.5). In addition, the cost of producing one graduate of primary school is twice as much as it should be, owing to the high rates of dropout and repetition. Of all children who enroll in primary school, only 60 percent reach the sixth and final grade. Completion rates are only 49 percent in rural areas and 41 percent for rural girls. School completion is lowest in the north, particularly among boys, and highest in the southwest. Repetition rates average 15 percent in grades 1–5, and more than 40 percent in grade 6, indicating an excess demand for access to lower secondary school. The patterns are similar at other levels of education.

34. Finally, HIV/AIDS poses an important threat to the gains already achieved in education and to the ability of the authorities to maintain and increase services. Not only does the falling life expectancy limit the returns to investments in education, HIV/AIDS poses a

significant threat to the education services because of the increased rates of teacher and student absenteeism, higher teacher replacement needs, the challenges of managing HIV/AIDS in the workplace, and the increasing number of AIDS orphans who will not be reached without targeted efforts to bring them to school.

IV. THE GROWTH AND POVERTY REDUCTION STRATEGY FOR 2000–02 UNDER THE PRGF-AND IDA-SUPPORTED PROGRAM

A. Macroeconomic Policies and the Medium-Term Budgetary Framework

35. **Despite substantial progress recorded in macroeconomic performance in recent years, poverty remains pervasive and social indicators remain weak.** In preparing the new three-year program for mid-1999–mid-2002, supported by a new three-year arrangement under the PRGF and by structural adjustment credits from IDA, the government recognized that substantial challenges lay ahead. These include establishing a strong foundation for sustained growth in view of the vulnerability of the economy to external shocks; bringing down the high costs of electricity and transport; and improving rapidly the very low level of social indicators. In the area of public finances, revenue losses resulting from the introduction of the CET called for improved taxation of the informal sector, better monitoring of the largest taxpayers, and tightening of the exemptions under the investment code. With regard to the financial sector, further progress needed to be made in deepening financial intermediation and increasing access to microfinance savings and loan institutions, especially for the poorest and for women.

36. **Against this background, and with a view to reducing poverty in a sustainable way and improving human capital, the three-year program for 1999–2002 aims at promoting an acceleration of growth through the rapid implementation of reforms.** These reforms are designed to strengthen basic infrastructure, reduce the cost of services, including public utilities, and improve social indicators (see Box 5 and Section 4.2.1 of the PRSP). At the same time, the program aims at widening the tax base and promoting the expansion of the export base, to reduce further domestic and external financial imbalances. The external tariff reform has been completed in early 2000, with the full adoption of the common external tariff of the WAEMU; the remaining reform consists of the gradual elimination in 2001–03 of the temporary protection surcharge of 15 percent applied to few products (see Box 5). The monetary policy, conducted at the regional level in the framework of the WAEMU, would continue to have as a key aim the preservation of the exchange rate peg with the euro and the strengthening of the international reserves position of the union. Private sector development is to be promoted through a strengthening of the judicial system, the reinforcement of institutions that provide services to small-scale businesses, and the streamlining of procedures for the establishment of new companies. As Burkina Faso is a member of the WAEMU, macroeconomic policies need to be determined within this regional framework.

Box 5. Burkina Faso: Macroeconomic Policy and Structural Reforms for the Period 2000–03

Macroeconomic

Maintain a stable macroeconomic framework, as evidenced by a satisfactory performance under a program supported under the PRGF.

Structural

Government financial management: Continuous actions to strengthen the tax administration, in particular the large taxpayers unit, the monitoring of public investment, real estate and local taxes, with a larger role for local governments. Possible extension of the VAT to agricultural inputs (after careful analysis of its impact, including on poor farmers) and modification of the excise taxes on petroleum products.

Trade reform: The common external tariff of the WAEMU has been implemented in full since January 1, 2000, with the average external tariff down to around 12 percent. A temporary protection surcharge of 15 percent (declining to zero in 2003) may be applied to six products belonging to a predetermined list approved by the WAEMU Commission, and a more permanent conjunctural tax can be applied to products benefiting from export subsidies.

Financial sector: The network of microfinance institutions will be extended to all the main areas of the country to ensure adequate provision of credit to support both rural and urban-based small-scale activities. Links will be established with the main commercial banks.

Privatization and public enterprise reform: The telecommunications company, ONATEL, will be brought to the point of sale by end-2000, following the establishment of a new regulatory framework. A new institutional and regulatory framework for the electricity sector will be established before end-2000, and a scheme for the privatization of the electricity company, SONABEL defined by end-2000, that will specify the functions that will be attributed to the private sector and those that will remain in the public domain. Particular attention will be given to ensure the continuation of the rural electrification effort.

Governance, transparency, and accountability: Continuing implementation of the national plan of good governance adopted in 1998, with a focus on strengthening budget preparation and execution, including monitorable three-year program budgets for key ministries. The computerized expenditure monitoring process will be broadened to foreign-financed investment and the decentralized budgets. New administrative tribunals will be created specializing in business issues. The judicial system's independence from the executive branch will be reinforced, with the Supreme Audit Court (*Court des Comptes*) being given a larger role in the preparation of the audited budget laws.

37. **The poverty reduction focus of the program centers on the improvement of social indicators.** This will include innovative approaches for strengthening school enrollment and the quality of education, and a major effort to improve the existing network of health centers, so as to improve the quality and availability of health services. Rural development will be reinforced through a community-based integrated approach, supported by donors, that aims at eliminating the obstacles to greater productivity and higher incomes. The focus on poverty reduction is being enhanced through the development, in a participatory framework, of a comprehensive poverty reduction strategy, with detailed plans of action for the key social sectors, that will be updated on a regular basis (see below, Section IV,C).

38. **The key macroeconomic objectives for the period 2000–02 are to achieve an annual growth rate in excess of 6 percent,¹⁵ limit inflation to an average of 2 percent per annum, and increase Burkina Faso’s contribution to the international reserves of the union.** The targeted rate of economic growth should be achievable while maintaining an investment rate of about 27 percent. Gross national savings would rise from 15 percent in 1999 to about 19 percent in 2002 percent, while the external current account deficit should decline by 4 percent of GDP during the 1999–2002 period (Table 5).

39. **The medium-term budgetary framework is based on an increase in the revenue-to-GDP ratio from 14.4 percent in 2000 to 14.8 percent in 2002, and maintenance of a broadly stable ratio of current and capital expenditure to GDP,** before utilization of the additional resources resulting from the HIPC Initiative (Table 6). This approach would be consistent with an expected decline, on the basis of existing indications, of donor support to the budget in the form of grants and loans. Thus, external grants, excluding those that are project related, are expected to decline as a ratio to GDP from 1.6 percent in 2000 to 1 percent in 2002; external loans by multilateral lenders in support of structural adjustment could decline from 0.6 percent of GDP in 2000 to 0.2 percent in 2002. Capital grants and loans to finance the investment program are expected to remain at a high level, albeit declining somewhat from 10.4 percent of GDP in 2000 to 8.9 percent in 2002. Accordingly, before utilization of the additional resources resulting from the HIPC Initiative, the primary balance, excluding foreign-financed investment, would improve in the 2000–02 period by about 0.8 percent of GDP, and the overall deficit, excluding grants, would decline by about 2.5 percentage points of GDP; including grants, the deficit would decline slightly to 2.7 percent of GDP in 2002 from 3 percent in 2000.

40. **The assistance that would be provided by the original and enhanced HIPC Initiative (Table 7), when evaluated in term of annual debt-service reduction, is estimated at 0.7 percent of GDP in 2000, and at 1.3 percent of GDP in 2001 and 2002,** including the interim relief that is expected to be provided by a number of multilateral creditors before the attainment of the completion point. It is the intention of the authorities to allocate these additional resources mainly to the health and education sectors, but also to strengthen other infrastructure at the community level, such as water, sanitation, and local roads. On the basis of the consultations with the civil society and donors, action plans with output indicators for the key sectors have been prepared together with a medium-term budgetary framework for the social sectors. The PRSP document presents in detail the additional cost of the priority programs in health, education, water, and rural development, which are summarized in Table 7. These programs are expected to be financed by the HIPC resources and by supplementary external assistance that the authorities hope to be able to mobilize. A supplementary budget for 2000 will be submitted to the parliament, in

¹⁵ The PRSP presents a target for the average annual real GDP growth rate in 2000–03 of 7.4 percent. The last PRGF review document is more prudent, with an average annual growth rate in 2000–02 projected at 6.3 percent (see Table 5).

conjunction with the budget for 2001 and the updated medium-term budget frameworks for the key ministries. Total expenditures for health and education including these supplementary resources are projected to increase from 5.5 percent of GDP in 1999 to 6.2 percent in 2002, and from 23.2 percent of total expenditure in 1999 to 28.7 percent in 2002.

B. Structural, Institutional, and Social Reforms

41. The reform agenda aims at promoting an environment that is supportive of the development of private initiative, and easing key bottlenecks that hamper the provision of public services and contribute to the maintenance of high input costs. The government will pursue with determination its remaining privatization program centered on the public utility companies, promote further trade liberalization in the framework of the WAEMU common external tariff with the gradual elimination of the temporary protection surcharge,¹⁶ and seek a further gradual increase of tax revenue in proportion to GDP to support the necessary strengthening of social services. Finally, the focus on improving governance, transparency, and social accountability will be reinforced. The structural and institutional reforms are summarized in Box 5, and presented in more details in Appendix II. The key monitorable objectives in the social sectors for 2000–03 are presented in Box 6. The overall strategy and detailed action plans for the social sectors are presented, respectively, in Sections 3.2 and 4.2.2 of the PRSP, with their costing in PRSP, Table 13 and Appendix Tables 1–9. The cost is summarized in Table 7.

42. Primary health care. The quality and effectiveness of Burkina Faso's health system are still seriously constrained by weak management capacity. Roles and responsibilities for management and decision-making remain very centralized, and those best placed to make informed decisions on the optimal use of resources at the local level often have neither the means nor the essential skills for carrying out key management functions. Moreover, in the past, high ratios of investment to total expenditures meant that insufficient resources were available to cover recurrent expenditures, including personnel costs and goods and services. Service providers and infrastructure are heavily concentrated in the two main urban centers. Services appear to be unaffordable to certain segments of the population, and poor service quality and factors constraining access to services have culminated in low service utilization by all but the richest quintile of the population. The Ministry of Health is preparing a ten-year sector development program that will define actions to correct these problems. Specific strategies will include actions in three areas. The cost of the priority programs and their financing (mainly from HIPC Initiative assistance) is presented in the PRSP (Tables 13 and 14 and Appendix Table 1) and summarized in Table 7.

¹⁶ The elimination of the surcharge (applied to vegetable oil, sugar, batteries, and three other products) will have a small positive impact on consumers, including the poor.

Box 6. Social Development Indicators, 1999-2003 1/							
Objectives and Policies		Indicators	Targets and Results				
		Health					
Improve primary health care quality and coverage		1999	2000	2001	2002	2003	
		Actual	Target	Target	Target	Target	
	Provide adequate staffing of local health centers (CSPS)	Share of CSPS' meeting minimal staffing norms (three agents) 2/	60	65	75	85	100
	Provide regular supplies of essential drugs to CSPS	Incidence of insufficient stock	2.1%	< 8%	< 8%	< 8%	< 8%
	Increase utilization rates in CSPS	New cases/inhabitants/year	0.23	0.24	0.25	0.26	0.27
Strengthen child vaccination programs	Share of infants (12-24 months) vaccinated 2/						
	BCG 3/	60	70	80	83	85	
	DPT3/polio 4/	42	50	60	65	70	
	Measles	53	55	60	65	70	
	Yellow fever	50	55	60	65	70	
		Education					
Improve coverage, equity, and quality of basic education		1999	2000	2001	2002	2003	
		Actual	Target	Target	Target	Target	
	Expand capacity of primary school system	Gross enrollment ratio 2/	42.0	45.0	47.0	50.0	53.5
		New admissions in first grade (in thousands)	165.0	184.0	203.0	221.0	240.0
	Promote girls' education	Girls' primary school gross enrollment ratio 2/	33.6	44.0	...
Ratio of enrollment in first grade (in percent)	Girls	27.6	30.2	...	...	...
	Rural area	40.4	41.8	...	...	...
	20 poorest provinces	34.0	36.1	...	...	48.0
Literacy rate		18.4	...	...	31.1	...
1/ The target for 2000 have been revised in the context of the preparation of the PRSP; they supersede those in Box 2 which had been set at the decision point in 1997.							
2/ In percent.							
3/ Tuberculosis.							
4/ Diphtheria, cholera, and tetanus/polio.							

First, public expenditure will be targeted to cost-effective interventions addressing the health problems of the poor and vulnerable:

- With a view to improve cost-effectiveness and targeting, rural areas with the worst coverage and quality of basic primary health care services will receive priority for public investments and a larger share of current expenditure, including the wage expenditure. By 2002, nonwage public expenditure for health districts should increase by about 10 percentage points to 40 percent of the total health budget. The proportion of CSPS

satisfying staffing norms is targeted to increase from 60 percent to 100 percent. The Ministry of Health will also publish a plan for human resource deployment to correct inequities in distribution, using financial incentives to attract professional workers in remote rural areas, as well as local recruitment and contracting.

- By 2001, the Ministry of Health will undertake an incidence analysis (including beneficiary assessments for health and HIV/AIDS) to acquire better information on the impact of public expenditure on the poor and vulnerable. On the basis of these results, it will reallocate public resources to achieve more equitable and poverty-oriented public expenditure, and develop a plan for improving household behavior in favor of better health.
- The Ministry of Health has targeted significant improvements to be achieved in 2001 for immunization (80 percent for DPT3), vitamin A (80 percent), and bed nets (50 percent of pregnant women using nets in selected areas).
- In recognition of the devastating impact of HIV/AIDS, actions to fight the spread of AIDS and to care for those infected and affected must be pursued and extended beyond the Ministry of Health, encompassing communities, local authorities, and nongovernmental organizations (NGOs). The objective of the Ministry of Health is that by end 2000 the regular use of condoms among occasional sex workers, drivers, and the military should increase significantly, and that the access of pregnant women to testing counseling for HIV should increase to 25 percent in selected districts (Gaoua and Bobo Dioulasso).

Second, the efficiency of service delivery will be improved through the following:

- The organizational structure of the Ministry of Health will be reviewed to enable it to embrace and successfully carry out reforms including (a) a redefinition of roles and responsibilities at all levels of the health system, in light of the decentralization; (b) implementation of a district plan through local partnerships; and (c) establishment of contractual relationships. The authorities will build on considerable achievements in the context of the national health program (PDSN), whereby public (IDA) funds are disbursed directly to health districts and regions for implementation of their agreed action plans on the basis of sound financial management and accounting, and of quarterly reviews of performance against key indicators for districts and regions. By end-2000, the Ministry of Health will have prepared and started implementing an action plan that will (a) define how and when public resources (including public budget and resources from other development partners) will be channeled through this decentralized process; (b) ensure that funds channeled to districts reach the CSPA level to support implementation of their microplans; (c) improve the budget process to ensure availability of allocated budgets at the year's outset, instead of midyear; and (d) outline how this system will be institutionalized.

- The Ministry of Health will review its pricing policies in an effort to reduce the cost or render free of charge essential and preventive services, with a view to increasing access and utilization of these services by the poor. Availability of essential drugs will be improved to 90 percent or more. Continued monitoring of the availability and affordability of drugs to the poor and vulnerable is to be instituted.

Third, partnerships will be built with local service providers, and accountability to the poor will be reinforced:

- The capacities of decentralized managers and service providers, on the one hand, and of community management committees (COGES), on the other, will be strengthened, with a view to enabling them to establish effective dialogue and partnerships, and provide ongoing monitoring and evaluation of performance. This is key to making public services more accountable to the communities they serve and to providing communities with the information they need to participate effectively in planning and budgeting of local-level health activity.
- A contractual approach to health service provision will be developed, in an effort to encourage local partners in health care (NGOs, communities, private sector, and academia) to target their activities to underserved areas and areas of greatest need.

43. **Education.** The Burkinabè authorities are evaluating their policies and achievements, and developing a strategic vision for the next decade, as well as policies and programs to support that vision. Over this period, the authorities propose to continue to give priority to basic education and raise enrollment and completion rates, as well as learning outcomes at that level, while maintaining a slow pace of expansion at postprimary levels where the emphasis will be on improving the adequacy of learning outcomes for the labor market.

44. With respect to basic education, the authorities propose for the period 2000–10 to (a) increase the national primary school enrollment ratio from 42 percent in 1999/2000 to 70 percent, and to 55 percent for rural children and girls; (b) increase the adult literacy rate from 18.4 percent to 40 percent through the combination of expanded access to primary education and the provision of adult literacy programs delivered by NGOs and other local organizations, targeting rural women in particular; and (c) provide alternative, community-based schooling opportunities for out-of-school children aged 9–15. The detailed costs of the priority programs and their financing (mainly from HIPC Initiative assistance) is presented in the PRSP (Tables 13 and 14, and Appendix Tables 3–6) and is summarized in Table 7.

45. The objectives can be achieved only if quality programs that attain desired learning outcomes are cost-effective and at affordable prices to the poor, if the increased allocations to basic education are sufficient to support these objectives, and if the resources allocated are more effectively used. Key levers to support these objectives include lowering the cost of education to the poor and girls, controlling expenditure at other levels of education, cutting the unit cost of education, and reducing repetition. More specifically, the measures proposed by the Burkinabè authorities focus on the following:

- **increasing more quickly access to education in rural areas by expanding the number of schools**—equipped with running water and separate sanitary facilities for girls—in the **20 rural provinces with the lowest coverage**, by ensuring that schools utilize multigrade teaching where population density is too low to provide for six separate grades, and by expanding double-shift teaching in urban areas where there is excess demand;
- lowering the cost of education by continuing to provide books free of charge, ensuring sufficient allocations to rural schools to cover basic materials and operating costs, and making the payment of parent-teacher association (PTA) fees voluntary in the 20 provinces with enrollment rates below the national average, while increasing government allocations to those schools to compensate for the loss of school income;
- decentralizing the hiring of teachers to the district level starting September 2001, with a starting salary similar to those of the community schools;
- introducing automatic promotion from grades 1 to 2, 3 to 4, and 5 to 6; and limiting the repetition rates; and
- maintaining primary education's share of total education expenditure at 60 percent in the medium term, while increasing education's share of total government expenditure from 21.6 percent to 26 percent.

46. With respect to **three other levels of education**, the strategic vision of the government is to serve three goals simultaneously within financial constraints: (a) to provide a chance for qualified primary school graduates to move on to higher levels of education; (b) to create a pool of candidates from which selection for higher education and recruitment of primary school teachers can be made; and (c) to supply workers with sufficient education to fill mid-level jobs in the modern economy. In that context, the government's objectives are to (a) ensure moderate development of secondary education by increasing enrollment ratios from 13 percent to 17 percent for lower secondary schools while containing public spending, and from 3.3 percent to 4.6 percent for upper secondary schools while increasing the rates for girls; (b) reduce the average years needed to produce a lower secondary school graduate from 9.5 years to 7 years by improving the flow of students in the system; and (c) ensure that the postsecondary education system is responsive to the demand for educated labor, so that the supply of graduates is adequate in terms of both quantity and quality. In the short term, the authorities will be working to operationalize their strategy for these levels of education.

47. Finally, the Burkinabè authorities propose to make a significant effort to increase knowledge of the impact of HIV/AIDS on education coverage and learning outcomes, to develop appropriate interventions to mitigate that impact, and to raise awareness of HIV/AIDS among teachers, students, and parents in both formal and nonformal education programs.

48. **Agriculture and rural development.** The authorities are aware that agricultural and rural development is necessary for achieving broad-based growth and reducing poverty,

which affects mostly people living in rural areas. They adopted in 1999 a strategy for sustainable development in agriculture and an operational plan which aim at strengthening production in the cotton sector while diversifying the export base, ensuring broad access to income-generating activities, enhancing food security, and preserving the environment:¹⁷

- In the cotton sector, with a view to achieving further competitive gains in cotton quality and production costs, and to improving farmers' benefits from growth, the program aims at encouraging private sector participation and competition in an orderly fashion through the following measures: (a) retrenchment of the government from productive and commercial activities, such as input supply, credit, and technical support, with the possible retention of its remaining stake in SOFITEX; (b) encouragement of the increasing participation of farmers' associations and the private sector in the delivery of extension services, financial services, distribution of inputs, and transportation of seed cotton; and (c) opening of new areas to private operators, whose responsibilities are defined in the *cahier des charges*.
- Concerning food crop and cattle production, the government's objective is to increase labor productivity and income levels by converting a low return agricultural system into an input-intensive system based on improved seeds, water management, and agricultural equipment. The policies target both traditional cereals (millet, sorghum, maize), and other products (such as tubers, cowpeas, and vegetables) which could complement the household food basket and provide additional income throughout the year. Measures focus on decentralization of agricultural extension services, provision of community infrastructure and road construction, input quality control, and livestock disease prevention. The strategy to improve soil preservation and water management includes the implementation of measures to reduce the cost and improve access to fertilizers, small erosion control and reforestation projects at the village level, and the construction of small water control projects that will irrigate areas under the control of women associations. The policies will be implemented through a multidonor, community-based development program (Programme National de Gestion des Terroirs, or PNGT), which will enter into effect at end-2000 and will cover 2,000 villages in a first phase and all 8,000 villages by 2007. In addition, other donors (mainly the European Union) will also support a comprehensive rural development plan (Plan d'Action pour l'Organisation du Secteur Agricole, or PAOSA), which will start in mid-2000 and run for a period of five years. PAOSA's activities will center on capacity building at the local level, promotion and strengthening of professional associations, consolidation and extension of decentralized microfinance networks, with a view to extending outreach to 30 percent of the population, and assistance to rice producers, processors, and traders. Support to rice production is expected to contribute to improved food security, as well as to better income opportunities for the most vulnerable groups, as many producers are women and young men.

¹⁷ Details of the updated strategy are provided in Section 4.2.3 of the PRSP.

- In the horticulture sector and the area of nontraditional exports, a new action plan agreed upon at the Bobo Dioulasso workshop in November 1999 will be implemented, that focuses on increased productivity and improved access to export markets.
- In addition, a new private sector development program, with a strong agriculture and livestock component, is being finalized; it aims at removing the main constraints to investment and achieving broad-based growth in both farm and nonfarm rural activities.

49. **Judicial reforms** (see PRSP, Section 4.2.4). Budgetary resources allocated to the justice sector are equivalent to less than 1 percent of total expenditures, and have been insufficient to cover the cost of running an efficient judiciary system. **The government is committed to improving the functioning of the legal system.** In April 2000, it approved a national action plan, which takes into account the recommendations made at the 1998 national justice forum, and defines priority measures for the period 2000–04. The objectives of the plan are (a) to strengthen the independence of the judicial system through organizational and institutional reforms; and (b) to increase the human, material, and financial resources available to the system. In a first stage, the authorities, with World Bank technical assistance, will identify the needs in terms of institutional reform and review training requirements for judges, lawyers, legal professionals in the areas of commercial law, as well as court clerks. They will also prioritize expenditures in infrastructure rehabilitation (courthouses), equipment (such as computers and transport), and material. In the meantime, they will continue the training of judges and the dissemination of the legal texts adopted in the framework of the *Organisation pour l'Harmonisation du Droit des Affaires en Afrique* (OHADA). The total cost of the program is about CFAF 24 billions (1.5 percent of GDP), of which about CFAF 4.2 billions in 2000 and CFAF 7 billions in 2001. A team will be appointed shortly to coordinate the reform program.

50. Moreover, the authorities intend to improve the information available to the civil society about the legal and the judicial system. In this respect, they are contemplating measures which would increase local knowledge of the legal framework through (a) training of the public at large as to their rights and obligations; (b) the publication of court rulings; and (b) the dissemination of results from upcoming studies of the judicial system.

51. Legislative reforms and efforts to improve information will focus, in particular, on issues related to women rights.

C. Steps for Improving the Poverty Reduction Strategy Paper

52. **The PRSP will be a key instrument in Burkina Faso's relations with the donor community: it will strengthen coordination among development partners by providing a common reference point.** In particular, it will serve as a reference for programs with the Bank and the Fund. In the context of the Country Assistance Strategy (CAS), the Bank will incorporate the intermediate and outcome indicators of the poverty action strategy as its objectives, revisit priorities for lending operations, and use actions specified under the PRSP as a basis for determining lending triggers.

53. In Burkina Faso, the preparation of the PRSP has drawn on a tradition of participatory development, described in Box 7. Since November 1999, it has been supported by a dialogue at several levels:

- Within the public administration, a special committee was constituted, headed by the Ministry of Economy and Finance, and bringing together directors of studies and planning from different ministries, which was responsive for preparing the PRSP.
- Two meetings were held in February 2000 with donors to present the process of PRSP preparation, as well as an initial analysis of the characteristics of poverty based on the last household survey, and to collect their comments.
- With the participation of the civil society, donors, decentralized administrations, the private sector, NGOs, and producers associations, workshops were organized in Ouahigouya (in the north) in February 2000, and in Bobo Dioulasso (in the west) in March 2000, during which results from the 1998 household survey were presented, and contributions were accepted to improve the draft document. Further discussion with the civil society and the donors were conducted in April and May.
- The draft PRSP was presented at end-April 2000 to the two chambers of Parliament (the National Assembly and the Chamber of Representatives) and to the Social and Economic Council, which endorsed the strategy and the action programs contained in the document.
- Further extensive discussions with the donor community took place in May 2000.

54. The authorities recognize that a number of actions remain to be taken to improve both the content of the PRSP and the process of its preparation. Some key actions are listed below (see for details Section 6.3 of the PRSP).

- A participation action plan will be prepared, which will include details on how the PRSP will be reviewed every year and how program execution will be monitored. This plan will clarify the role of the various parties involved in the formulation, implementation, monitoring and evaluation of the poverty reduction strategy, and in the selection of indicators, and it will provide an explanation of how donor assistance will be more effectively coordinated. It will contain a timetable with clear benchmarks for implementation. In particular, it will specify: (a) the implementation of the program and the updating of its objectives will be reviewed, on an ongoing basis, at the level of the National Assembly, the Chamber of Representatives, local governments, and the civil society; (b) how NGOs and associations, the private sector, donors, and, especially, the poor will be consulted; (c) the role of local governments as an operational nexus for coordinating actions and monitoring budget execution at the local level;¹⁸ and (d) how information on

¹⁸ The administrative capacity of local governments will be strengthened through enhanced technical assistance.

program execution and its social impact will be made widely available to the public, through a variety of means, including radio and newspapers. A Participatory Poverty Assessment (PPA) will be conducted in 2000B01, with a view to gathering information on the poor's own perceptions of poverty.

- The four key objectives of the poverty reduction strategy have been identified in the PRSP: to accelerate growth based on equity; to increase access to social services by the poor; to broaden income generating activities by the poor; and to improve governance and donor coordination. The programs of actions will be reviewed on an ongoing basis, taking into account the recommendations made in the 1999–2000 public expenditure reviews and the results from the 1998 household survey. The fiscal cost of these programs will be updated regularly, trade-offs in expenditure priorities will be discussed, and the sources of funding will be identified through donors' consultations.
- Measures will be taken to increase the participation of local communities and the beneficiaries in the budget preparation and in the monitoring of their execution, and to increase the dissemination of budgetary data.
- Outcome indicators/goals and quantitative intermediate targets will be refined further, in order to strengthen the effectiveness of the policies. The government has diversified the indicators beyond those selected under the original HIPC Initiative and with donors has been testing indicators in areas such as water and sanitation, rural development, and private sector development.¹⁹ A monitoring unit will be established whose task will be to collect, process, and analyze data from multiple sources on household living conditions, particularly among the poor, and to provide this information to those implementing the poverty reduction and growth strategy.

¹⁹ The joint conditionality test will be reviewed in July 2000; this will offer an opportunity to reassess experiences accumulated in regards to the selection, measurement, and monitoring of indicators.

Box 7. The Tradition of Participatory Development in Burkina Faso

The concept of grassroots participation has been an important element of development efforts in Burkina Faso for a number of years, and there is long history of building on local level institutions:

- The government has been encouraging the formation of associations (including producers' cooperatives, women's associations, and savings and loans associations), which now comprise some 14,000 structures.
- Every year, since 1993, the government has met with farmers' associations and NGOs to discuss problems in the field; the last meeting took place in April 2000.
- A forum on women and development took place in 1994, which led to the formulation of policy recommendations aimed at reducing gender inequality in access to income opportunities and welfare.
- Following the first household survey, the authorities elaborated, in 1994-95, with the participation of many ministries, the private sector, the civil society, donors, and lenders, a poverty reduction strategy for 1995-2005, summarized in a policy memorandum for sustainable human development (LIPDHD 1995-2005), which focuses on improving human security. The strategic elements of this poverty reduction policy were designed to accelerate economic growth and develop human resources, good governance, and rational management of natural resources. The ten-year plan was presented in Geneva in October 1995, on the occasion of the third general roundtable of donors and lenders.
- Two states general on education and health took place respectively in 1994 and 1998, with the participation of all actors in the sectors. They were followed by national conferences on education and health, held, respectively, in 1997 and 1999. The conclusions were used in the formulation of the ten-year plan of education adopted in 1999, as well as in the ongoing preparation of the national health strategy.
- In December 1997, issues of public management were discussed, and the role of the government was reconsidered in public forums.
- A forum on justice took place in 1998, which laid the foundation for the ongoing judicial reforms.
- The Decentralization Law, passed in August 1998, goes beyond the normal parameters of rural decentralization, to involve in a formalized manner rural indigenous institutions. Working from the recommendations of the Commission Nationale de la Décentralisation (CND), the National Assembly and the government have recognized that, if the national decentralization process is to successfully promote equitable but growth-oriented development over the long term, it must effectively include the aspirations, capacities, and institutions of the majority rural population.
- A national workshop on the sources of growth took place in May 1999, and the Country Assistance Strategy with the World Bank was organized with wide participation in August 1999.

V. DEBT SUSTAINABILITY ANALYSIS AND ASSISTANCE UNDER THE ENHANCED HIPC INITIATIVE

A. Debt Sustainability Analysis

55. The debt sustainability analysis (DSA) presented at the decision point under the original HIPC Initiative in August 1997²⁰ has been revised jointly by the staffs of the Fund and IDA and the Burkinabè authorities on the basis of loan-by-loan data for the debt outstanding as of December 31, 1999. A revision on the basis of end-1998 data was made by

²⁰ EBS/97/155, 8/19/97 and IDA/R97-99

the two staffs in July 1999 and presented in EBS/99/162 (8/23/99) and in IDA/SecM99-557 (9/7/99). The net present value (NPV) of debt at end-1998 and end-1999 (US\$835 million and US\$860 million, respectively) is very close to that presented last year,²¹ but about 7 percent higher in U.S. dollar terms than that presented in the decision point document (respectively, US\$775 million and US\$833 million). The three-year export averages through end-1998 and end-1999, respectively, of US\$303 and US\$308 million are also very close to those presented in last year's DSA update, but about 10 percent lower on average than those presented at the decision point, for the reasons explained in Box 8 (see Tables 8 and 9). As a result, **the NPV of debt-to-exports ratio as of end-1999, using three-year backward-looking averages of exports, stands at 279 percent, versus 238 percent in the decision point document.** (Table 11). With the commitment of assistance established at the decision point, it is not possible to reach the original target for the net present value of debt-to-exports ratio of 205 percent, which was set with a tolerance range of plus or minus 10 percentage points. Accordingly, the amount of assistance had to be reassessed.

Box 8. Factors Explaining Revisions Made to Debt and Export Data Since the Initial Decision Point HIPC Document

The upward revision of the NPV of debt data at end-1998 and end-1999 reflects the decline in market interest rates (and, hence, the discount rate used in the calculations) between 1997 and 1998, as well as the identification of hitherto unrecorded loans, including government-guaranteed debt and loans to public enterprises. These two factors are only partially offset by the appreciation of the U.S. dollar, which lowers the U.S. dollar value of the total debt.

The three-year export averages through end-1998 and end-1999 are lower than projected in the first decision point document because of lower than originally estimated export data—due mostly to a significant decline in the international price of cotton—and smaller than originally envisaged cotton export volumes.

56. As shown in Table 12, 13 and 14, multilateral debt constitutes 86 percent of the total stock of debt in NPV terms at end-1999, with IDA by far the main creditor, with 41 percent of the total stock of debt in NPV terms, followed by the African Development Fund (AfDF) and the IMF, with about 15 percent and 11 percent of the total, respectively. Debt owed to Paris Club creditors amounts to about 5 percent, and debt owed to non-Paris Club creditors to about 9 percent. Both estimates of the nominal stock and the NPV stock of debt take into account the stock-of-debt cancellation on Naples terms that was granted by Paris Club creditors in 1996, and assume similar debt relief by non-Paris Club creditors (although this has not yet been done for most of them).

²¹ See EBS/99/162 (8/23/99) and IDA/SEC M99-557 (9/7/99).

57. The long-term macroeconomic projections are favorable, assuming the pursuit of sound macroeconomic policies and structural reforms, consistent with the program supported by the PRGF and with the objectives and measures of the government poverty reduction strategy. The balance of payments outlook for the medium term is presented in Box 9 and Tables 8 and 9.

58. An alternative scenario with lower cotton export growth (average growth in value of 7 percent in 2000–10), and/or gold exports (only 7 tons of exports by 2007) is presented in Table 10. It shows a slower decline in the external current account deficit excluding grants, which would amount to 8.4 percent of GDP in 2010. The contribution of Burkina Faso to the gross official reserves would decline to 5.7 months of imports in 2010, from 8.3 months in 1999. A still worse performance of exports would require a slowdown in import growth, which would be associated with lower GDP growth.

59. The main conclusion of the DSA analysis, before any HIPC Initiative assistance, is that the NPV of Burkina Faso's debt-to-exports ratio would fall below 200 percent only after 2007 (Tables 15 and 16). The fiscal burden of the debt would ease over time, but would remain rather high with the NPV of debt-to-revenue dropping from 222 percent in 1999 to 124 percent in 2010. The debt-service ratio would fall from 18 percent in 1999 to 9 percent in 2012, and remain stable thereafter.

B. Assistance Under the Original and the Enhanced HIPC Initiative: Status of Creditor Participation

60. The assistance from the Fund and IDA committed to Burkina Faso at the decision point under the HIPC Initiative is conditional, *inter alia*, on satisfactory assurances of commensurate action by Burkina Faso's other creditors. Creditors representing more than 96 percent of total claims have reconciled the debt numbers with the Burkinabè authorities.

Multilateral creditors

61. All Burkina Faso's multilateral creditors (MDB) have agreed to consider during a joint meeting with the World Bank on March 30, 2000²² their participation under the enhanced Initiative. Most MDBs are still in the process of obtaining confirmation from their decision-making bodies. There are no arrears to multilateral creditors.

²² The Chairman's Summary of the Multilateral Development Banks' Meeting, IDA/SEC M2000-168 (8/12/2000).

Box 9. Main Assumptions in the Debt Sustainability Analysis

The following assumptions are used:

- Real GDP growth is assumed to be about 6 percent throughout the period.^{1/}
- The terms of trade, after an average decline of 8 percent a year in 1999–2000, are projected to increase by about 3 percent a year over the period 2001–05.
- Export volume is projected to grow on average by 7.6 percent in 2000–07; the growth rate is then expected to stabilize at about 5 percent a year through 2018. Cotton would remain the main export commodity. After the stagnation observed in 2000 because of the poor 1999 crop, cotton export volume is expected to recover in 2001 and expand at a pace of about 6 percent per year thereafter. The trend of raw cotton production that underpins these projections assumes improvements in the yield per hectare of existing cultivated areas in the western part of the country, and the opening up of new cotton areas in the eastern part of the country; this should allow output to reach about 600,000 tons by 2012. The substantial increase in gold exports reflects the intense exploration activities in recent years and is expected to increase production, as the gold price firms up, from 1.8 tons in 1999 to about 6 tons in 2004 and 10 tons in 2008. The export potential of fruits, vegetables, and products that can be used by the pharmaceutical industry would be fully exploited, and export performances of hide skins and leather would be strengthened; however, the share of these products in total exports is projected to decline, as cotton and gold production expand rapidly. Exports of goods and services are projected to increase from 11 percent in 1999 to 13 percent of GDP in 2005–18.
- Import volume is projected to increase at a rate of about 6 percent a year, fueled in part by the lowering of the trade barriers in the West African Economic and Monetary Union following the introduction of the common external tariff. The income elasticity of import volume is assumed to increase from 0.8 percent in 2001 to 1.1 percent in 2010, and remain stable thereafter.
- Government investment is projected to decline progressively from 16 percent of GDP in 1999 to 10 percent in 2015. Project grants would be reduced from 7.4 percent in 1999 to 3.2 percent of GDP in 2015, while project loans, as a ratio to GDP, would decline from 4.3 percent to 2.2 percent. The terms of the new borrowing are assumed to remain broadly unchanged. The domestic contribution would rise from 4.2 percent of GDP in 1999 to 4.5 percent in 2015. Private investment would remain broadly stable at about 12.5 percent of GDP over the period. The national savings ratio is projected to reach 18 percent of GDP in 2015, compared with 15 percent of GDP in 1999.
- Net private transfers, including workers' remittances, are assumed to continue to contribute positively to Burkina Faso's current account. Remittances of Burkinabè workers living abroad are projected to grow in line with GDP, while the outflow of remittances from foreign workers in Burkina Faso would decline as a share of GDP.
- The external current account deficit, excluding grants, is projected to decline from 16.0 percent of GDP in 1999 to 6.4 percent in 2010 and 5.3 percent of GDP in 2018. Including grants, it would fall from 12.6 percent of GDP in 1999 to 4.3 percent of GDP in 2018. Official budgetary grants are expected to decline sharply from CFAF 27 billion in 2000 to CFAF 10 billion in 2005. The financing gap in 2001 and 2002 is expected to be covered by support from multilateral agencies. The contribution of Burkina Faso to the international reserves of the union is projected to increase somewhat over the next ten years, to 10 months of imports in 2010, up from 8.3 months in 1999, as the terms of trade improve and the production of cotton and gold responds positively.

^{1/} The authorities are, however, reassessing their development strategy, which may lead to higher growth rates.

Bilateral creditors

62. Paris Club creditors have indicated their willingness to (i) top up Burkina Faso's Naples terms stock-of-debt operation once Burkina Faso reaches its completion point under the original HIPC Initiative, and (ii) to provide assistance under the enhanced Initiative.

63. Regarding the rescheduling of Burkina Faso arrears and current maturities with non-Paris Club bilateral creditors, the authorities have contacted these creditors with a view to receiving terms at least comparable to those granted by Paris Club creditors.

Amounts and delivery profile of assistance under the original HIPC Initiative

64. In light of the actual outcomes for 1999, as indicated in the debt sustainability analysis, the amount of assistance to Burkina Faso at the completion point under the original HIPC Initiative in order to reach the target of NPV of debt-to-exports ratio of 205 percent would need to be increased to US\$229 million in end-1999 NPV terms (compared with US\$115 million estimated at the decision point); this comprises multilateral contributions of US\$196 million and bilateral assistance of US\$32 million. Consistent with proportional burden sharing as projected at the decision point, the estimated amount of assistance is based on multilateral creditors providing the equivalent of 26.6 percent of the NPV of their claims outstanding at end-1999. The detailed breakdown of the contributions by each multilateral creditor is based on their shares in the NPV of multilateral debt at end-1996. Paris Club creditors will provide additional debt reduction on Cologne terms, involving a 92 percent NPV reduction, and other bilateral creditors are expected to provide assistance on terms at least comparable to those of Paris Club creditors.

65. The assistance to be provided by IDA amounts to **US\$90.8 million** in end-1999 NPV terms (Table 17). This assistance would be delivered through the purchase and subsequent cancellation by the HIPC Initiative Trust Fund of outstanding IDA credits corresponding to **US\$182.8 million** in total debt service due between mid-2000 and 2029. The total debt-service relief in nominal terms through these mechanisms corresponds to a reduction each year of no less than 23 percent and no more than 40 percent of the annual debt service due to IDA during the period 2000–10. IDA's assistance under the original HIPC Initiative would average **US\$6.7 million per annum** between 2001 and 2024 and continue at lower levels until 2029.

66. Fund assistance of the SDR equivalent of **US\$21.7 million** would take the form of a grant deposited in an escrow account to be used to meet Burkina Faso's debt service to the Fund under an agreed schedule (Table 18). Interest would accrue on the escrow account. This assistance will amount to about **US\$2.0 million in 2000 and US\$19.5 million in 2001–05**, before declining in nominal terms in 2006–09.

67. The African Development Bank and Fund have indicated that they will participate in the original HIPC Initiative through the HIPC Initiative Trust Fund by buying back all the AfDB (nonconcessional) loans as well as some AfDF (concessional) loans with its own

contribution and through donor contributions. The Arab Bank for Economic Development in Africa (BADEA) has agreed with the Burkinabè authorities to provide its HIPC assistance through a very concessional rescheduling of some loans, over a 40-year period with a very low interest rate. For the remaining multilateral creditors, which have not yet provided specific modalities, it has been assumed that either grants or concessional reschedulings would be used to deliver the required debt relief in NPV terms. Multilateral creditors have been contacted to request confirmation of their willingness to top-up their assistance for Burkina Faso in accordance with the need to achieve the target committed to at the decision point.

Assistance under the enhanced HIPC Initiative

68. Based on the updated DSA presented above, it is estimated that additional debt relief under the enhanced HIPC Initiative necessary to bring Burkina Faso's NPV of debt-to-exports on an end-1999 basis ratio to **150 percent amounts to US\$169 million in end-1999 NPV terms, so that total relief under the original and enhanced Initiative will reach US\$398 million in NPV terms.** Based on proportional burden sharing of NPV of debt outstanding at end-1999, the total multilateral contribution (under the original and enhanced Initiative) would amount to **US\$342 million**, and that of bilateral creditors to **US\$56 million.** (Table 11). This would involve additional assistance from all creditors equivalent to 26.84 percent of their claims remaining after the provision of assistance under the original framework. A detailed breakdown of contributions by each main multilateral creditor would be based on their share of the NPV of multilateral debt as of end-1999 after deduction of the original HIPC assistance to be delivered.

69. **Enhanced multilateral assistance.** IDA-enhanced assistance of US\$71 million in end-1999 NPV terms (additional to US\$90.8 million in original assistance) is proposed to be delivered over the next 14 years by providing 50 percent relief of Burkina Faso's debt service falling due to IDA (between July 2000 and 2012) on disbursed and outstanding IDA credits at end-December 1999 after deduction of a US\$182.7 million buyback on IDA credits under the original HIPC assistance. The impact of IDA's assistance under the enhanced HIPC Initiative framework is further illustrated in Table 17. It is estimated that savings on IDA debt service under the enhanced framework would amount to US\$99.6 million. Together with the debt-service reduction obtained under the original framework, total savings on IDA debt service is estimated at about US\$282.3 million over time. HIPC Initiative debt relief will reduce by about US\$149.7 million, or by two-thirds, the original debt service due on IDA credits during the 2000–10 period.

70. Assistance from the IMF would be delivered through a grant deposited into an escrow account at the original completion point, and an additional grant at the enhanced HIPC Initiative completion point. The grant, plus accrued interest, would be used to cover part of Burkina Faso's debt service to the IMF under an agreed schedule. It is proposed that the share of debt service to the IMF covered by IMF assistance declines over the period 2000B07 (Table 18).

71. According to present estimates, and consistent with the principle of proportional burden sharing, IMF assistance under the enhanced framework would amount to the SDR equivalent of US\$19.9 million. The IMF contribution to the HIPC Initiative under the original and enhanced framework will reduce Burkina Faso's debt service to the IMF on average by about 49 percent in the period 2001–05, for obligations outstanding at end-1999. Other multilaterals will provide assistance along the modalities described in para. 67.

72. **Bilateral assistance.** Participation of all bilateral creditors is essential to provide full relief to Burkina Faso and to secure equitable burden sharing. The Paris Club has stated its intentions to meet expeditiously to discuss the further topping up of assistance. The authorities will contact all other creditors in order to secure participation in needed debt relief.

C. Benefits of HIPC Assistance

73. **As indicated by the above analysis, Burkina Faso's external debt and debt service burden will be substantially reduced with the delivery of assistance under the original HIPC Initiative and with the delivery of enhanced assistance.** With the delivery of original and enhanced assistance, the NPV of debt-to-exports ratio will decline from 279 percent in 1999 to 158 percent in 2005, and 136 percent in 2010 (Table 16). The NPV of debt-to-revenue will decline steadily over the 2000-2010 period from 236 percent in 2000 to 134 percent in 2001 and to 102 percent in 2010. The impact on the NPV of debt-to-exports ratio of the investment program in 1999-2002, and the behavior over the medium term of the other debt indicators, are discussed in Appendix III. The debt service would fall from a projected US\$72.6 million on average in 2000–05, before HIPC assistance, to US\$35 million on average in 2000–05. **Thus, the aggregate assistance under the original and enhanced framework would relieve Burkina Faso of about 50 percent of its debt service due in the coming years;** this ratio depends somewhat on the delivery profile. As a result of the aggregate assistance, the debt-service ratio would decline from 18 percent in 1999 to 9 percent in 2001 and to 7 percent by 2010. The NPV of debt-to-GDP ratio will also decrease smoothly over the period. Figures 1 to 4 illustrate the overall assistance levels under the original and enhanced assistance, with the contributions of the different groups of creditors. Figure 5 shows the NPV of debt-to-exports ratio and the debt service ratio after the application of traditional debt relief and after HIPC Initiative assistance.²³

74. **The fiscal burden of external debt would also fall markedly after the delivery of the original and enhanced assistance.** The ratio of debt service to revenue would fall from

²³ Several Paris Club creditors have already indicated their intention to go beyond the relief required under the enhanced HIPC Initiative. Cancellation of the pre-cutoff-date ODA debt would provide additional relief of about US\$2 million in 1999 NPV terms and forgiveness of all pre-cutoff commercial debt would provide additional assistance of about US\$20 million.

14 percent in 1999 and 14.7 percent on average in 2000–05 to an average of 7 percent after delivery of the aggregate assistance.

75. **Assistance under the HIPC Initiative will free budgetary resources for additional development and social spending, thereby contributing to finance the additional priority programs outlined in the PRSP.** As indicated in Table 7, health and education expenditure would increase from 5.5 percent of GDP in 1999 to 6.1 percent of GDP on average in 2001–03, and would rise as a share of total expenditure from 23 percent in 1999 to 28 percent in 2001–03.

VI. CONDITIONS FOR FLOATING COMPLETION POINT

76. The staffs of IDA and the IMF propose that Burkina Faso's floating completion point under the Enhanced HIPC Initiative be reached on the basis of:

(i) the maintenance of a stable macroeconomic environment, that will ensure a sustained growth and a sustainable fiscal and external position, as evidenced by continued strong performance under a program supported by an arrangement under the PRGF; and

(ii) successful implementation of a set of reform measures that (a) are essential to improve the efficiency of services in health and education, and improve key social indicators, and (b) demonstrate a clear commitment to improve transparency and governance. These measures are described in Box 10 below.

77. These measures were identified in discussions with the Burkinabè authorities. In staffs' view, they reflect key issues in the medium-term program as described in the PRSP, and provide a basis for assessing Burkina Faso's progress in pursuing structural reforms and in implementing its poverty reduction strategy. The government is committed to accelerating the pace of the reform program and to fulfilling the agreed criteria by March 2001. The government also expects completion point to follow immediately thereafter.

VII. CONCLUSION AND ISSUES FOR DISCUSSION

78. Burkina Faso's economic performance remains favorable, and implementation of social and structural policies is taking place in a satisfactory manner. All multilateral and Paris Club creditors have confirmed delivery of the amounts committed at the final decision point in 1997, and strong efforts have been made by the authorities to reach agreement with other bilateral creditors on comparable terms. Therefore, in the view of the staffs of the Fund and of IDA, provided the Fund completes the first midterm review under the PRGF, Burkina Faso will have met all the necessary conditions for reaching the completion point under the original HIPC Initiative. As mentioned above, a reassessment of assistance is necessary as the originally committed assistance is not sufficient to meet the NPV of debt-to-exports target range of 195–215 percent. The Paris Club has already indicated its willingness to

provide its share of additional assistance under proportional burden sharing, consistent with a 205 percent target, and similar commitments are being sought from multilateral creditors. Against this background, Executive Directors may wish to consider the following questions and issues:

- **Completion point under original HIPC Initiative:** Do Executive Directors agree (i) that the original completion point has been reached; (ii) that the amount of assistance should be increased to meet the original target for the net present value of debt-to-exports ratio of 205 percent; and (iii) that IDA and the Fund should disburse as soon as satisfactory assurances have been obtained from all creditors?
- **Eligibility and decision point under the enhanced HIPC Initiative:** Staffs and managements believe that Burkina Faso is eligible for relief under the enhanced HIPC Initiative and recommend approval of a decision point based on the country's track record in social and structural reforms, the policy commitment presented in the PRSP document, and the implementation of PRGF- and IDA- supported programs. Do Executive Directors agree?
- **Debt sustainability target and assistance:** Staffs and managements recommend that creditors agree to provide additional relief of US\$169.4 million in NPV terms, sufficient to meet a target of NPV of debt of 150 percent of exports at the decision point under the enhanced Initiative. Do Directors agree? The cost shares for the IMF and IDA are US\$19.9 million and US\$71.0 million, respectively. In order to accelerate the provision of debt relief, the staff and management recommend that IDA and the IMF provide interim assistance in line with the guidelines.²⁴ Do Directors agree with the staffs' recommendations of providing interim assistance between the decision and the floating completion point in line with the guidelines?
- **Floating completion point under the enhanced HIPC Initiative:** In line with the objectives of the enhanced HIPC Initiative, the staffs and managements recommend that Burkina Faso's floating completion point under the enhanced Initiative be triggered by the satisfactory implementation of a set of reform measures in the social sectors, and the achievement of social sector objectives as described in Box 10, provided a stable macroeconomic framework is maintained, as evidenced by performance supported under the second annual program under the PRGF. Do Directors agree that conditions described in Box 10 are appropriate triggers for Burkina Faso floating completion point under the enhanced HIPC Initiative?

²⁴ IDA/R200-4 (1/10/2000) entitled "Heavily Indebted poor Countries (HIPC) Initiative: Note on Modalities for Implementing HIPC Debt Relief under the Enhanced Framework"

Box 10. Policy Reforms for the Floating Completion Point

A. Education

- **Adopt an action plan to recruit additional teachers on terms and conditions in conformity with the 1998 civil service reform** (Law on the Reform of the State).
 1. The action plan to be adopted by March 31, 2001, and endorsed by the Cabinet will focus on budgetary and organizational implications of the 1998 law in the education sector (including the distribution of responsibilities between the State and the regions; funding of regions, provinces, and cities; and the assessment of management capacity at decentralized levels).
 2. The policy statement issued by the Government by March 31, 2001 with the action plan will: (i) abolish the existing automatic link between admissions in Teachers Training Colleges and civil service employment, beginning with new trainees admitted in September 2001; (ii) specify that the government will establish a new category of teachers that will be hired at the decentralized level, with a statute similar to that for community schools, which will be appropriately formalized; (iii) indicate that the government will expand the community school program, so that most of the new teachers will be hired at this level.
- **Increase efficiency of primary schools** by developing and introducing a plan to consolidate promotions and limit grade repetition, and undertake related pedagogical measures. The plan, to be endorsed by the Cabinet, should be implemented starting in the 2000-01 school year.

B. Health

- **Implement vaccine coverage program, to achieve increase in vaccination rates for DPT3 from 42 percent of children aged 12-24 months in December 1999 to 50 percent in December 2000**, with an effort to raise rates for the rural areas. Performance would be monitored by Ministry of Health through its routine reviews of CSPS statistics on vaccination coverage. On the basis of these statistics, MOH would submit to the Bank a consolidated report on vaccination rates achieved during CY2000, which would have been audited and validated by INSD.
- **Implement plan for meeting minimum staffing norms as defined by the Ministry of Health and decentralization of health sector budgetary posts to the regions**, with a target of increasing the proportion of health centers meeting those norms from 60 percent in 1999 to 65 percent by end-2000. CSPS staffing would be monitored by MOH through its routine supervisions and reporting on CSPS. On the basis of these statistics, MOH would submit to the Bank a report on progress in satisfying staffing norms achieved during CY2000, which would have been audited and validated by INSD.
- **Maintain incidence of insufficient stock (rate of ruptures in stock of 45 essential generic drugs in the national drug company CAMEG) to less than 8 percent for year 2000**. Achievement of this target would be verified through an independent audit of CAMEG records on drug stocks, to be carried out by March 31, 2001.
- **Adopt a plan of action with monitorable indicators that will define how and when public resources, including those from development partners, will be channeled directly to the health districts to support decentralized management and implementation of their annual plans**. This action plan will be adopted by the Council of Minister by December 2000 and implemented starting in January 2001.

C. Governance

- **Complete and send the year-end budget execution report for 1998 budget** (including three-year history) (*lois de réglemant*) to the Supreme Audit Court (*Cour des Comptes*) by March 2001.
- **Disseminate the recently adopted national plan for good governance**, including dissemination by March 31, 2001, to all district authorities, and organization of workshops with local authorities and civil society.

VIII. PROPOSED DECISION

The following draft decisions, which can be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision 1. Completion Point under Decision No. 11571 (97/93)

1. The Fund, as Trustee (the “Trustee”) of the Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations (“Trust”) established by Decision No. 11436-(97/10), adopted February 4, 1997, determines that:

(i) the conditions specified in paragraph (ii) of Decision No. 11571(97/93), adopted September 8, 1997 (EBS/97/155), for Burkina Faso to reach the completion point have been met;

(ii) the net present value of the debt-to-exports ratio for Burkina Faso is outside the target range specified in paragraph (iii) of Decision No. 11571(97/93); and

(iii) satisfactory assurances have been received regarding the exceptional assistance to be provided under the HIPC Initiative by Burkina Faso’s other creditors.

2. In order to allow the net present value of the debt-to-exports ratio to fall within the target range specified in paragraph (iii) of Decision No. 11571(97/93), the Trustee decides that, in accordance with Section III, paragraph 3(e) of the PRGF/HIPC Trust Instrument (the “Instrument”), the SDR equivalent of US\$10.4 million committed at the decision point shall be increased to the SDR equivalent of US\$21.7 million. This amount shall be made available

by the Trustee to Burkina Faso in the form of a grant to an account for the benefit of Burkina Faso established and administered by the Trustee in accordance with Section III, paragraph 5(b) of the Instrument. The proceeds shall be used by the Trustee to meet the Burkina Faso's debt-service payments on its existing debt to the Fund as they fall due, in accordance with the schedule specified in Table 18 of EBS/00/113.

Decision 2. Additional Assistance Under the Enhanced HIPC Initiative

Based upon the external sustainability analysis for Burkina Faso (EBS/00/113) the Fund, as Trustee (the "Trustee") of the Trust Fund for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations ("Trust") established by Decision No. 11436-(97/10), adopted February 4, 1997, decides that:

(i) in accordance with Section III, paragraphs 1 and 2 of the Instrument, Burkina Faso is eligible and qualifies for additional assistance under the enhanced HIPC Initiative pursuant to the terms of the Instrument;

(ii) the completion point for additional assistance to Burkina Faso will be reached on the date when the Trustee determines that:

(a) Burkina Faso has satisfactorily implemented the policy reforms described in Box 10 of EBS/00/113;

(b) Burkina Faso has a stable macroeconomic position and has kept on track with its Fund supported program;

(c) Burkina Faso's overall progress in poverty reduction, based on its Poverty Reduction Strategy Paper, is broadly acceptable.

(iii) the external debt sustainability target for Burkina Faso is 150 percent for the present value of debt-to-exports ratio;

(iv) in accordance with Section III, paragraphs 3(a) and 3 (b) of the Instrument, the SDR equivalent of US\$19.9 million of additional assistance shall be made available by the Trustee to Burkina Faso at the completion point in a form of a grant to permit a further reduction in the net present value of the debt owed by Burkina Faso to the Fund, subject to satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by Burkina Faso's other creditors.

(v) in accordance with Section III, paragraph 3(e) of the Instrument, the Trustee shall disburse the assistance committed to Burkina Faso under paragraph (iv) of this decision at the completion point, together with interest on amount committed, calculated at the average rate of return per annum on investment of the resources held by or for the benefit of the Trust.

Table 5. Burkino Faso: Selected Economic and Financial Indicators, 1996-2002

	1996	1997	1998		1999		2000		2001	2002
		Est.	Prog.	Est.	Prog.	Est.	Orig. Prog.	Rev. Prog.	Proj.	Proj.
(Annual percentage changes, unless otherwise specified)										
GDP and prices										
GDP at constant prices	6.0	4.8	6.2	6.2	5.3	5.8	5.7	5.7	6.6	6.6
GDP deflator	4.2	2.2	2.0	3.2	1.7	-1.4	1.5	2.0	2.3	2.1
Consumer prices (annual average)	6.1	2.3	2.5	5.0	2.3	-1.1	1.5	1.5	2.0	2.0
Consumer prices (end of period)	6.9	-0.1	2.5	1.0	2.3	0.7	1.5	1.5	2.0	2.0
Money and credit										
Net domestic assets (banking system) 1/	8.5	20.8	5.1	7.9	7.4	9.1	3.4	5.4	...	...
Credit to the government 1/	3.8	8.4	-1.1	0.9	1.2	3.5	0.9	2.2	...	...
Credit to the private sector 1/	11.0	16.6	7.1	3.0	6.9	2.1	2.5	3.2	...	...
Broad money (M2)	8.2	14.2	10.4	1.7	3.9	6.5	6.1	6.3	...	...
Velocity (GDP/M2)	4.0	3.8	3.7	4.0	4.2	4.0	4.2	4.0	...	...
External sector										
Exports (f.o.b.; valued in CFA francs)	0.7	12.3	31.4	42.5	-13.1	-17.8	25.7	2.9	15.1	8.7
Imports (f.o.b.; valued in CFA francs)	18.9	3.4	10.2	25.7	1.0	-1.5	7.6	3.1	3.1	4.5
Volume of exports	3.1	8.4	37.3	49.3	-8.2	-12.4	6.0	0.0	11.8	6.3
Volume of imports	13.5	-1.4	16.6	35.8	-4.6	-6.4	4.8	-5.6	3.9	5.0
Terms of trade	-6.8	-0.6	1.9	3.1	-10.6	-10.8	0.4	-5.7	3.7	2.7
Real effective exchange rate (depreciation -)	3.0	-2.8	...	4.4	0.5	-2.0	...	...	...	...
(In percent of GDP, unless otherwise specified)										
Gross investment	26.8	27.3	25.5	29.6	27.2	27.8	27.1	28.6	27.9	27.3
Government	12.0	13.9	12.5	13.6	13.2	15.9	13.3	14.3	13.7	13.0
Private sector	14.7	13.5	12.9	16.0	14.0	11.9	13.8	14.3	14.2	14.3
Gross domestic savings	9.1	10.9	11.2	12.7	10.1	9.8	11.8	11.7	13.0	13.4
Government savings	5.9	7.2	5.8	7.1	6.8	7.2	6.2	6.7	7.2	7.6
Private savings	3.2	3.6	5.4	5.6	3.3	2.5	5.6	5.0	5.8	5.8
Gross national savings	16.8	17.2	15.8	19.6	14.9	15.2	17.0	18.4	19.2	19.4
Central government finances										
Revenue 2/	12.3	13.1	13.0	13.1	14.3	15.0	13.7	14.4	14.5	14.8
Domestic primary expenditure and net lending	10.7	11.9	12.2	12.6	14.1	14.7	13.9	13.9	13.8	13.6
Overall fiscal balance, excluding grants	-9.0	-10.2	-10.3	-9.8	-10.0	-12.3	-10.4	-11.0	-9.7	-8.5
Overall fiscal balance, including grants 3/	-0.6	-3.2	-3.8	-2.9	-4.6	-3.4	-5.1	-3.0	-3.5	-2.7
Primary balance (deficit -) 4/	1.7	1.1	0.8	0.5	0.2	0.3	-0.2	0.4	0.8	1.2
Current primary balance 4/	3.0	4.0	3.5	3.6	4.2	4.5	3.9	4.3	4.9	5.2
External sector										
Exports of goods and nonfactor services	10.9	11.2	16.1	14.0	11.5	11.3	13.0	10.9	11.4	11.3
Imports of goods and nonfactor services	28.6	27.7	30.4	30.9	28.6	29.4	28.3	27.8	26.3	25.2
Current account balance (excluding current official transfers)	-14.7	-13.9	-10.9	-14.5	-15.0	-16.0	-12.8	-14.4	-12.3	-11.2
Current account balance (including current official transfers) 3/	-9.9	-10.2	-9.7	-10.0	-12.4	-12.6	-10.1	-10.2	-8.8	-7.9
Debt-service ratio 5/	21.7	24.2	12.6	16.6	20.5	23.3	17.2	27.1	20.3	19.8
Debt-service ratio 6/	19.1	20.8	15.5	17.8	16.5	17.5	16.3	20.5	15.9	15.1
Net official reserves (in months of imports)	10.7	10.6	9.8	8.3	8.5	8.3	8.3	9.5	9.7	9.8
Nominal stock of public debt,										
before HIPC Initiative relief (in US\$ millions) 7/	1,287.6	1,358.8	1,389.3	1,422.0	1,536.3	1,547.3	1,572.5	1,643.1	1,750.0	1,850.6
Nominal stock of public debt in percent of GDP 7/	50.8	56.9	53.7	54.7	58.0	59.9	58.2	62.1	59.7	57.0
Net present value of public external debt (in US\$ millions) 7/	683.5	721.3	...	834.4	...	900.4	...	954.0	1009.9	1061.3
Net present value of public external debt-to-export ratio 8/	247.1	254.8	221.8	275.8	287.1	292.4	277.1	303.1	331.5	321.8
Nominal GDP (in billions of CFA francs)	1,298	1,390	1,515	1,522	1,629	1,589	1,748	1,713	1,869	2,035

Sources: Burkinabè authorities; and staff estimates and projections.

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

2/ From 1999 on, revenue includes taxes paid by contractors on foreign-financed public investments using checks issued by the treasury, for an amount equivalent to about 1.5 percent of GDP.

3/ For the projection years 1999-2002, the grants expected to cover the financing gap are not included.

4/ Commitment basis, excluding grants and foreign-financed projects.

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

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

7/ Assumes application of traditional debt relief mechanisms at end-1998.

8/ Ratio of debt to three-year average of exports of goods and services.

Table 6. Burkina Faso: Consolidated Operations of the Central Government, 1998-2002

	1998		1999		2000		2001	2002
	Prog.	Est.	Prog.	Est.	Prog.	Rev.Prog.	Proj.	Proj.
(In billions of CFA francs)								
Total revenue 1/	197.6	199.4	233.1	238.1	240.1	246.3	271.6	301.7
Current revenue	197.3	199.2	232.8	238.0	239.7	246.0	271.3	301.4
Tax revenue	180.9	183.5	216.1	222.2	223.1	227.4	251.8	280.2
Income and profits	46.1	43.5	48.9	53.7	52.3	58.0	62.2	73.9
Domestic goods and services	77.0	82.0	104.0	103.0	116.0	110.2	124.5	135.6
International trade	51.5	52.2	56.5	60.2	47.7	53.2	57.9	62.8
Other	6.3	5.9	6.7	5.3	7.2	6.0	7.3	7.9
Nontax revenue	16.4	15.6	16.7	15.8	16.6	18.7	19.5	21.2
Capital revenue	0.2	0.2	0.3	0.1	0.3	0.2	0.2	0.2
Expenditure and net lending 2/	353.9	347.9	396.1	433.7	421.7	434.4	453.0	475.0
Domestic expenditure and net lending	198.3	205.1	244.0	246.9	259.2	254.2	272.6	293.6
Excluding interest	185.4	192.3	229.4	233.2	242.9	238.9	257.0	277.6
Of which: health and primary education 3/	43.7	43.7	51.0	55.2	64.8	56.0	60.8	66.0
military expenditure 3	...	23.3	22.9	25.7	...	25.1	29.0	30.4
Wages and salaries	71.7	72.0	79.5	82.6	83.5	86.5	88.5	93.8
Goods and services	34.1	34.6	39.1	37.6	43.5	41.3	43.7	48.9
Interest payments	13.0	12.7	14.6	13.7	16.3	15.3	15.5	16.0
Of which: external	9.4	9.5	10.5	10.4	11.6	10.7	11.1	11.8
Current transfers	40.5	38.7	47.3	45.4	48.1	46.1	50.0	55.0
Budgetary contribution to investment	41.1	47.6	64.4	67.3	70.2	67.1	77.2	82.3
Of which: tax component	...	...	24.4	24.4	26.2	25.7	27.5	29.7
Net lending 4/	-2.0	-0.6	-0.9	0.3	-2.4	-2.0	-2.5	-2.5
Primary balance (excluding foreign-financed investment and restructuring operations)	12.2	7.0	3.7	4.9	-2.8	7.4	14.5	24.1
Primary current balance (excluding investment and restructuring operations)	53.3	54.6	68.1	72.2	67.4	74.4	91.8	106.4
Foreign-financed government investment	148.9	140.4	151.1	185.3	162.0	178.0	178.5	181.4
Restructuring operations	6.7	2.4	1.0	1.4	0.5	2.2	2.0	0.0
Overall surplus/deficit 4/	-156.4	-148.5	-163.0	-195.6	-181.6	-188.1	-181.5	-173.4
Change in payments arrears	-3.5	-5.5	-6.3	-8.3	-2.0	-2.0	0.0	0.0
Domestic	-3.5	-5.5	-6.3	-8.3	-2.0	-2.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures committed but not paid 5/	0.0	0.0	0.0	-1.0	0.0	-2.5	0.0	0.0
Grants	98.7	103.7	88.1	141.1	92.0	136.7	116.6	119.3
Project	98.7	84.1	88.1	117.4	92.0	110.0	96.6	99.3
Program	...	...	...	23.7	...	26.7	20.0	20.0
Overall deficit after grants (cash basis)	-61.1	-50.3	-81.3	-63.8	-91.6	-55.9	-64.8	-54.1
Financing	61.1	50.3	81.3	63.8	91.6	55.9	64.8	54.1
Foreign	41.5	49.6	43.2	57.8	53.6	50.5	63.3	61.5
Drawings	62.1	69.6	63.0	84.0	70.0	78.0	81.8	82.1
Of which: adjustment aid	12.0	13.3	0.0	16.1	0.0	10.0	0.0	0.0
Amortization	-20.6	-20.0	-19.8	-26.2	-16.4	-27.5	-18.5	-20.6
Domestic	1.3	-2.1	1.4	1.8	1.1	1.0	-4.5	-10.5
Bank	-2.0	-6.7	5.4	11.6	3.7	7.8	-4.1	-5.2
Central bank	1.3	-5.8	9.9	13.7	8.7	10.7	-0.8	-3.3
Commercial banks	-3.3	-0.9	-4.5	-2.1	-5.0	-2.9	-3.3	-1.9
Nonbank	-2.7	-1.9	-7.0	-13.5	-4.6	-7.8	-7.4	-5.3
Privatization revenue	6.1	6.5	3.0	3.7	2.0	1.0	7.0	0.0
Debt under discussion 6/	0.0	2.8	2.4	4.2	0.0	4.4	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	18.3	0.0	34.2	0.0	36.9	0.0	6.0	3.0
Memorandum items: (In percentage of GDP, unless otherwise indicated)								
Revenue	13.0	13.1	14.3	15.0	13.7	14.4	14.5	14.8
Current expenditure	10.5	10.4	11.1	11.3	10.9	11.0	10.6	10.5
Current primary expenditure	9.7	9.5	10.2	10.4	10.0	10.1	9.8	9.7
Capital expenditure (excluding restructuring operations)	12.5	12.3	13.2	15.9	13.3	14.3	13.7	13.0
Of which: foreign financed	9.8	9.2	9.3	11.7	9.3	10.4	9.5	8.9
Overall surplus/deficit (excluding grants) 2/	-10.3	-9.8	-10.0	-12.3	-10.4	-11.0	-9.7	-8.5
Overall surplus/deficit (including grants) 2/	-3.8	-2.9	-4.6	-3.4	-5.1	-3.0	-3.5	-2.7
Primary balance	0.8	0.5	0.2	0.3	-0.2	0.4	0.8	1.2
Primary current balance 1/	3.5	3.6	4.2	4.5	3.9	4.3	4.9	5.2
Domestically financed social expenditure 3/	2.9	2.9	3.2	3.5	3.7	3.3	3.3	3.2
Total social expenditure 7/	...	4.2	...	5.5	...	5.0	4.5	5.0
GDP (in billions of CFA francs)	1,515	1,522	1,629	1,589	1,748	1,713	1,869	2,035

Sources: Burkinabè authorities; and staff estimates and projections.

1/ Since 1999, revenue includes taxes on goods and services paid in the execution of public investment projects using checks issued by the treasury.

2/ On a commitment basis, excluding grants and including, since 1999, the tax component of the public investment projects, which is paid by the treasury.

3/ Primary domestic expenditure on health and education excluding foreign financed investment and tax component and before additional resources from HIPV Initiative..

4/ Excluding proceeds from privatization (-).

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

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

7/ Domestically and foreign financed expenditure on health and education before additional resources from HIPC Initiative

Table 7: Medium-term Framework for Social Expenditure Before & After HIPC Initiative

	1998	1999	2000	2001	2002	2003
Total expenditure on health and education before HIPC Initiative 1/	64.6	86.7	85.1	84.6	101.1	109.1
<i>of which: Health</i> 2/	30.5	43.0	42.7	42.1	47.0	52.4
<i>of which: Primary Education</i> 2/	34.1	43.7	42.4	42.5	54.1	56.7
Domestically financed expenditure on health and education 3/	43.7	55.2	56.0	60.8	66.0	71.6
Additional priority social expenditure, after HIPC Initiative	...	...	14.5	31.8	33.2	32.2
Health	...	...	5.0	11.9	13.0	11.6
<i>of which: Strengthening of existing health care systems</i>	...	...	1.4	3.8	3.9	2.6
<i>of which: Recruitment and training</i>	...	...	0.2	1.0	1.3	1.5
<i>of which: Development of community health services</i>	...	...	0.5	3.1	4.0	3.7
<i>of which: Program against HIV</i>	...	...	1.2	1.2	1.2	1.3
Education	...	...	6.3	12.5	12.9	13.3
<i>of which: Construction of rural schools and housing for teachers</i>	...	...	2.7	5.8	5.9	6.2
<i>of which: Building of wells and food services at schools</i>	...	...	1.7	3.6	3.7	3.8
<i>of which: Basic literacy program</i>	...	...	0.2	0.2	0.2	0.2
Rural development and water supply	...	...	3.2	7.4	7.3	7.3
Financing of additional priority social expenditure	...	...	14.5	31.8	33.2	32.2
Resources expected from the HIPC Initiative	...	...	11.9	25.1	25.6	25.9
Additional resources to be found	...	...	2.6	6.7	7.6	6.3
Total social expenditure after HIPC Initiative, including additional priority expenditure 1/	...	...	99.6	116.4	134.3	141.3
<i>of which: Health</i>	...	...	47.7	54.0	60.0	64.0
<i>of which: Primary Education</i>	...	...	48.7	55.0	67.0	70.0
As a percentage of GDP						
Total social expenditure, before HIPC Initiative	4.2	5.5	5.0	4.5	5.0	4.9
<i>of which: Health</i>	2.0	2.7	2.5	2.3	2.3	2.4
<i>of which: Primary Education</i>	2.2	2.8	2.5	2.3	2.7	2.6
Total social expenditure, including additional priority expenditure	...	...	5.6	5.8	6.2	6.1
<i>of which: Health</i>	...	...	2.8	2.9	2.9	2.9
<i>of which: Primary Education</i>	...	...	2.8	2.9	3.3	3.2
As a percentage of total expenditure 4/ 5/						
Total social expenditure, before HIPC Initiative	20.6	23.2	22.4	21.6	24.7	25.1
<i>of which: Health</i>	9.7	11.5	11.2	10.8	11.5	12.0
<i>of which: Primary Education</i>	7.4	11.7	11.2	10.9	13.2	13.0
Total social expenditure, including additional priority expenditure	...	...	24.4	25.8	28.7	28.7
<i>of which: Health</i>	...	...	12.1	12.8	13.6	13.7
<i>of which: Primary Education</i>	...	...	12.3	13.0	15.1	15.0
<u>Memorandum items</u>						
Nominal GDP	1522	1589	1713	1869	2035	2213
Total expenditure and net lending before HIPC Initiative	347.9	433.7	434.4	453.0	475.0	503.0
Total expenditure and net lending before HIPC Initiative, excluding unallocated expenditure	314.1	373.1	380.1	390.7	409.2	434.9
Total expenditure and net lending after HIPC Initiative, excluding unallocated expenditure	...	...	394.6	422.5	442.4	467.1

1/ Domestically and foreign financed expenditure on health and education

2/ Expenditures include the portions of the wage bill of autonomous public entities such as hospitals paid by the treasury .

3/ Current expenditure, excluding the portions of the wage bill of autonomous public entities paid by the treasury, and the domestic contribution to investment.

4/ Total expenditures include the tax component of the public investment projects which is paid by the treasury .

5/ As a percentage of total expenditure, excluding expenditure unallocated by ministry such as expenditure for water and electricity.

Table 8. Burkina Faso: Main Assumptions on the Macroeconomic Framework, 1999-2018

(In percent of GDP, unless otherwise indicated)

	1999 Est.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015
		Projected											
Economic growth													
Real GDP (percentage change)	5.8	5.7	6.6	6.6	6.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Real GDP per capita growth (percentage change)	2.7	2.6	3.5	3.6	3.1	3.1	3.0	3.2	3.2	3.2	3.3	3.3	3.2
Balance of Payments													
Exports of goods and services 1/	11.3	10.9	11.3	11.2	11.8	12.1	12.8	12.9	13.0	12.9	12.9	12.8	12.5
Imports of goods and services 1/	29.4	27.8	26.1	24.9	24.8	24.5	24.2	23.9	23.6	23.2	22.9	22.9	22.1
Current account, excluding grants	-16.0	-14.4	-12.3	-11.2	-10.4	-9.5	-8.4	-7.8	-7.3	-6.9	-6.5	-6.4	-5.5
Current account, including grants	-12.6	-10.2	-8.8	-7.9	-7.4	-6.9	-6.1	-5.7	-5.3	-5.0	-4.8	-4.7	-4.3
Gross official reserves (in months of imports) 2/	8.3	9.5	9.7	9.8	9.4	9.3	9.3	9.4	9.6	9.7	10.0	10.0	9.7
Export volume growth (percentage change) 3/	-12.40	-0.04	11.82	6.34	11.05	8.09	10.18	6.78	6.62	4.91	5.26	5.40	4.81
Import volume growth (percentage change) 3/	-6.42	-5.63	3.94	5.05	6.64	5.52	5.65	5.67	5.43	5.60	5.76	6.80	6.43
Terms of trade (percentage change)	-10.83	-5.73	3.73	2.74	2.22	2.11	3.06	1.10	1.10	1.10	1.10	1.10	1.09

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

1/ Exports (imports) of goods and nonfactor services as defined in IMF, *Balance of Payments Manual* (5th ed.), 1993.

2/ Imports of goods and nonfactor services.

3/ Merchandise exports (imports).

Table 9. Burkina Faso: Balance of Payments, 1996-2018

	1996	1997	1998	1999		2000	2001	2002	2003	2004	2005	2006	2007	2008
				Prog.	Est.	Rev.Proj. 1/								
(In billions of CFA francs)														
Exports, f.o.b.	119.0	133.7	190.4	156.2	156.6	161.2	185.5	201.7	232.7	260.7	301.0	329.7	360.6	388.0
<i>Of which:</i> cotton	49.6	74.6	120.9	91.2	83.6	78.4	91.3	101.3	114.2	129.3	149.9	163.0	177.3	192.8
gold	9.0	9.0	9.5	8.1	9.2	9.7	16.3	16.4	26.9	33.2	45.6	53.2	61.2	63.9
Imports, f.o.b.	-288.0	-297.7	-374.2	-359.1	-368.7	-380.0	-391.9	-409.6	-443.9	-475.6	-510.8	-547.6	-585.9	-627.8
<i>Of which:</i> capital goods	-86.8	-90.4	-114.5	-125.4	-135.8	-131.1	-132.2	-135.1	-144.8	-149.3	-154.2	-159.3	-166.6	-174.6
Trade balance	-168.9	-164.0	-183.8	-202.9	-212.0	-218.8	-206.4	-207.9	-211.2	-214.9	-209.8	-218.0	-225.3	-239.7
Services and income (net)	-64.7	-72.9	-80.5	-80.4	-83.3	-76.5	-79.3	-82.4	-88.8	-93.7	-98.9	-104.4	-110.0	-116.2
Services	-60.7	-65.1	-73.5	-76.2	-75.5	-70.6	-72.1	-75.3	-80.4	-85.0	-90.0	-95.2	-100.4	-106.0
Income	-4.0	-7.8	-7.0	-4.2	-7.8	-6.0	-7.3	-7.1	-8.4	-8.7	-8.9	-9.2	-9.7	-10.2
<i>Of which:</i> interest payments	-10.7	-11.3	-10.2	-11.9	-11.4	-13.0	-13.4	-13.6	-14.0	-14.5	-15.0	-15.7	-16.4	-17.2
<i>Of which:</i> budget		-11.3	-10.2	-10.6	-10.4	-10.7	-11.1	-11.8	-12.2	-12.8	-13.3	-14.0	-14.8	-15.5
Current transfers (net)	104.9	95.6	111.5	81.9	95.0	121.0	121.9	129.8	136.5	143.9	148.2	160.7	173.2	186.8
Private	43.0	43.4	43.9	39.0	41.0	49.1	55.9	63.1	71.0	79.6	89.1	99.6	111.1	123.7
<i>Of which:</i> workers' remittances (gross)	56.4	51.1	54.4	51.0	51.0	54.1	59.3	64.9	70.9	77.5	84.8	92.7	101.4	110.9
Official	61.9	52.2	67.6	42.9	54.0	71.9	66.0	66.7	65.5	64.3	59.1	61.1	62.1	63.1
<i>Of which:</i> budgetary	27.3	16.8	19.6	0.0	23.7	26.7	20.0	20.0	18.0	16.0	10.0	10.0	10.0	10.0
Current account (deficit= -)	-128.7	-141.4	-152.8	-201.4	-200.4	-174.3	-163.8	-160.5	-163.5	-164.6	-160.5	-161.7	-162.2	-169.1
Excluding current official transfers	-190.6	-193.6	-220.4	-244.3	-254.4	-246.2	-229.8	-227.3	-229.0	-228.9	-219.6	-222.8	-224.3	-232.2
Capital transfers	87.5	91.6	89.5	86.8	122.8	115.4	112.5	114.2	122.3	125.6	129.0	132.7	138.4	144.5
Project grants	81.8	81.1	84.1	88.1	117.4	110.0	107.1	108.9	116.7	119.6	122.8	126.2	131.5	137.3
Other capital transfers	5.6	10.5	5.4	-1.3	5.4	5.4	5.4	5.4	5.6	5.9	6.2	6.5	6.9	7.2
Financial operations	41.4	28.5	38.3	64.8	64.7	58.0	62.6	63.3	69.5	72.7	74.6	77.7	81.5	84.5
Official capital	33.0	21.9	46.1	39.7	56.9	47.0	50.6	50.0	54.9	56.7	57.0	58.3	60.3	61.3
Disbursements	52.5	47.3	69.6	63.0	84.0	78.0	71.4	72.6	77.8	79.8	81.9	84.1	87.7	91.5
Project loans	43.3	47.3	56.3	63.0	67.9	68.0	71.4	72.6	77.8	79.8	81.9	84.1	87.7	91.5
Program loans	4.4	0.0	13.3	0.0	16.1	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-19.5	-25.4	-23.5	-23.3	-27.1	-31.0	-20.8	-22.5	-22.9	-23.1	-24.9	-25.8	-27.4	-30.2
<i>Of which:</i> budget	-17.0	-21.9	-20.0	-19.8	-26.3	-27.5	-18.5	-20.6	-21.1	-21.4	-23.2	-24.1	-25.7	-28.5
Private capital 2/	8.4	6.6	-7.8	25.1	7.8	11.0	12.0	13.3	14.6	16.0	17.6	19.3	21.2	23.2
Errors and omissions	-2.0	-1.7	2.6	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.8	-23.0	-22.4	-49.8	-13.5	-0.9	11.2	17.0	28.4	33.6	43.1	48.6	57.6	59.9
Financing	1.8	23.0	22.4	49.8	13.5	0.9	-11.2	-17.0	-28.4	-33.6	-43.1	-48.6	-57.6	-59.9
Net foreign assets	0.7	20.2	19.6	13.2	9.4	-3.5	-17.2	-20.0	-28.4	-33.6	-43.1	-48.6	-57.6	-59.9
Net official reserves	-1.2	-2.9	12.9	5.2	20.0	-3.5	-17.2	-20.0	-28.4	-33.6	-43.1	-48.6	-57.6	-59.9
Gross official reserves	-5.7	-12.5	4.1	-1.6	13.0	-6.8	-18.2	-20.3	-17.3	-21.9	-32.4	-38.8	-47.0	-50.1
IMF (net)	4.5	9.6	8.8	6.9	7.0	3.3	0.9	0.3	-11.0	-11.8	-10.7	-9.8	-10.6	-9.7
Use of resources	4.9	10.6	10.5	10.1	10.3	9.9	9.9	9.8	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-0.5	-1.0	-1.7	-3.2	-3.3	-6.6	-8.9	-9.5	-11.0	-11.8	-10.7	-9.8	-10.6	-9.7
Net foreign assets, commercial banks	1.9	23.1	6.7	8.0	-10.6	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt under discussion 3/	0.0	2.8	2.8	2.4	4.2	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	34.2	0.0	0.0	6.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(In percent of GDP, unless otherwise indicated)													
Cotton export volume (thousand metric tons)	90.0	89.4	138.8	118.4	114.7	115.0	125.7	132.1	139.4	148.2	157.5	167.4	178.0	189.2
Current account (deficit= -)	-9.9	-10.2	-10.0	-12.4	-12.6	-10.2	-8.8	-7.9	-7.4	-6.9	-6.1	-5.7	-5.3	-5.0
Excluding current official transfers	-14.7	-13.9	-14.5	-15.0	-16.0	-14.4	-12.3	-11.2	-10.4	-9.5	-8.4	-7.8	-7.3	-6.9
Overall balance (deficit= -)	-0.1	-1.7	-1.5	-3.1	-0.9	-0.1	0.6	0.8	1.3	1.4	1.7	1.7	1.9	1.8
Gross international reserves (in billions of CFA francs)	296.5	306.7	307.3	300.8	300.8	355.5	373.7	394.0	411.3	433.2	465.6	504.4	551.4	601.6
In months of imported goods, c.i.f.	10.7	10.6	39.0	37.1	17.7	8.8	8.6	8.4	8.2	8.0	8.1	8.2	8.3	8.4
Total government investment	12.0	13.9	13.6	13.2	15.9	14.3	13.7	13.0	13.0	13.0	13.0	12.0	12.0	12.0
Foreign-financed investment	9.6	9.2	9.2	9.3	11.7	10.4	9.5	8.9	8.8	8.3	7.8	7.4	7.1	6.8
Project loans	3.3	3.4	3.7	3.9	4.3	4.0	3.8	3.6	3.5	3.3	3.1	3.0	2.8	2.7
Project grants	6.3	5.8	5.5	5.4	7.4	6.4	5.7	5.3	5.3	5.0	4.7	4.4	4.3	4.1
GDP at current prices (in billions of CFA francs)	1,298	1,390	1,522	1,629	1,589	1,713	1,869	2,035	2,213	2,401	2,610	2,839	3,087	3,356

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

1/ Assumes that at end-2000 the non-Paris Club creditors who have not yet granted debt relief on Naples terms will grant such relief.

2/ Includes portfolio investment and foreign direct investment.

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

4/ Including public enterprises and private sector debt.

5/ Including public enterprises and private sector debt; in percent of exports of goods and nonfactor services.

Table 10. Burkina Faso: Alternative Scenario for the DSA Analysis, 2001-2018

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2018
(In billions of CFA francs, unless specified otherwise)												
Baseline scenario												
Cotton exports	91.3	101.3	114.2	129.3	149.9	163.0	177.3	192.8	209.6	228.0	345.7	440.8
Cotton growth in value (percentage change)	16.4	10.9	12.8	13.2	16.0	8.7	8.7	8.7	8.7	8.7	8.4	8.4
Cotton export volume	125.7	132.1	139.4	148.2	157.5	167.4	178.0	189.2	201.1	213.7	289.3	344.6
Cotton growth in volume (percentage change)	9.3	5.1	5.5	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.0	6.0
Gold exports	16.3	16.4	26.9	33.2	45.6	53.2	61.2	63.9	68.0	70.9	87.8	99.8
Volume of gold exports (in metric tons)	3.0	3.0	4.8	5.8	7.8	8.8	9.8	9.9	10.2	10.3	10.8	11.2
Exports 1/	185.5	201.7	232.7	260.7	301.0	329.7	360.6	388.0	419.0	453.1	658.5	819.8
Export growth in value (percentage change) 1/	15.1	8.7	15.4	12.1	15.4	9.5	9.4	7.6	8.0	8.1	7.5	7.6
Imports 1/	-391.9	-409.6	-443.9	-475.6	-510.8	-547.6	-585.9	-627.8	-673.7	-730.2	-1,066.9	-1,348.4
Import growth in value (percentage change) 1/	3.1	4.5	8.4	7.1	7.4	7.2	7.0	7.2	7.3	8.4	8.0	8.1
Accumulation of reserves	17.2	20.0	28.4	33.6	43.1	48.6	57.6	59.9	66.1	58.8	57.4	49.3
Gross official reserves (in months of imports) 2/	9.7	9.8	9.4	9.3	9.3	9.4	9.6	9.7	10.0	10.0	9.7	8.9
Current account deficit including grants (in percent of GDP)	-8.8	-7.9	-7.4	-6.9	-6.1	-5.7	-5.3	-5.0	-4.8	-4.7	-4.3	-4.3
Current account deficit excluding grants (in percent of GDP)	-12.3	-11.2	-10.4	-9.5	-8.4	-7.8	-7.3	-6.9	-6.5	-6.4	-5.5	-5.3
Financing gap	6.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alternative scenario												
Cotton exports	84.9	90.0	96.3	103.3	111.5	118.6	126.2	134.3	142.8	151.9	205.4	249.1
Cotton growth in value (percentage change)	8.2	6.0	7.0	7.2	8.0	6.4	6.4	6.4	6.4	6.4	6.6	6.8
Cotton export volume (in thousands of metric tons)	120.3	123.7	127.5	131.9	136.0	142.3	148.8	155.7	162.8	170.3	211.9	243.3
Cotton growth in volume (percentage change)	4.7	2.8	3.0	3.5	3.2	4.6	4.6	4.6	4.6	4.6	4.7	4.8
Gold exports	13.6	16.4	19.6	22.9	28.1	35.1	43.7	51.6	53.3	62.0	86.8	95.7
Volume of gold exports (in metric tons)	2.5	3.0	3.5	4.0	4.8	5.8	7.0	8.0	8.0	9.0	10.7	10.7
Exports 1/	176.4	190.4	207.4	224.4	245.0	267.1	292.0	317.3	337.6	368.1	517.2	624.0
Export growth in value (percentage change) 1/	9.4	7.9	9.0	8.2	9.2	9.0	9.3	8.7	6.4	9.1	6.7	6.2
Imports 1/	-391.9	-409.6	-430.6	-461.3	-495.5	-531.2	-568.3	-608.9	-653.5	-703.9	-970.9	-1,173.1
Import growth in value (percentage change) 1/	3.1	4.5	5.1	7.1	7.4	7.2	7.0	7.2	7.3	7.7	6.9	8.1
Accumulation of reserves	8.1	8.7	16.4	11.6	11.5	11.5	15.6	17.9	14.8	10.1	22.1	38.8
Gross official reserves (in months of imports) 2/	9.5	9.3	8.7	8.1	7.6	7.1	6.7	6.4	6.1	5.7	4.7	4.6
Current account deficit including grants (in percent of GDP)	-9.3	-8.6	-8.1	-8.0	-8.0	-7.7	-7.2	-6.9	-6.8	-6.6	-5.5	-4.9
Current account deficit excluding grants (in percent of GDP)	-12.9	-11.9	-11.2	-10.8	-10.4	-9.9	-9.4	-8.9	-8.7	-8.4	-6.8	-6.0
Financing gap	6.0	3.0	0.0	0.0	9.0	9.0	9.0	10.0	10.0	10.0	10.0	10.0

Sources: Staff projections.

1/ Merchandise exports (imports).

2/ Imports of goods and nonfactor services.

Table 11. Burkina Faso HIPC Initiative: Alternative Assistance Levels Under a Proportional Burden-Sharing Approach 1/

NPV of debt- to-exports-target (in percent)	Assuming a Decision point in 2000			Required NPV debt reduction on bilateral debt based on overall exposure 7/
	Total Assistance under the NPV of debt-to-exports criteria 2/			
	Total	Bilateral 3/	Multilateral	
	(In millions of U.S. dollars)			
Under enhanced HIPC Initiative: 150	398	56	342	
Under original HIPC Initiative: 205	229	32	196	
Common Reduction Factor at decision point 4/			46.3	
Under enhanced HIPC Initiative 4/			19.7	
Under original HIPC Initiative 4/			26.6	
Memorandum items:				
Before HIPC assistance:				
NPV of debt 5/	860	121	739	
3-year average of exports	308			
Current-year exports	292			
NPV of debt-to-exports 6/	279			
Paris Club Creditors:		47		82%
of which pre-cod non-ODA		28		92%
Non-Paris Club Creditors		74		82%
of which pre-cod non-ODA		22		118%
After HIPC assistance:				
Target NPV	462	65	397	

Sources: Burkinabe authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Applies a hypothetical stock-of-debt operation on Naples terms for other official bilateral creditors at end-December 1999.

3/ Includes only official bilateral creditors as no commercial debt remains.

4/ Each multilaterals' NPV reduction at the decision point in percent of its exposure at the decision point.

5/ Based on latest data available at the decision point after full application of traditional debt relief mechanisms.

6/ Uses the latest annual data at the decision point on the three-year average of exports of goods and nonfactor services, GDP and central government revenues, all centered on the previous year.

7/ Includes traditional debt relief.

Table 12. Burkina Faso: External Public and Publicly-Guaranteed Debt

(Assistance under the Original HIPC Initiative)

(In millions of US dollars; unless otherwise indicated)

	End-1996 1/		End-1999 2/		Original HIPC Assistance		
	NPV	Share of total multilateral	NPV	Share of total debt	Total Assistance 2/	of which:	
						Assistance Projected at Decision Point 3/	Topping-Up from Decision Point Document 4/
Multilateral creditors	550.3	100.0%	738.5	85.9%	196.4	94.2	102.2
IDA	254.4	46.2%	355.5	41.3%	90.8	43.5	47.3
IMF	60.8	11.0%	96.0	11.2%	21.7	10.4	11.3
AfDB	21.6	3.9%	10.7	1.2%	7.7	3.7	4.0
AfDF	92.2	16.8%	129.9	15.1%	32.9	15.8	17.1
BADEA	24.7	4.5%	29.3	3.4%	8.8	4.2	4.6
BOAD	14.1	2.6%	14.3	1.7%	5.0	2.4	2.6
ECOWAS	11.9	2.2%	6.2	0.7%	4.2	2.0	2.2
EU	22.3	4.0%	35.3	4.1%	7.9	3.8	4.1
FEUGECE	0.2	0.0%	0.1	0.0%	0.1	0.0	0.0
IFAD	10.4	1.9%	14.0	1.6%	3.7	1.8	1.9
IsDB	26.1	4.7%	29.0	3.4%	9.3	4.5	4.8
OPEC Fund	11.6	2.1%	18.2	2.1%	4.1	2.0	2.2
Bilateral creditors ^{5/}	133.2		121.3	14.1%	32.3	21.0	11.2
Total	683.5		859.9		228.6	115.2	113.4

Sources: Burkinaabe authorities; and staff estimates.

1/ Multilateral burden sharing for the original HIPC Initiative is based on relative exposure at the first decision point and is calculated in end-1996 NPV terms.

2/ After application of traditional debt relief mechanisms for bilateral creditors as of end-December 1999.

3/ Decision Point Document (EBS/97/155, 8/19/97 and IDA/R97-99, 8/18/97).

4/ See box 6 for a justification of the topping-up under the original HIPC.

5/ Includes only official bilateral creditors as no commercial debt remains.

Table 13. Burkina Faso: External Public and Publicly-Guaranteed Debt as of end-1999 1/

(Assistance under the Enhanced HIPC Initiative)

(In millions of U.S. dollars)

	Before HIPC Assistance 2/		After original HIPC Assistance 3/		After enhanced HIPC Assistance 4/
	Nominal Debt	NPV of Debt	NPV of Debt	Share of total debt	NPV of Debt
Multilateral creditors	1321.6	738.5	542.1	85.9%	396.7
IDA	752.9	355.5	264.7	41.9%	193.68
IMF	120.7	96.0	74.3	11.8%	54.39
AfDB/AfDF	249.4	140.6	100.0	15.8%	73.20
BADEA	35.4	29.3	20.5	3.2%	14.96
BOAD	14.8	14.3	9.2	1.5%	6.75
ECOWAS	5.8	6.2	2.0	0.3%	1.45
EU	46.9	35.3	27.4	4.3%	20.02
FECECE	0.1	0.1	0.0	0.0%	0.02
IFAD	28.9	14.0	10.3	1.6%	7.53
IsDB	44.9	29.0	19.7	3.1%	14.42
OPEC Fund	21.7	18.2	14.0	2.2%	10.26
Paris Club creditors	58.9	47.4	34.8	5.5%	25.5
Non-Paris Club creditors	119.0	73.9	54.3	8.6%	39.7
Total	1499.5	859.9	631.2	100.0%	461.9

Sources: Burkinabe authorities; and staff estimates.

1/ Assumes unconditional delivery of HIPC assistance at end-December 1999.

2/ After application of traditional debt relief mechanisms for bilateral creditors as of end-December 1999.

3/ As shown in Table 11.

4/ Burden sharing for multilaterals for the enhanced HIPC Initiative is based on relative exposure at the second decision point after full delivery of the original HIPC assistance.

5/ Includes only official bilateral creditors as no commercial debt remains.

Table 14. Burkina Faso: Bilateral Creditors of External Debt 1/

	before HIPC relief, end-99 2/			
	Nominal debt stock		NPV of debt	
	US\$ million	Percent of total	NPV	Percent of total
Total external debt	1,499.5	100.0	859.9	100.0
Multilateral creditors	1,321.6	88.1	738.5	85.9
Bilateral creditors	177.9	11.9	121.3	14.1
of which, pre-cutoff non-ODA	59.4	4.0	50.5	5.9
Paris Club creditors	58.9	3.9	47.4	5.5
of which:				
Austria	5.8	0.4	2.5	0.3
o/w: pre-cutoff non-ODA	5.8	0.4	2.5	0.3
France	25.1	1.7	25.3	2.9
o/w: pre-cutoff non-ODA	9.3	0.6	10.6	1.2
Italy	11.3	0.8	5.7	0.7
o/w: pre-cutoff non-ODA	11.3	0.8	5.7	0.7
Netherlands	4.5	0.3	5.2	0.6
o/w: pre-cutoff non-ODA	4.5	0.3	5.2	0.6
Russia	2.1	0.1	0.8	0.1
o/w: pre-cutoff non-ODA	2.1	0.1	0.8	0.1
Spain	8.6	0.6	6.1	0.7
o/w: pre-cutoff non-ODA	2.5	0.2	1.7	0.2
United Kingdom	1.6	0.1	1.8	0.2
o/w: pre-cutoff non-ODA	1.6	0.1	1.8	0.2
Non-Paris Club creditors	119.0	7.9	73.9	8.6
of which:				
Algeria	1.5	0.1	1.5	0.2
o/w: pre-cutoff non-ODA	1.5	0.1	1.5	0.2
China	22.3	1.5	4.0	0.5
o/w: pre-cutoff non-ODA	--	--	--	--
Côte d'Ivoire	15.1	1.0	14.9	1.7
o/w: pre-cutoff non-ODA	15.1	1.0	14.9	1.7
Kuwait	39.5	2.6	23.1	2.7
o/w: pre-cutoff non-ODA	--	--	--	--
Lybia	7.0	0.5	6.9	0.8
o/w: pre-cutoff non-ODA	5.7	0.4	5.7	0.7
North Korea	--	--	--	--
o/w: pre-cutoff non-ODA	--	--	--	--
Saudi Arabia	21.3	1.4	13.6	1.6
o/w: pre-cutoff non-ODA	--	--	--	--
Taiwan Province of China	12.3	0.8	9.9	1.1
o/w: pre-cutoff non-ODA	--	--	--	--

Sources: Burkinabe authorities; and staff estimates.

1/ Includes only official bilateral creditors as no commercial debt remains.

2/ After application of traditional debt relief mechanisms for bilateral creditors as of end-December 1999.

Table 15. Burkina Faso: Net Present Value of Debt and Debt Service by Type of Creditor, 1999-2018 1/

(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NPV of debt 2/																		
<i>Before HIPC Assistance 3/</i>																		
Total	859.9	898.3	943.7	979.0	1,003.3	1,027.0	1,054.0	1,087.7	1,118.9	1,155.7	1,198.8	1,246.1	1,298.7	1,353.4	1,412.2	1,472.9	1,536.2	1,602.6
Multilateral	738.5	728.1	711.4	689.4	663.4	635.3	608.1	585.9	566.0	548.5	534.7	522.5	510.0	494.7	477.7	459.5	440.3	420.9
Paris Club	47.4	47.5	47.5	47.5	47.4	46.4	45.3	44.0	42.6	41.0	39.0	36.9	35.4	33.8	32.0	29.9	27.7	25.2
Other Bilateral	73.9	73.4	72.3	71.3	70.2	68.7	67.2	65.8	64.2	62.6	60.8	58.9	56.9	54.7	52.6	50.8	49.0	46.9
New Borrowing	0.0	49.3	112.5	170.9	222.3	276.7	333.4	392.0	446.0	503.6	564.2	627.9	696.4	770.3	849.9	932.7	1,019.2	1,109.6
<i>After Original HIPC Assistance 4/</i>																		
Total	859.9	662.9	717.3	761.6	795.8	830.1	865.9	907.4	945.7	988.6	1,038.4	1,093.3	1,153.5	1,216.1	1,283.5	1,353.5	1,426.3	1,502.9
Multilateral	738.5	526.8	519.0	505.9	489.6	471.7	453.0	438.0	424.5	412.4	404.3	398.3	392.0	382.9	372.5	361.2	349.0	336.7
Paris Club	47.4	33.6	33.7	33.8	33.9	33.2	32.4	31.7	30.8	29.8	28.5	27.2	26.6	26.0	25.4	24.8	24.1	23.2
Other Bilateral	73.9	53.2	52.1	51.1	50.0	48.5	47.1	45.7	44.3	42.9	41.4	39.9	38.4	36.9	35.7	34.8	34.1	33.4
New Borrowing	0.0	49.3	112.5	170.9	222.3	276.7	333.4	392.0	446.0	503.6	564.2	627.9	696.4	770.3	849.9	932.7	1,019.2	1,109.6
<i>After Enhanced HIPC Assistance 5/</i>																		
Total	859.9	655.1	565.9	618.3	662.4	707.7	755.1	804.8	850.9	902.0	960.2	1,024.5	1,095.8	1,162.4	1,230.7	1,301.6	1,375.4	1,453.3
Multilateral	738.5	519.0	394.5	390.1	384.2	378.0	371.6	365.5	360.5	357.2	358.3	362.5	368.1	363.7	355.0	345.5	335.0	324.4
Paris Club	47.4	33.6	23.7	23.6	23.6	22.6	21.7	20.6	19.6	18.3	16.8	15.3	14.5	13.8	13.0	12.2	11.3	10.4
Other Bilateral	73.9	53.2	35.2	33.8	32.3	30.4	28.5	26.6	24.8	22.8	20.9	18.8	16.8	14.6	12.7	11.3	9.9	8.9
New Borrowing	0.0	49.3	112.5	170.9	222.3	276.7	333.4	392.0	446.0	503.6	564.2	627.9	696.4	770.3	849.9	932.7	1,019.2	1,109.6
<i>After HIPC Initiatives (original and enhanced assistance assumed committed unconditionally) 6/</i>																		
Total	461.9	506.7	565.9	618.3	662.4	707.7	755.1	804.8	850.9	902.0	960.2	1,024.5	1,095.8	1,162.4	1,230.7	1,301.6	1,375.4	1,453.3
Multilateral	396.7	393.0	394.5	390.1	384.2	378.0	371.6	365.5	360.5	357.2	358.3	362.5	368.1	363.7	355.0	345.5	335.0	324.4
Paris Club	25.5	25.4	23.7	23.6	23.6	22.6	21.7	20.6	19.6	18.3	16.8	15.3	14.5	13.8	13.0	12.2	11.3	10.4
Other Bilateral	39.7	38.9	35.2	33.8	32.3	30.4	28.5	26.6	24.8	22.8	20.9	18.8	16.8	14.6	12.7	11.3	9.9	8.9
New Borrowing	0.0	49.3	112.5	170.9	222.3	276.7	333.4	392.0	446.0	503.6	564.2	627.9	696.4	770.3	849.9	932.7	1,019.2	1,109.6
Debt service due																		
<i>Before HIPC Assistance 3/</i>																		
	Paid																	
Total	53.1	59.3	66.9	72.4	76.4	79.7	78.6	78.2	81.4	84.2	82.8	83.9	84.5	88.7	91.5	96.9	102.3	107.5
Multilateral	43.9	50.7	56.4	60.7	63.5	64.2	61.5	55.0	51.5	48.0	43.2	41.0	40.4	42.6	43.5	43.8	43.7	42.9
Paris Club	2.9	2.6	2.6	2.7	2.7	3.6	3.7	3.7	3.8	4.0	4.2	4.3	3.5	3.6	3.7	3.8	3.9	4.1
Other Bilateral	4.7	4.9	5.4	5.3	5.3	5.7	5.5	5.4	5.4	5.4	5.4	5.4	5.5	5.5	5.2	4.8	4.8	4.9
New Borrowing	1.6	1.1	2.5	3.8	5.0	6.2	7.9	14.0	20.7	26.8	29.9	33.2	35.0	36.9	39.1	44.5	49.9	55.6
<i>After Original HIPC Assistance 4/</i>																		
Total	53.1	43.7	46.2	52.0	55.7	58.7	60.0	61.2	65.4	69.6	68.0	68.5	69.5	73.7	76.3	81.6	87.0	92.2
Multilateral	43.9	36.3	37.8	42.4	44.9	45.5	45.3	40.5	38.1	36.0	31.2	28.6	28.6	31.0	31.8	32.2	32.4	31.8
Paris Club	2.9	2.1	1.8	1.8	1.7	2.6	2.6	2.6	2.6	2.8	2.9	2.9	2.0	2.0	2.1	2.1	2.1	2.2
Other Bilateral	4.7	4.2	4.2	4.1	4.0	4.4	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.4	2.9	2.7	2.7
New Borrowing	1.6	1.1	2.5	3.8	5.0	6.2	7.9	14.0	20.7	26.8	29.9	33.2	35.0	36.9	39.1	44.5	49.9	55.6
<i>After Enhanced HIPC Assistance 5/</i>																		
Total	53.1	33.8	30.1	35.4	37.7	40.1	41.5	46.7	51.9	56.1	54.7	54.7	54.5	66.6	72.4	77.6	83.2	88.0
Multilateral	43.9	26.5	21.8	26.7	27.9	27.8	27.7	27.0	25.5	23.5	19.0	15.8	14.7	25.0	29.0	29.4	29.7	29.3
Paris Club	2.9	2.1	2.0	1.3	1.4	2.2	2.2	2.2	2.2	2.4	2.5	2.5	1.6	1.6	1.6	1.5	1.5	1.6
Other Bilateral	4.7	4.2	3.8	3.5	3.5	3.9	3.7	3.5	3.5	3.4	3.3	3.3	3.2	3.1	2.7	2.2	2.1	1.5
New Borrowing	1.6	1.1	2.5	3.8	5.0	6.2	7.9	14.0	20.7	26.8	29.9	33.2	35.0	36.9	39.1	44.5	49.9	55.6

Source: Burkinabe authorities; and staff estimates and projections.

1/ Refers to public and publicly guaranteed debt only.

2/ The present value of debt is discounted as of end-2000, using end-1999 CIRR.

3/ The NPVs of debt for other bilateral creditors reflect a hypothetical stock-of-debt operation on Naples terms at end-1999. Actual stock-of-debt operations on Lyon and Cologne terms have been delivered separately at their respective completion points, but are expected to be consolidated into one operation at the completion point under the enhanced HIPC Initiative.

4/ Assumes delivery of assistance from July 2000 under the original HIPC Initiative, discounted with end-1999 CIRR.

5/ Assumes delivery of assistance from July 2001 under the enhanced HIPC Initiative, discounted with end-1999 CIRR.

Interim assistance is assumed delivered in July 2000 - June 2001 by IDA, IMF, EU and IFAD.

6/ The NPV of debt shows the results of the (hypothetical) unconditional commitment of original and enhanced HIPC initiative assistance.

Table 16. Burkina Faso: Key External Debt-Sustainability Indicators, 1999-2018 1/

(In percent; unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NPV of debt to exports ratio 2/																
Before HIPC Assistance 3/	279	285	310	297	268	245	221	204	189	180	172	166	160	154	149	144
After Original HIPC Assistance 4/	279	211	235	231	213	198	182	170	160	154	149	146	142	139	136	133
After Enhanced HIPC Assistance 5/	279	208	186	187	177	169	158	151	144	140	138	136	135	132	130	128
After All HIPC assistance assumed committed unconditionally 6/	150	161	186	187	177	169	158	151	144	140	138	136	135	132	130	128
NPV of debt to revenue ratio 7/																
Before HIPC Assistance 3/	222	236	222	204	189	176	164	155	146	139	131	124	119	114	109	104
After Original HIPC Assistance 4/	222	174	169	158	150	143	135	129	124	119	113	109	106	103	99	96
After Enhanced HIPC Assistance 5/	222	172	133	129	125	122	118	115	111	108	105	102	100	98	95	92
After All HIPC assistance assumed committed unconditionally 6/	119	133	133	129	125	122	118	115	111	108	105	102	100	98	95	92
NPV of debt to GDP ratio																
Before HIPC Assistance 3/	33	34	32	30	28	27	25	24	23	22	21	20	19	18	17	17
After Original HIPC Assistance 4/	33	25	24	23	23	22	21	20	19	18	18	17	17	16	16	15
After Enhanced HIPC Assistance 5/	33	25	19	19	19	18	18	18	17	17	17	16	16	16	15	15
After All HIPC assistance assumed committed unconditionally 6/	18	19	19	19	19	18	18	18	17	17	17	16	16	16	15	15
Debt-service to exports ratio 8/																
Before HIPC Assistance 3/	18	21	20	20	18	17	15	13	13	12	11	10	10	9	9	9
After Original HIPC Assistance 4/	18	15	14	14	13	12	11	10	10	10	9	8	8	8	7	7
After Enhanced HIPC Assistance 5/	18	12	9	10	9	9	8	8	8	8	7	7	6	7	7	7
Debt-service to revenue ratio 7/																
Before HIPC Assistance 3/	14	16	16	15	14	14	12	11	11	10	9	8	8	7	7	7
After Original HIPC Assistance 4/	14	11	11	11	11	10	9	9	9	8	7	7	6	6	6	6
After Enhanced HIPC Assistance 5/	14	9	7	7	7	7	6	7	7	7	6	5	5	6	6	6
<i>Memorandum items</i>																
<i>(in millions of U.S. dollars)</i>																
Original HIPC Assistance 4/	...	15.6	20.7	20.4	20.7	20.9	18.6	17.0	15.9	14.7	14.8	15.3	15.0	14.9	15.2	15.3
Enhanced HIPC Assistance 5/	...	9.8	16.1	16.6	18.0	18.6	18.6	14.5	13.6	13.5	13.3	13.8	15.0	7.2	3.9	3.9
Exports, goods & nonfactor services (current year)	292	288	334	368	421	470	539	589	644	694	749	811	877	945	1,019	1,099
Exports, goods & nonfactor services (3-year average)	308	315	305	330	374	419	476	533	591	642	696	751	812	878	947	1,021
Government revenues excluding official grants	387	381	426	481	530	582	641	701	765	834	918	1,007	1,091	1,185	1,292	1,410
Gross Domestic Product	2,585	2,648	2,929	3,245	3,528	3,829	4,163	4,527	4,922	5,351	5,817	6,325	6,876	7,477	8,130	8,840

Source: Burkinabe authorities and staff estimates.

1/ Refers to public and publicly guaranteed debt only.

2/ In percent of the three-year moving average of exports of goods and non-factor services.

3/ The NPVs of debt for other bilateral creditors reflect a hypothetical stock-of-debt operation on Naples terms at end-1999. Actual stock-of-debt operations on Lyon and Cologne terms have been delivered separately at their respective completion points, but are expected to be consolidated into one operation at the completion point under the enhanced HIPC Initiative.

4/ Assumes full delivery of assistance under the original HIPC Initiative as of July 2000.

5/ Assumes interim relief under the enhanced initiative in July 2000 - June 2001 and full delivery of assistance from July 2001.

6/ The NPV of debt shows the results of the (hypothetical) unconditional commitment of original and enhanced HIPC initiative assistance.

7/ In percent of government revenues excluding grants.

8/ In percent of current year exports of goods and non-factor services.

Table 17. Burkina Faso: Possible Delivery of IDA Assistance Under the HIPC Initiatives 1/

(In millions of U.S. Dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service to IDA Before HIPC Assistance	12.8	15.0	19.4	20.1	20.7	22.3	22.9	22.9	23.3	24.3	25.3	26.6	29.5	29.9	30.4
Principle	7.2	9.5	13.9	14.7	15.4	17.1	17.9	18.0	18.5	19.7	20.8	22.3	25.4	26.0	26.6
Interest	5.6	5.6	5.5	5.4	5.3	5.2	5.0	4.9	4.8	4.6	4.5	4.3	4.1	3.9	3.8
Debt Service to IDA After Original HIPC Assistance	9.9	9.1	13.5	14.2	14.9	16.4	17.1	17.2	17.2	17.4	17.8	19.1	22.1	22.5	23.1
Debt Service to IDA After Enhanced HIPC Assistance	7.1	2.3	6.4	6.7	6.6	7.9	8.5	8.6	8.5	8.5	8.2	8.0	18.7	22.5	23.1
Total Assistance by IDA under the HIPC Initiative	5.8	12.7	13.0	13.3	14.1	14.4	14.4	14.3	14.8	15.8	17.1	18.5	10.8	7.4	7.3
<i>Of which:</i> Debt service relief under Original HIPC	3.0	6.0	5.9	5.9	5.9	5.8	5.8	5.8	6.1	6.9	7.5	7.5	7.4	7.4	7.3
<i>Of which:</i> Debt service relief under Enhanced HIPC	2.8	6.8	7.1	7.4	8.2	8.6	8.6	8.6	8.7	8.9	9.6	11.1	3.4	0.0	0.0
Memorandum Item:															
IDA assistance as a percentage of debt service due	45%	85%	67%	66%	68%	65%	63%	63%	64%	65%	68%	70%	37%	25%	24%
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Debt Service to IDA Before HIPC Assistance	30.9	30.9	30.8	30.7	30.8	31.1	30.7	30.3	29.9	29.4	28.9	28.1	27.4	25.8	24.0
Principle	27.4	27.5	27.7	27.8	28.1	28.6	28.4	28.3	28.0	27.8	27.5	26.8	26.3	25.0	23.3
Interest	3.5	3.3	3.1	2.9	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.2	1.0	0.9	0.7
Debt Service to IDA After Original HIPC Assistance	23.7	23.6	23.6	23.6	23.7	24.1	23.9	23.7	23.6	23.4	23.2	23.1	22.9	22.6	22.5
Debt Service to IDA After Enhanced HIPC Assistance	23.7	23.6	23.6	23.6	23.7	24.1	23.9	23.7	23.6	23.4	23.2	23.1	22.9	22.6	22.5
Total Assistance by IDA under the HIPC Initiative	7.3	7.2	7.2	7.1	7.1	7.0	6.8	6.6	6.3	6.0	5.7	5.0	4.5	3.2	1.5
<i>Of which:</i> Debt service relief under Original HIPC	7.3	7.2	7.2	7.1	7.1	7.0	6.8	6.6	6.3	6.0	5.7	5.0	4.5	3.2	1.5
<i>Of which:</i> Debt service relief under Enhanced HIPC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:															
IDA assistance as a percentage of debt service due	24%	23%	23%	23%	23%	23%	22%	22%	21%	21%	20%	18%	16%	12%	6%

1/ The original assistance is assumed to be delivered in July 2000 with a purchase and cancellation of 21 credits, for which debt service is due until 2029 for a total nominal amount of \$182.7 mn.
The enhanced assistance is assumed to be delivered from July 2000, covering 50 percent of debt service due on IDA credits remaining after delivery of original HIPC assistance.
The enhanced assistance will be completed in 2012 for a total nominal amount of US\$ 99.6 mn. Interim relief is assumed to be delivered in June 2000-June 2001 for a total nominal assistance of US\$ 6.0 million, equivalent to US\$ 5.8 million in NPV terms, or 8.3 percent of total IDA assistance under the enhanced HIPC Initiative.
Debt service projections are based on the debt outstanding as of end-1999.

2/ Discounted at the Original Completion Point, with end-1999 crr.

2/ Discounted at the Enhanced Decision Point, with end-1999 crr.

Table 18. Burkina Faso: Possible Delivery of IMF Assistance under the HIPC Initiative 1/

(In millions of U.S. Dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (in percent of total assistance)										
Under the original framework	9	12	13	15	20	14	10	7	0	0
Under the enhanced framework	10	11	14	20	20	20	4	1	0	0
Debt service due on current IMF obligations 2/	6.1	14.5	15.3	17.6	18.7	16.3	11.8	10.0	6.4	2.9
<i>of which</i> : Principal	5.5	13.5	14.4	16.7	17.9	15.6	11.2	9.4	5.9	2.4
Interest	0.5	1.0	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.5
IMF assistance--deposits into Burkina Faso's account 1/										
Under original HIPC	21.7									
Under enhanced HIPC	2.0	17.9								
Total IMF assistance under the HIPC Initiative -- drawdown schedule 3/	2.1	3.1	3.8	4.1	5.0	3.5	2.4	1.7	0.0	0.0
<i>Of which</i> : under the original framework	2.0	3.1	3.8	4.1	5.0	3.5	2.4	1.7	0.0	0.0
under enhanced framework	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service due on current IMF obligations after total IMF assistance 2/ 4/	3.9	11.4	11.5	13.5	13.7	12.8	9.3	8.3	6.4	2.9
Share of debt service due on current IMF obligations covered by total IMF assistance (in percent) 2/ 3/	34.9	21.4	24.7	23.2	26.8	21.6	20.7	17.0	0.0	0.0
<i>Memorandum items:</i>										
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Burkina Faso's account	38.3	19.3	19.6	19.5	24.2	19.5	19.4	16.1	0.0	0.0
Total debt service due 5/	59.3	66.8	72.2	76.2	79.5	78.4	77.9	80.8	83.5	82.1
Share of total debt service covered by total IMF assistance (in percent) 3/	3.6	4.6	5.2	5.4	6.3	4.5	3.1	2.1	0.0	0.0
Debt service due on current IMF obligations after total IMF assistance 2/ 4/ (in percent of exports)	1.3	3.7	3.5	3.6	3.3	2.7	1.8	1.4	1.0	0.4

Sources: Burkinabe authorities and IMF; and staff estimates.

1/ Total IMF assistance under the HIPC Initiative is US\$ 41.6 million calculated on the basis of data available at the original completion point and second decision point, excluding interest earned on Burkina Faso's account and on committed but undisbursed amounts as described in footnote 3.

2/ As of June 30, 2000, using the latest US\$/SDR exchange rate available.

3/ Includes estimated interest earnings on: (1) amounts held in Burkina Faso's account; and (2), up to the second completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. The completion point is assumed to be in mid-2001.

4/ Total obligations less HIPC Initiative assistance.

5/ After traditional debt relief mechanisms.

Table 19. Burkina Faso: Exchange Rate and Discount Rate Assumptions

	Exchange Rates 1/ (currency per U.S. dollar)	Discount Rates (CIRR) 2/ (in percent)
Austrian Schilling	13.70	5.47
Belgian Franc	40.16	5.47
Canadian Dollar	1.44	6.67
CFA Franc	652.95	5.47
Swiss Franc	1.60	4.27
Chinese Yuan	8.28	5.59
Deutsche Mark	1.95	5.47
Danish Kroner	7.40	5.32
European Currency Unit	1.00	5.47
Spanish Peseta	165.62	5.47
Finnish Markkaa	5.92	5.47
French Franc	6.53	5.47
British Pound	0.62	6.70
Irish Pound	0.78	5.47
Italian Lira	1,927.40	5.47
Japanese Yen	102.20	1.98
Kuwaiti Dinar	0.30	5.59
Luxembourg Franc	40.16	5.47
Dutch Guilder	2.19	5.47
Norwegian Kroner	8.04	6.64
Portugese Escudo	199.56	5.47
Saudi Arabian Riyal	3.75	5.59
Special Drawing Rights	0.73	5.59
Swedish Kroner	8.53	5.80
United States Dollar	1.00	7.04

Source: European Central Bank; IMF, International Financial Statistics; OECD; and staff estimates.

1/ End-of-period exchange rates as of end-December, 1999.

2/ Average Commercial Interest Reference Rates for respective currencies over the six-month period prior to end-1999 (i.e., the end of the period for which actual debt and export data are available).

Table 20. HIPC Initiative: Status of Country Cases Considered Under the Initiative
June 2000

Country	Decision Point	Completion Point	NPV of Debt-to-Export Target (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value)					Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
				Total	Bilateral	Multi-lateral	IMF	World Bank			
Completion point reached under enhanced framework											
Uganda				1,003	183	820	160	517	40	1,950	
original framework	Apr. 97	Apr. 98	202	347	73	274	69	160			Received
enhanced framework	Feb.00	May 00	150	656	110	546	91	357			Being sought
Decision point reached under enhanced framework											
Bolivia				1302	425	876	84	194	30	2,060	
original framework	Sep. 97	Sep. 98	225	448	157	291	29	53			Received
enhanced framework	Feb.00	Floating	150	854	268	585	55	141			Being sought
Mauritania	Feb.00	Floating	137 3/	622	261	361	47	100	50	1,200	Being sought
Mozambique				1,970	1,235	736	141	434	72	4,300	
original framework	Apr. 98	Jun. 99	200	1716	1076	641	125	381			Received
enhanced framework	Apr. 00	Floating	150	254	159	95	16	53			Being sought
Senegal	Jun. 00	Floating	133 3/	452	193	259	42	116	18	800	Being sought
Tanzania	Apr. 00	Floating	150	2,026	1,006	1,020	120	695	54	3,000	Being sought
Completion point reached under original framework											
Guyana	Dec. 97	May 99	107 3/	256	91	165	35	27	24	410	Received
Decision point reached under original framework											
Burkina Faso 4/	Sep. 97	Apr. 00	205	229	32	196	22	91	27	400	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 3/	345	163	182	23	91	6 5/	800	Being sought
Mali	Sep. 98	Spring 00	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed				8,333	3,626	4,705	688 6/	2,309		15,170	
Preliminary HIPC document issued 7/											
Cameroon	...	...	150	1,466	1,047	358	41	197	30	2,700	...
Ethiopia	...	...	200	636	225	411	22	214	23	1,300	...
Guinea	...	...	150	638	256	383	37	173	34	1,148	...
Guinea-Bissau	...	...	200	300	148	153	8	73	73	600	...
Honduras	...	...	137 3/	569	208	361	18	85	18	1,024	...
Nicaragua	...	...	150	2,507	1,416	1,091	32	188	66	5,000	...
No assistance required under original framework--to be reassessed under enhanced framework											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Eligible under fiscal criteria; figures provided show the ratios of debt-to-exports that correspond to the targeted debt-to-revenue ratio. For Guyana and

Cote d'Ivoire, a 280 percent NPV of debt-to-revenue ratio was targeted at the completion point; for Honduras, Mauritania and Senegal, a 250 percent ratio was targeted at the decision point.

4/ Includes additional assistance required to meet 205 percent debt-to-exports target at completion point. Topping up from assistance level indicated in September

1997 decision point document can be found in Table 12.

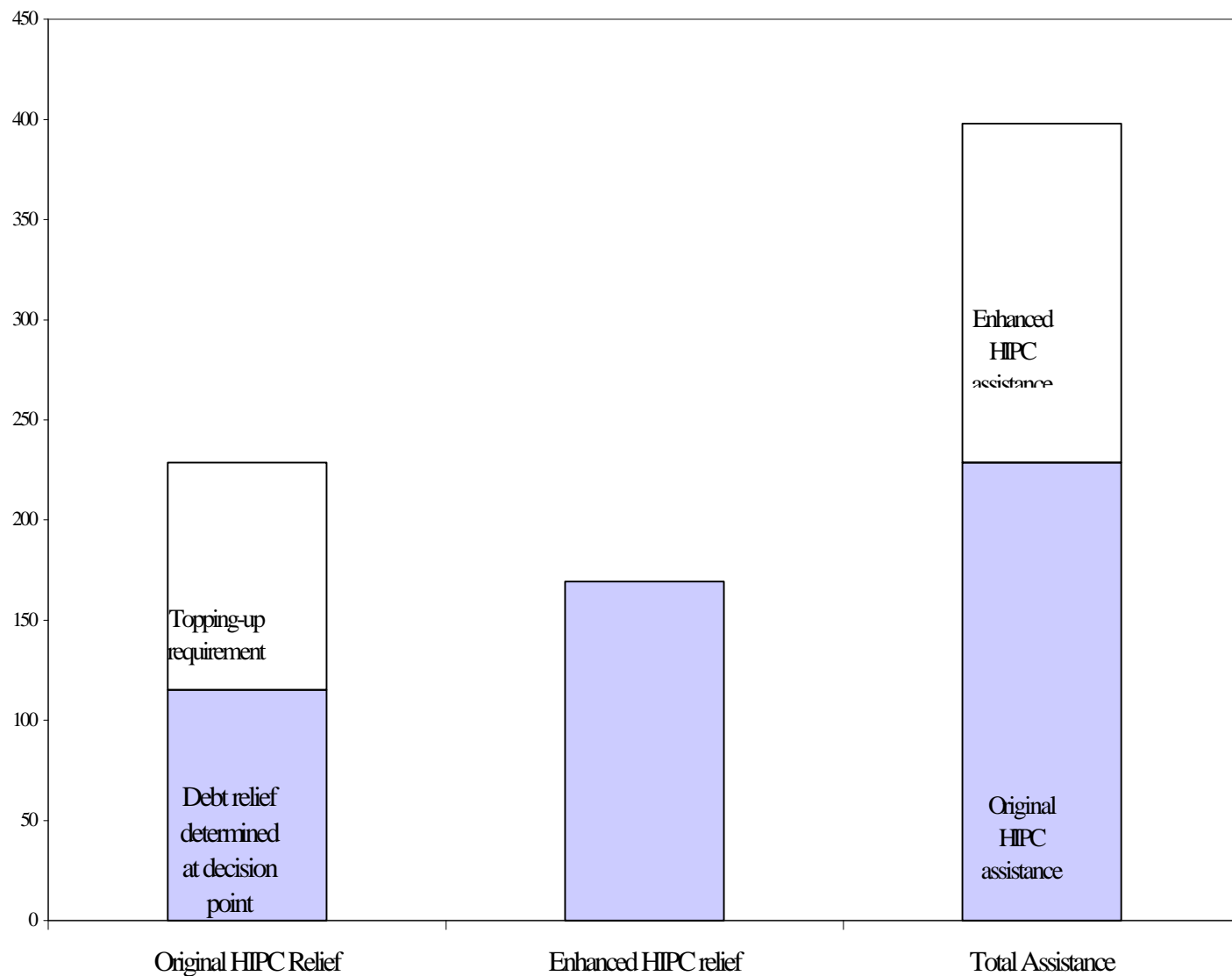
5/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

6/ Equivalent to SDR 512 million at an SDR/USD exchange rate of 0.744.

7/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change.

Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Nicaragua, Tanzania, Guinea, and Honduras, targets are based on the enhanced framework and assistance levels are at the decision point.

**Figure 1. Burkina Faso: Assistance Levels in NPV terms 1/
(millions of US dollars)**



Source: Burkinabe authorities; and staff estimates.

1/ After hypothetical stock of debt operation in 1999.

Figure 2. Burkina Faso: Original HIPC Assistance (in end-1999 NPV) 1/

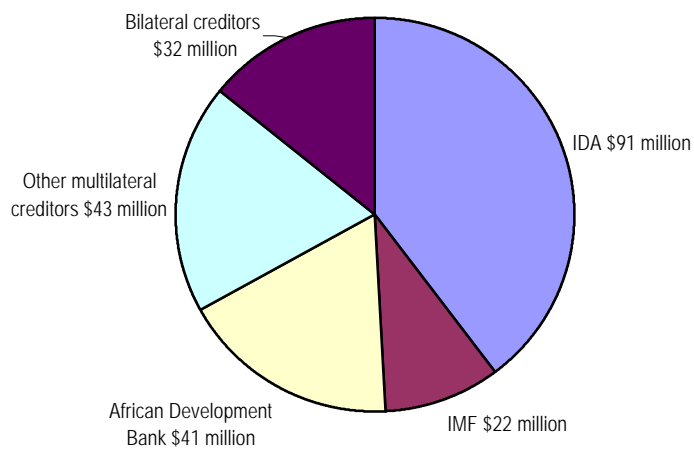


Figure 3. Burkina Faso: Enhanced HIPC Assistance (in end-1999 NPV) 1/

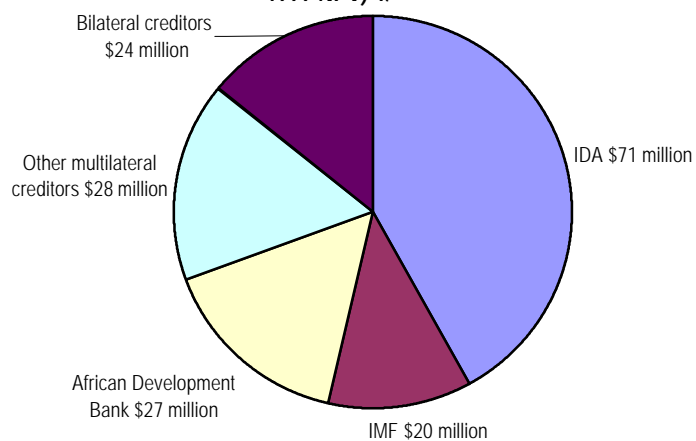
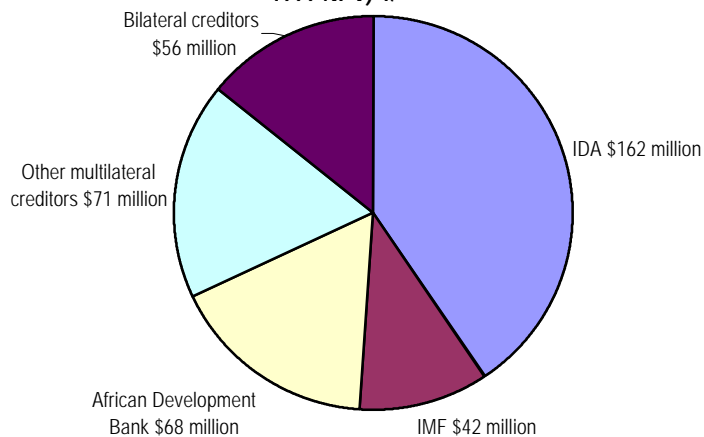


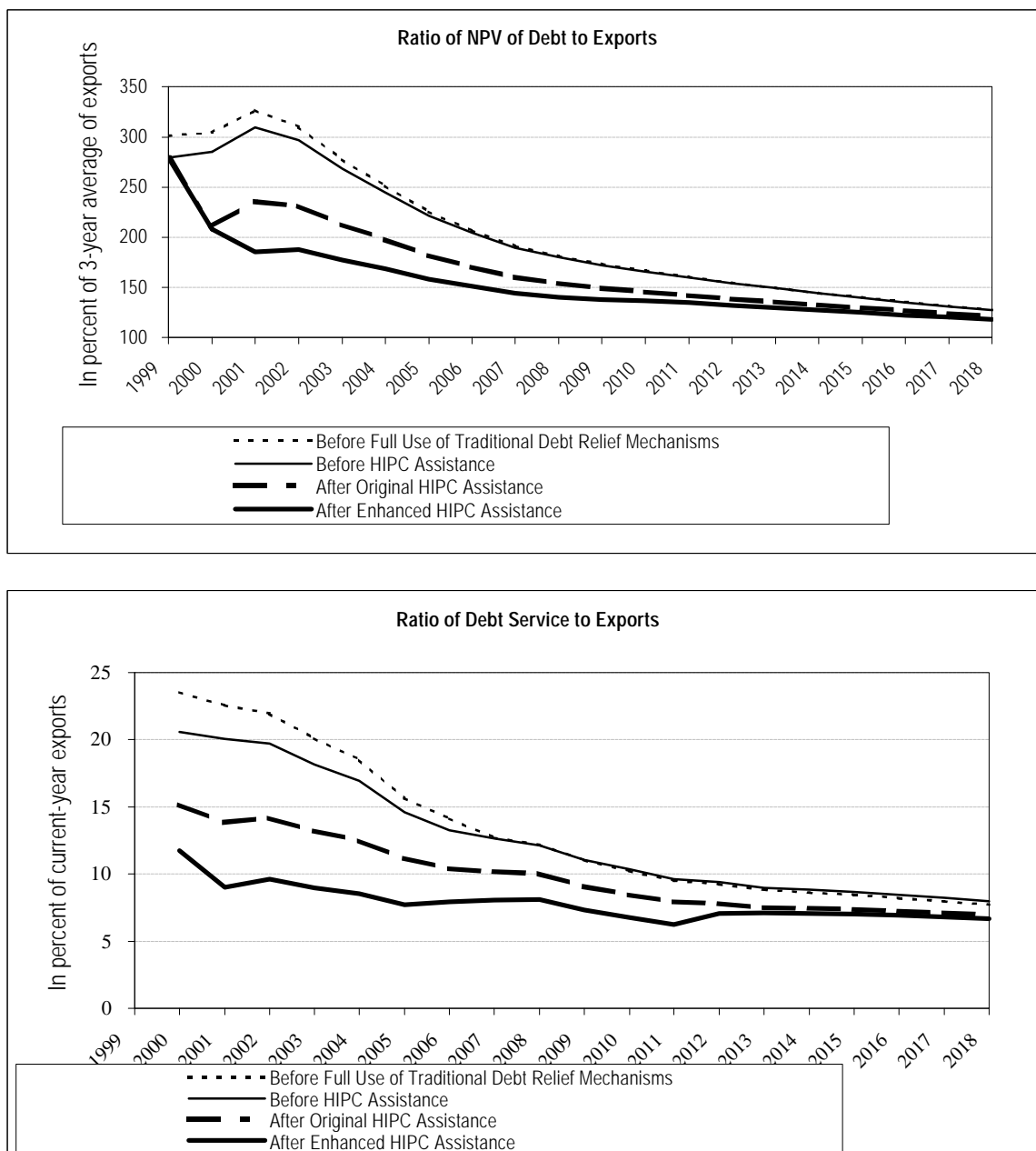
Figure 4. Burkina Faso: Total cumulated HIPC Assistance (in end-1999 NPV) 1/



Source: Burkinabe authorities; and staff estimates.

1/ Assumed committed unconditionally.

Figure 5. Benefits from the HIPC Initiative, 1999-2018



Source: Burkinabe authorities; and staff estimates.

Burkina Faso: Structural Reforms in 1996–2000

- **The WAEMU common external tariff (TEC)** was adopted in a number of phases from 1998 to January 2000. It involved a reduction of the maximum rate from 37 percent to 21 percent, with the adoption of four rates for customs duties (0,5,10, and 20 percent) and of a statistical tax of 1 percent, a shift in the classification of products subject to the different rates, and a temporary protection tax of 15 percent for eligible products. The new product classification entered into effect in April 1999, with a temporary maximum rate of 25 percent, which was reduced to 20 percent on January 1, 2000. The statistical tax also was reduced on this date from 4 percent to 1 percent. Imports of goods produced within the area that meet the rules of origin requirement have been fully duty free since January 2000.
- In June 1999, **procedures for tax payments on government procurement were strengthened**, with the value-added tax (VAT) applied on all public procurement contracts. Accordingly, the government now pays the VAT as interim payments are made on the executed public work, while contractors are no longer exempted and are paying the VAT on the goods and services used as input. This reform widens the scope of the VAT, which thus gains in transparency and effectiveness.
- **Taxation of the informal sector has been strengthened**, with the introduction in January 2000, as anticipated in the program, of a withholding tax at customs of 2 percent on imports and on purchases from wholesales and producers, creditable against the business profit tax for registered taxpayers.
- **The civil service reform** was approved in 1998, following a broad-based discussion in 1997, and entered into effect in 1999. Key elements of the reform are (a) the introduction of a performance-based promotion system, (b) a widening of the salary scale, (c) and increased reliance on contractual staff, in order to allow greater flexibility in allocating employees, and in particular to improve social service delivery outside the main city centers.
- **A computerized process for monitoring budgetary execution** (*chaîne informatisée de la dépense*) has been in place since 1996-97. The computerized system is designed to record the entire expenditure cycle (from commitment to verification and actual payment) for all government operations, and thus to facilitate the monitoring of expenditure by ministries and the rapid production of treasury balances. However, monitoring of foreign-financed investment expenditure is still hampered by delays in the provision of data by external donors and lenders.
- **An integrated government accounting system (CIE)** is in the final phase of preparation and will become operational in mid-2000. With the integration of all government accounting operations, it will be possible to produce comprehensive treasury balances rapidly, also covering the operations of decentralized treasury units; accordingly, this will

permit the scope for decentralization to be widened through payments at the provincial level.

- **The banking system was restructured** with the privatization and recapitalization of all the existing banks. The final agreements for the privatization of the BFCI-B (Banque pour le Financement du Commerce et des Investissements au Burkina) was reached in 1997, and the bank was renamed Société Générale des Banques au Burkina (SGBB); the liquidation of the development bank BND-B was completed in January 1998; BALIB (Banque Arabe Libyenne Burkinabè) was recapitalized and restructured, taking the name of BCB (Banque du Commerce du Burkina). Two new foreign banks and three nonbank financial institutions entered into operation in 1997-98; this increase in the number of banks has enhanced competition and helped narrow interest rate spreads. All banks are observing the prudential ratio of 4 percent currently in force, and five banks are already observing the new ratio of 8 percent established by the Central Bank of West African States (BCEAO) in mid-1999, which is to be observed by all banks by end-2001.
- **Concerning decentralized financial systems (DFS)**, on the basis of a 1997 audit, the Union des Coopératives d'Épargne et de Crédit du Burkina (UCECB) was liquidated, and a system of yearly audits was put in place for the main savings and loans institution, the Réseau des Caisses Populaires du Burkina (RCPB), which has been expanding its activities rapidly. The DFS network is still inadequate and does not cover all areas of the country.
- **The implementation of the first two phases of the privatization program**, launched respectively in 1991 and 1994, has been completed, involving 41 companies, which have been either privatized or liquidated. At the same time, significant progress has been made in the third phase of the program, which focuses on public utilities and the cotton sector.
- **The telecommunications sector-restructuring program is off to a good start**, as a number of steps have already been taken to implement the 1998 law. The studies planned on the regulatory framework (tariffs and interconnection system) were completed, and the basic regulations were adopted by the Council of Ministers in February 2000. A regulatory authority was established in November 1999 and has been fully operational since April 2000; two mobile telephone licenses were granted in March 2000. As regards to the privatization of the telephone company (ONATEL), which was approved in 1998, the recruitment of an investment bank to manage the bidding process is to be completed by end-May 2000.
- **The law designed to open up the energy sector to private investors** was also approved in December 1998. In December 1999, the government, in agreement with the World Bank, adopted a strategy to reform the sector, including the electricity company (SONABEL) and the petroleum import company (SONABHY). The government is preparing the institutional and regulatory framework for the electricity sector, which will be finalized by the fourth quarter of 2000. By end-2000, the specific plan for the privatization of SONABEL will also be finalized, and a plan for expanding and ensuring

the viability of rural electrification centers will be prepared in coordination with donors and lenders active in the sector.

- Negotiations are close to completion with a strategic partner regarding the **privatization of Air Burkina**; this should bring in fresh capital to the company, while the government's contribution will be mainly constituted by the single existing aircraft.
- **Concerning the cotton sector**, farmers' associations acquired 30 percent of the cotton company's (SOFITEX) capital in 1999, and the new shareholders are already taking an active part in the management of the company. The role of the private sector in cotton transport was strengthened. Moreover, actions are under way to gradually transfer to the farmers' associations the financing of outreach activities and technical assistance that used to be carried out directly by the cotton company. The interprofessional agreement among the government, SOFITEX, and the producers' associations became effective in February 1999, and it is due to be renegotiated before the end of 2000; it specifies that half of the company's profits are to be allocated to the farmers in the form of supplements to the cotton purchase price. The terms and conditions for opening up the new cotton-producing areas to private ginning and marketing operators are also being prepared, and should be finalized by end-June 2000. They will specify the obligations of new operators, in particular with regards to research expenditures, supply of seeds and insecticides, and the maintenance of rural roads.

Burkina Faso: Structural and Institutional Reforms in 2000–03

A. Tax Administration

1. Following the measures adopted in recent years to widen the tax base and strengthen tax administration, accompanying the reduction of the external tariff in the framework of the WAEMU, the emphasis will remain on improving further the tax administration, in particular concerning (a) the large taxpayers unit, (b) the monitoring of public investment-related activities, for which the taxes are paid by the treasury, and (c) real estate taxes and local taxes, in the context of a larger role for local governments. In the framework of the harmonization of excise taxes and the VAT in the union, which is still under review, measures may have to be taken in the next two years concerning the extension of the VAT to some agricultural inputs, presently exempt, after a careful study of its impact on poor farmers, and the modification of excise taxes on petroleum products.

B. Trade Reform

2. With the full implementation, in January 2000, of the common external tariff of the WAEMU and the elimination of all duties on interregional trade for products that meet the rules of origin requirement, the average tariff rate has decreased significantly, from 13.7 percent in 1997 to an estimated 7.4 percent in 2000. A temporary protection tax of 15 percent (declining to zero in 2003) can be applied, upon decision of the WAEMU commission, to products belonging to a predetermined list, for which the decline of effective protection exceeds a threshold of 10 percent; Burkina Faso has requested and obtained this temporary protection for six products. A conjunctural tax for products benefiting from subsidies in major exporting countries will have instead a permanent nature.

C. Financial Sector

3. With the restructuring in recent years of the existing five commercial banks, and the opening of two new private banks, the system is now more competitive, with lower spreads, and it is adequately capitalized. The focus is now on widening the network of microfinance institutions (decentralized financial systems, or DFS) in all the main areas of the country to ensure adequate provision of credit to support both rural- and urban-based small-scale activities. The links between commercial banks and the DFS will also have to be strengthened. The donor-supported community-based rural development programs (see Section IV,B) will have, as a key priority, the extension of DFS network.

D. Privatization and Public Enterprise Reform

4. Following the completion of the first two phases of the privatization program, the authorities are now focusing on (a) the privatization of the telecommunications company, ONATEL, which should be brought to the point of sale by end-2000, following the establishment of a new regulatory framework; and (b) the establishment before end-2000 of a new institutional and regulatory framework for the electricity sector, and the definition by end-2000 of the specific scheme for the privatization of the electricity company, SONABEL,

specifying the functions that will be attributed to the private sector and those that will remain in the public domain. Particular attention will be given to ensure that telecommunication services are extended to the rural areas, with appropriate technology; this will be facilitated by the launching in two years of a RASCOM (Regional African Satellite Communication Organization) satellite, which will link all locations equipped with appropriate terminals. The reform of the electricity sector, with a much larger role of the private sector, will have to ensure that the rural electrification effort continues to remain a key priority.

E. Governance, Transparency, and Accountability

5. The authorities have emphasized in the PRSP their commitment to improve governance and increase transparency and accountability (see Section 4.2.4 of the PRSP). The national plan of good governance that was adopted in 1998 concentrates on the reform of the public administration, with the establishment of objectives for each administrative service and a system of ex post evaluation of performance. The government intends to strengthen the flow of economic and financial information, in particular on budget preparation and execution, relying on the establishment, since 1999, of monitorable three-year program budgets for the key ministries and on an enhanced monitoring of budget implementation. The budgets for health and education are now presented broken-down on a regional and district basis. The government will ensure that the budgets will be widely disseminated at the local and community levels, and their execution will be monitored by the beneficiaries. The government will strengthen its drive against corruption and for more rigor in the conduct of public affairs. To that end, an anticorruption network, including representatives of the administration and civil society, will be established to make recommendations on new instruments and methods. The reinforcement under way of the judicial system will be further pursued with the creation of new administrative tribunals, specializing in business issues. The judicial system's independence from the executive branch will be reinforced. The account tribunal (*Court des Comptes*) has been revamped with full independence from the executive board, and will have a larger role in the preparation of the audited budget accounts laws (*lois de règlements*).

Burkina Faso: The Public Investment Program for 1999–2002 and Its Impact on the Medium-Term Debt Profile

1. The public investment program of Burkina has expanded considerably since 1995, rising from 9.3 percent of GDP in 1995 to 13.9 percent in 1997 and 15.9 percent in 1999. In 2000, the public investment program is projected to decline somewhat to 14.3 percent of GDP (see Table 6 in the main text). The public investment has largely been dependent on foreign financing, with domestic contribution to investment rising from 0.8 percent of GDP in 1995 to 2.7 percent in 1999. The foreign financing has relied to a significant extent on grants, whose share has increased markedly from 52.5 percent of total external financing in 1995 to 65 percent in 1997 and 63 percent in 1999. New borrowing has been significant when compared with exports, and has contributed to the increase in the NPV of debt-to-exports ratio from 247 percent at end-1996 to 279 percent at end-1999. In the three-year period 1997–99, new project borrowing has averaged 37 percent of annual exports.

2. Notwithstanding the large increase in investment in health and education, the bulk of the increase in public investment took place in infrastructure, with the coming on stream of large roads, electricity, water, rural developments, and urban infrastructure projects. In particular, the water project around the major Ziga dam, essential to ensure the water supply for the main city of Ouagadougou, and the dam and rural development project of Bagré absorbed in 1999–2000 about 17 percent of the total external borrowing. Road and urban development absorbed about 22 percent of total borrowing, rural development projects 18 percent, and energy and mining 9 percent. Health absorbed 15 percent and education 16 percent.

3. In 2001–03, the total investment program is projected to amount on an annual average to 13.3 percent of GDP. Over the medium term, the projections assume, as explained in Box 9, a gradual decline of the size of the public investment program to 10 percent of GDP in 2015, with domestic contribution to investment rising from 4.2 percent of GDP in 2000 to 4.5 percent in 2015. External project borrowing would decline from 4.3 percent of GDP in 1999 to 2.2 percent of GDP in 2015, while grants would decline more moderately from 7.4 percent of GDP in 1999 to 3.2 percent in 2015 (see Table 9 in the main text). Private investment will pick up.

4. The debt sustainability analysis scenario presented in the main text assumes that grants will represent on average 60 percent of the total external project financing starting in 2000, compared with an average of 62 percent in 1998–99. This grant component is somewhat higher than presently projected by the authorities in the context of their 2000–02 public investment program. Therefore, it assumes the readiness of donors to increase over time the grant component of their financing programs to Burkina.¹

¹ The public investment program for 2000–03 was discussed with the authorities during the last Fund program review mission (see EBS/00/84, 5/15/00) and by the World Bank during a

5. Under these assumptions, the debt service-to-exports ratio after HIPC assistance would decline sharply, from 18 percent in 1999 to 10 percent in 2002 and further to 7 percent in 2010. Similarly, the debt service-to-government revenue ratio would decline from 16 percent in 1999 to 7 percent in 2002 and 5 percent in 2010. However, the NPV of debt-to-exports ratio after assumed HIPC Initiative assistance would increase temporarily, from 150 percent in 1999 to 187 percent in 2002, reflecting (i) the size of the investment program in the period 1999–2002; (ii) the fact that the HIPC Initiative assistance is applied only on end-1999 debt ; and (iii) the impact of the sharp decline in the international price of cotton on the value of exports. Specifically, exports are projected to fall by 15 percent from 1998 to 2000 reflecting a 22 percent decline in the average export price. After 2002, exports are projected to increase steadily (see Box 9), and the NPV of debt-to-exports ratio will decline steadily to less than 150 percent by 2007.

public expenditure review mission in May 2000. It reflects to an important extent the completion of large projects in infrastructure that were started in 1999 and 2000.